



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

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September 21, 1999

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

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SUBJECT: Amendment to Long Beach Municipal Code Section 2.84.010

DISCUSSION

In 1987, the City Council raised the City Purchasing Agent's authority to contract for goods and services from \$20,000 to \$50,000. This action raised the formal contract approval threshold to those contracts greater than \$50,000, reduced bid preparation expenses for vendors, and streamlined the acquisition process for City departments. However, because of inflation since 1987, and recently improved City Purchasing practices, an amendment to the Municipal Code to raise the Purchasing Agent's authority to \$100,000 is timely. In connection with this change to the Municipal Code, and due to the flexibility of the new purchasing system, it is also timely to amend the Municipal Code to allow the delegation of direct purchasing authority of up to \$10,000 for appropriately designated managers.

Since 1987, two significant changes to the bidding process have occurred. First, the cost of goods and services has risen significantly. The Federal Consumer Price Index has grown about 3 percent annually. Goods and services that cost \$50,000 in 1987 cost nearly \$75,000 today. Twelve years of inflation have eroded the Purchasing Agent's authority to contract, resulting in time consuming and costly formal bids and awards. This process uses valuable staff time that could be put to better use obtaining improved products and pricing for City departments. In addition, staff time would be freed to increase outreach efforts for Long Beach and Disadvantaged, Minority and Women-owned businesses.

The second significant change occurred in the last two years, when the City installed its new automated Purchasing system. This system has improved efficiency and lowered costs by aggregating numerous small Purchase Orders into one citywide "Blanket Purchase Order." This aggregation allows larger quantities to be bid, resulting in savings due to economies of scale. It also ensures improved vendor performance through centralized Purchase Order monitoring. However, this more

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efficient business practice has resulted in aggregated bids frequently exceeding the \$50,000 threshold, requiring formal processes where none were formerly needed.

Increasing the City Purchasing Agent's authority to \$100,000 will eliminate formal bidding requirements up to that level. This "business friendly" change will also result in decreased City costs, quicker service delivery, and greater vendor accountability to the City due to centralized contract compliance monitoring and vendor payment systems. In particular, this action will benefit smaller businesses that cannot typically afford to spend time and money preparing lengthy formal bid documents. Further, through an Administrative Regulation, the City Manager will approve all Purchase Order purchases above the current \$50,000 threshold.

It is anticipated that benefits will include lower costs to acquire goods and services, quicker turnaround time to deliver services, and greater staff efficiency. A survey of California cities showed that San Francisco, San Diego, Sacramento and Los Angeles all have formal bid thresholds of \$100,000 or greater.

Deputy City Attorney Donna Gwin reviewed this matter on September 20, 1999.

FISCAL IMPACT

None

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Request the City Attorney to prepare an amendment to the Long Beach Municipal Code authorizing the City Purchasing Agent to contract in an amount not exceeding \$100,000, and authorizing managers, designated by the City Manager or commissions, on recommendation by department heads in an amount not exceeding \$10,000.

Respectfully submitted,



ROBERT S. TORREZ
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:



HENRY TABOADA
CITY MANAGER