



Agenda Item No. 1

To: Rules, Policy and Industrial Relations Committee/Committee of the Whole
Meeting of February 8, 2008

From: Joseph M. Wire, Auditor-Controller
Celia G. Kupersmith, General Manager

Subject: **APPROVE AMENDMENTS TO THE PROCUREMENT MANUAL AND
RULES OF THE BOARD REGARDING PROCUREMENT PROCESSES**

Recommendation

The Rules, Policy and Industrial Relations Committee recommends that the Board of Directors approve the following amendments to the Procurement Manual and the *Rules of the Board*:

- 1) Amend Section III.B.4, *Informal Bidding – Purchases Over \$2,500 But Not Exceeding \$20,000*, to increase the threshold for telephone quotations for small purchase procurements from \$5,000 to \$10,000;
- 2) Amend Section III.C.1, *Professional Services not Exceeding \$7,500*, to increase the threshold for professional services that do not require competitive quotations from \$7,500 to \$10,000;
- 3) Amend Section III.C.2, *Service Contracts Not Exceeding \$20,000*, to increase the threshold from \$20,000 to \$25,000 for retaining services using a simplified negotiations process, and to revise the process to allow the District to solicit by oral or written request, proposals from an adequate number of qualified sources;
- 4) Amend Section IV.D.1, *Notice Inviting Sealed Bids*, to change the way sealed bids are advertised by minimally describing the contract in the advertisement, and referring the potential Bidder to the District's website for the particulars;
- 5) Amend Section V.E., *Request for Proposals*, to provide that the selection criteria should not weigh price as more important than the Proposer's qualifications, experience, and technical merits, if it may result in substandard service to the District;
- 6) Amend Section I.B., *Organizational Structure*, and Rule V of the *Rules of the Board*, Duties of the General Manager, to delegate authority to the General Manager to award contracts over \$100,000 without Board approval for the routine replacement of equipment, supplies and materials, or for routine, recurring services which do not have a

policy impact, provided such procurements are included in the District's approved annual budget. The Board of Directors' approval will be required for contracts over \$100,000 regardless of inclusion in the approved annual budget for purchases of revenue vehicles, construction contracts, and professional services as identified below.

Summary

The District's Management Team, comprised of Department Managers, Deputy General Managers, Officers, and the General Manager, meet quarterly to discuss District business, increase communication within the Divisions, and to seek ways to improve District operations. One of the ways instituted to improve District operations was to break into small subgroups and work on key issues that were previously identified at one of the meetings. One of those keys issues was procurement processes. A District's Procurement Subgroup was formed and assigned the task of reviewing the District's procurement processes and identifying ways to improve and streamline the processes.

The District's Procurement Subgroup presented to the entire Management Team a number of ways to improve and streamline the procurement processes. The consensus of the Management Team was to proceed with the new procurement procedures. While many of the recommended changes were within the General Manager's authority to approve, other proposed processes require Board authorization to amend the Procurement Manual and *Rules of the Board*.

These changes will streamline procurement procedures consistent with best procurement practices. Highlights of the issues and suggested recommendations are as follows:

Increase Procurement Thresholds for Informal Bid Requirements

Currently, the informal bid process is quite time consuming for small procurements. Purchases over \$2,500 but not exceeding \$20,000 generally require the issuance of a written Informal Bid Form describing the desired product or service and terms and conditions of the procurement. An exception to this time consuming process is that three telephone quotations may be solicited for small purchases up to \$5,000. Staff recommends increasing the cap for the use of telephone solicitations to \$10,000 in lieu of the procedure for a written Informal Bid Form.

Increase Procurement Threshold for Not Obtaining Competitive Quotations for Professional Services

Currently, professional services may be retained without obtaining competitive quotations if the estimate does not exceed \$7,500. The recommendation is to increase the threshold to \$10,000 to accelerate the procurement process for low dollar professional service contracts.

Increase Procurement Threshold for Simplified Negotiations for Service Contracts

The District uses a simplified negotiation process to retain services between \$7,500 to \$20,000, whereby a solicitation letter to prospective Proposers is issued, proposals are evaluated based upon specified criteria, and the successful Proposer is retained by executing a written agreement. Staff recommends increasing the use of the simplified negotiations process for contracts between \$10,000 to \$25,000. To further streamline the process, it is recommended that District staff have the discretion to solicit proposals by oral request, from an adequate number of qualified sources. Proposers must still submit a written proposal for evaluation by District staff.

Advertising of Bid Notice

The District must advertise formal bid procurements for equipment, supplies, and materials and public works/construction contracts. It also must publicize Requests for Proposals for services that are funded by FTA. The required contents of the Notice may vary depending on the nature of the contract. Advertising of the notice is very expensive, and a way to decrease costs is to utilize the District's website. The recommendation is to minimally describe the contract in the advertisement, but refer the potential Bidder/Proposer to the District's website for the particulars.

Review of Methods for Evaluating Requests for Proposals

In some Request for Proposals, the price has been weighted too high causing cost to be the deciding factor and not the technical merit of the service. In determining the criteria for evaluating proposals for both professional and non-professional services, the price should not be more important than the Proposer's qualifications, experience, and technical merits, if it may result in substandard service to the District. With the exception of the Requests for Proposals administered by the Engineering Department, the Procurement Department will review and approve the weighted selection criteria for all Requests for Proposals before they are sent out to Proposers.

Procurements over \$100,000

Under current Board policy, all contracts that are over \$100,000 require the Board of Directors' approval. For routine and recurring items, this process causes delays in awarding contracts and a significant amount of staff time in preparing staff reports. The recommendation is to delegate authority to the General Manager to award contracts over \$100,000 for the routine replacement of equipment, supplies and materials, or for routine, recurring services which do not have a policy impact, provided they are included in the District's approved annual budget. These types of procurements include the following:

- Computers
- Compressors
- Printing of System Timetables and Guides
- Trucks

- Fuel
- Janitorial Services
- Window Washing Services
- Revenue Collection
- Security Guard Services
- Printing of Transit System Timetables and Guides
- Dry Docking

The Board of Directors will review on a quarterly basis the status of all contracts and purchase orders over \$20,000 that have not been presented to the Board. Currently, the Board of Directors review on a quarterly basis the status of all contracts exceeding \$20,000 up to \$100,000.

The Board of Directors' approval will be required for contract awards exceeding \$100,000, regardless of project inclusion in the approved District Annual Budget, for purchases of revenue vehicles, all construction contracts, and the following professional services:

- Actuarial Services
- Audit Services
- Bus and Ferry Advertising Services
- Subscription Bus Contracts
- Legal Services
- Financial Advisory Services
- Health and Welfare Benefit Contracts
- Insurance Services
- Workers' Compensation Third Party Administration Services
- Corporate Sponsorship
- Legislative Advocacy Services
- Investment Services
- Any contract that involves policy-sensitive or controversial activities

Fiscal Impact

There is no direct fiscal impact associated with these potential changes. It is anticipated that the streamlining of the procurement process will allow staff to perform the procurement functions in a more efficient and timely manner and will increase overall District productivity and responsiveness.