



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: MARCH 19, 2024

FROM: FINANCE DEPARTMENT WARDS: ALL

SUBJECT: PURCHASING RESOLUTION REVISION OF THE CITY'S CENTRALIZED PURCHASING SYSTEM ADMINISTERED THROUGH THE FINANCE DEPARTMENT'S PURCHASING DIVISION

ISSUE:

Approve an amended Purchasing Resolution to implement recommended changes to the City's Centralized Purchasing system regarding Local Vendor Preference, City Manager Signature Authority, and making minor corrections.

RECOMMENDATIONS:

That the City Council:

1. Approve an amended Purchasing Resolution to implement recommended changes to the City's Centralized Purchasing system regarding Local Vendor Preference, City Manager Signature Authority, and making minor corrections; and
2. Repeal Purchasing Resolution 23914.

LEGISLATIVE HISTORY:

City Charter Section 1105, Centralized Purchasing, and the 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.

City Charter section 1202(b) authorizes the Board of Public Utilities to "[a]uthorize, and let public works contracts in compliance with Section 1109, within the limits of the budget of the Department of Public Utilities, any purchase of equipment, materials, supplies, goods or services, or any acquisition, construction, improvement, extension, enlargement, diminution, or curtailment of all or any part of any public utility system when the amount exceeds \$50,000, and authorize the City Manager, or his designee, to execute contracts or issue purchase orders for the same."

COMMITTEE RECOMMENDATION:

The Economic Development, Placemaking and Branding/Marketing Committee met on January 18, 2024, with Chair Edwards and Member Hemenway present, to consider the expansion of the Local Vendor Preference (LVP) policy. After discussion the Committee unanimously voted to recommend that the City Council support the expansion of the LVP policy with the addition of a “Good Faith Effort Affidavit” for Level One purchases.

BACKGROUND:

Local Vendor Preference

On July 9, 1991, the City Council adopted Resolution 17788 which allowed staff to consider a 1% local preference when evaluating bids for the purchase of goods. The 1% represented the sales tax the City would receive associated with a purchase.

On March 11, 2003, the City Council adopted Resolution 20363 amending portions of purchasing resolution 17788 including, but not limited to, increasing the local preference from 1% to 5% on the purchase of goods.

On April 17, 2012, the City Council approved a Community Benefit Program template for use in RFPs specifically for Design-Build contracts.

On November 19, 2020, the City Manager’s Office presented the Local Preference and Disadvantaged Business Enterprise Procurement Policies and potential new policy implementation overview to the Economic Development, Placemaking, and Branding/Marketing Committee (Committee). Following discussion and without formal motion, the Committee unanimously (1) received and ordered filed an overview of the local preference procurement and disadvantaged business enterprise policies; and (2) requested staff prepare an organizational plan that incorporates stakeholders and topics and information on the request for proposals of vacant City-owned surplus land to the Committee at a future meeting.

On January 21, 2021, the Finance Department presented to the Committee an Organizational Plan for Local Preference Procurement and Disadvantaged Business Enterprise (DBE) Policies incorporating stakeholders’ topics and information on request for proposals of vacant City-owned surplus land. Following discussion, the Committee unanimously and without formal motion received and ordered filed the organizational plan.

On March 18, 2021, the Finance Department presented research findings for local preference policy expansion to the Committee with updates on ten related tasks and objectives. The Purchasing Division formulated data requirements to meet four goals to review Vendor Data, Contract Award Date, Vendor Opinions on Local Preference Programs and Stakeholder Involvement. Following discussion and without formal motion, the Committee received and ordered filed the report.

On October 19, 2023, the Finance Department outlined the existing local preference policies, offering a comprehensive overview of procurement methodologies and the current implementation of Local Vendor Preference (LVP) within the City. Comparative insights into analogous policies at neighboring municipalities were also provided for contextual understanding.

In a strategic effort to inform future decision-making, the committee revisited pertinent survey results as a refresher during this session. Subsequent inquiries were raised to discern essential policy elements requiring determination. Finance presented recommendations for an expanded scope of Local Preference, prompting the Committee to request a subsequent presentation for additional guidance on successfully incorporating all procurement categories, transcending the existing limitation to Goods.

City Manager Signature Authority

The City Manager is authorized and directed by City Charter Section 601 and Chapter 3.16 of the Riverside Municipal Code to prepare and recommend adoption of rules and regulations governing procurement and is authorized by Section 419 of the City Charter to bind the City to contracts. One of the primary components of the framework of City Council resolutions and administrative policies and procedures that govern the City's procurement activities is the signature authority that has been delegated by the City Council to the City Manager, and by the City Manager to Department Heads. This delegated authority currently allows for any contract of \$50,000 or less to be signed by the City Manager or a subordinate, authorized member of the City's staff without the need for the contract to be approved by the City Council.

Within Purchasing Resolution 23914, adopted by the City Council on October 18, 2022, Section 203 outlines signature authority provisions, setting the City Manager's delegated signature authority at \$50,000. Pursuant to Section 204 of the Purchasing Resolution, the City Manager has delegated authority to the City's Department Heads to sign contracts with a value up to \$25,000.

The City Manager's signature authority was last increased under City Council Resolution Number 20943, adopted on May 17, 2005. The primary reasons for the increase were the changes to the City Charter, aiming to bring consistency to various procurement regulations and establish a uniform threshold of \$50,000. A City Council report detailed the reasons for the change, emphasizing the need for consistency in signature authorities for Riverside Public Utilities and all other City departments. Before the 2005 change, different authorizing resolutions established varying signature authorities for professional services and construction contracts.

At the special Finance Committee meeting on July 29, 2014, a Councilmember requested a review of the City Manager's delegated signature authority for contracts up to \$50,000. The matter was brought to the Finance Committee on September 10, 2014, to consider whether any revisions should be recommended to the City Council. Without a formal motion, the item was continued to October 8, 2014. Following discussions on October 8, 2014, the Finance Committee recommended further exploration of the matter. Despite a review of historical meeting agendas, staff did not locate subsequent reports on this topic, and ultimately, the signature authority remained unchanged.

If adjusted for inflation alone since 2005 when the signing authority was last adjusted the value of today's \$50,000 signing authority would be \$78,532.

DISCUSSION:

Local Vendor Preference

Maintaining LVP for Goods: It's advised that the current criteria for LVP in goods procurement remain as is, allowing vendors to qualify by reporting sales tax returns for a business located within the city. This ensures the city benefits from sales tax revenue according to state law and requires vendors to hold a valid City Business License.

Extension of LVP to Services and Professional Services: Given the supportive data on LVP's effectiveness, City Staff proposes extending the policy to Services and Professional Services as a measure of Best Value. This strategy is inspired by successful practices in the Design-Build sector, emphasizing extensive outreach to qualified Local Businesses. To validate their commitment, Proposers would be required to engage in a series of actions, including attending informational meetings, advertising bids, and conducting negotiations in good faith with interested Local Businesses. The proposed enhancements to include Local Vendor Preferences across various procurement levels demonstrate the city's dedication to increasing local business involvement:

- **Introduction of Level One (Up to \$10K):** Simplifies the process to a single quote requirement, emphasizing good-faith efforts, with a Good-Faith Effort Affidavit necessary for Purchase Order requests.
- **Addition of Level Two (\$10K - \$50K):** Requires three quotes, setting Local Vendor Preference at 5%.
- **Consistency in Level Three (Over \$50K):** Maintains the formal bidding process, continuing the Local Vendor Preference of 5%.

Guidelines for Procurement Processes: Staff recommends that departments prioritize local consultants or businesses and their subconsultants in informal procurement processes, especially when other criteria are evenly matched. In formal procurement scenarios, the inclusion of the service provider's locality as an evaluation criterion in RFPs is suggested, offering an additional 5% weighting for local service providers. This approach is also recommended for qualitative evaluations, where the locality should be considered alongside other specified criteria.

City Manager Signature Authority

The Purchasing Division has undertaken a comprehensive initiative to optimize operational efficiency through the strategic streamlining of processes. This report presents a statistical analysis based on internal process reviews, comparative assessments of Local Agency City Manager Signature Authority Limits, and insights gathered from various Procurement Professional Organizations. The aim is to identify and address bottlenecks in City Manager signature authority, ultimately enhancing the efficiency of City processes. The enhancement of the City Manager's signature authority within the framework established by Purchasing Resolution No. 23914, the Administrative Manuals, the Adopted Budget, and the City Attorney Contract Review is underpinned by a robust set of internal controls designed to safeguard the integrity and compliance of City expenditures. These controls are instrumental in justifying the increase in signature authority without compromising compliance standards.

1. Purchasing Resolution No. 23914 provides a structured approach to procurement, emphasizing competitive bidding and ethical standards. It grants the City Manager the power to bind the City in acquisitions, subject to a monetary limit for fiscal responsibility. This ensures that any increase in signature authority remains within the bounds of approved budgetary allocations, thereby maintaining compliance.
2. The City's Administrative Manuals detail operational procedures for purchasing and contracting, reinforcing the principles of transparency and accountability. These manuals serve as a practical guide for City staff, including the purchasing team, ensuring that procurement processes are consistently applied and understood, which supports the rationale for a controlled increase in the City Manager's authority.
3. The Adopted Budget, with its biennial structure and five-year planning horizon, lays the foundation for a strategic and long-term financial outlook. This budgeting process incorporates internal controls that align spending with strategic priorities, effectively

monitoring and managing City finances. The budget acts as a policy document and financial plan that delineates the scope of authority for expenditures, including those under the City Manager's purview.

4. City Attorney Contract Review adds another layer of oversight, ensuring that all contracts and agreements undergo a thorough legal evaluation before execution. This step is crucial in verifying that any actions taken within the City Manager's increased signature authority are legally sound and in compliance with city policies and regulations.

Collectively, these internal controls establish a foundation for justifying an increase in the City Manager's signature authority, as they provide a comprehensive framework for oversight, accountability, and compliance. Through competitive procurement processes, ethical standards, strategic budgeting, and legal review, the City safeguards against potential compliance issues, ensuring that all expenditures are justified, transparent, and aligned with the City's long-term financial and strategic goals. This multi-layered approach to financial management and procurement underscores the City's commitment to maintaining fiscal integrity while enabling efficient and effective governance.

Procurement Processes:

Purchasing Resolution No. 23914, (Attachment A), alongside the guidelines set forth in the City's Administrative Manual (Attachment B), outlines a comprehensive framework aimed at regulating the expenditure of City funds with an emphasis on transparency, fairness, and accountability in procurement practices. This resolution, rooted in the authority granted by the Charter of the City of Riverside and the Riverside Municipal Code, empowers the City Manager, subject to City Council approval, to establish and enforce regulations governing the procurement, purchase, storage, distribution, and disposal of supplies, materials, and equipment needed by City offices, departments, or agencies.

The Purchasing Resolution (Resolution) explicitly authorizes the City Manager to bind the City in acquisitions included within the approved budget, setting a monetary limit on such authority to ensure fiscal responsibility. A key aspect of the Resolution is its consolidation of various procurement rules into a single document, aimed at maintaining clarity and ensuring consistent application of the City's procurement policies and procedures. It mandates that the procurement of goods, services, and construction must be based on competitive processes, whether informal or formal, except in cases specified by the Resolution or City Charter, thereby promoting efficiency and integrity in the use of City funds.

The Resolution also enforces strict internal controls and adherence to ethical standards by City staff during procurement activities. This includes the application of the City Conflict of Interest Code and a commitment to unbiased judgment, fairness, and honesty in dealings with vendors and clients. It prohibits personal gifts or gratuities from current or potential contractors to prevent undue influence on procurement decisions, fosters positive relationships with contractors, and encourages the resolution of disputes in an equitable manner. City staff are also urged to stay informed of legal requirements and pursue professional development to enhance their procurement proficiency.

The City's Administrative Manual, specifically Chapters 02 and 07, complements the Resolution by detailing the operational procedures for purchasing and contracting. It covers a wide range of procurement-related activities, including requisitioning, order processing, emergency purchases, fleet acquisition, equipment replacement, and surplus management, among others. These policies support the Resolution's objectives by ensuring that procurement internal controls are clearly understood and easily implemented by all relevant personnel.

Together, Purchasing Resolution No. 23914 and the City's Administrative Manual represent a holistic approach to governing the expenditure of City funds, emphasizing competitive procurement, ethical conduct, and professional excellence to safeguard the public interest and maintain the trust of the City's residents and stakeholders.

Adopted Budget:

No item goes to contract until City Council has first voted to appropriate funds for the item through the budget. The budget serves multiple roles: as a critical policy instrument that outlines the City's strategic priorities, a comprehensive financial plan that guides fiscal decision-making, an operations guide that directs daily management and administration, and a communications tool that fosters openness and dialogue with the public. Through this multifaceted approach, the adopted budget ensures that its budgeting process supports robust internal controls, facilitating responsible and effective expenditure of City resources by City staff.

The City of Riverside employs a biennial budget alongside a five-year planning process as a cornerstone of its financial management strategy, ensuring a comprehensive and forward-looking approach to managing the City's finances. By adopting a biennial budget and a five-year planning horizon, the City of Riverside enhances its capacity to oversee and manage its finances, ensuring that spending aligns with established priorities and strategic objectives. This budgeting practice underscores the City's commitment to transparency, accountability to taxpayers, and overall fiscal health.

Integral to this approach is the emphasis on internal controls for City expenditures, which are designed to safeguard financial integrity and promote responsible use of City funds. Within the Finance Department, the contract review process includes a review and certification of available funds, ensuring compliance with adopted budgetary constraints. This examination is fundamental to maintaining fiscal responsibility and adherence to established budgetary constraints.

Agreement Process: (Attachment C)

The process for finalizing agreements within City departments varies significantly depending on whether City Council approval is required. For agreements that do not require City Council action, the process begins with the department working in tandem with the Purchasing Department to complete necessary RFPs, RFQs, Bids, or to provide exceptions to bidding. This involves submitting a purchasing concurrence request and a draft report into the Purchasing Portal, followed by a request to the City Attorney for document preparation. Once the City Attorney finalizes the agreement or contract, it is forwarded to the department for obtaining external signatures and insurance, which is then sent to Risk Management. The Department Head approval form is completed, attached to the agreement or contract, and routed through the Finance Department for the necessary approvals. The original contract or agreement is returned to the City Attorney for final approval and then sent to the City Clerk for verification of insurance, business tax, and bonds, obtaining the City Manager's signature, and for attestation. The electronic copy of the executed document is forwarded to the department by the City Clerk, who retains the original. The department then forwards a copy to the external party once the Purchase Order is issued.

When City Council approval is required, the initial steps mirror those of the non-Council approval process up to the preparation of documents by the City Attorney. However, the process diverges significantly afterward, with the department submitting the purchasing approval and City Council report into Legistar. After obtaining external signatures and insurance, the completed Department

Head approval form is routed through the Finance Department for the necessary directorial approvals. The City Clerk then attaches the documents to the City Council report, and the agreement or contract is subject to approval during a public City Council meeting. Following this approval, the subsequent steps align with the non-Council approval process, including the finalization and distribution of the executed agreement or contract.

In essence, while both processes involve meticulous preparation and internal approvals, the requirement for City Council action introduces additional legislative steps, including submission into Legistar and approval during a public meeting, distinguishing it from the more streamlined process where such approval is not necessary.

Legistar Process:

The process for obtaining City Council approval for departmental items involves a series of meticulous and strategic steps. Initially, departments must engage in a proactive review of both the tentative agendas and the Master Meeting Calendar, as disseminated by the City Clerk's Office. This includes providing any necessary updates or revisions to these documents and familiarizing themselves with relevant meeting dates and deadlines via the Intranet.

A critical element of the process is the designation of a key contact within the department. This individual is tasked with overseeing the progression of the item, ensuring adherence to internal deadlines set in advance of the official submission date, and facilitating any required coordination. This anticipatory approach allows for the accommodation of unforeseen challenges, including those related to document routing and agreement processing.

The submission process itself is standardized, necessitating the use of specific report templates and, in cases involving procurement, the acquisition of purchasing concurrence through the submission of a Concurrence in the Procurement Portal. Additional steps include ensuring that any impact on other departments is communicated and approved, monitoring the advancement of procurement documents, and preparing agreements, resolutions, or ordinances for submission.

Submissions to the City Council are facilitated through the Legistar system, where the final report, alongside all pertinent attachments and documentation, is uploaded. The designated department contact plays a vital role in this stage, tracking the submission through to its official approval and publication. In instances where deadlines cannot be met, department heads are required to directly request late submission approval, including a detailed justification and all related documents, from higher management and the CMO Analyst.

Ultimately, the department retrieves the final published document from Legistar, marking the culmination of a process characterized by thorough preparation, coordination, and communication to successfully obtain City Council approval.

Routing Process for Legistar:

The current process for City Council Agenda submission reviews involves multiple steps and the involvement of various staff members both prior to and within the Legistar system, incurring a significant amount of time and financial cost. Before entering information into Legistar, the process begins with the staff author of the staff report typically dedicating four hours to develop a first draft. A supervisor or manager level staff member then reviews the draft staff report typically taking two hours, followed by a Deputy/Director or Head of Department reviewing the submission for typically half an hour for a well-done report. Additionally, a Senior Procurement & Contract Specialist/PCS must review the report typically taking another three hours forty minutes of work, followed by a

Purchasing Manager review taking typically 10 minutes and an Administrative Assistant review of typically five minutes. Then the staff report is ready for loading into Legistar.

Once the submission moves to Legistar, the Deputy City Clerk, Deputy/Director, Purchasing Manager, Budget Manager, Finance Director, City Attorney/Deputy City Attorney, Assistant City Managers, and the City Manager each play a role in reviewing the submission, contributing varying amounts of time and incurring costs accordingly. The Deputy City Clerk and Deputy/Director typically take half an hour each to review the report, while the City Attorney/Deputy City Attorney, Assistant City Managers and the City Manager take varying times to review and edit depending upon the complexity of the report.

In total, the process of creating a typical, uncomplicated contract staff report takes approximately 14 hours to produce, moving through 13 different staff members until finally approved for submission to City Council. A review of City Council agendas shows an annual volume of approximately 40 agenda items between with a contract value between \$50,000 and \$100,000 that could be approved by the City Manager without the need produce a staff report assuming a modification to signature authority.

Table Number 1 shows the nature of the 40 agenda items referenced. The production of 40 such staff reports require approximately a total staff time of 548 hours. This extensive and costly review process highlights the substantial resources required for City Council Agenda submissions, reflecting the thoroughness and attention to detail necessary for the governance and administrative functions of the city.

Table No. 1

**CITY COUNCIL APPROVALS (\$50,000-\$100,000) THAT WOULD DELIGATE
CITY MANAGER APPROVAL WITH SIGNATURE AUTHORITY INCREASE**

File Count Request Type	Type of Purchase			Grand Total
	Goods	Professional Service	Service	
Amendment		1	4	5
Change Order - Purchase Order	3		2	5
Professional Service Agreement		2		2
Purchase Order	17		1	18
Service Agreement			9	9
Subscription			1	1
Grand Total	20	3	17	40

Other Cities:

The California Association of Public Procurement Officials (CAPPO) conducted a survey in 2023 on City Manager signing authority. (Refer to Attachment D – City Data Chart for detailed survey results.) The survey noted the cities of Oakland and Sacramento with the highest signing authority of \$250,000, to the lowest having signing authority of \$25,000 such as the City of Banning, with the majority having signing authority higher than \$50,000, with no city of comparable size to Riverside having less than \$100,000 signing authority. Of cities surveyed the average signing authority was \$100,00.

Moreno Valley has signing authority of \$100,000 for public works contracts and \$75,000 for all other contracts.

To maintain transparency and accountability a summary of contracts executed not requiring City Council approval can be posted on the city website and provided to City Council.

Necessary Changes for Local Vendor Preference and City Manager Signature Authority:

To support this recommendation, Attachment A includes the existing text of the Purchasing Resolution alongside the proposed amendments.

STRATEGIC PLAN ALIGNMENT:

The amendments of the Purchasing Resolution contribute to Strategic Priority 3 – Economic Opportunity and, specifically, Goal 3.4: Collaborate with key partners to implement policies and programs that promote local business growth and ensure equitable opportunities for all; and Strategic Priority 5 – High Performing Government – Provide world class public service that is efficient, accessible and responsive to all and specifically Goal 5.2 – Utilize technology, data, and process improvement strategies to increase efficiencies, guide decision making, and ensure services are accessible and distributed equitably throughout all geographical areas of the City.

The recommended Purchasing Resolution revisions align with each of the Cross-Cutting Threads as follows:

1. **Community Trust** – Connecting local with increased procurement and contracting opportunities is in the public best interest, benefits the City's diverse populations and results in the greater public good. The recommendations are meticulously formulated based on sound policy and reputable data. Presenting this to the City Council provides an avenue for gaining public insight, reinforcing community trust through transparent and informed decision-making.
2. **Equity** – Supporting local and disadvantaged businesses during solicitation and contracting processes fosters diversity and equity within the City. By prioritizing fairness and equal access to opportunities, we ensure every community member benefits from progress. Streamlining processes empowers the Purchasing Division to allocate resources strategically, promoting equity through efficient and fair distribution across the organization.
3. **Fiscal Responsibility** – This recommendation supports local and disadvantaged businesses by streamlining procurement processes, ensuring cost-effective service provision within the City budget. Statistical analysis demonstrates reduced operational costs and processing time, emphasizing fiscal responsibility and efficient resource management. Ultimately, this initiative aims to achieve both cost and time savings while advancing the City's commitment to supporting diverse businesses and maintaining financial prudence.
4. **Innovation** – This initiative connects local and disadvantaged businesses and stakeholders, providing them with opportunities to contribute to the development of policies and procedures, fostering collaborative partnerships and adaptive processes. The refinement of policies and procedures creates an environment conducive to innovation. Embracing efficiency-driven changes, the Purchasing Division underscores its commitment to innovative practices and adapts to industry advancements, ensuring continued progress and success.
5. **Sustainability & Resiliency** – Promotes growth for local and disadvantaged businesses, contributing to organizational sustainability and resilience through process improvements.

By streamlining procurement procedures, it bolsters the City's adaptability to changing circumstances, ensuring a resilient and sustainable procurement strategy.

FISCAL IMPACT:

There is no immediate fiscal impact associated with the recommendations in this report. If the recommendations are implemented, the fiscal impact will be defined as saving the estimated annual costs associated with not performing the approximately 548 staff hours required to produce staff reports for contracts with values between \$50,000 and \$100,000.

Prepared by:	Jennifer McCoy, Purchasing Manager
Approved by:	Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Certified as to availability of funds:	Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by:	Edward Enriquez, Assistant City Manager/Chief Financial Officer
Approved as to form:	Phaedra Norton, City Attorney

Concurs with the Local Vendor Preference Policy Expansion Recommendation;

Erin Edwards, Chair

Economic Development, Placemaking and Branding/Marketing Committee

Attachment:

1. Attachment A – Redlined Purchasing Resolution No. 23914
2. Attachment B – Administrative Manual Summary
3. Attachment C – Agreement Process Flow Chart
4. Attachment D – Local City Agency Data Chart
5. Attachment E – Purchasing Resolution (New Clean Version)
5. Presentation