



DATE: October 15, 2024

TO: Mayor and City Council

FROM: Director of Finance

SUBJECT: Adopt a Resolution Approving Updates to the City of Hayward Procurement Policy

RECOMMENDATION

That the Council reviews and adopts a resolution approving the proposed changes to the City's procurement policies.

SUMMARY

To align City policies and procedures with current best practices, staff has conducted a thorough review of the Procurement Guidelines manual (manual), which reflects current City purchasing and procurement policies. The manual is an internal document that provides guidance on internal City operations and includes procurement policies established through City Council approval.

Staff proposes that Council consider changes to the threshold and expenditure authority levels. The proposed changes impact the competitive bidding process requirements, as well as authority thresholds of the City Manager. Additionally, proposed changes include establishing signatory authority for the City Attorney for expert witness, settlement claim payments, and outside legal counsel. The proposed changes attempt to correct for inflation while improving effectiveness, efficiency, and consistency within the City's procurement processes while maintaining appropriate oversight and controls. These changes are in keeping with the related provisions of the City Charter, Article XIII, Sections 1302, 1303, and 1304. Staff presented the Council and Budget Finance Committee with recommended changes on September 18, 2024, and received feedback and direction incorporated into the final recommendation¹.

BACKGROUND

The City's purchasing and procurement policies were last updated in November 2015. In response for the need to enhance the City's procurement and accounts payable processes, the City solicited proposals to perform a thorough assessment of the City's current processes. Resulting from the RFP process, the City contracted with the 65th North Group, who

¹ [CITY OF HAYWARD - File #: ACT-067 \(legistar.com\)](#)

conducted a Purchasing and Accounts Payable Process Assessment. As part of the assessment, it was recommended that the City consider updating its current purchasing threshold approval authorities, including proposed changes to formal bidding requirements.

On September 18, 2024, staff presented the consultant's recommended changes to the City's current purchasing threshold approval authorities to the Council and Budget Finance Committee (Committee) for its review and guidance. The recommendations reflected proposed changes to the City's formal bidding requirements and purchasing threshold approval authorities.

The Committee supported the recommendation to increase purchasing thresholds for formal bidding process requirements (non-construction projects). However, the Committee provided feedback on the recommended increase in threshold authority for the City Manager and City Attorney. Based on the City's current business activities, and comparison to other Bay Area cities, the Consultant recommended setting the threshold of authority at \$150,000 for the City Manager and City Attorney. While the majority of the benchmarked Bay Area cities were set at \$100,000, the Consultant's recommendation reflected raising costs and current business activities within the City of Hayward to support the higher threshold amount. The Committee supported the increase in threshold authority for the City Manager and City Attorney to be set at \$100,000; an increase from the current threshold of \$75,000.

DISCUSSION

During the assessment of the City's procurement and accounts payable process, the consultant recommended that the City consider updating its current purchasing threshold approval authorities. The last update to this policy was conducted in November 2015. A number of factors have contributed to the recommendation to update the thresholds, including benchmarking with other Bay Area cities. The following recommendations are presented for the Committee's review and consideration:

1. Bid requirements
2. Thresholds City Manager and City Attorney

Proposed Changes to Bid Requirements

It is appropriate for the City's procurement policy to establish levels to determine the type of competitive process necessary to make a purchase. The proposed changes increase the threshold for formal bidding, thereby increasing operational efficiency and reducing staff time by eliminating the volume of time-intensive procurement procedures for lower dollar expenditures. These changes are in keeping with procurement best practices and are similar to levels established by other local cities.

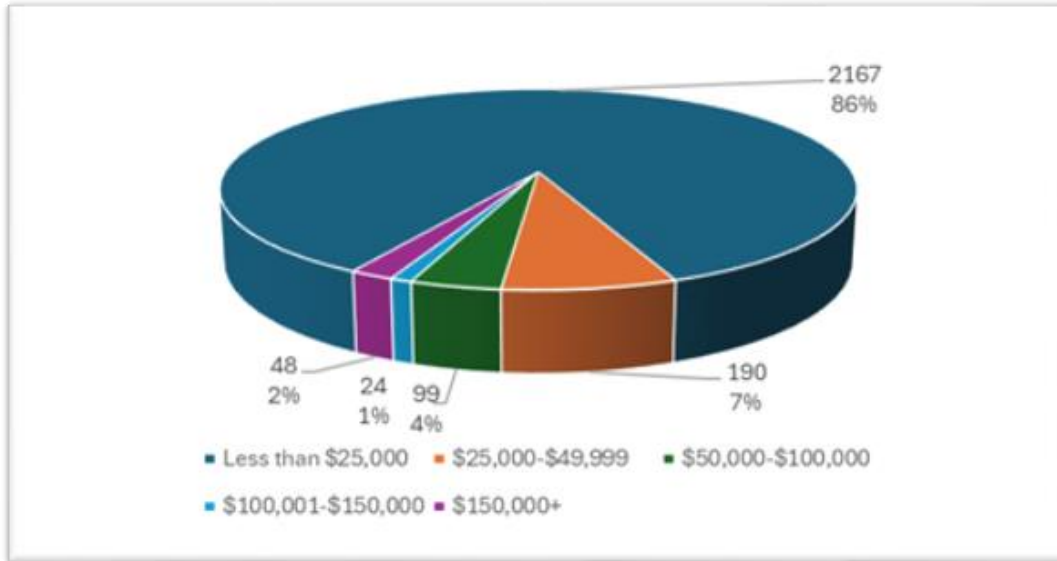


Chart 1: FY 2024 Purchase Orders

As shown in the Chart 1, in FY 2024 the City issued 2,528 purchase orders. Purchase orders for goods and services less than \$100,000 make up 97% of the total purchase orders issued in FY 2024. The proposed policy change will increase operational efficiency without jeopardizing fiscal oversight. While most purchases will not be required to follow the stringent guidelines set forth with the formal bidding process, all purchases under the proposed threshold changes will still require that an informal process be conducted to ensure competitive pricing by obtaining quotes for goods and services. Tables 1 provides a comparative summary of the current threshold amounts as it relates to formal bidding requirements.

Table 1: Increase Threshold for Formal Bidding

Type	Current Threshold	Proposed Threshold
Supplies & Equipment	\$75,000	\$100,000
External Services	\$50,000	\$100,000

Purchases greater than or equal to \$100,001 for supplies and equipment, repair/maintenance, and greater than or equal to \$100,001 for consultant services will require a more stringent and formal process for which one of the following two methods of solicitation will be required:

- Competitive Bid: Focuses on obtaining the lowest possible price
- Competitive Process: Focuses on obtaining the best possible value

Competitive Bids are for purchases where value dictates formal competition. An Invitation to Bid (ITB) is the solicitation package in the bid process. For example, construction projects often require a competitive bid, which would result in an ITB. A Competitive

Process would result in the solicitation of a Request for Proposal (RFP). For example, consultant services often require a competitive process, resulting in the issuance of an RFP. Both require a minimum response period of ten (10) calendar days for vendor responses; however, common practice allows for longer response time to increase the volume and quality of bids received.

Table 2 provides a comparative summary of the current threshold categories of purchases by varying authority levels and corresponding requirements based on authority threshold amounts.

Table 2: Threshold Category of Purchases

Supplies & Equipment General Purchases			
Repair, Maintenance, Routine Work (as defined by PCC 20161, 20162, & 20656)			
Approval Authority	Purpose	Current Amount	Recommended Amount
Department Director	Verbal quotations from competitive suppliers	\$7,500 OR LESS	\$25,000 OR LESS
Department Director	Solicitation of at least three sources	\$7,501-\$50,000	\$25,001 - \$99,999
City Manager	Formal bid procedure required	\$50,001 - \$75,000	\$100,000
City Manager & City Council	Formal bid procedure required	\$75,000	\$100,001 OR GREATER

External Services (Consultants & Contractors)			
Approval Authority	Purpose	Current Amount	Recommended Amount
Department Director	Verbal quotations from competitive suppliers	\$50,000 or less	\$100,000 or less
Department Director & City Manager	Formal bid procedure required	\$50,001-\$75,000	\$100,000
City Manager & City Council	Formal bid procedure required	\$75,001 OR GREATER	\$100,001 OR GREATER

Public Projects (as defined by PCC 22002 PW CIP, Non-Maint. Work)			
Approval Authority	Purpose	Current Amount	Recommended Amount
Department Director	Verbal quotations from competitive suppliers	\$2,500 or less	No Change
Department Director	Solicitation of at least three sources	\$2,501-\$15,000	No Change
Department Director & City Manager	Formal bid procedure required	\$15,001 - \$35,000	No Change
City Manager & City Council	Formal bid procedure required	\$35,001 OR GREATER	No Change

Recommended increases to the approval authority for CMO & CAO			
Approval Authority for all non-construction projects			
Approval Authority	Purpose	Current Amount	Recommended Amount
City Manager	Contract Signatory Authority	\$75,000	\$100,000
Expert Witnesses, Settlement Claim Payments & Contract Attorneys			
Approval Authority	Purpose	Current Amount	Recommended Amount
City Attorney	Contract Signatory Authority	n/a	\$100,000

Proposed Changes to Thresholds City Manager and City Attorney

The City's procurement policy – as authorized each year in the annual budget resolution – establishes that the City Manager may approve professional services contracts up to \$75,000 without Council approval. Hayward has one of the lowest City Manager approval thresholds relative to neighboring East Bay municipalities. This comparative discrepancy is understandable considering the current thresholds were enacted over nine years ago. The City Manager approval thresholds no longer provide the desired monetary threshold intent. Table 3 provides a summary of benchmark cities on current thresholds.

Table 3: Benchmark Cities - City Manager Thresholds

Municipality	Council Approval Threshold
Alameda	Up to \$75,000
Hayward	Up to \$75,000
San Mateo	Up to \$100,000
Fremont	Up to \$100,000
San Leandro	Up to \$100,000
Redwood City	Up to \$106,000

Based on guidance and support from the Committee, staff recommend that the City Manager approval threshold for professional services/consultant contracts be increased to \$100,000. Additionally, staff recommend that the City Attorney approval threshold be set at \$100,000 for expert witness, settlement claim payments, and outside legal counsel. The proposed change will allow for increases in operational efficiency without jeopardizing fiscal oversight, while improving provision of services to the Hayward community.

ECONOMIC IMPACT

Approval of the attached resolution will not have an economic impact on our community.

STRATEGIC ROADMAP

This agenda item is an operational item and does not specifically relate to any of the six priorities outlined in the Council's Strategic Roadmap.

FISCAL IMPACT

There is no fiscal impact associated with the proposed changes in policy.

PUBLIC CONTACT

Staff met with the Council and Budget Finance Committee during a public meeting on September 18, 2024. During that meeting, staff presented a recommendation and received feedback from the Committee on proposed changes to the policy.

NEXT STEPS

Upon approval of the attached resolution, the Purchasing Policy will be effective immediately.

Prepared by: Rita Perez, Purchasing Manager

Recommended by: Nicole Gonzales, Director of Finance

Approved by:



Dustin Claussen, Interim City Manager