

**To the Mayor and Members of the City Council****November 15, 2016**

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**SUBJECT: PROPOSAL TO IMPROVE CONTRACT MANAGEMENT AND INCREASE DELEGATED AUTHORITY FOR CONTRACTING AND PURCHASING**

The purpose of this Informal Report is to outline proposed changes to the City's contracting and purchasing process that are intended to increase efficiency, effectiveness, and accountability.

The City has recently undergone a review of its processes and procedures relating to contract management. Through this process, it was determined that improvements can be made in several areas of contract administration, including areas such as reporting and monitoring of compliance with performance and payment terms. In order to implement these improvements, staff will be recommending that the City Council increase the City Manager's delegated authority for contracting and purchasing to streamline the process and reduce the staffing burden in order to create capacity within available resources to allow additional staff time to be devoted to enhanced contract management.

On December 6, 2016, the City Council will be presented with a Mayor and Council Communication (M&C) and ordinance that would amend Chapter 2, Article I, Section 2-9 of the City Code to allow the City Manager to execute contracts involving expenditures of up to \$100,000 without City Council approval. Currently, City Council approval is required for any contract over \$50,000.

While the current delegated authority for contract execution mirrors the threshold for when competitive bidding is required under state law, home rule cities have broad discretion to establish their own thresholds for when approval by the governing body is required for execution of a contract. Several Texas cities have a formal approval/delegated authority threshold that is higher than the threshold for formal bidding under state law. Staff surveyed other Texas cities and found that two, Denton and Garland, employ a \$100,000 approval threshold; Dallas utilizes a \$70,000 threshold; and Austin, Houston, and San Antonio have thresholds of \$50,000.

A review of the past 12 months of M&Cs showed that there were 82 contracts involving expenditures between \$50,001 and \$100,000 that were sent to the City Council for approval. Under the proposed increase, none of these M&C's would be required. A higher approval threshold will speed up the purchasing process and small project delivery. The basic purchasing process can be as short as three days for a routine informal bid or as long as three months for a full, formal process for more complex projects. While a change in the delegated authority threshold would not alter the City's obligation to go out for formal bids, it would save significant time.

Staff is also recommending that the City increase the City Manager's delegated authority to administratively approve (i) acquisition of easements that involve expenditure of \$100,000 or less in City funds and (ii) amendments or change orders to a contract from \$50,000 to a cumulative threshold of \$100,000 inclusive of the original contract. For the amendments and changes orders, any subsequent one that causes an increase beyond the cumulative threshold of \$100,000 will require City Council approval in increments of \$100,000. This proposed change will not affect a

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contract that is subject to the limitations found under Texas Local Government Code Chapter 252 that places a limit on delegated authority for change orders of \$50,000 or less and that prohibits an increase of the original contract price by more than 25 percent. Additionally, the proposed change will not affect a change order to a public works contract that involves a decrease or increase of \$100,000 or less of city funds, which is already permitted under the City Code.

The proposed changes would not affect the Business Diversity Enterprise Ordinance. The M/S/WBEs will still be invited to bid on all requests over \$3,000, and the Office of Business Diversity will still set participation goals or issue waivers for all requests valued over \$50,000.

Under the new process, each contract will be assigned to a departmental Contract Manager who will be the designated staff member with the responsibility to manage, track, and monitor all aspects of the contract. These recommended changes to the City's contracting and purchasing process will improve the City's ability to deliver goods and services without any threat to the public trust or reduction in opportunities to increase contractor and subcontractor diversity.

Staff will be recommending that the proposed changes be effective January 1, 2017 to allow time to update the City Code and notify City employees as well as suppliers of the changes.

If you have any questions, please call Aaron Bovos, Chief Financial Officer, at 817-392-8517, or Jack Dale, Purchasing Manager, at 817-392-8357.

**David Cooke**  
**City Manager**