



City of San Marcos

City Council Work Session

March 2, 2021



OBJECTIVE/ PURPOSE:

- Review City Contracts/Agreements and discuss importance of extended terms.
- Discuss contracts which allow the City to provide our citizens with essential services and which support the City's enterprise and operational needs.
- Provide recommendations for contract terms which ensure competitive pricing and best value to the City.
- Seek Council direction regarding contract extensions to maintain continuity of operations.



Contract Stats-

- Over 800 contracts
- Approximately 300 include optional renewal terms
- Approximately 135 exceed \$50,000
- Approximately 40 contracts \$750,000 and higher

This presentation will focus mostly on those contracts that are considered high impact/high risk contracts.



Benefits to Extended Term/Optional Renewal Terms

- **Incentive to vendor to lower bid/proposal / competition**
 - Can spread G&A (General and Administrative) operating costs, overhead, or setup costs over term of the agreement (for example, set up cost for printing tee shirts or cost for special equipment and implementation of a solid waste disposal contract.)
- **Certainty of cost for contract duration (Protection from price increases and volatility)**
- **Continuity of services**
- **Builds positive vendor relationships**
- **Higher discounts for longer terms**
 - Vendors (especially technology) will offer escalating discounts reducing cost over the life of the contract
- **Budgets are easier to plan/project each year.**
- **Opportunity to evaluate vendor quality and performance annually**
- **Mitigates workload capacity of P&C staff to achieve more sustainable levels.**



What is Cooperative Purchasing?

- **Cooperative groups can be formed by school districts, state, or federal governments**
- **Cooperative groups form to buy/contract for goods and services in aggregate to obtain lower prices thru:**
 - Open market Bidding/Proposal Processes
- **Authorization to use cooperatives is per state and local government code**
- **City Council approves in advance each cooperative agreement**



Benefits to Cooperative Purchasing

- **Buying power of cooperative (especially important for technology hardware and software)**
- **Better price due to economies of scale (statewide)**
 - City realized a \$2,000 savings in purchase of a police motorcycle (Bid in 2014, paid \$22,000/motorcycle. Three years later paid \$20,000/motorcycle through BuyBoard.)
 - City realized savings of \$569 on metal detectors by shopping among cooperatives (TxSmartBuy vs. Sourcewell).
 - City realized savings of \$1,455.00/vehicle vs. prior year cost through bidding.
 - City's enterprise contract provides leased vehicles at lower price (F-150 pick-up truck would be \$41,070 (sticker price) vs. leased price with dealer discount of \$32,033.)
- **Unique items which are not readily available in smaller quantity**
- **Multi-term contracts and secure pricing (especially for hardware/software)**
- **Expediency in obtaining goods/service**
- **Cost savings in P&C staff resources when comparing shopping cooperatives vs. developing bid documents, issuing/advertising solicitation, evaluating bids, council award/execution.**



Variety of Contracts

- **Interlocal/Cooperative Agreements**
- **Professional Engineering Agreements**
- **Construction Contracts**
- **Advanced Funding Agreement**
- **Property Acquisitions Agreements**
- **Fund/Grant Reimbursement Agreements**
- **Professional Services Agreements**



Contract Types (continued)

- **Standard Services Agreements**
- **Capital Outlay (equipment) Contracts**
- **Finance Agreements (for equipment/capital outlay)**
- **Goods / Commodities Contracts**
- **Software Licenses/Subscription Renewals**



High Impact/High Risk Contracts

Public services / public safety contracts

- Basic public services (water/electric/sanitation/garbage...)
- Public safety services (equipment/software for fire/police...)
- Standard maximum terms - no more than 15-years (20 in special circumstances, i.e., water treatment plant operations)
- Dependent upon risk assessment, issue new solicitation prior to the end of maximum term for continuity of operations (for example water treatment plant operator)
- Or, issue contract through cooperatives, if better value

Operational administrative and financial services

- Operational services such as bank depository, phone service, internal audit services.
- Enterprise resource planning (ERP) such as financial system, software/hardware, etc.
- Standard maximum terms for operational contracts - no more than 10-years
- Dependent upon risk assessment, issue new solicitation prior to the end of maximum term for continuity of operations (for example enterprise financial / hr system)
- Or, issue contract through cooperatives if better value



Other Services Contracts

(Not Professional Engineering Services or Construction Services)

- **Variety of “other” services including:**
 - lawn service, irrigation system service, minor improvements, uniform cleaning services, advertisement services, maintenance agreements, pest control, tree trimming, staffing services, etc.
- **Standard maximum three (3) to five (5) years**
- **Contract is assessed annually before renewing term**
- **Issue new solicitation at the end of maximum term, OR sooner if optional renewal not exercised**
 - 3 months for traditional Invitation for Bid (IFB)
 - Up to 6 months for Request for Proposal (RFP)
 - 2-3 months for cooperative contracting



Administration of Contract Extensions / Renewals

- **P&C to update Tyler Munis with 6-month contract renewal alerts for contracts \$50,000 and higher**
- **P&C to maintain and manage manual tickler system**
- **Department Contract Administrator to maintain method of monitoring contracts**
- **P&C (based on confirmation from Department) will initiate and execute contract extension or terminate contract, if needed**
- **Agenda Request to include extended terms to maintain operations and provide core services**
- **Report to Council quarterly or bi-annually status of contract renewals exceeding \$50k (proposed based on Council Direction)**



Overview

- **To continue providing our citizens with core services and maintain municipal operations, many services agreements require extended terms or durations.**
- **Authorization for Council approval for extended terms is common and provides staff with ability to monitor and administer optional renewal terms to continue business operations and services.**
- **Extended durations or optional renewal terms provide the City with continuity of costs and services, builds vendor relationships, and provides a better value to the City.**



Next Steps / Discussion / Council Direction

- We propose for those High Impact/High Risk
Public Services/Public Safety Contracts not exceed 15-years before seeking open competition (20-years in rare situations)
Enterprise/Finance/HR Operational Contract not exceed 10-years before seeking open competition
- Like other municipalities (City of Austin, City of San Antonio), Staff will submit to Council approval of contracts including optional contract terms to be managed administratively.
- Staff will provide notification to Council on the last year of a 15-20 year contract or notification by way of quarterly or bi-annual reporting.
- Staff will provide quarterly or bi-annual reports of renewal actions (depending on Council's direction).