To: Chairman Skinner and the VRE Operations Board

From: Rich Dalton

Date: September 18, 2020

Re: Approval of Increases to Chief Executive Officer Procurement Authorization and Contract Award Authorities

Recommendation:

The VRE Operations Board is asked to approve increases to two delegations of authority to the Chief Executive Officer (CEO): contract award authority to $200,000, and procurement authorization authority to $1,000,000.

Summary:

The Operations Board has delegated to the CEO the authority to award contracts up to $100,000 and to authorize procurements up to $100,000 without requiring the Operations Board’s approval. This policy change would increase the delegated limits to $200,000 for contract award and $1,000,000 for procurement authorization.

Background:

As VRE has grown and the number of procurements has increased, and as inflation has led to a general increase in costs over time, the CEO delegation of authority limits have been periodically raised.

<table>
<thead>
<tr>
<th>Year</th>
<th>CEO Spending Limit</th>
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<tbody>
<tr>
<td>1991</td>
<td>$15,000</td>
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<tr>
<td>2001</td>
<td>$30,000</td>
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<tr>
<td>2006</td>
<td>$50,000</td>
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<tr>
<td>2015</td>
<td>$100,000</td>
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The most recent increase to $100,000 applies to both the procurement authorization limit (i.e., approving the issuance of a Request for Proposals or an Invitation for Bids) and the contract award limit. This increase was one of the recommendations from the 2015 Management Audit that was intended to streamline the approval process and allow the Operations Board to focus on procurements with greater budget and policy implications. The Management Audit also recommended consideration of a separate, higher delegation limit only for procurement authorizations knowing the Operations Board would still get a “bite at the apple” with contract award – but that recommendation was not acted upon.

The Management Audit made two additional recommendations regarding delegation limits. First, it recommended that any purchase of over $50,000 be communicated to the Board as an information item to ensure transparency. Second, it recommended the Board regularly revisit these delegations of authority to determine whether the approval levels should be adjusted for inflation or other factors. A ‘Spending Authority Report’ that summarizes these purchases is provided monthly to the Operations Board, and a reevaluation of the thresholds has resulted in this proposed policy change.

The proposed increases were presented to the VRE Finance Committee on July 17, 2020, for consideration. The key points in support of the changes included:

\begin{itemize}
\item During the 24-month period of CY2018-2019, fourteen contract awards came before the Operations Board with a value between $100,000 and $200,000. Of those awards, only three were for new contracts, while the other eleven were task orders under existing contracts for which the Board had previously approved award of the contract, amendments to existing contracts or purchase orders, or extensions of existing leases.
\item During its 2020 session, the Virginia General Assembly enacted legislation (HB 452 / SB 650) that raises the state’s small purchase limit to $200,000, which exempts such purchases from some of the competitive procurement requirements in the Virginia Public Procurement Act (VPPA).
\item Procurement authorizations in the $200,000 to $1,000,000 range during the same CY2018-2019 period were primarily for items such as LED light fixtures, pavement repairs and striping, website management services, and forklift trucks. These procurement authorizations are almost always placed on the consent agenda and are not discussed by the Operations Board.
\item Examples of recent authorizations greater than $1,000,000 that would still require two approvals by the Operations Board (i.e., for both solicitation and award) even under the proposed changes include final design for the Broad Run expansion; new passenger railcars; delivery of diesel fuel for VRE locomotives; and construction of Quantico Station improvements.
\end{itemize}

The Finance Committee expressed its support for these proposed increases and for incorporating a summary of all actions that would have previously gone to the Operations Board for approval into an expanded Spending Authority Report. Any
procurement authorization over $1,000,000 or contract award over $200,000 would continue to require Operations Board approval. The Operations Board has authority to approve this amendment to the CEO spending authority based on the delegation of authority plan approved by the Commissions in December 2005.

**Fiscal Impact:**

There are no direct funding implications associated with this policy change.
Virginia Railway Express
Operations Board

Resolution
9B-09-2020

Approval of Increases to Chief Executive Officer Procurement Authorization and Contract Award Authorities

WHEREAS, the Operations Board has delegated authority to the Chief Executive Officer to authorize procurements and to award contracts below a certain value without requiring Operations Board approval; and,

WHEREAS, the last change to the Chief Executive Officer’s delegated authority was in 2015, which raised the authority limit to $100,000 for both procurement authorization and contract award; and,

WHEREAS, VRE staff, in accordance with the recommendations of the 2015 Management Audit and the desire to streamline approval processes, have reevaluated the current delegation limits in light of cost inflation, changes to Virginia procurement law, and the recent history of procurement actions coming before the Operations Board; and,

WHEREAS, the Operations Board may approve an amendment to the Chief Executive Officer spending authority based on the delegation of authority plan approved by the Commissions in December 2005;

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board does hereby approve an increase in the Chief Executive Officer’s procurement authorization authority to $1,000,000 and an increase in the Chief Executive Officer’s contract award authority to $200,000; and,

BE IT FURTHER RESOLVED THAT, all procurement authorization and contract award actions that would have previously come before the Operations Board for approval will now be reported in the monthly Spending Authority Report; and,
BE IT FURTHER RESOLVED THAT, the Operations Board will revisit delegation thresholds regularly to determine whether approval levels should be adjusted to account for inflation or other factors.

Approved this 18th day of September 2020

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Gary Skinner
Chairman

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Jeanine Lawson
Secretary