

**PROCUREMENT DEPARTMENT
FISCAL YEAR 2018 BUDGET TESTIMONY
APRIL 25, 2017**

INTRODUCTION

Good morning, President Clarke and Members of City Council. I am Trevor Day, Procurement Commissioner. Joining me today are Nicholas Susi, Deputy Commissioner, and LaShawnda Tompkins, Director of Administration. I am pleased to provide testimony on the Procurement Department's Fiscal Year 2018 operating budget.

DEPARTMENT MISSION & PLANS

Mission: The mission of the Procurement Department is to obtain, manage, and dispose of quality goods, services, construction, and concessions in an open, timely, and cost-effective manner. This is accomplished using a competitive, fair, and socially-responsible process in accordance with the law.

Plans for Fiscal Year 2018: The Procurement Department is the central purchasing and materials management agency for the City of Philadelphia. For each contract, the Procurement Department works in partnership with the using agency(ies) to ensure that the City has the contracts it needs to provide services to the public. Our goal is to acquire services, commodities, revenue generating and construction contracts, as well as public advertising, at the best value that meets our needs while ensuring a fair and open process. We seek to leverage the use of the City's funding resources in a way that upholds our citizens' trust by using government procurement best practices. The Procurement Department is also responsible for tracking and inspecting the City's inventory and ensuring unneeded inventory is disposed of in a cost-effective and environmentally-sound manner. In Fiscal Year 2018, we will accomplish the following objectives.

1. Complete the roll-out of the eProcurement System: In Fiscal Year 2017, the Procurement Department in partnership with OIT designed and configured the City's new electronic Procurement System, "PHLContracts" (www.phlcontracts.phila.gov). The project is being implemented in phases. Vendor registration began in September 2016. Vendors that currently have or had City of Philadelphia contracts received mail, emails, and telephone calls about the system and registration. PHLContracts was piloted to six City departments (Aviation, Streets, Public Property, Fleet, Office of Innovation & Technology and Licenses+ Inspections). These departments assisted in the configuration and received training from the system vendor as well as subsequent training led by Procurement staff members. Four of the six pilot departments went fully live in the system in March of 2017 and PWD and OIT are in the process of going live. Through the rest of calendar year 2017, all remaining City Departments will be trained and rolled out into the system. Procurement offers weekly PHLContracts registration events for companies every Wednesday from 2-4 PM. Information about PHLContracts and the City's bidding process is also provided at the Office of Economic Opportunity's (OEO's) monthly Doing Business in the City workshop.

To date, there are over 1,000 vendors registered in PHLContracts. Approximately 11% are LBE registered and approximately 23% are registered M/W/DSBEs with the Office of Economic Opportunity. An additional 6.5% are "self-reported" M/W/DSBEs for a combined 29.5%. We have shared contact information of the self-reported vendors with OEO to assist with registry recruitment and marketing. We continue to increase the overall numbers of vendors registered in PHLContracts with a special focus on local and OEO registered M/W/DSBE vendors.

- 2. Expand our efforts to market City contract opportunities, with an emphasis on local and minority-, woman- and disabled-owned businesses:** Throughout FY17, the Procurement staff attended approximately twenty (20) third party vendor focused events that reached approximately 1,000 companies (majority, small, M/W/DSBE, local, etc). Events attended were sponsored by the African American Chamber of Commerce, the Greater Philadelphia Hispanic Chamber of Commerce, and the Enterprise Center, along with other regional vendor expos. Procurement has also reached out to the Eastern Minority Supplier Development Council (EMSDC) and the Women’s Business Enterprise National Council (WBENC) regarding marketing City contract opportunities. Procurement also participated in several 2016 Minority Enterprise Development (MED) Week events as well as hosted its own event which introduced PHLContracts.

Procurement has partnered with OEO to communicate and reach much of the minority-, woman-, and disabled-owned business enterprise (collectively “M/W/DSBE”) community. Monthly, a representative from the Procurement Department also speaks at the Doing Business in the City workshop. During these workshops, Procurement includes information on current opportunities, PHLContracts Registration, rules for doing business with the city, and more. OEO and the Procurement Department meet on a bi-weekly basis to stay abreast of what is new in each department and how we can continue to assist one another. Recently, OEO released a monthly e-blast newsletter that included PHLContracts registration event details. OEO also shares with Procurement its newly OEO-registered firms that Procurement follows up with to ensure they have completed registration in PHLContracts.

As our experience in marketing city contract opportunities grows, Procurement plans to create a communications and marketing plan. With an annual plan, Procurement can continue these efforts in Fiscal Year 2018 and future fiscal years.

- 3. Implement Best Value:** In partnership with the Chief Administrative Office, Procurement, the Law Department and the Integrity Office have been working on regulations, provided Best Value is passed by the voters in May 2017. Best Value will allow the City to evaluate vendors on factors other than price alone, including how the vendor delivered on-time, on-budget as well as meeting or exceeding M/W/DSBE goals. Best Value is used across the country, in the federal government, the Commonwealth of Pennsylvania and 18 of the 20 largest cities in the U.S. The implementation of Best Value in FY18 will include:

- Thorough and transparent regulations publicly posted on Procurement’s website;
- Evaluation criteria and weightings included up front with the opportunity; and
- Bid evaluation by a committee of stakeholders and departmental technical experts throughout the City.

- 4. Create and distribute a Procurement Guide:** The Procurement Department is developing a set of tools to improve the efficiency and effectiveness of its contracting process as stated above with system improvements and marketing. Another tool is the development of a Procurement Guide. A procurement manual is critical to ensuring that procurement employees, department staff, and all stakeholders (including vendors) have the appropriate documentation to follow the proper procedures and rules to have a clear and consistent understanding of the contracting regulations. The Procurement Department has been developing quick start guides as the first phase of the manual. The following guides have been developed and are accessible for the stakeholders on the public site of [PHLContracts](#) or the Procurement Intranet, as appropriate:

Procurement Department

- Add-On Quick Start Guide
- Basic Purchasing User Guide
- Commodity Code Crosswalk
- Confirming Order Quick Start Guide
- Department Bid Request Quick Start Guide
- Department User Guide
- Seller Guide
- SOP Quick Start Guide
- Vendor Registration Guide

A finalized procurement manual will be completed by June 30, 2017. The manual will be updated annually to reflect any new changes or adjustments. The manual will also include a sustainable procurement plan. The Procurement Department has been working collaboratively with the Office of Sustainability (OOS) to incorporate green purchasing into the City’s processes. The Procurement Department and OOS have strategically identified commodities that are reviewed by OOS staff before the opportunity is publicly posted for bidding. The review may include new language (or revise existing language) on specific models, sustainable reporting, approved eco-labels or chemical/product restrictions (such as polystyrene). Starting in FY17 and continuing into FY18, procurement has partnered with the Department of Health and OOS to focus on healthier and more sustainable food purchasing.

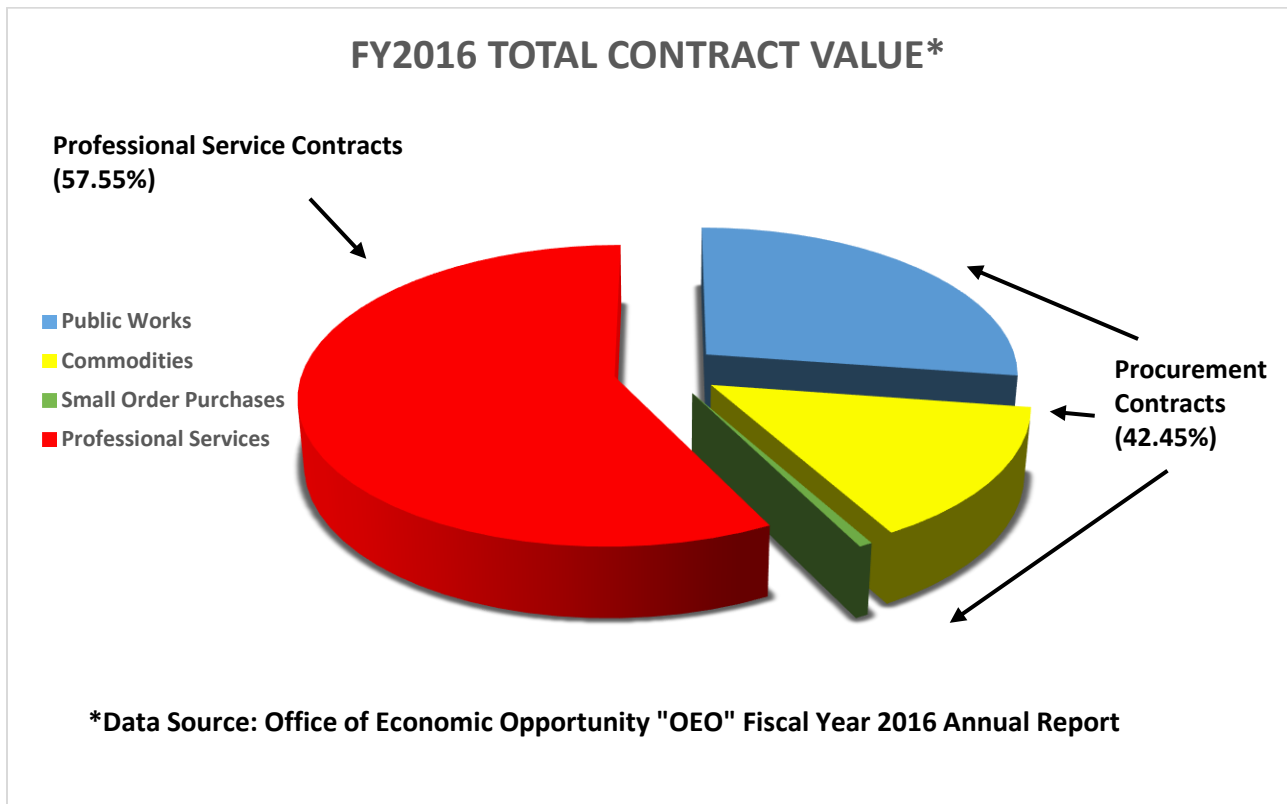
- 5. Expand the use of reverse auctions with a plan to achieve greater buying power:** In FY17, the Department contracted with a Pennsylvania-based company to manage services related to Reverse Auctions. This is another tool in the toolbox that leverages a best practice in Procurement. Reverse auctions can be one of the best ways to generate Return on Investment and influence buying power to reduce the cost of commoditized products to the City of Philadelphia. This process allows vendors to bid and then re-bid against each other until the lowest price is reached, allowing the City to save money on certain contracts. Additional reverse auction opportunities are being identified for FY18. The following are reverse auction savings to date. The savings are calculated against the most recent competitively sealed bid. This enables departments to purchase more commodities with the same level of resources.

Products	Estimated Contract Savings	
Toilet Paper	24.68%	\$92,818.06
Recycling Bins	30.25%	\$144,200.00
Toweling & Wash Cloths	33.00%	\$25,400.00

- 6. Create a Contract Planning Process to holistically evaluate upcoming Procurement opportunities:** This current Fiscal Year, the Procurement Department instituted recurring (weekly or monthly) meetings with City departments to review their contract needs, plan for upcoming contracts and evaluate current process and procedures. The Procurement Department also attends monthly Capital Projects Improvement Meetings led by the CAO and including OEO, the Budget Office, the Law Department, the Controller’s Office, and the Department of Public Property to discuss topics such as legislative updates and capital projects process improvements. Additionally, Procurement has

posted a contract report on PHLContracts where the public can see when services, supplies and equipment contracts are expiring. This will enable vendors to know that a replacement bid may be posted publicly one to six months before the contract expires.

- 7. Research and implement a new asset management system and process:** The Procurement Department has received funding approval to replace the antiquated technology that is currently used for City-wide inventory tracking. The RFP process will begin by the end of the 1st quarter of FY18 with demonstrations to follow. In FY17 we collaborated with the Accounting Division of the Office of the Director of Finance and updated the rules and regulations to track assets so they are appropriately reported, tracked, transferred and disposed. The new Asset Management system will offer a more effective and efficient solution to manage assets (with barcoding or RFID tags), apply rules and regulations, and expand reporting capabilities.



This chart displays the City's overall dollar value on awarded contracts for Fiscal Year 2016. The Procurement Department oversees the contracting of 42.45% of total contracts. These contracts include Public Works, Commodities, and Small Order Purchases (SOPs). Metrics related to these types of contracts are listed in the Performance charts below.

BUDGET SUMMARY & OTHER BUDGET DRIVERS

Staff Demographics Summary (as of December 2016)				
	Total	Minority	White	Female
Number of Full-Time Staff	48	31	17	33
Number of Civil Service-Exempt Staff	5	3	2	3
Number of Executive Staff (deputy level and above)	5	3	2	3
Average Salary, Full-Time Staff	\$50,152	\$47,866	\$54,454	\$48,000
Average Salary, Civil Service-Exempt Staff	\$96,400	\$88,667	\$111,000	\$86,667
Average Salary, Executive Staff	\$96,400	\$86,667	\$111,000	\$86,667
Median Salary, Full-Time Staff	\$42,520	\$41,882	\$43,942	\$41,882
Median Salary, Civil Service-Exempt Staff	\$90,000	\$85,000	\$111,000	\$85,000
Median Salary, Executive Staff	\$90,000	\$85,000	\$111,000	\$85,000

Employment Levels (as of December 2016)		
	Budgeted	Filled
Number of Full-Time Positions	53	48
Number of Part-Time Positions	0	0
Number of Civil-Service Exempt Positions	5	5
Number of Executive Positions (deputy level and above)	5	5
Average Salary of All Full-Time Positions	\$48,210	\$50,152
Median Salary of All Full-Time Positions	\$50,878	\$42,520

*Staffing Demographics and Employment Levels tables are All Funds.

General Fund Financial Summary by Class						
	FY16 Original Appropriations	FY16 Actual Obligations	FY17 Original Appropriations	FY17 Estimated Obligations	FY18 Proposed Appropriations	Difference: FY18-FY17
Class 100 - Employee Compensation	\$2,472,351	\$2,278,649	\$2,504,399	\$2,545,007	\$2,566,732	\$21,725
Class 200 - Purchase of Services	\$2,316,267	\$3,040,829	\$2,316,267	\$2,311,267	\$2,316,267	\$5,000
Class 300 - Materials and Supplies	\$39,554	\$22,287	\$33,588	\$33,588	\$33,588	\$0
Class 400 - Equipment	\$9,500	\$26,241	\$15,466	\$15,466	\$15,466	\$0
Class 500 - Contributions	\$0	\$0	\$0	\$0	\$0	\$0
Class 700 - Debt Service	\$0	\$0	\$0	\$0	\$0	\$0
Class 800 - Payment to Other Funds	\$0	\$0	\$0	\$0	\$0	\$0
Class 900 - Advances/Misc. Payments	\$0	\$0	\$0	\$0	\$0	\$0
	\$4,837,672	\$5,368,006	\$4,869,720	\$4,905,328	\$4,932,053	\$26,725

Professional Services Contracts Summary						
	FY12	FY13	FY14	FY15*	FY16	FY17 YTD (Q1 & Q2)
Total amount of contracts	\$1,801	\$33,650	\$2,602	\$3,015,512	\$4,960	\$2**
Total amount to M/W/DSBE	\$0	\$4,500	\$0	\$705,512	\$4,960	\$0
Participation Rate	0%	13%	0%	23%	100%	0%

*The dollar amount of contracts in Fiscal Year 2015 is unusually large due to the Bike Share Contract. The Procurement Department was directed by the previous Administration to solicit this contract based upon its equipment component. The contract has always been managed by the Managing Director's Office.

**The contracts listed for 2017 are with online auction and reverse auction contractors and are \$1 contracts. The vendors are compensated by the winning bidder, not directly by the City of Philadelphia. The online auction vendor is a local, Philadelphia-headquartered business.

M/W/DSBE Contract Participation Goal			
	FY16	FY17	FY18
M/W/DSBE Contract Participation Goal	10%	12%	12%

PROPOSED BUDGET OVERVIEW

Proposed Funding Request:

The proposed Fiscal Year 2018 General Fund budget totals \$4,932,053, an increase of \$26,725 over Fiscal Year 2017 estimated obligation levels. This increase is for DC33 and exempt raises, along with a \$5,000 restoration of a budget cut in FY17.

The proposed budget includes:

- \$2,566,732 in Class 100, a \$21,725 increase over FY17 estimated obligations. This increase is due to scheduled raises as agreed to in the last union contract agreements.
- \$2,316,267 in Class 200, a \$5,000 increase over FY17 estimated obligations. These funds restore the \$5,000 budget cut from FY17. These dollars will mostly fund City-wide advertising needs (\$2.194 million), of which the majority is for mandated election-related newspaper advertising and other mandated requirements (health regulations, legal ordinances and bids, among others). The remaining funds not used for advertising will fund a professional services contract for a business analyst resource for the eProcurement and asset management systems, as well as professional dues and department-wide training, a key pillar of the Department's strategic plan.
- \$33,588 in Class 300, level with FY17 estimated obligations. This funding will fund various office supplies, marketing materials and professional subscription needs for the Department.
- \$15,466 in Class 400, level with FY17 estimated obligations. This funding will allow the Department to replace end of life office equipment.

Procurement Department

STAFFING LEVELS

The Procurement Department had 51 budgeted General Fund positions in FY17 and is requesting the same number of positions in FY18. Of those positions, 47 were filled as of December 31, 2016. As of today, 49 of those positions are filled. The Department is actively seeking to fill two professional and administrative positions. Both of the positions are being interviewed from upcoming or existing Civil Service lists.

Procurement also had two positions funded through the Water Fund in FY17 and is requesting the same number of positions for FY18.

NEW HIRES

New Hires (from December 2016 to present)								
	Total Number of New Hires	Bengali	Hindi	Gujarati	Malayalam	Pashto	Punjabi	Urdu
Black or African American	3	0	0	0	0	0	0	0
Asian	1	1	1	1	1	1	1	1
Total	4							

PERFORMANCE, CHALLENGES, AND INITIATIVES

FY18 Performance Measures: Services, Supplies, and Equipment				
Measure	FY16 Actual	FY17 YTD (Q1 & Q2)	FY17 Estimate	FY18 Target
Average number of days from bid initiation to award *	142	138	163	110
Average number of bidders per awarded contract(s)	2.76	3.31	3.50	4.00
Percentage of Service, Supply and Equipment (SSE) contracts awarded to Minority-, Women-, and Disabled-Owned Business Enterprises (M/W/DSBEs)	24.41%	33.21%	35.00%	35.00%
Percentage of Small Order Purchases (SOPs) awarded to M/W/DSBEs**	9.1%	10.9%	11.0%	20.0%

*Procurement has experienced a temporary increase in processing times as we make process changes and implement PHLContracts (the eProcurement system). Every effort is being made to decrease processing times and ensure there is no lapse in contract-related services.

**FY18 target is based on the citywide M/W/DSBE goal of 35%.

FY18 Performance Measures: Public Works				
Measure	FY16 Actual	FY17 YTD (Q1 & Q2)	FY17 Estimate	FY18 Target
Average number of days from bid initiation to award	86	76	80	75
Average number of bidders per awarded contract(s)	4.4	3.4	4.0	5.0
Percentage of contracts awarded to Local Business Entities (LBE)*	80.00%	80.00%	80.00%	75.00%
Percentage of Public Works contracts awarded to M/W/DSBEs**	25.26%	25.50%	30.00%	35.00%

*Charter change results in fewer businesses being qualified as LBE. Consequently, goal will be lower in future years. (This metric is tracked by calendar year.)

**Metric reported for Q1 only.

FY18 Performance Measures: Inventory Disposal/Control				
Measure	FY16 Actual	FY17 YTD (Q1 & Q2)	FY17 Estimate	FY18 Target
Total revenues earned across the program*	\$424,293	\$520,257	\$850,000	\$900,000

*Dependent on vehicle replacement cycle. Revenues from vehicle sales are included within the Office of Fleet Management.

FY18 Performance Measures: Vendor Engagement				
Measure	FY16 Actual	FY17 YTD (Q1 & Q2)	FY17 Estimate	FY18 Target
Percent of external survey respondents that rate customer service as Satisfactory or better *	93.0%	N/A	98.0%	98.0%

*As a result of the PHLContracts project, Procurement has not issued surveys in FY17. Procurement will be restarting its surveys and will have data for the fourth quarter of FY17.

FY18 Performance Measures: Administration				
Measure	FY16 Actual	FY17 YTD (Q1 & Q2)	FY17 Estimate	FY18 Target
Average invoice processing times for Citywide advertising*	N/A			TBD
Procurement (contract) advertising vs. non-procurement (contract) advertising (percentage) *	N/A			TBD

*Metric will be tracked starting in the spring of 2017.

Procurement Department

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

Procurement does not have any federal and/or state grants.

CONTRACTING EXPERIENCE

M/W/DSBE Participation on Large Professional Services Contracts											
Top Five Largest Contracts, FY17											
Vendor Name	Service Provided	Dollar Amount of Contract	RFP Issue Date	Contract Start Date	Ranges in RFP	% of M/W/DSBE Participation Achieved	\$ Value of M/W/DSBE Participation	Total % Participation - All DSBES	Total \$ Value Participation - All DSBES	Local Business (principal place of business located within City limits)	Waiver for Living Wage Compliance?
Municibid.com, LLC	Online Auction Services	\$1	5/8/15	1/1/16	MBE: Best Efforts	0%	\$0	0%	\$0	Yes	No
					WBE: Best Efforts	0%	\$0				
					DSBE: Best Efforts	0%	\$0				
Vista Auctions, LLC (dba Procurex Inc.)	Reverse Auctions	\$1	3/2/16	6/30/17	MBE: Best Efforts	0%	\$0	0%	\$0	No	No
					WBE: Best Efforts	0%	\$0				
					DSBE: Best Efforts	0%	\$0				

Notes:

Procurement and OIT selected a vendor to provide the aforementioned e-procurement system, PHLContracts. The contract for this technology service totals \$793,542 in FY17, and is managed and reported on by OIT. However, it is worth noting that actual OEO participation on the contract is 15% MBE (\$119,031) and 2% WBE (\$15,870) for a total of 17% (\$134,901) OEO participation on the contract.

Contracts listed for 2017 are with online auction and reverse auction contractors and are \$1 contracts. The vendors are compensated by the winning bidder, not directly by the City of Philadelphia. The online auction vendor is a local, Philadelphia-headquartered business.

EMPLOYEE DATA

Staff Demographics (as of December 2016)					
Full-Time Staff			Executive Staff		
	Male	Female		Male	Female
	African-American	African-American		African-American	African-American
<i>Total</i>	5	25	<i>Total</i>	0	1
<i>% of Total</i>	10%	51%	<i>% of Total</i>	0%	20%
<i>Average Salary</i>	\$41,293	\$46,010	<i>Average Salary</i>	\$0	\$85,000
<i>Median Salary</i>	\$45,520	\$39,930	<i>Median Salary</i>	\$0	\$85,000
	White	White		White	White
<i>Total</i>	10	7	<i>Total</i>	2	0
<i>% of Total</i>	20%	14%	<i>% of Total</i>	40%	0%
<i>Average Salary</i>	\$61,985	\$43,824	<i>Average Salary</i>	\$111,000	\$0
<i>Median Salary</i>	\$51,569	\$42,520	<i>Median Salary</i>	\$111,000	\$0
	Hispanic	Hispanic		Hispanic	Hispanic
<i>Total</i>	0	2	<i>Total</i>	0	2
<i>% of Total</i>	0%	4%	<i>% of Total</i>	0%	40%
<i>Average Salary</i>	-	\$87,500	<i>Average Salary</i>	-	\$87,500
<i>Median Salary</i>	-	\$87,500	<i>Median Salary</i>	-	\$87,500
	Asian	Asian		Asian	Asian
<i>Total</i>	0	0	<i>Total</i>	0	0
<i>% of Total</i>	0%	0%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	-	-	<i>Average Salary</i>	-	-
<i>Median Salary</i>	-	-	<i>Median Salary</i>	-	-
	Other	Other		Other	Other
<i>Total</i>	0	0	<i>Total</i>	0	0
<i>% of Total</i>	0%	0%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	-	-	<i>Average Salary</i>	-	-
<i>Median Salary</i>	-	-	<i>Median Salary</i>	-	-
	Bilingual	Bilingual		Bilingual	Bilingual
<i>Total</i>	1	3	<i>Total</i>	1	2
<i>% of Total</i>	2%	6%	<i>% of Total</i>	20%	40%
<i>Average Salary</i>	\$102,000	\$69,465	<i>Average Salary</i>	\$102,000	\$97,500
<i>Median Salary</i>	\$102,000	\$85,000	<i>Median Salary</i>	\$102,000	\$87,500
	Male	Female		Male	Female
<i>Total</i>	15	33	<i>Total</i>	2	3
<i>% of Total</i>	31%	69%	<i>% of Total</i>	40%	60%
<i>Average Salary</i>	\$55,028	\$48,001	<i>Average Salary</i>	\$111,000	\$86,667
<i>Median Salary</i>	\$43,942	\$41,882	<i>Median Salary</i>	\$111,000	\$85,000

Procurement Department

NUMBER OF BILINGUAL EMPLOYEES

Number of Bilingual Employees (as of April 2017)										
	Spanish	Portuguese	German	Bengali	Hindi	Gujarati	Malayalam	Pashto	Punjabi	Urdu
Executive	2	0	1	0	0	0	0	0	0	0
Public Works	0	1	0	1	1	1	1	1	1	1
Total - All Divisions	2	1	1	1	1	1	1	1	1	1
Total - # of Bilingual Employees	4*									
Total - # of Languages Spoken	10									

**Procurement’s new hire in the Public Works Unit speaks 7 different languages.*

The Procurement Department is included in the Office of the Chief Administrative Officer (“CAO”) Language Access Plan and Protocol. In implementing the plan, Procurement created a language access plan log that captures the company name, contact person, email address, phone number, reason for call, language spoken and initials of the staff member who handled the call. This log also tracks if the call was managed in-house or via an over-the-phone interpreter. During FY17 to date, the Procurement Department’s report shows our staff communicating with one Spanish-speaking company on two separate occasions.