



MEMORANDUM

TO: Mayor Burch and City Council Members

FROM: Gregg Guetschow, City Manager

SUBJECT: Purchasing Policies

DATE: December 19, 2014

During the preceding Council meeting, a decision was made to accept the bid of a local vendor that matched that obtained through the use of a cooperative purchasing contract through the State. Following a brief discussion with a couple of Council members following the meeting, it was thought to be a good idea to have a discussion regarding purchasing practices, particularly with regard to the local preference policy.

The City's purchasing practices are governed by the provisions of City ordinance found at sections 2-176 to 2-186. In addition, Council approved a policy giving preference to local vendors in September 2000. This policy reads as follows:

If all purchasing procedures have been met, the Purchasing Officer is authorized to negotiate with a local bidder to reduce their bid to that of the lowest responsible bidder [sic] from a non-City of Charlotte taxpayer if their bid is within 5% of the lowest bid. Negotiation is limited to purchases up to \$30,000.

The purchasing practices of the City are designed to insure that the best price is obtained for goods and services acquired. For purchases under \$5000, competitive quotes must be obtained but no formal bidding process is required. When a purchase is estimated to be over \$5000, sealed bids are required. There are exceptions to these practices; i.e., when purchasing professional services, in cases of emergency, when there is a sole source for the goods or services or when purchasing through a cooperative purchasing

program. The reason for the last exception is due to the fact that the lead agency in a purchasing cooperative has, it is presumed, already obtained the most favorable pricing.

The City's local preference policy is unusual as compared to those in other communities with which I am familiar. In other instances, it is common for local vendors to be awarded bids even if their bids are higher, typically in the range of 3% to 5% above the low non-local bidder. The reason for a willingness to spend more to "buy local" is that these vendors pay local taxes and employ local residents.

As Council considers whether to make changes to the City's purchasing practices, it will do well to keep in mind several thoughts. First, local preference policies have costs not only in awarding bids that are higher in cost but also in discouraging non-local vendors from participating, thus driving up costs. If the pool of available vendors shrinks, costs can increase.

Second, purchasing practices are not without their costs. One of the attractions of cooperative purchasing is the avoidance of costs associated with researching goods and services, preparing specifications, publishing notices and examining the goods at time of receipt.

Finally, the City must achieve a reasonable balance between the transparency of its practices and the efficiency of the process. It is possible to design a set of procedures that are so burdensome that staff will be tempted to circumvent them to avoid the delays associated with compliance.

I believe that the purchasing ordinance provisions are overdue for a review. At a minimum, the local preference policy should be incorporated into the ordinance. Council should seek a consensus regarding what it wishes the purchasing practices to accomplish so these ideas can be incorporated into an ordinance amendment.