

BLUE FOLDER ITEM

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BUDGET AND FINANCE COMMISSION MEETING JANUARY 8, 2026

J.3 PROFESSIONAL SERVICES PROCUREMENT DATA FROM STAFF

CONTACT: STEPHANIE MEYER, FINANCE DIRECTOR

- LETTER FROM JAMES R. MUELLER RE: PROFESSIONAL SERVICES PROCUREMENT DATA FROM STAFF

Jim Mueller
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To: Chairman, Budget & Finance Commission
City Hall
Redondo Beach, CA

RE: Agenda Item J3 Professional Services Procurement

Dear Mr. Chairman:

The Commission initiated an investigation of professional services procurement for the City of Redondo Beach. This category of spending is substantial, over \$10 million per year, and usually 8% of the city's general fund budget.

Services procurement can be tricky for governmental organizations when those organizations specifically allow sole source procurement of broad categories of services, like the Redondo Beach Municipal Code, Chapter 2, Title 2-609 & 10 does:

“Professional services of engineers, architects, accountants, attorneys, doctors and other professional classes ... are hereby declared to be noncompetitive, and bids need not be received.”

The danger is “sweetheart” relationships develop between city personnel and the vendors which can result in the appearance of favoritism, over pricing of services, or lack of quality control.

Two high visibility cases are the cannabis survey services contract with FM3 and the Artesia real estate consulting contract with AREAS.

FM3 was chosen by the City Manager because of recent experience with them, but without justification for the specific survey task. FM3 self-advertises itself as helping cities institute retail cannabis, a source of bias. I could find no sole source justification document.

San Francisco-based AREAS was chosen by word of mouth recommendation of a councilperson. There was no sole source justification, and despite the fact that dozens of local firms are available.

Another issue with services contracts is automatic extensions for multiple years. Some city services contracts include this provision. In other cases, the extensions are part of the Council Consent Calendar, which tends to get less visibility, discussion and public comment.

The problem with automatic extensions and quickie extensions is that it subverts the annual budget process. These contracts and the rates therein outlive the annual budget review process.

My recommendations are: 1) stricter discipline to create and review sole source justifications, and 2) eliminate automatic contract extensions, and make requests for extensions be accompanied by a review of alternate sources for the services, and 3) review and possibly change the categories exempt from competition.

Sincerely,
(Signed)
James R. Mueller