



## **CITY OF MENIFEE**

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SUBJECT: First Reading and Introduction of an Ordinance Revising the City's Procurement Procedures

MEETING DATE: April 16, 2025

TO: Mayor and City Council

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### **RECOMMENDED ACTION**

1. Introduce an ordinance, repealing and replacing Chapter 3.12 and repealing Chapter 3.30, of the Menifee Municipal Code to consolidate and revise the City's procurement procedures; and
2. Adopt a resolution establishing the rules and procedures for the procurement of goods, services, and construction contracts and establishing purchasing authority and contract execution authority.

### **DISCUSSION**

#### **Background**

In the delivery of municipal services to its residents, the City of Menifee must regularly engage in the procurement of a wide array of goods and services, ranging from equipment for its Police Department to construction services for one of its many infrastructure projects. Integral to the City's fiscal management is ensuring that all procurement activity is completed in a timely, transparent, and organized manner that complies with all applicable federal, state and local laws and regulations, safeguarding the use of public funds and providing the City with the best products/services at the lowest cost. Since incorporation in 2008, the City's procurement thresholds and regulations, as governed by Chapters 3.12 and 3.30 of the Menifee Municipal Code, have remained unchanged. During that same period the region has experienced overall cost increases reflected in annual Consumer Price Index (CPI) adjustments from 2008 to 2024 of 47.83% in aggregate, averaged at 2.81% per year, and in the last five years averaging 5.23% per year due to historical inflation levels.

Internally the City's operations have significantly increased from 2008 to the present, with its first full year adopted budget in Fiscal Year (FY) 2009/2010 including a general fund budget of \$21.8

million compared to the FY2023/24 adopted General Fund budget of \$97 million. In addition, the City has significantly higher volume in Purchase Order (PO)/contract activity from two POs in 2009 to 982 in 2024. In the most recently completed fiscal year, FY2023/24, the City issued approximately 982 total POs, which included 590 POs associated with contracts, requiring additional processing steps. Lastly, the City's services and operations have significantly changed since 2008, particularly with the addition of the Community Services Department in 2014, Menifee Police Department in 2020, and expansion of the IT Department beginning in 2019; these three departments alone are regularly engaged in the full gamut of procurement, ranging from equipment purchases to support in professional services.

Increased efficiency and cost-effectiveness in the procurement process can be achieved by reducing the amount of time and administrative expense necessary to obtain goods and services and results in improved productivity and quality, reduced costs, and increased customer service.

Staff is proposing an update to Menifee's procurement procedures to (1) clarify and increase administrative approval thresholds for purchase orders and contracts depending on contract type; (2) clarify competitive procurement types based on type of contract and dollar amount; and (3) consolidate and update procurement procedures consistent with the needs of the City, applicable law, and current best practices.

### **Analysis**

Increasing dollar limit thresholds for administrative purchasing approvals authorized by the City Manager following standardized public procurement guidelines would significantly streamline the procurement process to improve efficiency while continuing to safeguard the use of public funds with a transparent and thorough procurement process. The City would maintain existing internal controls/oversight, including but not limited to:

- Regular Warrant Register agenda reports: Identifying all vendor payments processed by the City
- Centralized Accounts Payable (AP) processing: Finance Department entry and at least two Finance reviewers/approvers (Sr. Accountant or higher level) in addition to department reviews
- Centralized contract routing/approvals through Finance Department which includes a budget availability review
- Centralized review of all purchase order requisitions, with at least two Finance reviewers (Purchasing and Chief Financial Officer), which includes a budget availability review
- Larger procurement activity (Requests for Proposals (RFP), Requests for Qualifications (RFQ), and Bids) facilitated and organized by Finance Department Purchasing Unit
- Regular citywide training

Additionally, the City would further expand citywide training and guidance with the establishment of an accompanying administrative Purchasing Manual. This would provide expanded guidance and instruction of all procurement transactions and activity, provide clear definition on required staff approval for all purchases, and ensure consistent oversight and management of procurement efforts.

Staff conducted a survey of other municipalities in the region to determine their purchasing approval thresholds. In its outreach to other agencies, several confirmed their intent/efforts to update purchasing thresholds soon to improve service delivery, including the City of Eastvale.

Table 1 below summarizes the current purchasing thresholds for nearby agencies and respective adopted General Fund budgets. Those with lower thresholds are agencies which have not updated their thresholds in the last five years or longer.

**TABLE 1: COMPARISON OF CITY MANAGER PURCHASING THRESHOLDS WITH OTHER AGENCIES**

City Name	Supplies / Goods	Professional Services	Public Works	Adopted General Fund Budget Size
Menifee Current	\$50,000	\$25,000	\$60,000	\$94 million
Menifee Proposed	\$100,000	\$100,000	\$100,000	\$94 million
Temecula	\$100,000	\$100,000	\$60,000	\$99.2 million
Murrieta	\$100,000	\$75,000	\$75,000	\$96 million
Moreno Valley	\$75,000	\$50,000	\$75,000	\$155 million
Lake Elsinore	\$30,000	\$30,000	\$30,000	\$71 million
Perris	\$30,000	\$30,000	\$60,000	\$73 million
Eastvale	\$50,000	\$25,000	Not Available	\$50 million
Riverside	\$100,000	\$100,000	\$100,000	\$465 million

As a general law city, the City of Menifee is principally governed by its Municipal Code and Public Contract Code with respect to purchasing requirements. For projects/programs involving federal funds, additional federal procurement requirements may also apply. At incorporation in 2008 the City adopted Chapter 3.12: Purchasing and 3.30: Informal Purchasing Procedures as part of the Menifee Municipal Code, defining the procurement requirements for goods and services. Generally, purchasing activity can be categorized into the following categories:

- *Supplies/Equipment & General Services*: Typically governed by Menifee Municipal code, with selection generally based on price.
- *Professional Services*: Typically governed by Menifee Municipal code, with selection based on a variety of factors, including but not limited to qualifications, cost, and project approach.
- *Public Works (Public Projects)*: Governed by Public Contract Code with selection based strictly on lowest responsive/responsible contractor.

With any purchasing transaction, staff must determine first what level of competitive solicitation must be completed (request for quotes, proposals, bid, cooperative purchasing, sole source etc.), and following this exercise, obtain authorization to proceed with the purchase (department head, City Manager, City Council). The competitive solicitation requirements are summarized in the attachment titled Proposed Thresholds Table. For all purchases of \$2,000 or higher, a

corresponding PO and/or contract is executed. As the City has expanded, the volume of procurement transactions has also increased year over year. Further the costs of goods and services, particularly in the last several years, have significantly increased in all areas and industries.

At present in both the solicitation and approval process the City invests significant staff resources in processing relatively small financial transactions. For example, in FY 2023/24 a total of 982 POs were issued/processed, 545 POs (55%) were for less than \$10,000 individually, and totaled \$2.5 million of the total \$133 million in encumbrance activity, or 1.70%. More than 98% of the City's encumbrance/PO financial commitments are related to purchases higher than \$10,000. From the January 2024 to December 2024 period, a total of 82 agenda items included as part of the regular City Council meeting agendas were directly related to contracts, contract amendments and/or change orders. Preparation of a procurement-related agenda item typically requires at least a month and a half before the meeting to allow sufficient time for the staff report development, agreement review and various internal approvals to be completed. This does not include the bidding or RFP evaluation period which can add an additional two to three months. Over the last two years, staff have worked within the structure of the existing municipal code to identify opportunities to streamline the procurement process including the implementation of master services agreements. These efforts have materialized in consolidation of solicitation efforts, agenda item preparation and continuity of services. However, adjustments to the existing purchasing thresholds would further streamline operations, reduce processing time, and align with the purchasing thresholds established for other similar sized municipalities in our region. Additionally, a reduction in the amount of staff time required to process smaller transactions would allow more time for vendor outreach, implementation of new sourcing and contracting methods including high value procurement through cooperative purchasing, and more in-depth cost analysis.

Based on a thorough review of the City's existing thresholds and operations, staff recommend threshold adjustments as summarized in the attachment titled Proposed Thresholds Table.

### **Summary of Recommended Updates**

The recommended thresholds, beginning with the recommended amount of \$10,000 requiring a PO and competitive quotes (updated from \$5,000) aligns the amount with the current federal micro-purchase threshold. City Council approval for all purchases over \$100,000 standardizes the approval threshold regardless of purchase category. While the approval threshold is recommended to be increased, requirements for competitive quotes/proposals are retained for all purchases over \$10,000. Bidding requirements for public works projects are governed by the Public Contract Code, with updated thresholds effective January 1, 2025, of \$75,000 or less (direct negotiation), more than \$75,000 to \$220,000 (informal bid/qualified bidder's list), and more than \$220,000 for formal sealed bids. Due to the size of the Capital Improvement Program (CIP) projects, the majority of construction contracts exceed \$100,000 and therefore would still be presented for City Council approval.

The proposed updates would also clarify the specific contract type and approval mechanism for each category of procurement, enabling staff to efficiently determine procurement requirements and approval authority.

Other proposed ordinance updates include:

- Establishment of approval thresholds and procurement type by resolution adopted by the City Council referenced in the Municipal Code to streamline future updates
- Clarification on purchases exempt from competitive bidding requirements, subject to other applicable policies and processes in place. (such as land & property acquisitions which require City Council approval).
- Unification of the existing Municipal Code currently organized under separate sections (Chapters 3.12 and 3.30) into one Chapter of the Municipal Code
- Alternative procurement delivery methods permitted by California law, such as design-build options for larger future capital projects, such as public facilities
- Clarification of emergency purchase procedures
- Approval mechanism for Memorandum of Understanding (MOU)/Memorandum of Agreement (MOA) and property leases
- Clarification of procedures for disposal of surplus personal property
- Mechanism for City Manager approval of certain agreements with no fiscal impact
- Amendments to the language of the ordinance that add consistency and clarity to facilitate understanding of procurement requirements

Lastly, staff has approached the update of the ordinance as an opportunity to further some City Council priorities, specifically in the areas of support to local businesses and veterans. As part of the proposed updates the ordinance incorporates a local vendor preference and veteran owned business preference. The proposed preference would allow for selection of local businesses and/or local veteran owned business where qualified vendors meet the established vendor requirements and where the difference of their pricing from the next lowest cost is not greater than 2.5% for local vendors and 5% for local veteran owned vendors.

### **Finance Committee Review**

This item was presented to the Finance Committee on March 26, 2025. Following review and discussion the Committee made a motion to move forward with presenting the item for City Council consideration at an upcoming meeting. In the Finance Committee meeting, there was discussion specifically of the recommendation for administrative procurement approvals authorized by the City Manager to be set at \$100,000 following established procurement requirements. After discussion, one committee member recommended that the procurement ordinance move forward with setting administrative approvals at \$100,000 and one committee member felt that the administrative approval threshold should be set at a lower level, potentially \$75,000.

### **STRATEGIC PLAN OBJECTIVE**

Thriving Economy

### **FISCAL IMPACT**

Updating of the Purchasing Ordinance will reduce some of the current administrative efforts required with the current lower thresholds, allowing more time for staff to focus on other key procurement efforts, such as expanded vendor outreach, greater analysis of procurement activities and cost savings opportunities.

### **ATTACHMENTS**

1. Proposed Thresholds Table
2. Ordinance
3. Resolution Establishing Procurement Rules and Procedures