



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Cathy Bloom, Finance Manager and Gail Murray, Purchasing/Risk Manager
DATE: July 3, 2013
SUBJECT: Proposal to change Board Contracting Approval Thresholds – EWEB Rule 2-0150
OBJECTIVE: Board approval to revise the Board Contracting Approval Thresholds

Issue

At the March 19th Board meeting, management indicated that due to the staffing reductions in the Purchasing department and the need to increase efficiencies, we would be requesting a change to Board contracting policies.

At the July 16th Board meeting, management will ask the Board to approve a change to the current Board Approval Thresholds to more closely align with solicitation thresholds, streamline Board and Purchasing/Risk department processes while implementing a strategy to move forward with reduced staffing levels in Purchasing.

Background

As you are aware, one of the Board's responsibilities is to function as the utility's Contract Review Board. In that capacity, the Board has the authority to adopt rules and procedures that interpret Public Purchasing and Contracting Law (ORS279).

In April 2005, the Board adopted the Board Approval Thresholds which are currently in place. These are the dollar thresholds for which contracts are brought to the Board for approval on the consent calendar or as an agenda item.

These thresholds are:

Purchase of all Goods, Equipment and Construction:	\$100,000 or greater
Purchase of Services and Personal Services:	\$ 20,000 or greater

Discussion

Public Contracting Law (ORS279) and EWEB Public Contracting Rules (Rules) require an Intermediate (informal) procurement process, which involves obtaining three quotations for purchases greater than \$5,000 and less than \$150,000. EWEB Rules also exempt Personal Services contracts \$150,000 or less from the public contracting process.

Due to the cost reduction strategies implemented in the past year, the Purchasing department has been reduced by two FTE, or a 20% staff reduction. In an effort to streamline processes and procedures for both staff and the Board, management is proposing that the Board thresholds and the procurement thresholds align. This change will result in the reduction of the number of items coming before the Board on the consent calendar. This would allow the Board to focus on higher level/higher risk contracts and other strategic directions. It will also allow purchasing staff to focus their energies on the higher risk/greater return projects and contracts.

For an historical perspective, in 2012, there were 59 contracts on the consent calendar. Of those, 32 were for services or personal services between \$20,000 and \$150,000. For example, if the policies had been changed in 2012, only 27 consent items would have been reviewed by the Board.

2012	Board consents	Personal Services between \$20,000 and \$150,000
	59	32
½ 2013	43	13

An estimate of the number of staff hours to process a Board Consent varies greatly based on the complexity and the staff involved. Generally, this process can include administrative staff, engineers, contract administrators, project managers, LT managers, purchasing staff and the General Manager. There are many hands that touch this one document including purchasing who drafts and shepherds the document through the process. A conservative estimate of process time would be approximately 4-10 hours/per consent form plus the staff time to attend board meetings.

Additional information for your review, are examples of other public agencies’ board thresholds:

Clark County PUD: Contracts over \$300,000 go before the commissioners for approval. A report is prepared quarterly that lists the contracts that have been awarded during that quarter that were below \$300k for the Board’s information only. No Board action is required for those.

City of Eugene: Only special procurements go before the City Council. The Council has delegated contract signature authority to the City Manager, who in turn delegates a portion to Division Directors.

4-J School District – The Board has delegated authority to the Facilities Director to approve construction contracts less than \$500,000. All other contracts of \$150,000 or more are approved by the Board.

Recommendation

Management’s recommendation is to align Board contracting approval thresholds to match procurement thresholds and to create efficiencies for the Board and staff.

Requested Board Action

Board approval to revise the Board Contracting Approval Thresholds to:

- Purchase of all Goods, Services, Personal Services and Equipment: \$150,000 or greater
- Construction (no change): \$100,000 or greater

If approved, EWEB’s Rules, Division 2, Section 2-0150 (attached) and Board Policy EL2 will be revised to reflect the changes.

Exhibit A – Redlined version with proposed changes

**EXCERPT FROM EWEB PUBLIC CONTRACTING RULES – GENERAL PROVISIONS
DIVISION 2: AUTHORITY; GENERAL PROVISIONS; PROTESTS AND REMEDIES**

2-0150 Board Approval Thresholds

(1) The Board shall have the sole authority to approve award of all contracts that meet or exceed the following thresholds:

Purchase of all Goods, ~~Services, Personal Services and Equipment, and Construction:~~

\$1500,000 or greater

~~Services and Personal Services~~ ~~\$20,000 or greater~~

Construction:

\$100,000 or greater

(2) The Board shall have the sole authority to approve all change orders to Board awarded contracts that cause the contract to exceed 25 percent of the last Board approved amount. The Board shall also have the sole authority to approve any change orders where the change order would cause the contract to exceed the Board approval thresholds, as provided in (1) of this rule.

(3) The Board shall be notified of any proposed contract(s) with any known ~~Executive Management Team (EMT)~~ ~~Leadership Team (LT)~~ member's immediate family prior to that contract being placed

on the Board's consent calendar for Board approval. Notification to the Board of the proposed contract(s) shall initially be given to the General Manager as soon as practical. At a minimum, the notification shall include:

- The name of the Executive Manager,
- The name of the proposed contractor,
- That the Executive Manager and proposed contractor are immediate family members,
- A description of the proposed work,
- Staff's findings,
- The estimated potential cost of the contract, and
- The contract term.

The General Manager will provide the information to the Board at his or her earliest convenience, by whatever means he or she determines to be most appropriate.

"Immediate Family Member," as used in this rule, means any spouse, domestic partner, child, sibling (of any kind, including in-law), parent (including in-law), or grandchild.

EWEB Public Contracting Rules, Division 2 - Page 4 of 11

(4) This rule does not apply to the following procurements:

a. Existing Board Appointed Consultants and Attorneys, which shall be reported to the Board annually for their ratification. The initial contract with any new consultants and attorneys shall be submitted to Board for approval. Any contracts with those persons thereafter will be ratified by the Board annually;

b. Required **sole-source/single seller** contracts, which includes the following:

- Governmentally required taxes, fees, permits and payments;
- Software licenses, upgrades, and fees;
- Equipment and software maintenance agreements;

- Commonly used financial reporting and credit agencies selected because of their unique, reliable reporting capabilities and
- Other sole-source contracts required to meet governmental requirements, required to maintain existing software and equipment, or in which EWEB has no choice, but to use to maintain business operations.

c. Cooperative Procurement Contracts established for multiple-agency use by:

State of Oregon,

State of Washington

Western States Contracting Alliance (WSCA),

U.S. Communities,

The federal General Services Administration, or

Other governmental entity that is legally sufficient for EWEB's use.

d. Board approved price agreements that specifically identify the contract as a price agreement and the purchases as being made on an "as needed" basis for the life of the contract (e.g. the purchase of stores items "as needed" to perform the utility's regular work).

e. This exception from Board approval does not apply to any contract(s) as set forth in section 3, above.

5. Application of exception 4 above is at the sole-judgment and discretion of the Purchasing Manager and shall only be applied to required single seller/sole-source contracts.

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(3) The Board shall be notified of any proposed contract(s) with any known Leadership Team (LT) member's immediate family prior to that contract being placed on the Board's consent calendar for Board approval. Notification to the Board of the proposed contract(s) shall initially be given to the General Manager as soon as practical.

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- The name of the proposed contractor,
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