

M E M O R A N D U M

TO: Chief Administrative Officer

FROM: City Comptroller

RE: Amendments to 2-119 of City Code (City Contractors and Vendors)

DATE: April 6, 2006

Brief Description of the Item. The attached ordinance amends the City Code to increase the level that a contractor or vendor doing business with the City of Urbana is required to provide certain written information to be reviewed by the City Human Relations Commission and Human Relations Officer, adds certain definitional language and clarifies procedures currently utilized by the City in implementation of this section of the Code, and increases the level at which formal bidding is required on all purchasing to \$10,000. Also attached is a list of procedures to be used to pre-qualify contractors and vendors.

Recommendation. Approval of the attached ordinance.

Background Information. Section 2-119 of the Code outlines the policy of the City of Urbana to encourage and require equal opportunity in employment through expenditure of monies by the City of Urbana. It establishes standards and procedures by which contracting entities may comply with this policy.

This section requires contractors, labor organizations, financial institutions and vendors contracting with the City at certain levels of business to make certain assurances, take certain actions, and provide information to the City, such that the Human Relations Commission and the City Human Relations Officer can determine whether this policy is being met. Failure to comply with this section or to make a good faith effort to comply may invoke certain penalties including termination of the contract, declaring the entity ineligible for further contracts, and other sanctions pursuant to law.

Because submission of these documents and information, review of the information, and possible follow up, requires a significant amount of time and effort by both the contracting

entities and City staff and officials, it is prudent and efficient to apply these requirements to entities that do certain minimum level of business with the City. The current level of \$5,000 has been in force without any change for at least since 1975. Adjusting for the annual average increase in commodities purchased by municipalities since 1975 would increase this level to \$56,000 (Municipal Price Index for Commodities as published by the Illinois Institute for Rural Affairs).

Based on directions from the Committee, this level will be increased to \$25,000 with this ordinance. Originally, the staff recommendation was to increase the level to \$50,000.

I would still recommend the \$50,000 level based on the purchasing statistics below, which are based on last year's purchasing:

	<u>Contractors</u>		<u>Vendors</u>	
	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>
\$50,000 Level	14	\$5.0 Million	40	\$12.5 Million
\$25,000 Level	18	\$5.2 Million	61	\$13.2 Million

At the \$50,000 level, information would have to be gathered, reviewed and reported on for 60 entities (6 labor organizations, 14 contractors and 40 vendors) totaling \$17.5 million in purchases (approximately 65% of City's annual total purchases of \$27 million). Processing information for 60 entities is still a significant number and the Staff wants to be able to perform the proper follow-up and educational efforts that are required to administer this program properly. Knowing the time and effort that is required, the H.R. Commission indicated they could not review any amounts below the \$50,000 level.

Lowering the level to \$25,000 for contractors adds 4 more entities but only an additional \$200,000 is added. However, lowering the level for vendors to \$25,000 adds 21 more entities, increasing the total number to 79 and only adds \$700,000 more. Because of the nature and makeup of vendors (compared to contractors), obtaining this information, reviewing and reporting for vendors is more time-consuming for vendors than contractors.

Most important is that we will be able to identify a large number of the contractors that might do business with the City in advance and therefore, be able to qualify the contractor in advance. We will not be able to identify many of the successful vendors until the bid is accomplished (current system). Because these vendors will have to be approved by the H.R. Commission, this will slow down the City's purchasing system which is incredibly slow and complex now due to various state and local purchasing requirements.

I have attached two different ordinances, Version A provides 2 definitions of a "contractor" and a "vendor" and sets the level at \$25,000 for contractors and \$50,000 for vendors. City Staff is recommending approval of Ordinance A. Ordinance Version B, sets the level at \$25,000 for both contractors and vendors.

Section 2-115 of the Code has no impact on these equal opportunity provisions, but specifies the level of purchasing that requires a formal bidding process. The current amount of \$2,500 also has not been increased since at least 1975. City staff is recommending a level of \$10,000. City purchasing procedures are in place to require and document a competitive purchasing process for all purchases above \$1,000. Requiring a formal bidding process does not allow employees to utilize more cost efficient methods for shopping such as telephone quotes, catalogue pricing, etc.

This Ordinance:
AMENDS the Code of Ordinances.

(VERSION A)

ORDINANCE NO. _____

AN ORDINANCE AMENDING SECTIONS 2-115 AND 2-119(D) OF THE CODE
OF ORDINANCES
(FINANCES AND PURCHASES BY CONTRACTORS AND VENDORS)

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE
CITY OF URBANA, ILLINOIS, as follows:

Section 1. That Section 2-115 of the Code of
Ordinances of the City of Urbana is amended, to read as
follows:

All contracts for the purchase of supplies or
equipment requiring an expenditure of a sum in excess
of ~~two thousand five hundred dollars (\$2,500.00)~~ ten
thousand dollars (\$10,000.00) shall be advertised for
bids and let to the lowest responsible bidder, the
city council, however, reserving the right to reject
all bids.

Section 2. That Section 2-119 (d) of the Code of
Ordinances of the City of Urbana is amended, to read as
follows:

d) *Definitions.* For the purpose of this section:

Contractor shall mean any person who contracts
with the City for the construction, rehabilitation,
alteration, conversion, demolition or repair of
buildings, highways or other improvements to real
property in a total amount greater than twenty-five
thousand dollars (\$25,000). This definition will
include subcontractors that contract with
contractors. Suppliers of only materials to the
contractor shall not be considered to be a
subcontractor for this purpose.

Vendor means any person who sells goods or
services to the City in non-construction contracts
and any financial depository in which the City
deposits funds in a total amount greater than fifty
thousand dollars (\$50,000).

Employment practices shall mean practices relating
to employment as they affect employment recruiting,

referral, screening, selection, training, apprenticeships, compensation, placement, promotion, working conditions, seniority, layoffs and terminations.

Labor organizations shall include any organization or labor union, craft union, or any voluntary unincorporated association designed to further the cause of the rights of union labor which is constituted for the purpose, in whole or in part, of collective bargaining or of dealing with employers concerning grievances, terms, or conditions of employment, including apprenticeships or applications for apprenticeships.

Section 3 That Section 2-119 of the Code of Ordinances of the City of Urbana is amended, to add the following:

Section (e). All contracts for purchases entered into by the City, except as excluded by this Section, shall include the City policy as contained in 2-119 (a).

Section (f). This Section shall not be applicable to the following contracts:

- (1) Individual contracts not exceeding the purchasing limit as specified in Section 2-119 (d), unless the contracting entity has accumulated greater than an amount which exceeds the purchasing limit in individual contracts with the City in that fiscal year, in which case the contracting entity shall comply with provisions of this Section.
- (2) Contracts or options for the purchase or sale of all or any interest in real estate, any lease to which the City is a party, or for the development or annexation of real estate.
- (3) Collective bargaining and employment contracts.
- (4) Contracts for the purchase of certain goods and services which can only be made from a single source (for example utilities).
- (5) Contracts with entities that the Human Relations Officer and Human Relations Commission determines have met similar affirmative action requirements of other governmental entities.

- (6) Contracts with contracting entities which employ only owners or owners's relatives, or which employ less than three persons to work as employees.

This Ordinance is hereby passed by the affirmative vote, the "ayes" and "nays" being called, of a majority of the members of the Council of the City of Urbana, Illinois, at a meeting of said Council.

PASSED by the City Council this ____ day of _____, 2006.

AYES:

NAYS:

ABSTAINED:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this ____ day of _____, 2006.

Laurel Lunt Prussing, Mayor

This Ordinance:
AMENDS the Code of Ordinances.

(VERSION B)

ORDINANCE NO. _____

AN ORDINANCE AMENDING SECTIONS 2-115 AND 2-119(D) OF THE CODE
OF ORDINANCES
(FINANCES AND PURCHASES BY CONTRACTORS AND VENDORS)

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE
CITY OF URBANA, ILLINOIS, as follows:

Section 1. That Section 2-115 of the Code of
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follows:

All contracts for the purchase of supplies or
equipment requiring an expenditure of a sum in excess
of ~~two thousand five hundred dollars (\$2,500.00)~~ **ten**
thousand dollars (**\$10,000.00**) shall be advertised for
bids and let to the lowest responsible bidder, the
city council, however, reserving the right to reject
all bids.

Section 2. That Section 2-119 (d) of the Code of
Ordinances of the City of Urbana is amended, to read as
follows:

d) *Definitions.* For the purpose of this section:

Contractor shall mean any person who contracts
with the city in a total amount greater than ~~five
thousand dollars (\$5,000.00)~~ twenty five thousand
dollars ~~(\$50,000.00)~~ \$25,000.

Employment practices shall mean practices relating
to employment as they affect employment recruiting,
referral, screening, selection, training,
apprenticeships, compensation, placement, promotion,
working conditions, seniority, layoffs and
terminations.

Labor organizations shall include any organization
or labor union, craft union, or any voluntary
unincorporated association designed to further the
cause of the rights of union labor which is
constituted for the purpose, in whole or in part, of
collective bargaining or of dealing with employers
concerning grievances, terms, or conditions of

employment, including apprenticeships or applications for apprenticeships.

Subcontractor shall mean persons who have contracted in a total amount of greater than ~~two thousand five hundred dollars (\$2,500.00)~~ twenty-five thousand dollars (\$25,000) with a contractor. Suppliers of only materials to the contractor shall not be considered to be a subcontractor for this purpose.

Vendors shall mean persons who sell to the city goods and services whose total value is greater than ~~two thousand five hundred dollars (\$2,500.00)~~ twenty-five thousand dollars (\$25,000).

Section 3 That Section 2-119 of the Code of Ordinances of the City of Urbana is amended, to add the following:

Section (e). All contracts for purchases entered into by the City, except as excluded by this Section, shall include the City policy as contained in 2-119 (a).

Section (f). This Section shall not be applicable to the following contracts:

- (7) Individual contracts not exceeding the purchasing limit as specified in Section 2-119 (d), unless the contracting entity has accumulated greater than an amount which exceeds the purchasing limit in individual contracts with the City in that fiscal year, in which case the contracting entity shall comply with provisions of this Section.
- (8) Contracts or options for the purchase or sale of all or any interest in real estate, any lease to which the City is a party, or for the development or annexation of real estate.
- (9) Collective bargaining and employment contracts.
- (10) Contracts for the purchase of certain goods and services which can only be made from a single source (for example utilities).
- (11) Contracts with entities that the Human Relations Officer and Human Relations Commission determines have met similar affirmative action requirements of other governmental entities.

(12) Contracts with contracting entities which employ only owners or owners's relatives, or which employ less than three persons to work as employees.

This Ordinance is hereby passed by the affirmative vote, the "ayes" and "nays" being called, of a majority of the members of the Council of the City of Urbana, Illinois, at a meeting of said Council.

PASSED by the City Council this ____ day of _____, 2006.

AYES:

NAYS:

ABSTAINED:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this ____ day of _____, 2006.

Laurel Lunt Prussing, Mayor

CITY OF URBANA

CONTRACT PRE-QUALIFICATION PROCEDURES

1. Letters will be sent out to all vendors, contractors, sub-contractors, labor unions and the Illinois Department of Employment Security inviting all parties to pre-qualify for future contract opportunities with the City of Urbana.
2. The following forms will be provided to all entities pre-qualifying for future City Contracts:
 - a. Affirmative Action Report Form
 - b. Questionnaire on company's policies and procedures
 - c. EEO Workforce Analysis
 - d. Definitions of Terminology used in workforce analysis
 - e. Statement of company commitment to EEO guidelines
3. Review of all documentation will be conducted by the Human Relations Commission or its designee.
4. If a company is not deemed compliant with EEO guidelines, the HRO will contact the company to set up a meeting to discuss strategies that will improve their minority and or female representation. A six month progress review will be conducted by the HRO.
5. Companies who are compliant with EEO guidelines will be certified to conduct business with the City of Urbana for one year following their certification. A certificate of compliance will be issued to the company.
6. Notices will be sent out to all companies participating in the City's pre-qualify program three months prior to the expiration of certification. At that time, they will be asked to update the information EEO information in order to be recertified for the next twelve months.

7. All companies who bid on City contracts who are not pre-qualified will be required to submit their EEO information to the HRO for approval prior to bid awards.
8. A list of all the City's pre-qualified vendors, contractors and subcontractors will be maintained and available in the Human Relations Division.
9. An educational workshop on the requirements necessary for companies to be bid on City contracts will be conducted on an annually basis.
10. An annual report will be provided to the Urbana City Council and Human Relations Commission on the workforce statistics of vendors, contractors and subcontractors that have done business with the City over the previous year.