



**CITY COUNCIL
COMMUNICATION:**

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

00-326

SYNOPSIS -

AGENDA:

The proposed ordinance:

JULY 10, 2000

· Increases the thresholds of purchases subject to bidding requirements and subject to approval by the City Council and City Manager.

SUBJECT:

CHANGES TO
PURCHASING
LIMITS

- Establishes various exemptions related to aeronautical related activities.
- Provides for joint/cooperative purchasing opportunities.

TYPE:

FISCAL IMPACT -

RESOLUTION
ORDINANCE
RECEIVE/FILE

Joint/cooperative purchasing should result in savings which cannot be quantified at this time.

SUBMITTED BY:

RECOMMENDATION -

KEVIN RIPER
FINANCE
DIRECTOR

Approval.

BACKGROUND -

Changes to Purchasing Limits

The proposed change to increase the minimum dollar amount on purchases before they are subject to certain requirements, or approvals, results from Finance Department staff review of "best practices" in purchasing and from recommendations developed by a Continuous Quality Improvement Process Team (CQI Team). The change is intended to improve the speed and flexibility in which departments procure goods and services, thereby improving the response of departments in meeting customer demands.

Departments will still attempt to purchase all items at the lowest cost,

but will have more flexibility to consider quality, service, reputation or past experience, location, and other factors that should be considered in obtaining an item for the best value.

There are four separate elements in this change:

	<u>Current</u>	<u>Proposed</u>
Purchase Without Competitive Bid	\$250	\$1,000 or under
Informal Bid Process	\$250 to \$5,000	\$1,000 to \$15,000
Formal Competitive Sealed Bid Process	\$5,000	\$15,000
Council Authorized Bid	\$10,000	\$25,000

Supporting these changes, Finance Department staff reviewed data provided by a 1993 National Institute of Governmental Purchasing (NIGP) survey. The survey indicates that:

- 50 percent of the cities or municipalities responding allow departments to make purchases up to \$1,000 without requiring a competitive bid.
- 56 percent have established a dollar threshold of \$10,000 or higher before they require the use of a formal competitive sealed bid process.

The survey also states that the dollar thresholds continue to migrate upward every year. Therefore, the threshold being proposed in the ordinance is consistent with a majority of surveyed governments especially considering the age of the survey data (1993).

In addition to the survey data, a CQI Team composed of Parks and Finance staff collected data and reviewed the current purchasing requirements and processes. A Team finding was that 50 percent of the Department's purchase orders were for items costing less than \$1,000 (this figure was also found to be applicable to Citywide data for all departments). Therefore, the Team recommended increasing the current threshold for purchases without competitive bids to \$1,000. The Team concluded that the data indicated this change will have a significant impact on reducing the time to acquire items, thereby increasing the efficiency in the delivery of service.

Exemptions from Competitive Bidding

On September 20, 1993, by Roll Call No. 93-3490, the Des Moines City Council approved Ordinance 12,040 assigning certain rights and responsibilities pertaining to the Airport to the Des Moines International Airport Board (hereinafter called the "Airport Board"), including the right to buy, lease, sell or exchange supplies, equipment and materials and procure services or work. With this authority, we are still required to follow the procedures established by the City's Purchasing Division Ordinance, Sections 2-716 through 2-740 of the City Code, except that references to the City Council in these sections are deemed to mean Airport Board.

For a number of months, the City's Purchasing Agent, working with the CQI Team, has been reviewing ways to improve the City's Purchase Ordinance. As a publicly-owned Airport, developed over many years with federal funds, the City is required to provide Airport services and facilities to the aviation public (i.e., aeronautical functions) on a not unjustly discriminatory basis. Normally, we provide lease agreements to any aeronautical users who wish to do business at the Airport provided there is land or space available, and that the company is willing to meet the minimum operating and development standards set in Airport Board Regulation or City Ordinance for the designated type of aeronautical service.

Therefore, in addition to the changes to the Purchasing Ordinance recommended by the Purchasing Agent and the CQI Team, which affects all City Departments, we have asked that all aeronautical functions at the Airport not be considered as a "concession" under the proposed Purchasing Ordinance, thereby exempting the award or extension of agreements to aeronautical users from competitive bid or competitive selection process. Attached is a copy of the proposed new Purchasing Ordinance with changes noted.

Joint or Cooperative Purchasing

The current ordinance does not allow for joint purchasing opportunities with other local government jurisdictions or purchases from federal contracts (state contract purchases are allowed). The proposed ordinance will allow the City to leverage the competitive bidding successes of other governments with similar competitive bidding processes. This change will facilitate cooperative purchasing agreements and improved communications. Secondly, when it is to the advantage of the City, federal contracts can be utilized to purchase goods, services, etc. in the same way state contracts have been utilized in the past.

Attachment

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