

Council Meeting of
August 12, 2008

Honorable Mayor and Members
of the City Council
City Hall
Torrance, California

Members of the Council:

SUBJECT: Finance - Adopt an ORDINANCE increasing the contract and purchasing approval limit of the City Manager from \$24,999 to \$39,999 and increasing the formal bid requirement for contracts and purchases from \$25,000 to \$40,000.

RECOMMENDATION

Recommendation of the Finance Director that the City Council adopt an **ORDINANCE** increasing the contract and purchasing approval limit of the City Manager from \$24,999 to \$39,999 and increasing the formal bid requirement for contracts and purchases from \$25,000 to \$40,000.

BACKGROUND/ ANALYSIS

The City continually reviews its current practices for effectiveness in both content and cost. The policy for the "approval limit" of the City Manager and the City's formal bid requirement was last addressed in June 1989. In 1989, the City Council increased the approval limit for the City Manager for all contracts and purchases from under \$5,000 to under \$25,000 and any contracts and purchases \$25,000 and above had to be approved by City Council through the normal council agenda process. The formal bid limit at that time was also increased from \$5,000 to \$25,000.

Staff surveyed similar size cities, as well as our surrounding South Bay neighbors, and the results are presented below. The survey results show a wide range of City Manager approval levels from a low of \$5,000 (Redondo Beach) to no limit (Irvine) if approved in the line item of the budget. Staff also looked at the change in Consumer Price Index (CPI) since the last change in the ordinance in 1989, which would place the limit approximately 76% higher at \$44,000.

At this time Staff is requesting the authority for the City Manager be increased from the current limit of \$24,999 to \$39,999. This adjustment of the approval level and bid requirement will enhance the efficiency of the purchasing process by shortening timelines and reducing staff time to process agenda items. The increase in the City Manager's limit authority does not reduce accountability nor reduce internal controls. The City Council will continue to receive monthly reports of all purchase orders issued between \$5,000 and \$39,999 nor does this increase affect the authority amount of departments which remains unchanged at \$10,000.

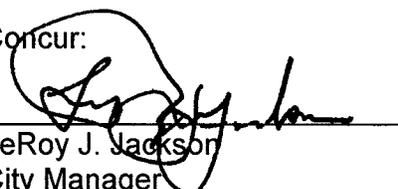
| City | Limit | Exception |
|-------------------------|--|---|
| Anaheim | \$ 100,000 | \$20,000 Sole Source |
| Beverly Hills | \$ 50,001 | N/A |
| Berkeley | \$ 25,000 \$ 100,000 | Professional Services Equipment and Supplies |
| Burbank | \$ 75,000 | \$100,000 Public Works Contracts |
| Culver City | \$ 20,000 \$ 10,000 | Equipment and Supplies Professional Services |
| Glendale | No limit if approved as a line item in the budget | \$50,000 Public Works Contracts |
| Fremont | \$ 100,000 | NA |
| Inglewood | \$ 20,000 | N/A |
| Irvine | No limit if approved as a line item in the budget | N/A |
| Long Beach | \$ 100,001 | N/A |
| Pasadena | \$ 75,000 | N/A |
| Pomona | \$ 30,000 | \$125,000 Public Works Contracts |
| Santa Monica | \$ 100,000 | N/A |
| San Jose | \$ 250,000 \$1,000,000 | Services Equipment and Supplies |
| Santa Clarita | \$ 49,999 | |
| South Bay Cities | | |
| Carson | \$ 25,001 | NA |
| Gardena | \$ 25,000 | NA |
| Lomita | \$ 5,000 | |
| Hermosa Beach | \$ 20,000 \$ 5,000 | Professional Services Equipment and Supplies |
| Manhattan Beach | \$ 20,000 | NA |
| Rancho Palos Verdes | \$ 24,999 | \$135,000 Public Works |
| Redondo Beach | \$ 5,000 | NA |

Respectfully submitted,



Eric E. Tsao
Finance Director

Concur:



LeRoy J. Jackson
City Manager

Attachment: Ordinance

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY COUNCIL OF THE
CITY OF TORRANCE AMENDING SECTION 1 OF ARTICLE 3
OF CHAPTER 2 OF DIVISION 2 AND SECTION 1 OF
ARTICLE 4 OF CHAPTER 2 OF DIVISION 2 OF THE
TORRANCE MUNICIPAL CODE INCREASING THE FORMAL
BIDDING THRESHOLD

THE CITY COUNCIL OF THE CITY OF TORRANCE DOES ORDAIN AS
FOLLOWS:

SECTION 1

That Section 1 of Article 3 of Chapter 2 of Division 2 of the Torrance Municipal Code is amended to read in its entirety as follows:

"SECTION 22.3.1 FORMAL BIDS

Except as otherwise provided in this Chapter, every contract for the purchase of property or services involving an estimated expenditure in excess of \$39,999 shall be let by the City Council pursuant to the procedures set forth in this Article."

SECTION 2

That Section 1 of Article 4 of Chapter 2 of Division 2 of the Torrance Municipal Code is amended to read in its entirety as follows:

"SECTION 22.4.1 OPEN MARKET PURCHASES.

Purchases of property or services of an estimated cost of less than \$40,000 may be made by the City Manager in the open market and shall be exempt from the procedures set forth in this Chapter and shall be let pursuant to such regulations and procedures as shall be promulgated by the City Manager. The City Manager shall report to the City Council on all such purchases between \$5,000 and \$39,999 made in the preceeding quarter."

SECTION 3

Any provisions of the Torrance Municipal Code, or appendices, or any other ordinances of the City inconsistent with this ordinance to the extent of such inconsistencies and no further, are hereby repealed.

SECTION 4

If any section, subsection, sentence, clause or phrase of this ordinance is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, the decision will not affect the validity of the remaining portions of the ordinance. The City Council declares that it would have passed this ordinance and each section, subsection, sentence, clause and phrase irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases be declared invalid or unconstitutional.

SECTION 5

This ordinance will take effect thirty days after the date of its adoption. Within fifteen days following adoption, this ordinance or a summary of this ordinance, if authorized by the City Council, will be published at least once in the Daily Breeze, a newspaper of general circulation, published and circulated in the city of Torrance.

Introduced and approved this _____ day of _____, 2008.
Adopted and passed this _____ day of _____, 2008.

Frank Scotto, Mayor

ATTEST:

Sue Herbers, City Clerk

APPROVED AS TO FORM:

JOHN L. FELLOWS III, City Attorney

By: _____
Ronald T. Pohl, Assistant City Attorney

ORDINANCE NO. _____

SUMMARY

On _____, 2008, the City Council of the City of Torrance adopted an ordinance raising the City Manager's approval authority and the formal bid limit.

*****City Clerk to add a paragraph stating that copies of the ordinance are available at the City Clerk's office and stating the names of the City Council members that voted in favor and those that voted against.*****

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF TORRANCE AMENDING SECTION 1 OF ARTICLE 3 OF CHAPTER 2 OF DIVISION 2 AND SECTION 1 OF ARTICLE 4 OF CHAPTER 2 OF DIVISION 2 OF THE TORRANCE MUNICIPAL CODE INCREASING THE FORMAL BIDDING THRESHOLD

THE CITY COUNCIL OF THE CITY OF TORRANCE DOES ORDAIN AS FOLLOWS:

SECTION 1

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"SECTION 22.3.1 FORMAL BIDS

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SECTION 2

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"SECTION 22.4.1 OPEN MARKET PURCHASES.

Purchases of property or services of an estimated cost of less than \$40,000 may be made by the City Manager in the open market and shall be exempt from the procedures set forth in this Chapter and shall be let pursuant to such regulations and procedures as shall be promulgated by the City Manager. The City Manager shall report to the City Council on all such purchases between \$5,000 and \$39,999 made in the preceding quarter."

SECTION 3

Any provisions of the Torrance Municipal Code, or appendices, or any other ordinances of the City inconsistent with this ordinance, to the extent of such inconsistencies and no further, are hereby repealed.

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Deleted: That Section 22.2.2 of Article 2 of Chapter 2 of Division 2 of the Torrance Municipal Code shall be amended to read in its entirety as follows:¶
¶
"SECTION 22.2.2. AWARDING PUBLIC WORKS CONTRACTS¶
¶
Except as otherwise provided in Section 1450 of the City Charter, every public works contract involving an estimated expenditure of more than \$39,999 shall be let by the City Council pursuant to those competitive bidding procedures set forth in said Section 1450 and in Article 4 of this Chapter."¶
¶

SECTION 2¶

That Section 22.2.3 of Article 2 of Chapter 2 of Division 2 of the Torrance Municipal Code shall be amended to read in its entirety as follows:¶
¶
"SECTION 22.2.3. OTHER PUBLIC WORKS CONTRACTS.¶ ... [1]

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SECTION 4

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SECTION 5

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Any person violating any of the provisions of this ordinance shall be guilty of infraction, and upon conviction thereof, shall be subject to a fine as provided for in Section 36900 of the California Government Code.¶

SECTION 9¶

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Introduced and approved this _____ day of _____, 2008.
Adopted and passed this _____ day of _____, 2008.

Frank Scotto, Mayor

ATTEST:

Sue Herbers, City Clerk

APPROVED AS TO FORM:

JOHN L. FELLOWS III, City Attorney

By: _____
Ronald T. Pohl, Assistant City Attorney

Deleted: and prior to the expiration of 15 days from the passage thereof shall be published at least once in the Daily Breeze, a newspaper of general circulation, published and circulated in the City of Torrance.¶