

STAFF REPORT

TO: City Council Finance Committee Date: March 8, 2011
FROM: Lauren Bradley, Director of Administrative Services
Via: Gary W. Jackson, City Manager
Subject: Proposed purchasing & contracting policy changes

During the last several months, in response to economic conditions and a continued need to identify operational efficiencies, staff has worked to identify changes to the City of Asheville's purchasing and contracting policies and procedures. The goals of these changes include:

- Improving the clarity, efficiency, and effectiveness of purchasing and contracting procedures (adding value to the process while reducing costs);
- Making it easier for businesses – especially small businesses – to work with the City of Asheville, and;
- Evaluating affordable opportunities to extend the Living Wage provision to city contracts without impacting the opportunity for small businesses or minority-owned businesses to work with the City.

While most of the changes are administrative in nature, two changes require City Council approval, which include:

- (1) Adjusting the contracting authority threshold for department directors and the city manager to better align with other thresholds defined by NC General Statute, and;
- (2) Incorporating a Living Wage provision to the terms and conditions of General Service contracts with a value of more than \$30,000 but less than \$90,000.

(1) Contract Authority

North Carolina public contracting statutes establish dollar thresholds associated with informal and formal bid requirements. Informal bids are permitted for construction and repair contracts as well as the purchase of apparatus, supplies, materials and equipment from \$30,000 up to the formal limit. Formal bids are required for the purchase of apparatus, supplies, materials and equipment at \$90,000 and above. Based on these thresholds, the City of Asheville has established contracting and purchasing requirements and procedures for all city employees.

North Carolina law provides that a city's governing board has the authority to contract on behalf of the municipality. The governing board may delegate its authority to others within the organization, such as the city manager. The City of Asheville has maintained a City policy that explicitly delegates the authority to contract on behalf of the City to the city manager and department directors based on dollar thresholds. The current thresholds for contracting authority are:

- Department Director – Below \$25,000
- City Manager – Below \$100,000 for construction/repair; below \$50,000 all others
- City Council – \$100,000 and above for construction/repair; above \$50,000 all others

Because the City's dollar thresholds for contracting authority do not currently align with the dollar thresholds established by North Carolina public contracting statutes, Asheville maintains an additional set of forms, processes, and procedures to accommodate the various levels of approval authority and statutory requirements, which complicates the processing of transactions. As a result, staff is recommending that the City of Asheville's thresholds for contracting authority be adjusted to better align with statutory thresholds. The recommended thresholds for contracting authority are:

- Department Director – Below \$30,000
- City Manager – Below \$100,000 for construction/repair; below \$90,000 all others
- City Council – \$100,000 and above for construction/repair; above \$90,000 all others

By making this adjustment, the City will gain efficiencies in training staff and processing transactions. Likewise, staff expects this adjustment to decrease the time it takes to process transactions by approximately 25-50%.

(2) Living Wage Provision

In 2007, Asheville City Council approved a living wage for city employees of \$10.86 per hour without health insurance and \$9.50 per hour with health insurance for all full-time and part-time employees. Since 2007, the Asheville/Buncombe Living Wage as provided by Just Economic has increased to \$11.35/hour for full or part-time employees without employer provided health insurance and \$9.85/hour for full and part-time workers with employer provided health insurance. The City of Asheville currently meets this living wage for full-time employees, and staff anticipates recommending Council adopt the revised living wage for City employees for FY 2011-12.

In 2007, Just Economics also asked City Council to consider incorporating a living wage provision into its contracting requirements with vendors. Staff has extensively researched the options for extending the living wage to vendors who do business with the City of Asheville. Based on that work, staff would recommend a phased approach for implementing a living wage requirement on city contracts for General Services. General Services is the only area of contracting not governed by the general statutes of North Carolina and therefore lends itself to additional provisions by the governing body. It is the area of contracting where other North Carolina cities and counties have implemented the living wage.

A phased approach would allow for review of the effects of the living wage provisions on contracting before the next increase in the amount is raised during the budget cycle period. The phases of this approach are summarized in the table below:

Tiers	Fiscal Year	Initial Living Wage	Contracting Threshold	City Council Review of Impact & Approval of Next Increase
1	FY11	11.35 without benefits 9.85 with benefits	\$30,000-\$90,000	April 2011
2	FY12	11.35 without benefits 9.85 with benefits	\$30,000-\$90,000	April 2012
3	FY13	11.35 without benefits 9.85 with benefits	Consider increase above \$90,000	April 2013

As part of the City's revised Purchasing and Contracting Policy, staff would recommend incorporating a living wage provision for General Service contracts within the \$30,000-\$90,000 threshold. The requirement would be included as part of the standard terms and conditions for these contracts. If a complaint is filed and substantiated against a vendor for non-compliance, the contract would be terminated.

Staff would regularly monitor and provide quarterly updates on the impacts of the living wage provision to the Finance Committee.

Recommendation: Staff recommends proceeding with the changes to contracting authority outlined above. In addition, staff is seeking Finance Committee policy direction on the Living Wage proposal for city contracts. Staff believes the first phase of the approach is financially and administratively feasible to implement.

Attachments: Purchasing and Contracting Policy
Policy Summary Matrix