



# Memorandum

**TO:** MAKING GOVERNMENT WORK  
BETTER COMMITTEE

**FROM:** Jose Obregon

**SUBJECT:** FURTHER STREAMLINING  
OPPORTUNITIES

**DATE:** March 2, 2004

---

Approved

Date

---

## **RECOMMENDATION**

Accept this report that provides additional information and analysis to consider increasing the current \$100,000 administrative award limit for procurement of general services, products, materials and equipment.

## **BACKGROUND**

In May, 2001, the City Council approved an ordinance amending several chapters of the San Jose Municipal Code with the goal of streamlining City processes related to contracts and purchasing by increasing the administrative contracting authority to \$100,000. On May 14, 2003, staff provided a progress report to the Making Government Work Better (MGWB) committee that reported on the "Results of the Contract Streamlining Ordinance". Per MGWB committee direction, staff was to report back after analyzing additional opportunities to streamline the procurement process.

Staff researched and evaluated an increase to the \$100,000 administrative award limit by reviewing the number of awards that exceeded this amount and reviewed the number of protests to these awards. Further, data on administrative award limits of some large public agencies was retrieved for the purpose of benchmarking. Any increase in the administrative award threshold would accelerate the procurement process by approximately ten to thirty days, which would have a positive impact on product and service delivery.

Accelerating the contract award process would help reduce the business community's perception that the City organization operates in "City time" and not in the "real time". However, it is recognized that expediting the procurement process must be balanced with the Council's need to be directly involved in the decision making process on sensitive and/or significant procurements and to provide a mechanism for appeals to be heard.

**ANALYSIS**

**Procurement Recommendations, Supplier Protests and Council Rejections**

Staff has completed a comprehensive analysis of general services, supplies, materials and equipment procurement over \$100,000 dating back to FY01-02. Research indicates that of the 369 procurements recommended by staff, only one was rejected by City Council. This supplier protest and subsequent rejection was based on Council’s opinion that the procurement process was too ambiguous to award the contract to the recommended supplier. Please refer to Table I below for a summary of findings and Attachment A for a detailed listing of all of the procurements.

**Table 1 – RFPs, Formal Bids and Weekly Open POs**

<b>Fiscal Year</b>	<b>Dollar Value (1000’s)</b>	<b>Council Rejections</b>	<b>Total Awards</b>
<b>FY 01-02</b>	\$100-\$275		92
	\$275-\$500		23
	\$500-\$750		10
	\$750-\$1M		2
	\$1M+		6
<b>FY 02-03</b>	\$100K-\$275		94
	\$275-\$500		19
	\$500-\$750		16
	\$750-\$1M		2
	\$1M+	1	9
<b>FY 03-04</b>	\$100K-\$275		59
	\$275-\$500		20
	\$500-\$750		11
	\$750-\$1M		2
	\$1M+		4
<b>TOTAL</b>		<b>1</b>	<b>369</b>

### Comparative Benchmark Data

Pursuant to the City of San Jose Municipal Code, the procurement of general services, supplies, materials and equipment exceeding \$100,000 requires Council approval. In comparison to other local governments, the City of San Jose has a relatively low administrative approval threshold. Please refer to Table II below for comparisons.

**Table II – Local Government Administrative Approval Levels**

<b>Government Agency</b>	<b>Product Approval Threshold</b>	<b>Service Approval Threshold</b>
City of Los Angeles	Unlimited	Unlimited
Sacramento County	Unlimited	\$100,000
City and County of San Francisco	\$10 Million	\$10 Million
City of San Diego	\$1 Million	\$1 Million
Santa Clara County	\$500,000	\$500,000

### Administrative Appeal Process

If a decision were made to increase the administrative award limit above \$100,000, staff proposes that an appeal process be established to ensure that bidding companies are afforded an opportunity to pursue their concerns and maintain the right to a public hearing. The appeal process would be structured as follows:

- a) Notify companies not awarded the contract within 48 hours of procurement decision,
- b) Include the formal appeal process with notification,
- c) Company has option to submit formal written protest within 48 hours of notification,
- d) Director of General Services (“Director”) issues decision on protest within 48 hours,
- e) Company has option to file an appeal to Director’s decision,
- f) If company appeals Director’s decision, Director delays contract award and places the procurement Item on Council Agenda,
- g) Council hears the Item and issues decision.

### Purchasing Procedures and Controls

Should the administrative award limit be increased, existing procedures and controls that are currently in place would remain.

In an effort to maximize competitive bidding and cost savings, General Services utilizes a variety of tools to advertise procurements to the business community. All procurements with values in excess of \$5,000 are advertised on the internet and are offered to prospective vendors by direct

contact. In addition, the municipal code requires a minimum three (3) quotes be obtained for procurements exceeding \$5,000. Furthermore, all purchase orders and contracts are reviewed by purchasing management prior to issuance to validate that the outreach and procedural process compliance is achieved. As a reminder, General Services is solely responsible for the procurement of general services, products, materials and equipment. Professional services, consulting services and construction are not procured through the General Services procurement organization.

The administrative award limit can be increased through a change in the Municipal Code. It is recommended that should that be implemented, that the appeal process outlined above be incorporated in the purchasing process for all awards over \$100,000.

### **COORDINATION**

This item has been coordinated with the Office of the City Manager and City Attorney's Office.

JOSE OBREGON  
Director of General Services

Attachment

