

# Delegating Procurement and Contracting Authority to Staff

A Concept Introduction For Consideration

**\*\*No Board Action Required**

June 26, 2017

# BACKGROUND

1. Board has historically delegated levels of contracting to staff
2. Current “Delegation Resolution” is 08-13325
  - Amended or replaced resolutions from 1998, 2001 and 2003
  - Result of a contracting process review and recommendations
3. Recent events caused staff to review current Resolution and look for opportunities
  - Significant Increase in number of projects
  - New Shared Services Director in December 2015
  - Team recently completed another comprehensive procurement and contracting process review
  - Audit recently completed an internal PCS process review
  - PCS and Legal have been seeking input from stakeholders/users
  - Recently reinstated quarterly contract development committee meetings
  - PCS, Legal and Engineering and Project Management developed new contract process training

# A COMMON SET OF THEMES

In order to ensure compliance and reduce inefficiency consider:

1. Simplify and reduce transactional distinctions
2. Delegate administratively to the General Manager
3. Create a clear process for re-delegation and tracking
4. Consider delegation of routine contract acceptance and close-out

# Simplify and Reduce Transactional Distinctions

## Current Challenges

- Signature authorities based on the type of document – not contract value or District commitment
- The same individuals have different (and potentially conflicting) signature authority depending on type of transaction
- Need to identify which bucket the transaction fits in to verify authority
- Not all transactions are contemplated or clearly fit in one bucket
  - Deductive change orders
  - Multiple change orders resulting in contract price reduction
  - Recurring commitments/annual renewals/rights of termination
  - Calculating thresholds and percentage triggers
  - Which to choose – direct delegation or re-delegation?
- Frequently spend tremendous time and resources answering these types of signature authority questions

# Simplify and Reduce Transactional Distinctions

## Proposal

- Move to a Contract value/commitment approach
  - Signature authority based on District commitment under the contract
  - Set signature authority thresholds based on commitment amount
  - Remove need to identify different document types, transactions and thresholds
  - Simply measure resulting contract commitment value against signature authority
- Same individual won't have multiple signature authorities
- All transactions treated the same – contract value is what matters
- Eliminate need to commit time and resources to analyze transactions

# Delegate Administratively to the General Manager

## Current Challenges

- Currently delegate past the General Manager directly to staff
  - Sidesteps chain of command
  - Creates potential for communication gaps (Chelan substation option)
  - Creates potential for inconsistent re-delegation
- Changes must be made by resolution (legislatively)
- Clarification and unanticipated circumstances must be made by resolution
- Interpretation is advisory not determinative
  - Support services (Legal, PCS, Audit - can only provide interpretive advice not clarity)

# Delegate Administratively to the General Manager

## Proposal

- Delegate to the General Manager
- Permit re-delegation by GM up to thresholds acceptable to the Board
  - Maintains chain of command
  - Clear and consistent communication
  - Consistent re-delegations with clear management lines of accountability
- Changes, clarifications and the ability to address special circumstances can be made administratively by re-delegation memo from General Manager instead of resolution

# Clear Process for Re-delegation and Tracking

## Current Challenges

- Board delegation vs. Management re-delegation
- Management re-delegation is permissive and can be inconsistent
- No definitive location that is “final word” on delegated authorities
- All of these can add to confusion and can take staff time to address



# Clear Process for Re-delegation and Tracking

## Proposal

- General Manager only to re-delegate
  - By memorandum
  - Delivered to General Counsel's office
  - No piecemeal re-delegation
- Single location for posting and updating delegated authorities
  - General Counsel's Office to post on intranet
  - General Counsel responsible for updating current delegations
  - Other departments to link to General Counsel's site
  - Single point of reference

# Consider Delegation of Routine Contract Acceptance and Close Out

## Current Status

- All Contracts over \$300,000 (small works) come before Board
  - Lessons learned
  - Ratification of change orders already issued for work already done
  - Acceptance dates based less on work completion and more on Board meeting dates
  - Even for projects on time and on/under budget
- Often moved to Consent
- Staff time to prepare and attend
  - Drafting
  - Presentation meeting
  - Pre-agenda
  - Board meeting

# Consider Delegation of Routine Contract Acceptance and Close Out

## Proposal

- Delegate routine contract acceptance and close out
  - Below a threshold Board is comfortable with
  - On schedule
  - On/under Budget
- Post or present lessons learned
- Keep Board informed with adequate reporting
- Refocus staff time on other priorities

# WHAT THE PROPOSAL DOESN'T CHANGE

## Continues to Require Board Approval

- Maximum delegation to General Manager and staff still capped at \$3 Million for contracting
- Maximum delegation to General Manager and staff still capped at \$1 Million for equipment leases
- This is signature authority – Doesn't replace, delegate or change internal risk and decision making controls and processes
- Exception Contracts continue to require Board approval
  - Emergencies
  - Bid rejection, no bids
  - Sole source
  - Inter-local agreements
- Grants and loans remain the same
- Board reporting requirements continue

# WHAT THE PROPOSAL WOULD CHANGE

Requires Board Consideration

- Service Agreements and Change Orders
  - Include in delegated limits with all other contracts
  - Continue to treat separately
  - If treat separately – at what levels
- Certain final acceptance resolutions
  - Below the approved threshold
  - Still commit to lessons learned
- Board reporting
  - Consider additional reporting to keep Board fully informed as with current delegated actions

# Next Steps

- Develop details for draft resolution
- Develop proposed GM re-delegation memorandum
- Develop posting procedures
- Present to Board for consideration and discussion
- Resolution adoption

# QUESTIONS?