	<div>STAFF REPORT</div>
Date:	August 28, 2023
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Subject:	City Administrator Spending Authority

In the July 18, 2023, Work Session, the Board of Aldermen directed staff to research whether an increase to City Administrator spending authority is warranted.

The City's Code of Ordinances provides a comprehensive overview of spending authority. Section 150.040 of the City of Smithville Code of Ordinances, which describes Competitive Bidding processes, outlines the City Administrator's spending authority in detail. For purchases \$7,500 or above, the purchasing policy requires Board of Aldermen approval to complete the purchase.

As the City has grown in population, staffing, and budget over time, requisitions and purchases have eclipsed the \$7,500 amount more frequently. In addition, emergency purchases have been more frequent. To accurately gauge the number of these requisitions and purchases which has been approved by the Board over the last couple of years, staff researched to the amount of purchases/requisitions between the amounts of \$7,500 - \$25,000 that were made in FY2022 and in FY2023, which in turn, required Board of Aldermen Approval.

- Between \$7,500 - \$10,000: 12 Resolutions Approved, 4 Emergency Purchase
- Between \$10,000 - \$15,000: 16 Resolutions Approved, 1 Emergency Purchase
- Between \$15,000 - \$20,000: 12 Resolutions Approved, 2 Emergency Purchase
- Between \$20,000 - \$25,000: 6 Resolutions Approved, 0 Emergency Purchase

Over the course of this two-year period, 46 resolutions were approved which had costs totaling between \$7,500 and \$25,000. Of those 46, 7 of these resolutions were categorized as emergency purchases. When emergency purchases occur, the City Administrator always informs the Board of Aldermen of the upcoming purchase and the justification for the purchase. The term "emergency purchase" is outlined in the City's Code of Ordinances. For emergency situations, every effort will be undertaken to contact the purchasing agent for authorization prior to making an emergency purchase and all emergency purchases must be sufficiently documented as such.

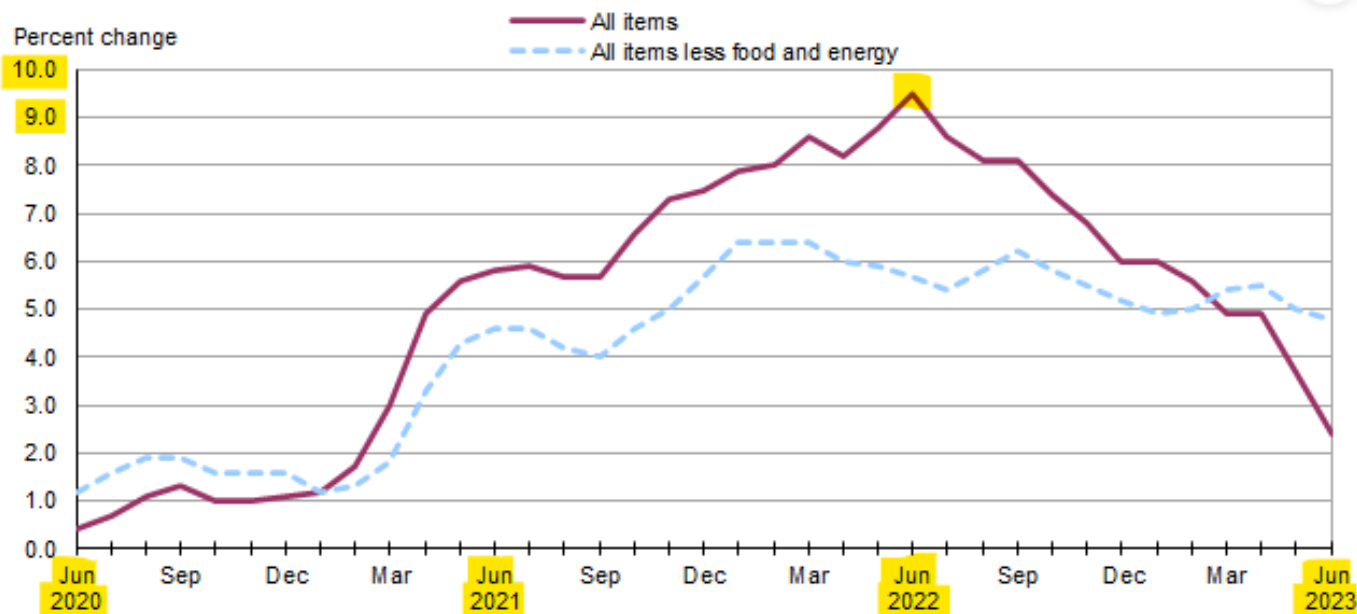
Spending Authority - Factors to Consider

As the City's infrastructure has aged, emergency purchases have become more and more frequent. Citizens fully rely on utility infrastructure to work properly, 100% of the time. When this infrastructure fails, critical services, such as water distribution and transmission, or wastewater processing, can become jeopardized. Wastewater infrastructure has required more costly repairs which typically require quick and swift action to resolve.

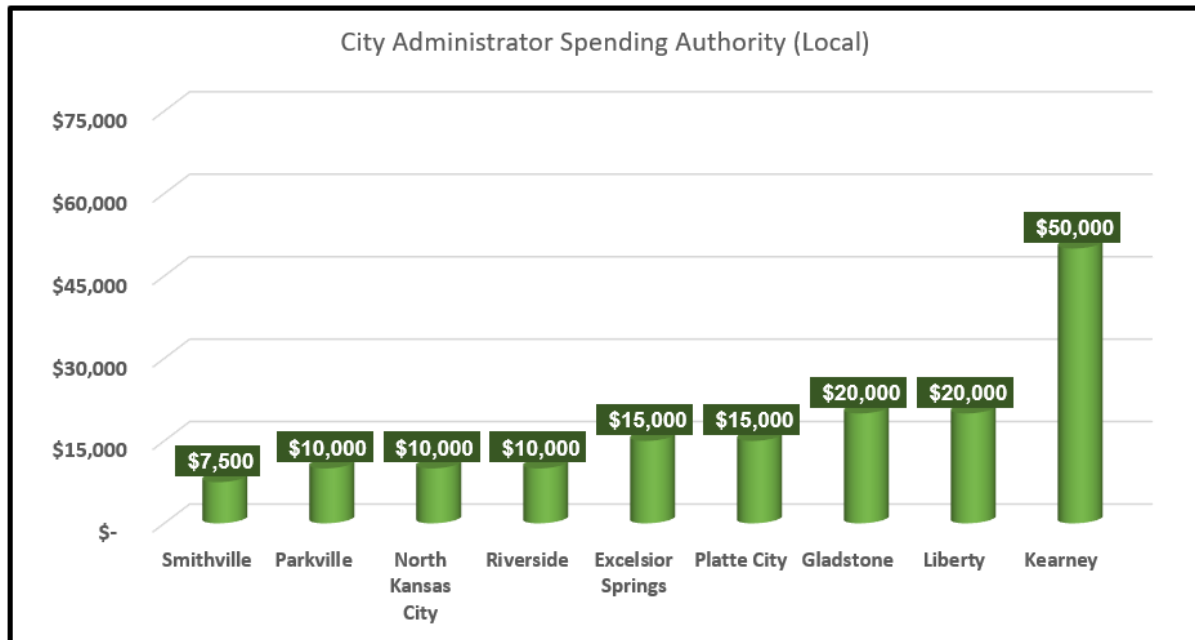
In addition, there has been a growing need to replace aging equipment. Equipment replacement purchases, such as new lawn mowers or skid steer attachments, have been more common as older equipment (10+ years) has been retired and sold through online surplus (GovDeals).

One last factor to consider is the effect of inflationary pressure on the City's purchasing patterns. Inflation has increased the price of daily goods and services required to operate the City. According to Pew Research, between 1991 and 2019, year-over-year inflation averaged about 2.3% per month. Recently, inflation has surged, and in June 2022, the CPI peaked at well over 9.0%. This has impacted the ability to make routine/everyday purchases without Board of Aldermen approval.

Chart 1. Over-the-year percent change in CPI-U, Midwest region, June 2020–June 2023



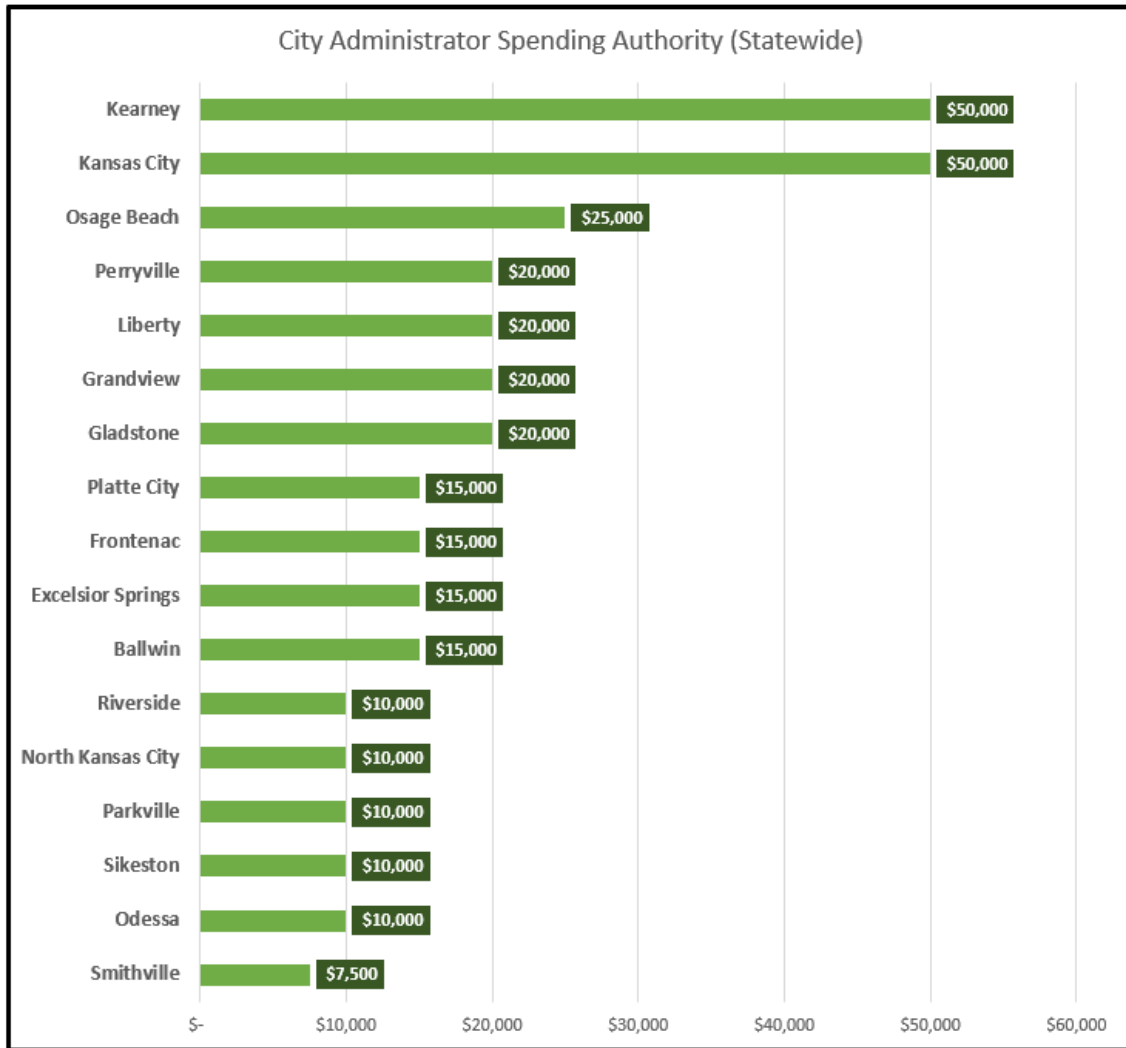
Staff contacted other area cities to determine expenditure authority levels, outlined in the graph below:



As seen in the graph, the general midpoint is \$10,000 - \$15,000 for these cities, with five of the eight cities shown having either *\$10,000* or *\$15,000* set for their City Administrator spending authority level.

Of note, the City of Kearney recently increased their spending authority to \$50,000, as their City Code of Ordinances (Section 145.050, Competitive Bidding) requires purchases of \$50,000 or more to require final approval by the Board of Aldermen through a formal bid process.

Staff also wanted to understand how the City of Smithville stacked up in the statewide comparison. Below is a statewide chart built from responses from Missouri GFOA and City Management Association email listservs.



Staff requests Board direction regarding City Administrator's expenditure authority.