



SCAPPOOSE *Oregon*

MONDAY, NOVEMBER 21, 2022

CITY COUNCIL

WORK SESSION ~ RESOLUTION CONTRACTING AUTHORITY, 6PM

COUNCIL CHAMBERS * 33568 EAST COLUMBIA AVENUE* SCAPPOOSE, OREGON 97056

Mayor Burge opened the work session at 6:00pm.

Present: Mayor Scott Burge; Council President Megan Greisen; Councilor Josh Poling; Councilor Pete McHugh; Councilor Tyler Miller; Councilor Jeannet Santiago; City Manager Alexandra Rains; Legal Counsel Peter Watts; City Recorder Susan Reeves; Assistant to Public Works Director Huell Whitehaus; Public Works Director Dave Sukau; and Assistant to the City Manager Isaac Butman.

Remote: Councilor Brandon Lesowski; and Natalia.

City Manager Rains explained staff has done research and put together a staff report and would like to discuss our current contracting authority and limits.

Assistant to Public Works Director Huell Whitehaus went over the staff report. Resolution 17-12 (April 2017) established the City's public contracting procedures. These procedures: 1) define contract categories; 2) define purchasing limits delegated to the City Manager; 3) stipulate which procurement procedures must be followed; and, 4) adopt the Oregon Attorney General's Model Rules for Public Contracting. Resolution 17-12, Section B (3) established the purchasing limits of the City Manager with respect to capital (\$50,000) and non-capital expenditures (\$30,000) – procurements above these thresholds must be approved by City Council. Since April 2017, CPI cumulative inflation has exceeded 21%. ¹ Adjusted for inflation, the buying power of the spending limits for capital and non-capital expenditures are \$41,280 and \$24,768, respectfully. As inflation has continued to climb and supply chain issues caused by the COVID-19 Pandemic linger, the costs associated with procurement have increased. City staff is requesting that these limits be increased to \$75,000 for both capital and noncapital expenditures that are not explicitly listed in the budget. For items or projects that are budgeted for in a given fiscal year, staff requests that Council waive the requirement for Council's authorization, so long as the item or project to be procured comes within 15% of that procurement's budget.

1. CPI Inflation Calculator, April 2017 to August 2022, US Bureau of Labor Statistics.

ANALYSIS ~ The City of Scappoose Resolution 17-12 sets forth the public contracting rules which govern the City's procurement procedures as well as the purchasing limits of the City Manager. The City – like the overwhelming majority of Oregon municipalities – adopts the

Oregon Attorney General's Model Public Contracting Rules (hereinafter 'Model Rules') as its guidelines for conducting the City's procurement processes. The limits stipulated in the Model Rules are as follows:

- Any procurement – If a procurement is estimated to cost more than \$10,000, then at least three competitive quotes must be solicited. Depending on the type of procurement, additional limits or procedures may apply (see below).
- Architectural, Engineering, Surveying, and Related Services – If the procurement falls under this category, the City may direct appoint a consultant if the estimated value of the contract is less than \$100,000 and may base the award on price. Under such a circumstance, three competitive quotes must still be solicited. For contracts in this category that are estimated to exceed \$100,000, the City utilizes a Qualifications Based Selection² (QBS) using a Request for Proposals (RFP).
- Goods and Services – Contracts with an anticipated value of more than \$10,000 but less than \$150,000 may be procured through an intermediate process. The intermediate process requires at least three quotes to be solicited, and the resulting contract may be awarded based on price.
- Construction Projects – A contract for construction services with a value estimated to exceed \$100,000 requires a competitive sealed bidding process. The award basis for any construction project is low-bid, regardless of price. In addition to adopting the Model Rules, Res. 17-12 also sets forth the signing limits of the City Manager. Contracts which exceed these limits must be approved by City Council.

Those limits are:

- Non-Capital Expenditures – \$30,000
- Capital Expenditures – \$50,000

Due to the higher contracting costs for both capital projects and professional services, staff anticipates that an increasing number of contracts will need City Council's approval per the limits stipulated in Res. 17-12. Price increases and competition for available fleet vehicles, manufactured construction materials, and special equipment have been recurring themes for procurement over the last two years. For example, due to the disruptions in the manufacturing supply chain, finding available fleet vehicles has become increasingly challenging. In the pre-pandemic economy, fleet vehicles could be ordered in the desired configuration and delivery could be expected within a reasonable timeframe. However, vehicle manufacturers have reported ordering lead times exceeding one year – such was the case for the recent police vehicle and vac truck purchases. Due to the long lead times, staff worked to find already built vehicles on dealers' lots available at the government rate stipulated in the state's respective cooperative purchasing agreements. ³ Because of the cost increases that Staff is seeing and under Res. 17-12 as it stands currently, there is a risk of missing out on key opportunities if approval hinges on Council's approval at a Council meeting that may be several weeks away.

² Under a QBS procurement, price may not be considered as a part of consultant selection.

Availability and lead times for manufactured construction materials reflects a similar trend. Before the supply chain challenges, delivery of pipeline materials could be measured in weeks – now, several months is typical. Anticipating such a delay, staff purchased the water pipe for the

Bella Vista Waterline Construction project earlier this year, many months ahead of the project to ensure that construction could proceed this winter to decrease risk to the project timing that might have been caused by a supply chain delay.

Price increases driven by high inflation has not been unique to manufactured goods – professional services (e.g. engineering design services, planning consultants, etc.) have also increased, as evidenced by the increased engineering design costs associated with the Wastewater Treatment Phase I Improvements and increased hourly rates for consultants which the City has worked with in prior fiscal years.

Staff proposes an increase to the purchasing limits of the City Manager to \$75,000 for capital and non-capital procurements that are not explicitly listed in the budget, thus eliminating the differential between procurement types. In addition, for procurements that are listed in the budget, staff proposes eliminating the requirement to have each contract approved by Council, so long as the contract value is within 15% of the budgeted amount. Staff researched the purchasing limits of thirty (30) other municipalities, both in the Portland metro area and beyond (see Exhibit B). Limits range from \$5,000 to \$150,000 for both categories for the cities researched. Four cities have no upper limit. ⁴ Of the thirty cities, only two have differing limits for capital and non-capital expenditures: Cornelius and Scappoose.

Staff is confident that the proposed changes adding new language about projects approved through the budgetary process will result in increased efficiency with respect to the City's public contract administration, by allowing the organization to be nimble to changing economic conditions and save valuable space and time on future Council agendas.

³ The State of Oregon negotiates state-wide price agreements that are available to municipal agencies in Oregon.

⁴ Banks, Creswell, Dallas, Troutdale

Existing language in Res. 17-12, B.(3): All contracts for capital expenditures estimated to cost more than \$50,000 in a calendar year must be approved by City Council. All public contracts for capital expenditures estimated to cost \$50,000 or less in a calendar year may be entered into by the city manager or designee without Council approval. All public contracts for non-capital expenditures estimated to cost more than \$30,000 in a calendar year must be approved by City Council. All public contracts for non-capital expenditures estimated to cost \$30,000 or less in a calendar year may be entered into by the City Manager or designee without Council approval.

Proposed language for Res. 17-12, B.(3): All contracts with a value more than \$75,000 in a calendar year must be approved by City Council. Contracts exceeding \$75,000 in a calendar year but identified in the Adopted Budget that have been approved by City Council through the budgetary process, shall be deemed to have been approved by City Council, given that the contract value is within 15% of the amount identified in the Adopted Budget.

EXHIBITS

Exhibit A – Res. 17-12 A Resolution Adopting Public Contracting Rules and Procedures and Repealing Resolution 14-07.

Exhibit B – List of contract approval limits by Oregon municipality

FINANCIAL IMPACT: Decreased staff time allocated to developing and presenting contracts to Council for approval; decreased opportunity costs that may be caused by a delay in purchase authorization.

Councilor Poling asked City Manager Rains how long does it take the City to go through a process of when you have to make requests for the City Council for, how much longer does that add for a timeline?

City Manager Rains explained for some reason if we miss a Council meeting or something comes up and we are not able to get something to Council, that's probably a typical delay, somewhere in the neighborhood of two to three weeks. Which in the past wasn't that big of a deal but now with the supply change issues that we are seeing it is becoming a bigger problem. She stated especially with vehicle purchases and there have been times that if we didn't put money down and secure that vehicle right away, we were going to lose it and we probably wouldn't be able to pick up another one for a year.

Councilor McHugh explained a concern of his is how Council is kept informed about expenditures and having it on the agenda is one way of them being informed. He talked about the 15% leeway that we have, that can be quite a bit of money and he is just wondering if that should be less than 15%. He explained if a bid comes in at 15% greater than what was budgeted, he would like for that to be approved, anything that goes beyond the budget.

Mayor Burge explained he thinks anything over \$75,000, even though it might already be in the budget, should still come before the Council to get approval.

Councilor Santiago explained she would feel comfortable keeping it at \$50,000.

Mayor Burge feels this should come before the Council, so we know what is happening, in addition to being transparent.

Council President Greisen explained she emphasizes with staff when this has been put in the budget and they know it is going to happen then it comes time and staff needs a second approval and she knows that in the past that has been quite frustrating having to get several approvals on something that the Council has already said was approved. She understands Mayor Burge's point of view regarding during the budget adoption process sometimes people are just looking at it more in big numbers for the total for each department. She stated she definitely empathizes and sees both sides. She is wondering if there is some sort of a balance. She asked how is there a way to communicate that a purchase is going to occur and at what price point? She asked is there a way to be communicative without needing an approval?

Public Works Director Dave Sukau explained why he feels \$75,000 would be beneficial. He explained in the past when going to purchase an item by the time they would have come before Council they would not have been able to get the items.

City Manager Rains explained staff does routinely try to bring things in front of Council and be mindful of that and sometimes items are below the threshold and sometimes they are free, because we want to make sure that Council is involved, and it is a transparent process. She explained we are just thinking of more like efficiency sake for public works primarily.

Mayor Burge stated he thinks that is why bringing it up to a level that is above the current amount is a good idea.

Council President Greisen and Councilor Poling both stated they agree with Mayor Burge.

Councilor McHugh stated sounds good.

Councilor Santiago explained she would ideally like to have the capital and noncapital just the same at \$50,000.

Mayor Burge explained moving the threshold is more recognition of where inflation has gone over the last five years.

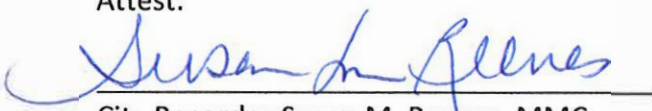
Councilor Poling explained inflation over the past seven years was almost 26%.

Council thanked staff.

Mayor Burge adjourned the work session at 6:46pm.


Mayor Scott Burge

Attest:


City Recorder Susan M. Reeves, MMC