



City of Rockville  
Mayor and Council  
Agenda Item

<b>For the meeting on:</b>	June 13, 2011
<b>Agenda Item Type:</b>	Adoption
<b>Department:</b>	Finance
<b>Division:</b>	Purchasing
<b>Responsible staff:</b>	Eileen Morris, Purchasing Manager phone: (240) 314 - 8432 email: emorris@rockvillemd.gov

### Subject

Adoption of an Ordinance to Amend Chapter 17 of the Rockville City Code entitled Purchasing.

### Recommendation

Staff recommends that the Mayor and Council adopt the attached ordinance to amend Chapter 17 of the Rockville City Code entitled Purchasing. If the Mayor and Council find the changes to the ordinance acceptable a motion to amend the ordinance as modified should be made, seconded and passed and then the ordinance as so amended may proceed to adoption.

### Change in Law or Policy

Adopting the Ordinance amends Chapter 17 of the Rockville City Code entitled Purchasing.

### Discussion

The City Code, Chapter 17 Purchasing, was last modified through the adoption of Ordinance #29-04 on October 4, 2004. The purpose of the purchasing code is to provide guidelines for the purchase of City supplies, services, equipment and bidding construction of public projects, including obtaining the most qualified vendors in a fair and impartial manner at a reasonable price. The Code also establishes financial controls over purchases and sets recommended purchasing approval authority limits for the Mayor and Council, City Manager and the Purchasing Agent.

During the introduction of the ordinance on May 23, 2011 the recommendation was made for contractual authority and notification to the Mayor and Council of emergency procurements in excess of \$500,000 based on earlier discussions relating to the 2010-2011 snow events. Since that time staff has updated and clarified this section of the code see discussion below Section 17-84 Emergency Procurements, and consequently the dollar threshold for procurement for the City Manager in an emergency is moot, and notification of the Mayor and Council has been realigned at \$100,000, the current level of City Manager procurement authority.

Since introduction, the ordinance has been amended in Sec. 17-65 to correct a typographical error. Unsolicited Proposals, subsection (d) has been revised to read: Discussion with Responsible Offeror. Also Sec. 17-84 has been amended to to align the **notification** of emergency procurements from the Purchasing Agent to the City Manager to \$30,000 (17-84 (d)) which is the Purchasing Agent procurement authority and **notification** from the City Manager to the Mayor and Council to \$100,000 which is the City Manager's non-emergency procurement authority (17-84 (f)).

The City's purchasing division procures approximately \$50 million worth of goods and services annually, which is facilitated by a staff team of 3 full time certified buyers and 2 part time buyers. The majority of the purchasing function is centralized with smaller dollar value purchases decentralized to departments through a purchase card program. Approximately 275 multi-year requirements contracts are in place to streamline the procurement process. These contracts include bids issued directly by the City along with cooperative agreements with groups such as the Washington Metropolitan Council of Governments, U.S. Communities, State of Maryland, National Joint Powers Alliance and the Baltimore Regional Cooperative Purchasing Committee.

Over the past 7 years, the City's operating budget, as well as the cost of purchasing supplies, services, and equipment have grown significantly with no corresponding change to the level of spending authority or mandates for bid procedures.

In October 2010 the Purchasing Division issued an internal survey on the City's purchasing procedures and spending authority limits to determine whether they were meeting the City's needs in a clear and consistent manner and to obtain ideas for operational improvements, including purchasing authority limits and the extent to which the current limits may hinder procurement efficiency.

Staff also surveyed surrounding jurisdictions to determine if the current purchasing limits and approval authority reflected common practices with the results as follows:

**Summary of Purchasing Limits for Surrounding Jurisdictions**

Jurisdiction	Small Purchases	Informal Bid	Formal Bid
Current City Thresholds	\$2,000	\$2,000-\$15,000	\$ 15,000
<b>City of Rockville Proposed</b>	<b>\$3,000</b>	<b>\$3,000 - \$30,000</b>	<b>\$ 30,000</b>
City of Manassas	3,000	3,000 - 30,000	30,000
Town of Herndon	2,500	2,500 - 30,000	30,000
City of Frederick	3,000	3,000 - 30,000	30,000
City of Alexandria	20,000	20,000 - 50,000	50,000
Howard County	10,000	10,000 - 30,000	30,000
Montgomery County	10,000	10,000- 100,000	100,000
City of Gaithersburg	2,500	2,500 - 30,000	30,000
City of Bowie	500	500 - 10,000	10,000

**Summary of Approval Authority for Surrounding Jurisdictions**

Jurisdiction	Purchasing Agent	Manager	Governing Board/ Council
City of Rockville	\$15,000	\$15,000-\$100,000	\$100,000
<b>City of Rockville Proposed</b>	<b>\$30,000</b>	<b>\$30,000-\$100,000</b>	<b>\$100,000</b>

City of Manassas	\$100,000	\$500,000	Over \$500,000
Town of Herndon	\$ 30,000	N/A	Over \$30,000
City of Frederick	\$ 30,000	N/A	Over \$30,000
City of Alexandria	Unlimited	*	*
Howard County	Unlimited	*	*
*Montgomery County	Unlimited	*	*
City of Gaithersburg	N/A	\$30,000-\$60,000	Over \$60,000
City of Bowie	N/A	\$10,000	Over \$10,000

*\*Purchasing Agent has unlimited approval authority.*

Based on the results of the survey, staff is presenting to the Mayor and Council an updated purchasing ordinance. Below is an overview of the major proposed changes to the purchasing code for Mayor and Council consideration. These proposed changes will update the City's purchasing rules and regulations to reflect modern and efficient practices in the procurement of goods and services. All of these changes are intended to strengthen and streamline the procurement process and that reflect the reality of the marketplace.

**SUMMARY OF PROPOSED REVISIONS**

The major change to the ordinance involves increasing the threshold dollar amount for each category of solicitation further decentralizing the purchasing function while maintaining appropriate controls in place. The changes in thresholds will enable departments to use informal methods for purchases under \$30,000 while allowing the Purchasing Division to focus on the more formal and labor intensive bid or proposal process.

**Increase the small purchase limit from \$2,000 to \$3,000**

Increasing the "small purchase" (no bid) limit to \$3,000 will give the user departments the delegated authority to purchase supplies, services and equipment. This change reflects best practices whereby nonrecurring small purchases do not come to the centralized procurement office that does not add value to the purchase, but are handled directly by the user departments. Purchasers are encouraged to utilize the City purchase card program where all transactions are subject to regular internal audits.

Transaction costs to issue a purchase order range from \$150 to \$200. Using the middle of the range, raising the small purchase limit will result in a decrease of approximately 110 purchase orders annually for an estimated saving of \$19,250 in processing costs.

**Increase the informal purchase limit from \$15,000 to \$30,000.**

Increasing the dollar limits for informal solicitations from between \$2,000 and \$15,000 to between \$3,000 and \$30,000 would increase the number of contracts that are awarded without formal solicitation, but is unlikely to result in significantly higher prices for these contracts. Utilizing an informal process not only reduces purchasing staff time, but also makes the purchasing process more user friendly for small businesses.

**Increases in Purchasing Agent Approval Authority**

Based on the result of the internal survey and the current practices of neighboring jurisdictions also recommended is an increase in the approval authority for the Purchasing Agent from \$15,000 to \$30,000. Staff anticipates the requested increase will expedite the award processing time accordingly.

**Other Miscellaneous Changes**

**Section 17-16 Definitions:** The proposed change adds definitions for environmentally preferable purchasing and life cycle cost. Also amended are the definitions for formal and informal contracts to coincide with the proposed change in threshold dollar amount for informal and formal solicitations. Public

Notice definition has been updated to reflect the current posting of bids on the internet.

**Section 17-23 Solicitation Registers:** This section is eliminated because it is an outdated process. The City currently advertises all solicitations on the City's website and on eMaryland Marketplace whereby registered vendors are electronically notified. eMaryland provides a single website whereby all businesses can access State and local government procurement notices.

**Section 17-61 (o) Formal Solicitation:** This section is added to allow an additional award process based on the "best value" for the City.

**Section 17-64 Request for Expression of Interest:** This section has been added to define a process for requesting and processing Expressions of Interest. Expressions of interest are used to identify potential vendors interested in and capable of delivering required goods of services.

**Section 17-65 Unsolicited Proposals:** This section has been added to define a process for processing Unsolicited Proposals. Unsolicited proposals allow for unique and innovation ideas or approaches that have been developed and submitted on the initiative of the submitter and not in response to any formal or informal request.

**Section 17-84 Emergency Procurements:** The code currently includes a statement that the purchasing agent may authorize emergency procurements of any value without competition where there exists a threat to the public health, welfare or safety or where a delay would injure the City financially or otherwise. There is no contractual limitation during an emergency situation for the length of time that the emergency exists as determined by the City Manager. This section has been updated to align the notification requirement to the Mayor and Council of emergency procurements with the City Manager's regular procurement authority of \$100,000. The City Manager will report emergency procurements in excess of \$100,000 to the Mayor and Council as soon as practicable. In the event of insufficient budget appropriation the City Manager would have to present a budget amendment for the Mayor and Council's approval.

**Section 17-89 Environmentally preferable purchasing:** Working together with the Environmental Management staff, the Purchasing Agent will develop a sustainable purchasing policy which brings about environmental and social improvements supporting the City's vision as outlined in the Strategy for a Sustainable Rockville.

---

## Mayor and Council History

This ordinance was introduced at the meeting of May 23, 2011.

---

## Fiscal Impact

Due to the increases in efficiency it would be anticipated that savings would accrue to the City in addition to an increase in revenue from rebates on purchase card transactions.

---

## Next Steps

Upon adoption of the ordinance by the Mayor and Council, staff will update the City's purchasing manual and purchase card manual accordingly.

---

## Attachments

Attachment A: Ordinance



ATTACH A PURCHASING ORDINANCE JUNE 2011 sv.pdf

**Department Head**



Department Head: Gavin Cohen, Director of Finance

**City Manager**

City Manager: Scott Ullery, City Manager  
Approval Date: 06/08/2011