



MEMORANDUM

September 8, 2010

TO: Board of Mayor and Aldermen

FROM: Eric Stuckey, City Administrator
Russell Truell, Assistant City Administrator for Finance & Administration
Brian Wilcox, Purchasing Manager

SUBJECT: Proposed revisions to certain purchasing-related provisions of City of Franklin Municipal Code

Purpose

The purpose of this initiative is to propose revisions to certain provisions of City of Franklin Municipal Code. Specifically, staff proposes that the dollar amounts of the various purchasing thresholds be adjusted, and that the dollar amount of the threshold for disposal of surplus property be adjusted. Because these thresholds are established in the Municipal Code, both of the adjustments would require an ordinance to amend the respective provisions.

Background

The following table displays the current and proposed purchasing and surplus personal property thresholds:

| Provision | Purchasing | | | |
|---|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | Current | | Proposed | |
| | Threshold | BOMA approval required? | Threshold | BOMA approval required? |
| At the discretion of the department head, three quotes, if possible, may be obtained; otherwise, no formal requirement for competitive process | Up to \$2,500 | Not unless a contract is involved | Up to \$10,000 | Not unless a contract is involved |
| At the discretion of the department head or purchasing manager, sealed bids, pursuant or not to public notice, may be obtained; otherwise, obtain three quotes, if possible | At least \$2,500, up to \$10,000 | Not unless a contract is involved | At least \$10,000, up to \$25,000 | Not unless a contract is involved |
| Public notice and sealed bids required | At least \$10,000 | Yes | At least \$25,000 | Yes |
| | | | | |



| Disposal of Surplus Personal Property | | | | |
|---|---|-------------------------|-------------------|-------------------------|
| Provision | Current | | Proposed | |
| | Threshold | BOMA approval required? | Threshold | BOMA approval required? |
| At the discretion of the city administrator, sealed bids or public auction, pursuant or not to public notice, may be required; otherwise, no formal requirement for competitive process | Up to \$4,000 | No | Up to \$10,000 | No |
| Sealed bids or public auction pursuant to public notice | At least \$4,000 | No | At least \$10,000 | No |
| Prohibition against a city employee or officer purchasing or acquiring surplus city property | Except by sealed bid or at public auction | No | Absolute | No |

If the Budget and Finance Committee endorses the revisions proposed above, staff will work with the Law Department to prepare an ordinance that amends the following provisions of the Franklin Municipal Code:

Sec. 5-502: Advertising and bidding.

Pursuant to T.C.A., § 6-56-306, the dollar amount required in the Municipal Purchasing Law of 1983 (as amended) for public advertisement and competitive bidding is increased from \$4,000.00 to \$10,000.00.

(1976 Code, § 6-502; Ord. No. 98-63, § 1, 9- -1998; Ord. No. 99-50, § 1, 10- -1999)

Sec. 5-801: Disposal of surplus personal property.

The city administrator may sell or dispose of any personal property owned by the city which is obsolete, surplus, or unusable. If the proceeds of sale are reasonably anticipated to exceed \$4,000.00, then sealed bids shall be taken or a public auction held after reasonable public notice. Otherwise, no bidding or auction procedure shall be required. No city employee or officer shall be permitted to purchase or acquire surplus city property except by sealed bid or at public auction.

(Ord. No. 98-08, § 1, 3- -1998)

Financial Impact

Staff is not aware that the revisions proposed above would have a negative financial impact on the City. As a rule, staff seeks to obtain the best pricing possible for all purchases.



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Options

As an alternative to the revisions proposed above, the purchasing and surplus personal property thresholds may be left as they are.

Recommendation

For the following reasons, it is recommended that the proposed revisions to certain purchasing-related provisions of the Municipal Code.

1. While sealed bids / proposals may be a means of obtaining best procurement pricing, it is a more cumbersome process and therefore may preclude obtaining best pricing as soon as possible.
2. There are times when writing specifications and taking bids is not practical, as for example when only one supplier of a product or service is available. Raising the procurement thresholds would reduce the number of times “sole-source” purchases would have to be brought to BOMA for approval.
3. Staff is most comfortable with disposal of surplus personal property by means of auction or sealed bid, regardless of value. However, adjusting the surplus personal property threshold would provide more flexibility as to the need for publishing notices.
4. Because of the potential for a perceived impression that a transaction was something other than arms-length, staff is not comfortable with city employees or officers purchasing or acquiring surplus city property, even pursuant to sealed bid or at public auction.