



CITY OF COMMERCE AGENDA REPORT

TO: Honorable City Council **Item No. _____**

FROM: City Manager

SUBJECT: Adoption of the Revised Purchasing Policy

MEETING DATE: August 12, 2025

RECOMMENDATION:

Staff recommends that the City Council adopt the attached resolution approving the revised Purchasing Policy to establish updated procurement procedures and internal controls for the acquisition of goods and services by the City of Commerce.

BACKGROUND:

The City's existing purchasing procedures were originally developed to ensure sound fiscal management and accountability. However, over time, the purchasing environment has evolved, both in terms of legal requirements and administrative needs. In addition, as part of the Finance Department's assessment of financial practices conducted prior to the budget process, staff identified the need to update the city's Purchasing Policy for several reasons including: inconsistent practices among departments, limited clarity on authority levels, absence of comprehensive thresholds aligned with industry standards, outdated policy that had not been updated since 2011.

To address these challenges, staff conducted a comprehensive review of the City's purchasing procedures, benchmarked policies from comparable surrounding cities, incorporated industry best practices, and worked with internal stakeholders to develop a revised and modernized Purchasing Policy.

DISCUSSION:

The revised Purchasing Policy establishes a citywide framework for purchasing activities that is consistent, accountable, and efficient. It reflects current regulatory requirements, internal controls, and organizational needs. Key features of the revised policy include:

1. Clearly defined thresholds & approvals:
 - Establishes tiered purchase levels (i.e., informal and formal bids).
 - Identifies required approvals (department heads, City Manager, or Council) by dollar amount
 - Sets approval thresholds based on dollar amount as follows:

- Up to \$10,000: Department Head
 - \$10,001 to \$50,000: City Manager
 - Greater than \$50,000: City Council
- 2. Purchasing methods based on Risk and Value:
 - Differentiates between goods, equipment, professional services, and public works contracts.
 - Establishes formal bid procedures.
 - Promotes competitive pricing through informal quotes, bids, or Request for Proposals (RFPs), depending on the cost of the contract.
- 3. Sole Source, Cooperative Agreements, and Emergency Purchasing Procedures:
 - Provides clear criteria and documentation requirements for Sole Source purchases to prevent circumvention.
 - Outlines the use and procedures for cooperative agreements.
 - Ensures urgent needs can be addressed while maintaining transparency and post-purchase reporting.
- 4. Change Order Procedures:
 - Establishes procedures for modifying existing contracts, including changes to scope, cost, or schedule.
 - Requires written justification, updated scope or pricing, and verification of available budget prior to approval.
 - Sets approval thresholds based on value and impact:
 - 10% of original contract amount and below and within the Scope of Work: City Manager
 - Greater than 10% of original contract amount: City Council
- 5. Standardization and Ethical Safeguards:
 - Encourages citywide consistency with requisition processes, purchase orders, contract forms, and record retention.
 - Establishes procedures for the initiation, development, review, approval, and execution of contracts and agreements.
 - Reinforces ethical obligations for staff that are part of the purchasing process.
- 6. Alignment with Public Contract Code & State and Federal Regulations:
 - Complies with and memorializes the California Government Code, Public Contract Code, and federal grant procurement standards.
 - Applies and memorializes the Uniform Public Construction Cost Accounting Act (UPCCAA) rules for public works and construction contracts, when applicable.
- 7. Training and implementation:
 - Finance Department will roll out training workshop and develop a “Quick Reference Guide” and one-page matrix to support consistent department use.
 - New internal templates and routing forms will be provided to streamline review and approval processes.
 - Final policy will be distributed to all departments and administrative staff.
 - Training will be conducted on policy implementation, including documentation, thresholds, and forms.

- Purchasing procedures will be evaluated annually and updated as needed to reflect changes in regulations or City operations.

The table below summarizes the dollar thresholds, required approvals, and required procedures for each “purchase type”:

Purchase Type	Dollar Threshold	Approvals Required	Required Procedure
General/Professional Services	Less than \$10,000	Department Head + Finance Director	Prudent judgment; competitive quotes encouraged
General/Professional Services	\$10,001 - \$25,000	Department Head + City Manager	Minimum of 3 informal quotes
General/Professional Services	\$25,001 - \$50,000	Department Head + City Manager	Formal RFP/RFQ/IFB required
General/Professional Services	Greater than \$50,000	City Council	Formal RFP/RFQ/IFB required
Public Works (UPCCAA)	Less than \$75,000	Department Head + Finance Director	Prudent judgment; informal if practical
Public Works (UPCCAA)	\$75,001 - \$220,000	Department Head + City Manager	Informal bidding (PCC 22034)
Public Works (UPCCAA)	Greater than \$220,000	City Council	Formal bid required

ALTERNATIVES:

1. Approve staff recommendation
2. Disapprove staff recommendation
3. Provide further direction to staff

FISCAL IMPACT:

There is no immediate fiscal impact associated with adoption of the revised policy. However, the policy promotes long-term savings by reducing the risk of inefficient purchasing, encouraging competition, improving contract compliance, and strengthening internal controls.

RELATIONSHIP TO STRATEGIC GOALS:

The action recommended in this report aligns with the 2016 Strategic Plan Fiscal Sustainability Guiding Principle 1: demonstrate fiscal responsibility through the establishment of financial policies and budgeting practices that meet the Financial Standards of Excellence requirements.

ATTACHMENTS:

1. Resolution adopting the City's Purchasing Policy
2. Exhibit A – Revised Purchasing Policy

Prepared by: Alvaro Castellon, Director of Finance

Approved as to Form: Noel Tapia, City Attorney

Respectfully submitted: Ernie Hernandez, City Manager