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Title: Chief Administrative Office, Procurement and Contracts Division, recommending the Board receive and file two reports on procurement and contracting activity for Fiscal Year 2016/17. (Est. Time: 20 Min.)

FUNDING: N/A

Sponsors:

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Attachments: 1. A - Contract Activity 16-17 for BOS 11-7-17, 2. B - PO Activity 16-17 11-7-17

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Chief Administrative Office, Procurement and Contracts Division, recommending the Board receive and file two reports on procurement and contracting activity for Fiscal Year 2016/17. (Est. Time: 20 Min.)

FUNDING: N/A

DEPARTMENT RECOMMENDATION

Chief Administrative Office, Procurement and Contracts Division, recommending the Board receive and file two reports on procurement and contracting activity for Fiscal Year 2016-17.

DISCUSSION / BACKGROUND

Section 3.12.070 of the Purchasing Ordinance requires an annual submission to the Board of Supervisors of a report of procurement and contracting activity that occurs under the authority delegated to the Purchasing Agent. Two reports of purchasing activity for Fiscal Year 2016-17 are attached: 1) Contracts Activity and 2) Purchase Order Activity. The Contract Activity report includes contracts for services only and does not include public works/construction projects, MOUs, leases or funding agreements as these types of agreements are not governed by the Purchasing Ordinance.

Contracts Executed within Purchase Agent Authority:

California Government Code, beginning with section 25500, authorizes counties to employ purchasing agents and provides for their powers and duties. Government Code section 25502.3 allows the Board of Supervisors to authorize the Purchasing Agent to enter into contracts for services not exceeding \$50,000, adjusted annually by the increase in the California Consumer Price Index. The CPI-adjusted authority for FY 2016-17 was \$65,477.

County ordinance code section 3.12.060 establishes the office of the Purchasing Agent, which is "headed by the Chief Administrative Officer or his or her designee, hereinafter referred to as "Purchasing Agent."...The Purchasing Agent shall have the powers and duties prescribed for county

purchasing agents in Federal and State law, the County Charter and County ordinances, resolutions and policies.” Section 3.12.230(B) of the county ordinance code authorizes the Purchasing Agent to execute contracts for services in accordance with the Government Code authority discussed above and sets forth bidding requirements.

Chapter 3.12 of the County ordinance code (“the Purchasing Ordinance”) and Board of Supervisors Policy C-17 - Procurement outline the authority that the Board has vested in the Purchasing Agent and sets forth policies and procedures for procuring goods and services for the County.

Contract Processing:

The Procurement Policy places responsibility on Department Heads to determine their departmental needs, and they or a designee are authorized to initiate contract requests. Once a need has been identified, the following process begins:

- The department completes a feasibility analysis as the first step in determining whether it is appropriate to contract out a service;
- For contract amendments where a term extension is requested, staff work with the vendor to try and avoid any changes to rates and compensation;
- Human Resources reviews the proposed contract to determine whether there is an obligation to meet and confer with labor groups before the contract can proceed;
- County Counsel reviews the contract for legal compliance;
- Risk Management reviews the contract and insurance certificates for compliance with contract language and County Risk Management requirements;
- Purchasing staff review the contract for compliance with the Charter, Ordinance, and Policy;
- Department Head and Contract Administrator review and sign the agreement;
- Department sends the agreement to the vendor for signature;
- Department submits the agreement to the Purchasing Agent or delegate for final approval;
- Purchasing Agent (or delegate) executes the agreement.

Internal Controls

Prior to Fiscal Year 2015/16, the CAO delegated authority to the Procurement & Contracts Manager to sign all contracts under the Purchasing Agent’s authority, currently set at \$65,477. Since that time, the following internal controls have been put in place:

- Any contract which appears controversial (e.g, duplicating services, splitting contracts, potential for unanticipated increased costs) or retroactive in nature, even if they are within the Purchasing Agent’s delegated authority, are placed on the Board’s agenda for approval.
- Effective June 21st, 2016, Laura Schwartz, Deputy CAO, Shawne Corley, Assistant CAO, or Don Ashton, CAO, began to review all service contracts in the amount of \$10,000 or greater. -
- Effective November 1, 2017, all Facilities Division contracts will be reviewed and signed by Shawne Corley, Assistant CAO or Don Ashton, CAO. The reason for this change is to ensure an appropriate separation of duties for Laura Schwartz, Deputy CAO, who currently oversees the day to day operations of the Facilities Division as well as executes contracts for the

Facilities Division on behalf of the Purchasing Agent.

Contract Activity:

The Contract Activity Report includes all contracts and contract amendments executed in FY 2016-17 under Purchasing Agent Authority. The report is sorted and sub totaled by department for your review, and shows spending against each contract or amendment, as well as the remaining balance, as of fiscal year-end (June 30, 2017). The contracts shown on the report are funded by a mix of both general fund and non-general fund sources; however, current system limitations narrow the ability to determine the exact split between funding sources.

Service contracts and contract amendments executed within Purchasing Agent authority for FY 2016-17 totaled \$6,613,738, an increase of \$2,923,511 or 79% compared to contracts executed in FY 2015-16. Contracts issued for the Health & Human Services Agency and CAO Facilities Division represent approximately 50% of the value of all contracts issued. Of the approximate \$2.9 million increase in total contract amount from FY 2015-16 to 2016-17, approximately \$1.74 million is for contracts within the Health & Human Services Agency, and \$657,000 is associated with Facilities Division contracts. The facilities contracts are primarily for on-call maintenance services and services related to capital projects. Facilities has been working to put more as-needed services contracts in place for a greater availability of stand-by contractors in order to shift to a more proactive program. Additional contracts for HHSA are also for as-needed services for everything from veterinary services to counseling and other client services.

At fiscal year-end, the amount expended was \$1,119,431 or 17% of the total not-to-exceed amount of the executed contracts which is consistent with the prior year. The variance between the total contract amount and the amount expended is not unusual for a variety of reasons. Many contracts extend over multiple years and will not be fully expended in the year in which they are executed. To see which contracts are multi-year, refer to the "Expiration" column in the table. In addition, many of these multi-year contracts are for "as needed" services, meaning that the department's need for the services is unpredictable, but it is advisable to have contracts in place when a need arises in order to avoid delays in service. Examples include CAO Facility Division contracts for plumbing and electrical repairs, as well as Health and Human Services Agency contracts for services to clients such as residential treatment, therapeutic counseling, etc. Additionally, for "as-needed" contracts, oftentimes available contract dollars are not fully expended prior to expiration, as many of these contracts are initiated as a safety net should urgent, as-needed services be required. It should also be noted that this report includes contracts that are non-general fund, or funded by outside revenues, such as funding agreements or grants.

Purchase Order Activity:

Pursuant to Board Policy C-17, purchase orders must be processed for any purchase greater than \$500 for the purchase, rent or lease of supplies, materials, goods, furnishings, equipment and other personal property. The attached report shows the total number and total dollar amount of purchase orders by department for FY 2016-17 that were issued under the authority delegated to the purchase agent or to the department.

There were 1,529 purchase orders processed last fiscal year, totaling \$6,938,195. Although the total number of purchase orders processed increased slightly (2.5%), the total dollars processed on purchase orders has decreased from \$8,779,727 in 2015-16 to \$6,938,195 in 2016-17. This is attributable primarily to decreased purchasing activity in the Department of Transportation and the Sheriff's Office related to one-time fixed asset purchases made in FY 2015-16.

ALTERNATIVES

N/A

OTHER DEPARTMENT / AGENCY INVOLVEMENT

N/A

CAO RECOMMENDATION

It is recommended that the Board approve this item.

FINANCIAL IMPACT

N/A

CLERK OF THE BOARD FOLLOW UP ACTIONS

N/A

STRATEGIC PLAN COMPONENT

Good Governance

CONTACT

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