

**PROCUREMENT DEPARTMENT
FISCAL YEAR 2019 BUDGET TESTIMONY
APRIL 16, 2018**

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 2019 operating budget.

DEPARTMENT MISSION & PLANS

Mission: The Procurement Department assists in getting the City all the materials and services it needs to serve its residents. Procurement inspects supplies and property purchased under City contracts and certifies local businesses. The Department also manages public advertising for things like election and health notices, open bids for contractors, and other City needs.

Plans for Fiscal Year 2019:

- 1. Roll out and implement vendor performance module of PHLContracts:** Procurement will implement and roll out the vendor performance function of PHLContracts beginning with the various departments and vendors that manage construction projects. The first phase will be in our Public Works program area. This module will ensure that the City is awarding contracts to better performing vendors. Each operating department along with staff from OEO and Labor Standards can enter performance tickets for each vendor under contract in PHLContracts. The system can centrally maintain an overall performance rating on each vendor and their performance on various contracts. Vendors must be responsive and responsible in their submissions to be awarded a contract with the City of Philadelphia. Responsiveness is determined by the vendor supplying all the required information in a bid. A vendor is deemed responsible if they have demonstrated the capacity and willingness to perform the requirements in the bid. A vendor with an overall unsatisfactory rating will be found not-responsible and may not be considered on future opportunities.
- 2. Evaluate and improve the use of Best Value opportunities:** Best Value is being used for the most complex and highest-dollar-value contract opportunities. Procurement is conducting an ongoing analysis of our contract portfolio. When a contract is 6 to 18 months prior to expiration and will be re-bid, Procurement engages departments about whether best value should be used. We have developed and posted two Best Value RFPs for Maintenance of Green Storm Water Infrastructure and the Airport Advertising Program. Procurement is leveraging funds allocated in our budget for additional staff training on managing RFPs, negotiating contracts and improving the professional knowledge and effectiveness for contracting.
- 3. Continue our efforts to market City contract opportunities, with an emphasis on local and diverse businesses:** Over the last couple of years, Procurement staff attend on average six events per month to increase marketing for city opportunities. We continue to attend events sponsored by the various ethnic chambers, the Greater Philadelphia Chamber of Commerce, and the Enterprise Center, along with other regional partners. Most recently, we attended a workshop at the Enterprise Center as part of the

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Bonding Education Center that is a partnership with US DOT, Streets Department and OEO. Procurement also participated in several 2017 Minority Enterprise Development (MED) Week events. The Procurement Department continues to collaborate with OEO to communicate and reach local and diverse business enterprises.

4. **Upgrade PHLContracts to a new version:** The City has implemented our electronic Procurement System, “PHLContracts.” The system’s version 13 was first made available to City users in November 2016. Version 14 is now available to the City for an upgrade. As this is a SaaS solution, the upgrade is included in our annual SaaS pricing. There are, however, some significant changes to the modules enabling the City to utilize a more convenient User Interface and enhanced Business Intelligence tool for reporting. We are investing a nominal amount for training and discovery to ensure that staff are familiar with the upgrade and that any impacted procedures will be documented in revised user guides.
5. **Maintain recent levels of revenue and complete the implementation of a new asset management system:** In FY17, the Procurement Department Inventory Control unit exceeded its goal of reaching sales in excess of \$1 million for end-of-life inventory. By the end of March 2018, we exceeded the FY17 amount with \$1.2 million collected. We will continue to work with operating departments on identifying and selling items that are no longer required.

Procurement, in partnership with OIT, has also begun a project to select and roll out a new inventory management system. We are currently in the discovery phase of the project. This is a capital-funded project that will replace a system that is over 20 years old. The goals of this initiative are to increase transparency, create more efficiencies and enable end-using departments to better manage their annual inventory throughout the year.

6. **Refine and improve our Procurement Guides:** In FY17 and FY18 we created a multitude of quick start guides for internal and external (vendors) stakeholders. As we roll out PHLContracts across the City, we have introduced departments to these guides. Each guide is a building block to a procurement manual that is critical to ensuring that all stakeholders (including vendors) have the appropriate documentation needed to have a clear and consistent understanding of the City’s contracting processes, procedures, and regulations.

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BUDGET SUMMARY & OTHER BUDGET DRIVERS

Staff Demographics Summary (as of December 2017)¹				
	Total	Minority	White	Female
Number of Full-Time Staff	47	31	16	31
Number of Exempt Staff	5	3	2	3
Number of Executive Staff (deputy level and above)	5	3	2	3
Average Salary, Full-Time Staff	\$52,012	\$49,763	\$56,826	\$50,570
Average Salary, Exempt Staff	\$97,400	\$88,333	\$111,000	\$88,333
Average Salary, Executive Staff	\$97,400	\$88,333	\$111,000	\$88,333
Median Salary, Full-Time Staff	\$44,681	\$42,153	\$49,061	\$43,620
Median Salary, Exempt Staff	\$90,000	\$90,000	\$111,000	\$90,000
Median Salary, Executive Staff	\$90,000	\$90,000	\$111,000	\$90,000

Employment Levels (as of December 2017)¹		
	Budgeted	Filled
Number of Full-Time Positions	53	47
Number of Exempt Positions	5	5
Number of Executive Positions (deputy level and above)	5	5
Average Salary of All Full-Time Positions	\$48,243	\$52,012
Median Salary of All Full-Time Positions	\$42,153	\$44,681

¹ Staff Demographics and Employment Levels tables show All Funds.

General Fund Financial Summary by Class						
	FY17 Original Appropriations	FY17 Actual Obligations	FY18 Original Appropriations	FY18 Estimated Obligations	FY19 Proposed Appropriations	Difference: FY19-FY18
Class 100 - Employee Compensation	\$2,504,399	\$2,420,035	\$2,566,732	\$2,530,524	\$2,573,121	\$42,597
Class 200 - Purchase of Services	\$2,316,267	\$2,333,751	\$2,316,267	\$2,309,267	\$2,316,267	\$7,000
Class 300/400 - Materials, Supplies & Equipment	\$49,054	\$48,914	\$49,054	\$41,554	\$49,054	\$7,500
Class 500 - Contributions	\$0	\$1,125	\$0	\$0	\$0	\$0
	\$4,869,720	\$4,803,825	\$4,932,053	\$4,881,345	\$4,938,442	\$57,097

Contracts Summary (Professional Services only)						
	FY13	FY14	FY15	FY16	FY17	FY18 YTD (Q1 & Q2) ²
Total amount of contracts	\$33,650	\$2,602	\$3,015,512	\$4,960	\$7,805	\$2
Total amount to M/W/DSBE	\$4,500	\$0	\$705,512	\$4,960	\$5,467	\$0
Participation Rate	13%	0%	23%	100%	70%	0%

² As of this reporting, Procurement has two \$1 contracts for 2018. These contracts are for online forward auction and reverse auction services. Each provider is not paid by the City for their work. The online auction vendor is a Philadelphia headquartered business.

Total M/W/DSBE Contract Participation Goal (Public Works; Services, Supplies & Equipment; and Professional Services combined)			
	FY17	FY18	FY19
M/W/DSBE Contract Participation Goal	12%	12%	15%

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PROPOSED BUDGET OVERVIEW

Proposed Funding Request:

The proposed Fiscal Year 2019 General Fund budget totals \$4,938,442, an increase of \$57,097 over Fiscal Year 2018 estimated obligation levels. This increase is due to union employee raises of \$20,849 and restored FY18 budget cuts of \$36,748.

The proposed budget includes:

- \$2,573,121 in Class 100, a \$42,597 increase over FY18 estimated obligations. This increase is a due to scheduled raises, as agreed to in DC33 contract agreements, and the restoration of FY18 budget cuts.
- \$2,316,267 in Class 200, an increase of \$7,000 from FY18 estimated obligations. The increase is due to the restoration of FY18 budget cuts. Class 200 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 professional development, consistent with the Department's operations plan.
- \$33,588 in Class 300, an increase of \$5,000 from FY18 estimated obligations. The increase is due to the restoration of FY18 budget cuts. This budget allocation will fund various office supplies, marketing materials and professional subscription needs for the Department.
- \$15,466 in Class 400, an increase of \$2,500 in FY18 estimated obligations. The increase is due to the restoration of FY18 budget cuts. This funding will allow the Department to replace end of life office equipment and furniture.

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STAFFING LEVELS

The Procurement Department is requesting 50 budgeted General Fund positions for FY19, a decrease of 1 position over FY18.

This decrease is attributed to the consolidation of two budgeted positions.

NEW HIRES

New Hires (from 7/1/2017 to December 2017)	
	Total Number of New Hires
Black or African American	3
Total	3

Of the 53 budgeted positions in FY18, 48 were filled as of December 31, 2017. Since the increment run, Procurement has hired 3 new employees which included one African American female, one African American male and one Caucasian female.

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PERFORMANCE, CHALLENGES, AND INITIATIVES

Services, Supplies, and Equipment (SS&E):

FY19 Strategic Goals				
<ul style="list-style-type: none"> • Improve sourcing and marketing of bidding opportunities through partner organizations (Pennsylvania Public Purchasing Association, NIGP, The Institute for Public Procurement, local Chambers). • Increase vendor outreach to attract local, small, and diverse businesses through monthly vendor trainings. • Develop strategic purchasing plans with client departments to improve competition on bids. • Work with consultants (employees in other City departments) to improve the structure of bid/RFP documents to make them clearer. • Engage staff to assess the organizational structure of responsibility for bid development and contract management. 				
FY19 Performance Measures				
Measure	FY17 Actual	FY18 YTD (Q1 + Q2)	FY18 Target	FY19 Target
Average number of days from bid initiation to award ¹	237	132	110	110
Average number of bidders per awarded contract(s) ²	3.4	2.5	4.0	4.0
Percentage of SS&E contracts awarded to Minority-, Women-, and Disabled- Owned Business Enterprises (M/W/DSBEs) ³	21.0%	N/A	35.0%	35.0%
Percentage of Small Order Purchases (SOPs) awarded to M/W/DSBEs ³	16.0%	N/A	20.0%	20.0%

¹ During PHLContracts implementation the metric increased significantly. As staff adjust to the new system and processes, we have seen those numbers come down. It is our expectation that the numbers will continue to decrease to meet or exceed our goals.

² Competition in the first quarter of FY18 decreased slightly as many of the bids opening during that period have historically low competition (approximately 1 to 2 bidders on average). For example, Procurement processed approximately 15 food bids that historically have an average of one to two bidders per bid.

³ This is an annual measure, and it is tabulated at year-end. Contracts are conformed throughout the year, and the rate may vary across quarters, depending on the value of contracts conformed to date.

Public Works:

FY19 Strategic Goals				
<ul style="list-style-type: none"> • Improve sourcing and marketing of bidding opportunities through partner organizations (Pennsylvania Public Purchasing Association, NIGP, The Institute for Public Procurement, local Chambers). • Increase vendor outreach to attract local, small, and diverse businesses through monthly vendor trainings. • Develop strategic purchasing plans with client departments to improve competition on bids. • Work with consultants (employees in other City departments) to improve the structure of bid/RFP documents to make them clearer. • Engage staff to assess the organizational structure of responsibility for bid development and contract management. 				
FY19 Performance Measures				
Measure	FY17 Actual	FY18 YTD (Q1 + Q2)	FY18 Target	FY19 Target
Average number of days from bid initiation to award	83	96	75	75
Average number of bidders per awarded contract(s) ¹	4.0	4.2	5.0	5.0
Percentage of contracts awarded to Local Business Entities (LBE)	75.7%	77.4%	75.0%	75.0%
Percentage of Public Works contracts awarded to M/W/DSBEs ²	25.9%	N/A	35.0%	35.0%

¹ Competition has increased overall by approximately 12% from FY17.

² This is an annual measure, and it is tabulated at year-end. Contracts are conformed throughout the year, and the rate may vary across quarters, depending on the value of contracts conformed to date.

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Inventory Disposal/Control:

FY19 Strategic Goals				
<ul style="list-style-type: none"> • Increase revenue from surplus disposal. • Measure savings related to storage and disposal cost avoidance. • Implement a new inventory management system. 				
FY19 Performance Measures				
Measure	FY17 Actual	FY18 YTD (Q1 + Q2)	FY18 Target	FY19 Target
Total revenues earned across the program ¹	\$ 1,020,393	\$962,864	\$1,095,000	\$1,235,000

¹ This is dependent on the vehicle replacement cycle. Revenues from vehicle sales are included within the Office of Fleet Management. Procurement expects to meet or exceed its annual projection.

Vendor Engagement:

FY19 Strategic Goals				
<ul style="list-style-type: none"> • Increase the number of suppliers registered in PHLContracts. • Increase and develop training opportunities for external and internal stakeholders. • Improve marketing strategy for contacting local and diverse vendors. 				
FY19 Performance Measures				
Measure	FY17 Actual	FY18 YTD (Q1 + Q2)	FY18 Target	FY19 Target
Percent of external survey respondents that rate customer service as Satisfactory or better ¹	N/A		98.0%	98.0%

¹ As a result of the PHLContracts project, Procurement did not issue surveys in FY17. Procurement is restarting its surveys in FY18. Survey redesign is in progress to promote responses.

Administration:

FY19 Strategic Goals				
<ul style="list-style-type: none"> • Assess advertising costs and create plan to decrease budget impact. • Collaborate with other departments to reduce the amount of time it takes to pay to vendors. • Operationalize the use of Best Value contracting. 				
FY19 Performance Measures				
Measure	FY17 Actual	FY18 YTD (Q1 + Q2)	FY18 Target	FY19 Target
Average invoice processing times for Citywide advertising ¹	31	22	45	30
Percent of citywide advertising not related to bid advertisements	66.0%	64.4%	66.0%	66.0%

¹ Metric tracked starting January 2017. Procurement has some upcoming staffing changes that are likely to result in higher processing times, meaning that the average is likely to increase during the remainder of the year, bringing the Department's performance closer to 45 days.

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OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

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

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CONTRACTING EXPERIENCE

M/W/DSBE Participation on Large Professional Services Contracts											
Top Largest Contracts, FY18											
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) [yes / no]	Waiver for Living Wage Compliance? [yes / no]
Municibid.com, LLC	Online Auction Services	\$1	5/8/2015	1/1/2016	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 Auction	\$1	3/2/2016	6/30/2017	MBE: Best Efforts	0%	\$0	0%	\$0	No	No
					WBE: Best Efforts	0%	\$0				
					DSBE: Best Efforts	0%	\$0				

*As of this reporting, Procurement has two \$1 contracts for 2018. These contracts are for online forward auction and reverse auction services. Each provider is not paid by the City for their work. The online auction vendor Municibid is a Philadelphia headquartered business.

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EMPLOYEE DATA

Staff Demographics (as of December 2017)					
Full-Time Staff			Executive Staff		
	Male	Female		Male	Female
	African-American	African-American		African-American	African-American
<i>Total</i>	6	20	<i>Total</i>	0	1
<i>% of Total</i>	13%	44%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$41,968	\$49,369	<i>Average Salary</i>	\$0	\$85,000
<i>Median Salary</i>	\$39,673	\$43,313	<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>	21%	15%	<i>% of Total</i>	40%	0%
<i>Average Salary</i>	\$63,240	\$46,394	<i>Average Salary</i>	\$111,000	\$0
<i>Median Salary</i>	\$55,261	\$43,620	<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>	\$0	\$90,000	<i>Average Salary</i>	\$0	\$90,000
<i>Median Salary</i>	\$0	\$90,000	<i>Median Salary</i>	\$0	\$90,000
	Asian	Asian		Asian	Asian
<i>Total</i>	0	2	<i>Total</i>	0	0
<i>% of Total</i>	0%	4%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$0	\$37,764	<i>Average Salary</i>	\$0	\$0
<i>Median Salary</i>	\$0	\$37,764	<i>Median Salary</i>	\$0	\$0
	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>	\$0	\$0	<i>Average Salary</i>	\$0	\$0
<i>Median Salary</i>	\$0	\$0	<i>Median Salary</i>	\$0	\$0
	Bilingual	Bilingual		Bilingual	Bilingual
<i>Total</i>	1	4	<i>Total</i>	1	2
<i>% of Total</i>	2%	8%	<i>% of Total</i>	20%	40%
<i>Average Salary</i>	\$102,000	\$63,882	<i>Average Salary</i>	\$102,000	\$90,000
<i>Median Salary</i>	\$102,000	\$63,882	<i>Median Salary</i>	\$102,000	\$90,000
	Male	Female		Male	Female
<i>Total</i>	16	31	<i>Total</i>	2	3
<i>% of Total</i>	33%	67%	<i>% of Total</i>	40%	60%
<i>Average Salary</i>	\$55,263	\$50,570	<i>Average Salary</i>	\$111,000	\$88,333
<i>Median Salary</i>	\$47,831	\$43,620	<i>Median Salary</i>	\$111,000	\$90,000

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LANGUAGE ACCESS

1) Has your leadership received language access training?

Yes, a number of our staff received training from the Office of Immigrant Affairs in November 2017 including our Procurement Customer Service Team, Procurement Operations Support Manager and two members of our Executive Team. Remaining members of the executive team are training on April 27th.

2) Do you currently have a language access coordinator?

Yes, LaShawnda Tompkins, Director of Administration.

3) Has your department written a language access plan and is it posted online?

The Procurement Department's language access plan is part of the Chief Administrative Officer (CAO) Office Master Plan. The Master Plan is posted at <https://beta.phila.gov/documents/language-access-plans/>

4) Explain what your department has done to improve language access services over the past year.

The Procurement Department Customer Service Team, along with two members of our Executive Team, have received Language Access Training to expand its members' knowledge of language access resources provided by the City of Philadelphia, and an internal system to collect data about those constituents requesting language access services has been developed. We have a diverse staff that can speak 10 different languages. Additional training is scheduled on April 27 for our remaining Executive staff as well as all of our Bilingual employees.