

CITY OF OAKLAND

Agenda Report

FILED
OFFICE OF THE CITY CLERK
OAKLAND

TO: City Administrator
ATTN.: 2004 Budget ERF 5 48
FROM: Finance and Management Agency
DATE: October 26, 2004

RE: REPORT REGARDING PAYMENTS MADE TO BELL MOVING COMPANY FOR MOVING AND CRATING SERVICES. THIS REPORT ALSO EXAMINES THE IN- SOURCING OF MOVING AND CRATING SERVICES.

SUMMARY

At the request of the Rules Committee, staff has prepared this report regarding the moving and crating services provided to the City of Oakland by Bell Moving from July 1, 2000 to date. This report describes past payments made to Bell Moving Company, future options for moving and crating services, and contracting requirements.

FISCAL IMPACT

This report is informational only; no fiscal impacts are included. The report outlines several options regarding the future of moving and crating services.

BACKGROUND

The Finance and Management Agency is submitting this informational report to clarify points outlined in an informational report submitted by the Legislative Analyst to Council concerning a contract with Bell Moving Company for moving and crating services provided to the City of Oakland. The summary of the Legislative Analyst's report may have created the impression that Bell Moving Company (Bell) has a continuous contract with the City beginning in July 2000, and that the City paid Bell in excess of \$145,000.

Bell was awarded two, 2-year contracts, with an annual amount not to exceed \$49,999.99. The following chart summarizes payments for expenditures procured through the Purchasing Section and those processed within Departments.

<u>Category</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>Totals</u>
Direct Payment Request	\$ 2,600	\$ 14,000	\$ 13,000	\$ 1,700	\$ 700	\$ 32,000
Department PO	\$ 2,760	\$ 8,543	\$ 25,295	\$ 21,521	\$ 21,063	\$ 79,182
Purchasing Authorized		\$ 8,508	\$ 5,587	\$ 9,879	\$ 10,000	\$ 33,973
TOTAL EXPENDITURES	\$ 5,360	\$ 31,051	\$ 43,882	\$ 33,099	\$ 31,763	\$ 145,155

To reconcile the \$145,000 in the Legislative Analyst's report, each transaction, the responsible entity, and payment method was analyzed. The \$145,000 is broken down into three categories.

The first category is Direct Payments.

- This represents any single transaction less than \$500. City Agencies have the authority to request the service and with authorized Departmental approval, submit a Direct Payment up to \$500. Direct Payments are not entered into the Purchasing module of the City’s financial system.
- ✓ The total expenditures authorized by Direct Payment requests during this period were approximately \$32,000.

The second category is City Department approved expenditures.

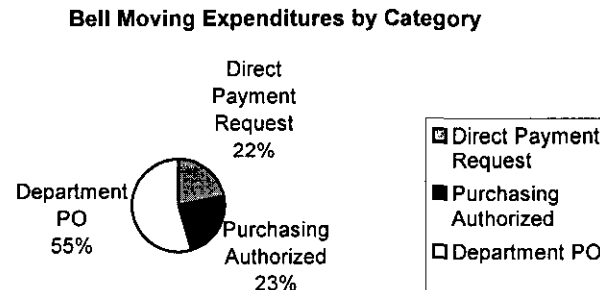
- This represents any single transaction up to \$5,000. City Agency and Department Heads have the authority to informally bid and award contracts up to \$5,000. The department must enter a purchase order in the City’s financial system and have an authorized Department representative approve the transaction. Purchasing Section intervention or approval is not required.
- ✓ Total expenditures authorized by City Departments during this period were approximately \$79,000 with no annual expenditure greater than \$25,000.

The third category is Purchasing Section approved expenditures.

- This represents any single transaction greater than \$5,000. The Purchasing Section is responsible for all transactions in excess of \$5,000 per the Oakland Municipal Code, Section 2.04. An authorized representative of the Purchasing Section must approve all transactions greater than \$5,000 utilizing the Purchasing module in the City’s financial system.
- ✓ Total contracted expenditures authorized by the Purchasing Section during this period were approximately \$34,000 with no annual expenditure greater than \$10,000.

KEY ISSUES AND IMPACTS

The following chart presents a breakdown of expenditures and provides a method to analyze by category, in-sourcing options, considerations, and recommendations.



Definition of Categories

- ◆ Category 1: Services less than \$500
 - ✓ Represents twenty-two percent (22%) of the contracted services
- ◆ Category 2: Services between \$500 and \$5,000
 - ✓ Represents fifty-four percent (55%) of the contracted services
- ◆ Category 3: Services greater than \$5,000
 - ✓ Represents twenty-four percent (23%) of the contracted services

CATEGORY 1:

A category 1 move typically requires two men at a four-hour contract minimum, using hand trucks and furniture dollies. This type of move is generally intra-facility. While it is possible for staff to perform category 1 moves, several issues must be addressed. Traditionally, this type of service would be performed by either storekeepers or custodians. While storekeepers are trained in material handling, the current job specification has a weight lift requirement of fifty pounds. Custodial staff do not have a weight lift requirement and they are not trained in material handling, which could lead to injury and damaged material.

The in-sourcing cost associated with a small category 1 move is not cost effective for the City. Following is an example of comparable costs utilizing City staff and Bell Moving Company:

Bell Moving	\$ 20.00	per hour	4 hour	2 Men =	\$160.00
City Custodian	\$ 27.35	per hour	4 hour	2 Men =	\$218.76
City Storekeeper	\$ 29.75	per hour	4 hour	2 Men =	\$237.96

The City's costs per hour include benefits. The contractor is paying in excess of the living wage therefore benefits are not a factor. Additionally, the contractor must provide both workers compensation and liability insurance to cover injured personnel or damage to City owned material or facilities. The City may incur more workers compensation costs, which would further inflate the cost to the City.

CATEGORY 2:

A category 2 move usually requires a team of six to ten movers or packers, a supervisor, driver, truck, hand trucks and furniture dollies. Category 2 moves represents fifty-five percent of the contracted services. In-sourcing this category may be beneficial to the City since it is the largest segment of the contract, but it may not be cost effective for the City. The same issues that affect the City for category 1 moves would increase exponentially with category 2 moves, since they require more personnel, equipment and transportation. In addition, the City would need to acquire and maintain adequate transportation and moving equipment as the magnitude of the moves increases.

CATEGORY 3

A category 3 move usually requires from 10 to 20 movers or packers, multiple supervisors at a minimum of one per site, multiple trucks and drivers, and numerous hand trucks and dollies. The City would need to acquire and maintain adequate transportation and moving equipment. In addition, staff costs would increase corresponding to the size of the move. Staff does not recommend that the City undertake category 3 moves.

SUPPLIES

Under the terms and conditions of the current contract, the City purchases the required boxes and shipping material needed for each move. At the completion of the move, the City receives a credit for every reusable box and packing material that is returned to the contractor. If the City were to undertake in-sourcing this service, reusable boxes, and packing materials would have to be either warehoused for future use, or disposed of. The spoilage rate for this type of material is approximately 20% and would not make long-term warehousing cost effective.

RECOMMENDATION (S) AND RATIONALE

The evaluation of services provided and the reconciliation of expenditures paid to Bell Moving Company confirmed the City could not effectively provide the same quality of service at the same rate. In accordance with policy, staff has bid this requirement and Bell Moving Company is the apparent lowest responsible bidder.

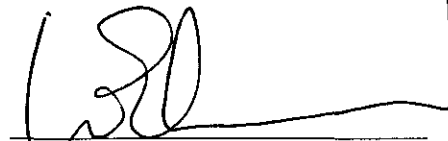
The Oakland City Charter provides Council the authority to establish a department or classification to perform the required services. Should Council establish a department or classification to in-source this service, staff will amend the specifications for moving and crating services to exclude moves that are in-sourced in a particular category.

This report is informational. No action is required by the Council.

ACTION REQUESTED OF COUNCIL


Staff requests that Council accept this report.

Respectfully submitted,



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APPROVED AND FORWARDED TO
FINANCE AND MANAGEMENT COMMITTEE


Office of the City Administrator