

SUBJECT: Amendment of MSB 3.08.270 Open Market Procedure

AGENDA OF: February 21, 2023

ASSEMBLY ACTION: *Adopted as Amended. 3/21/23.  
NO objection. (SP)*

MANAGER RECOMMENDATION: Introduce and set for public hearing.

APPROVED BY MICHAEL BROWN, BOROUGH MANAGER: *MB*

Route To:	Department/Individual	Initials	Remarks
	Originator: Purchasing	<i>[Signature]</i>	
	Purchasing Officer	<i>[Signature]</i>	
	Borough Attorney	<i>[Signature]</i>	
	Borough Clerk	<i>[Signature]</i>	<i>2/13/23 SP</i>

ATTACHMENT (S) : Fiscal Note: YES \_\_\_ NO X  
Ordinance Serial No. 23-017 (3pp)

**SUMMARY STATEMENT:** The proposed change to MSB 03.08.270 Open Market Procedure will update the limit to be more in line with 2023 buying power as compared to 2008 when the current limit was adopted, and account for anticipated increases in the next few years.

The Borough has an obligation to provide services to the residents in a timely and efficient manner. Utilizing MSB 3.08.270 allows for a quicker response to today's needs. Using "informal" procedures simplifies the process and opens the pool of prospective bidders.

In today's economy, the services the borough needs often exceed the Open Market limits established by code and therefore require a 14 day solicitation period. This 14 day solicitation period translates into a 21 day delay given preparation time and award procedures.

By increasing the Open Market limit, these smaller purchases can

be made expeditiously through the use of quotes that would still promote competition, yet remove much of the often identified "red tape" of government procurement.

**Having a limit that does not reflect the needs or current economy results in an increased cost to the taxpayers.**

Based on the Anchorage CPI, we have seen a 38% increase in overall goods and services since 2008. What used to cost \$25,000, now costs \$34,462. While inflation is beginning to slow, we are still experiencing month to month increases that far outpace the historical trends.

This reduction in buying power has negatively impacted the ability to deliver services and acquire needed commodities in a timely and efficient manner.

As a result of this reduced open market authority, orders are often reduced, however the frequency of future orders are increased. This added frequency increases processing costs, shipping cost and makes us more vulnerable to price increases.

**COVID 19 changed the way suppliers do business.**

The new supply chain does not warehouse items like it did 5 years ago. Product availability and pricing changes day to day and asking a vendor to guarantee pricing for 30 or 60 days from a published bid opening or lock up inventory will often deter their participation in bidding. Knowing that an order can be placed within 48-72 hours of submitting a quote allows for increased participation.

**Loss of vendor participation due to the perceived complexity of bidding.**

Many of our local businesses shy away from bidding work based on a perception that government contracting is complicated and full of red tape. They want a simple process and quick answers. Through the use of quotes, we are able to simplify the process and provide quick results.

**Limiting project size reduces competition.**

By limiting the Open Market projects to \$25,000, a geographical advantage is being given certain contractors. For road maintenance projects, competition is reduced as the cost to mobilize eats up a larger portion of the work that can be accomplished.

Mobilization of equipment can range from 5%-10% of the total cost

on a project up to \$25,000 but on a \$50,000 project, that percentage is reduced to 2.5%-5%. By reducing the overall percentage of cost attributed to simply getting to the worksite, you are increasing the pool of potential bidders. Put simply, having a lower cap on Open Market awards effectively creates a geographical preference which decreases competition and increases costs on projects under \$25,000.

**Providing better service to our residents.**

Many situations arise where there is a level of urgency in completing a project. While situations that rise to the level of "emergency" are dealt with appropriately, there are many others that can and should be dealt with sooner than later. Having the ability to solicit quick competitive quotes can reduce the overall reaction time and rectify a situation before it rises to an emergency. The fact is, \$25,000 doesn't go very far today and the residents expect and deserve better service from the Borough. Elevating the Open Market limit gives us an additional tool to quickly react and also do it in a very cost effective and competitive manner.