

# CITY OF TALLAHASSEE

## CITY COMMISSION AGENDA ITEM

**ACTION REQUESTED ON:** July 12, 2000

**SUBJECT/TITLE:** Approval of Changes to the Procurement Policy

**TARGET ISSUE:** N/A

### STATEMENT OF ISSUE

Procurement Services has been working on developing procedures and processes that will integrate with PeopleSoft Financial System that is currently being implemented. As a result of enhanced functionality of the new system, management has determined that it is necessary to rewrite all of the policies and procedures related to procurement activities to be consistent with the new system. Therefore, our first step in the process is to develop a procurement policy that will meet the needs of the city operations. The purpose of this agenda item is to seek approval of a new Procurement Policy and adopt changes to the Document Signature Policy #116CP. Changes to the latter policy are necessary to ensure that these policies are consistent with each other.

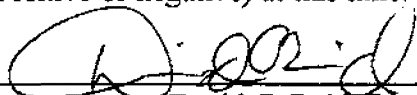
### RECOMMENDED ACTION

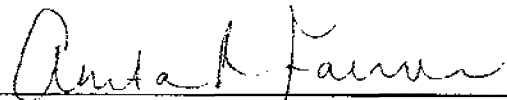
Approve Option 1.

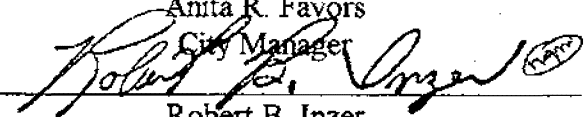
Option 1-Approve the Procurement Policy and changes to the Document Signature Policy #116CP.

### FISCAL IMPACT

Although we believe that administrative processes will be streamlined, there is no measurable fiscal impact (positive or negative) at this time.

  
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 David C. Reid, Director  
 Department of Management and Administration

  
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 Anita R. Favors  
 City Manager

  
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 Robert B. Inzer  
 City Treasurer-Clerk

ITEM TITLE: PROCUREMENT POLICYSUPPLEMENTAL MATERIAL/ISSUE ANALYSISHISTORY/FACTS & ISSUES

The implementation of a new financial management system has required a complete review and update of Procurement policies, processes and procedures. The Department of Management and Administration (DMA) has been assigned the leadership role on this task. A Procurement Oversight committee was established in February 2000 to provide management direction and support for this project. The members on this body include representatives from the Treasurer-Clerk's Office, City Attorney's Office, City Auditor's Office, DMA, Utility Services, Safety and Neighborhood Services, and Transportation and Development Services. A Users Group has also been created to provide input into policies, procedures and processes developed. This group is comprised of one or more representatives from each department. Both groups have been provided the opportunity to review and comment on the proposed Procurement Policy.

The new financial management system was purchased in June 1998 and implementation of that system began in March 1999. We are currently in the testing phase of the project. The system purchased, PeopleSoft Financials, has a significant amount of functionality and will enable City staff to improve upon processes currently in place for procurement activities. The system automates many processes that are currently performed manually. The following are examples of some of the improvements to procurement practices that will be achieved:

1. When items (supplies/services) are requested from departments the system automatically:
  - a. Redirects inventory item needs to the City's central warehouses for fulfillment.
  - b. Sources items on term contracts (price agreements) to the vendor.
  - c. Issues requests for quotes as appropriate.
  - d. Consolidates multiple requisition items to a single purchase order, thereby, reducing paperwork and achieving quantity discounts.
2. When items are received departments will enter what, how many and when the items were received. Accounts payable agents will enter information from vendor invoices using the purchase order as the basis. The system will match the invoice to the receiving and generate a check to the vendor. Currently, the matching process is manual and is not conducive to tracking invoices to ensure payments are made within agreed upon terms. Additionally, discount terms are only taken when it is on the vendor invoice. Under the new system, we will be able to ensure:
  - a. terms agreed to on the purchase order are enforced; and
  - b. discounts offered by the vendor on the invoice, but not the purchase order, are taken.
3. Purchase card transactions will be input directly into the new system. This will enable budgets to be updated on a more real time basis. Currently, purchase card transactions are interfaced with FMS on a monthly basis.
4. Budgets will be monitored at the major category level rather than the line item level. This will reduce the number of budget transfers that are necessary.

As a part of this re engineering effort, an intensive training program is being developed to ensure both existing and new employees are properly informed of their responsibilities with respect to procurement activities. We estimate that at least 400 employees will have to be trained on some part of the procure to pay cycle in preparation for the new system and processes. Procurement Services has also committed to an on-going training program that will be offered on a periodic basis. Ultimately, we will develop this training into a web-based curriculum that will be available to all employees at their desktop.

The following summarizes the significant changes from the old Purchasing Policy and Procedures manual that is currently in place:

1. Removes procedures from the policy. Administrative procedures for general procurement and contracts are being drafted to implement this policy.
2. Adds contracting officer definition and places responsibility with the City Manager (Appointed Official).
3. Authorizes purchases against Term Contracts without seeking additional approval. (Appendix A-Note 1). This is necessary because purchases of like items will be consolidated. Thus, individual purchases previously procured under single purchase orders will be consolidated onto one purchase order. This may cause procurement actions to be greater than \$50,000. The City Commission will have approved the term contract and budget. Therefore, users will have achieved price competition, and will be constrained to procure within budget limitations established.
4. Consolidates expenditure authority for initial purchases and change orders. (Appendix A-Note 3). Revisions to the Capital Projects Management Policy are provided in Attachment III. Change order language has been revised as follows:
  - a. Provides for approval at the lowest level based upon the transaction amount.
  - b. City Commission approval of changes to contracts when the changes exceed \$50,000 in aggregate.
  - c. Provides for deduct change orders that have no impact on deliverables.
5. Competitive thresholds (Appendix B)
  - a. No competition at <=\$1,000—removes the fair market value concept.
  - b. All other levels are consistent with that approved by the City Commission in June 99.
  - c. Requirements for the use of Continuing Services Agreements have been modified from that approved by the City Commission in October 98. (Note 2) Except for architect/engineering services, all other engineering services must be bid separately when the fees exceed \$300,000. The City Commission had approved thresholds of \$250,000 for Roadway Engineering/Airport Pavement and Water/Sewer Utility Engineering services.
6. Codifies special authority granted the City Attorney in March 1995 (Appendix A-Note 5).
7. Moves contract execution authority to the Procurement Policy from the Document Signature Policy.
8. Requires that a contract be prepared for transactions for services that exceed \$50,000.
9. Authorizes contract extensions as stated in the original terms and conditions to the Purchasing Services Manager.

### OPTIONS

Option 1-Approve the new Procurement Policy #242CP changes to the Document Signature Policy #116CP and Capital Projects Management Policy #218CP.

Option 2-Do not approve the new Procurement Policy #242CP and changes to the Document Signature Policy #116CP and Capital Projects Management Policy #218CP.