



RECOMMENDED ACTION

- 1) To authorize an update to LBT's Procurement Policy to increase the acquisition threshold limit of the President and CEO; and
- 2) To revisit the President and CEO acquisition threshold limit every five years.

STAFF REPRESENTATIVE

Lisa Patton, Executive Director/VP of Finance and Budget

BACKGROUND

It has been more than sixteen years since Long Beach Transit's (LBT) Board of Directors established the current acquisition threshold limit of \$100,000 for the President and CEO.

Staff is recommending to increase the President and CEO's acquisition threshold limit to ensure LBT continues to have effective and efficient procurements.

In October 2004, the Board approved the acquisition threshold limit of the President and CEO as outlined below:

- 1) Approve procurements for the Agency up to \$100,000;
- 2) Enter into multi-year procurements so long as the amount expended in any one year of the contract does not exceed \$100,000 and so long as Long Beach Transit can opt out of the contract after each year;
- 3) For Board approved contracts, commit no more than an additional 10% of the value of the contract up to a maximum of \$100,000 for unforeseen contingencies.

Staff is recommending increasing the acquisition threshold limit to reflect the increase in costs over time, to enhance the ability of suppliers to respond to the agency's requirements and to improve the effectiveness and efficiency of LBT's procurement processes. The recommended changes also align with the Federal Transit Administration's (FTA's) new procurement thresholds.

(On June 20, 2018 the Office of Management and Budget (OMB) issued a memorandum "Implementing Statutory Changes to the Micro-Purchase and the Simplified Acquisition Thresholds for Financial Assistance." This memorandum implements provisions of the National Defense Authorization Act (NDAA) for fiscal years 2017 and 2018 (FY 2018, Pub. L. No. 115-91), which became law on December 12, 2017. Specifically, Section 805 of the Public Law raised the simplified acquisition threshold from \$100,000 to \$250,000.)



Board Agenda Item No. 16

February 25, 2021

Additionally, pursuant to 2 C.F.R. § 200.88 (Simplified Acquisition Threshold), the simplified acquisition provision became effective in the Federal Acquisition Regulations (FAR) as of August 31, 2020. The simplified acquisition threshold is set by the FAR.

It is noted that in order to allow maximum flexibility for grant recipients in the procurement of goods and services, the FTA provided authorization for the increase to the simplified acquisition threshold for FTA-funded procurements made on or after June 20, 2018.

In general, the amount of a purchase or contract impacts the complexity required in finding and evaluating the potential choices. As an introduction, the following dollar ranges are specified by the FTA.

- \$10,000 or less is considered a “micro-purchase,” which involves the fewest federal requirements.
- Over \$10,000 up to \$250,000 is considered a “small purchase” and triggers additional requirements, including comparing costs from multiple vendors.
- Over \$250,000 is considered a larger purchase, and triggers the need for a formal competitive solicitation and other additional requirements.

Adoption of the acquisition threshold limit of \$250,000 would be better suited to the size and scope of LBT’s current business operations. Staff would continue to bring forward recommendations regarding critical projects that would materially affect LBT.

Staff is also recommending that LBT’s Board of Directors and the President and CEO revisit the acquisition threshold limit every five years to determine if the spending limit meets the size and scope of LBT’s business operations.

LBT’s procurement process will continue to procure goods and services following the general steps as recommended by the American Public Transportation Association (APTA) Standards Development Program, including the six major steps in a typical transit procurement process:

1. Identify and explore the need
2. Evaluate options and establish need for procurement
3. Select procurement method
4. Develop final solicitation
5. Execute solicitation
6. Contract administration

ALTERNATIVES CONSIDERED

The Board could maintain the current CEO approval level or authorize a lesser level than recommended herein. This is not recommended as it will prevent LBT from executing business as efficiently and effectively in the ever-changing market environment.



STAFF RECOMMENDATION

Staff is requesting LBT's Board of Directors to:

- 1) Authorize an update to LBT's Procurement Policy to increase the acquisition threshold limit of the President and CEO:
 - Approve procurements for the Company up to \$250,000
 - Commit no more than an additional 10% of the contract for contingencies
- 2) Revisit the President and CEO acquisition threshold limit every five years.

A handwritten signature in blue ink, reading 'K. McDonald', is written over a horizontal line.

Kenneth A. McDonald
President and Chief Executive Officer