



Adopting Your Optimal Purchasing Threshold

Procurement Excellence Network (PEN) Training

Welcome! Please
post in the chat:
Your name & what
government you
represent.

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October 11, 2023

Icebreaker

An illustration of a hand holding a hammer, symbolizing an icebreaker. The hand is orange, and the hammer has a purple handle and a grey head. The background is light blue with white geometric shapes.

Instructions:

Take a minute to complete the Zoom poll on your screen

When was the last time your government updated the dollar amount of a purchasing threshold?

- a) Never/not recently, but we are in the process now
- b) Within the last 5 years
- c) Between 5 and 10 years ago
- d) Over 10 years ago
- e) Our thresholds increase automatically (e.g., tied to the CPI)
- f) Not sure



Overview of Purchasing Thresholds



Determining if Your Threshold Should Change



Government Case Study: City of Philadelphia, PA



Strategies to Raise Your Purchasing Thresholds



Feedback Poll & Wrap-Up

Do any of these procurement challenges resonate with you?

With inflation, a standard purchase that used to fall just under a threshold is now above that threshold

Routine, low-risk purchases are moving slowly through your formal purchasing process

Bottlenecks at a required approval point are slowing down your process (i.e., council review)

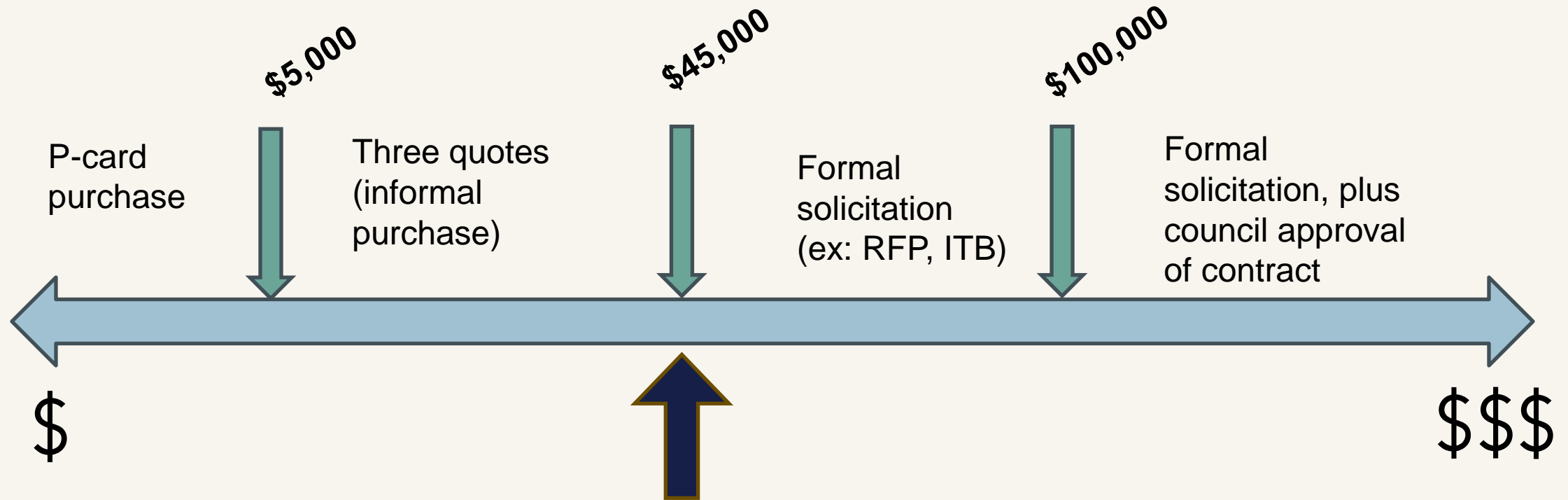
Purchasing staff are swamped with many purchases to oversee at once

If your government experiences any of these challenges, raising your purchasing thresholds may be impactful!



What common purchasing thresholds exist?

A sample mid-sized city government




*Our focus for today: At what point should your process change from an informal to formal solicitation?
What is the right balance between flexibility/speed and standardization/fairness?*

Pros and Cons of High vs Low Thresholds

	Advantages	Disadvantages
High Threshold	<ul style="list-style-type: none"> • Concentrates purchasing staff time on high-priority, strategic purchases. • Speeds up the process for a larger volume of smaller purchases. 	<ul style="list-style-type: none"> • Less oversight of smaller purchases may lead to a greater risk of certain firms being given preference. • Less transparency for vendors who may question why they are never contacted for a quote.
Low Threshold	<ul style="list-style-type: none"> • Additional oversight, fiscal controls, and compliance exists for more purchases. • Greater transparency for vendors due to formal process with clear evaluation criteria. 	<ul style="list-style-type: none"> • May lengthen the timeline of a relatively simple purchase. • If perceived as a burden, staff may look for exceptions to standard policy and sidestep the competitive process altogether. • Greater burden on staff, who must coordinate formal solicitations for more purchases.




There isn't a right answer – it's what works best for your government!

 *Do these pros and cons resonate?
Are there other considerations your government has thought about?*

How Do I Determine If My Threshold Should Change?

- 1. Analyze recent procurement data (dollar values, cycle times)
- 2. Compare thresholds from peer governments
- 3. Speak to staff (in departments and purchasing)
- 4. Review contract performance issues in informal solicitations
- 5. Consider when the last update to thresholds occurred

Barriers to Changing Purchasing Thresholds

	Administrative difficulties
	Loss of oversight
	Impact on vendor participation goals



*What other barriers or concerns are coming to mind?
How have you or how might you address these challenges?*

Government Case Study – Philadelphia, PA

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Philadelphia Raises Purchasing Thresholds Through Local Business Purchasing Initiative

- **What Philadelphia Did:**

Increased formal purchasing threshold from \$34,000 to \$75,000 (now \$88,000) for all businesses and from \$34,000 to \$100,000 (now \$117,000) for certified local businesses only. The threshold adjusts annually as of July 1st (previously, it was every 5 years).
- **The Impact They Saw:**

An increase in participation from diverse and local businesses. A decrease in overall contracting cycle times by ~2 months.



Learnings from CAO Stephanie Tipton

1. Having an advocate on your governing authority (ex: Council) is key.
2. Peer data (on other cities and their thresholds) is very persuasive for key decisionmakers.
3. Changing the threshold needs to come with increased outreach to firms, transparency in contracting opportunities, and more support to get firms certified.
4. You may experience difficulty adopting a new process internally – think carefully about support needed for staff and recognize the importance of change management.



Any questions for Stephanie?

Strategies for Successfully Changing Your Threshold

- **Data:** Bring peer governments' purchasing thresholds for comparison and your procurement data showing bottlenecks or cycle time impact when presenting to your government's Chief Executive Officer or Council
- **Collaborate:** Gain feedback from your governing body and collaborate with colleagues inside and outside the purchasing office
- **Mitigate Risks:** Anticipate the risks these stakeholders perceive and develop a compelling case to address them
- **Outreach:** Conduct public outreach if public vote is required

Government Example:



To address concern from stakeholders that increasing the formal purchasing threshold would decrease MWBE contracting, Charleston added a requirement that at least one of the three quotes collected for an informal purchase must be from an MWBE.

Additional Resources to Help You Get Started

Are Procurement
Thresholds Slowing
You Down?

In this quick read, you'll learn more about strategies for setting your purchasing threshold to maximize efficiency while also considering whether your thresholds are in line with those of your peers.

5 Steps to Start
Sharing Procurement
Data

This quick read discusses what open data is, how it benefits governments, procurement staff and vendors, and how to prepare it before making it public.

Gathering Feedback
from Internal Customers
via Surveys

This quick read offers guidance on how to put together an excellent survey, encourage honest feedback from respondents, and use that information to make program decisions.