



**OFFICE OF THE
CHIEF FINANCIAL OFFICER
OFFICE OF BUDGET**

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October 21, 2024

Honorable Mary Sheffield, Council President
Coleman A. Young Municipal Center
2 Woodward Avenue
Detroit, MI 48226

Re: Fiscal Impact of Amendments to Chapter 17 of the 2019 Detroit City Code – Procurement Purchasing Ordinance Amendment

Dear Council President Sheffield:

Please see attached Fiscal Impact Statement prepared by the Office of Budget for the above referenced item, pursuant to CFO Directive 2018-101-029: Fiscal Impact Statements. Upon review, please do not hesitate to contact me to discuss further.

Best regards,

Tanya Stoudemire
Chief Deputy CFO / Interim Budget Director

Att: CFO Fiscal Impact Statement No. 2024-110-015

cc: Honorable Detroit City Council
Jay B. Rising, CFO
John Naglick, Jr., Chief Deputy CFO/Finance Director
Malik Washington, City Council Liaison
David Whitaker, Director-Legislative Policy Division



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CFO FISCAL IMPACT STATEMENT NO. 2024-110-015

SUBJECT: Fiscal Impact of Proposed Procurement Purchasing Ordinance Amendment
PREPARED BY: Office of the CFO – Office of Budget
DATE ISSUED: October 21, 2024

1. AUTHORITY

- 1.1. State of Michigan Public Act 279 of 1909, Section 4s(2)(d), as amended by Public Act 182 of 2014, states the Chief Financial Officer (“CFO”) shall submit in writing to the Mayor and the governing body of the City his or her opinion on the effect that policy or budgetary decisions made by the Mayor or the governing body of the City (“City Council”) will have on the City’s annual budget and its four-year financial plan.
- 1.2. CFO Directive No. 2018-101-029 Fiscal Impact Statements states that the CFO shall issue Fiscal Impact Statements (“FIS”) for pending or enacted decision items with a significant fiscal impact on the City, as determined by the CFO, to provide financial information to the Mayor and the City Council as they consider action on proposed local policy or budgetary decision items.

2. PURPOSE

- 2.1. To provide financial information to the Mayor and the Detroit City Council as they consider the effect of the proposed procurement purchasing reform ordinance amendment (the “purchasing ordinance”).

3. OBJECTIVE

- 3.1. This FIS serves as the report on the fiscal impact of the proposed ordinance on the City’s annual budget for FY 2025 and four-year financial plan for FY 2025 – FY 2028 (the “City budget”).

4. SCOPE

- 4.1. This FIS is not intended to convey any statements nor opinions on the advisability of the ordinance, except for those components that have or may have a fiscal impact on the City budget.
- 4.2. This fiscal impact analysis is based on the proposal as described below in Section 5 of this FIS. Should the proposal change prior to final approval, an updated FIS may be issued.

5. STATEMENT

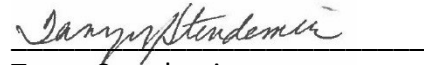
Conclusion: The proposed purchasing ordinance would have **an indeterminate positive fiscal impact** on the City budget.

5.1. Background: The proposed purchasing ordinance amends various provisions within the existing procurement ordinance. Major changes include the following:

- Increases the formal advertising requirement threshold for competitive bidding from \$10k to \$75k and \$150k for bids that received 3 responses. The Office of Contracting and Procurement (OCP) Purchasing Director also has discretion to design a system of solicitation of bids for contracts reasonably expected to be less than the \$75-\$150k procurement review threshold that protects the interests of the City and assures fairness in procuring property and services.
- Creates a class of procurements of micro purchases based on the federal micro purchase threshold.
- Creates a class of procurements of minor purchases from \$75k to \$225k that received 3 bids or from \$75k to \$250k if awards to a Detroit-based business (D-BB) or a Detroit-resident business (D-RB), which class of procurements may be exempted from City Council approval upon satisfaction of ordinance requirements.
- Allows acceptance of a bid conditioned upon satisfaction if any debt prior to issuance or execution of the purchase order (PO) or contract.
- Allows cooperative purchase arrangements from an active agreement if the good or service sought by the City has been competitively bid by the cooperative purchase resource in the last 5 years.
- Permits restricting food or drink purchases from a Detroit-based micro business concern (D-BMBC), Detroit-based small business (D-BSB), Detroit-headquartered business (D-HB), D-RB or D-BB if there are 10 certified or registered businesses.
- Allows time only extensions for up to 90 days by OCP.
- Provides for delegated approval for OCP to make minor purchases upon providing information to City Council at least 7 days prior to issuance or execution of the PO or contract if, within that period, Council has not acted by a majority of Council members elected and service to require Council approval of that minor purchase.
- Specifies certain reporting requirements.
- Restricts splitting of procurements to avoid limitations and requirements.

5.2. Fiscal Impact: The proposed purchasing ordinance would have an **indeterminate positive fiscal impact** on the City budget. The exact financial impacts it will have on City contracts cannot be quantified; however, OCP has indicated the reforms will streamline the overall procurement process, allowing for greater efficiencies and opportunities. The expected efficiencies include more completed requisitions annually allowing for faster procurement timelines. The faster processing will lead to fewer price increases incurred after a bid closes due to expiration of initial bid prices. The reduced timing from the initial bid to a PO for minor purchases will also allow for a greater likelihood of more frequent bidding for commodities with volatile prices by streamlining minor dollar purchases. Additionally, lower barriers to participation will lead to better competition and increase the number of bids. These factors will result in procurement cost savings, but the overall impact cannot be quantified at this time.

APPROVED

A handwritten signature in cursive script, appearing to read "Tanya Stoudemire", is written over a horizontal line.

Tanya Stoudemire
Chief Deputy CFO / Interim Budget Director