

**PROCUREMENT
FISCAL YEAR 2020 BUDGET TESTIMONY
APRIL 16, 2019**

INTRODUCTION

Good Afternoon, President Clarke and Members of City Council. I am Monique Nesmith-Joyner, Interim Procurement Commissioner. Joining me today are Janira Barroso, Purchasing Director and LaShawnda Tompkins, Director of Administration. I am pleased to provide testimony on Procurement's Fiscal Year 2020 Operating Budget.

DEPARTMENT MISSION & PLANS

Mission: The Procurement Department is the central purchasing and materials management agency for the City of Philadelphia. Procurement's goal is to acquire services, supplies, equipment and construction at the lowest price that meets the City's needs while ensuring a fair and open process. Procurement seeks to leverage the use of taxpayer money in a way that upholds trust by using sound procurement practices involved in a competitive bidding system.

Plans for Fiscal Year 2020:

1. **Continue efforts to market City contracting opportunities, with an emphasis on local and diverse businesses.** Procurement staff attends an average of four events each quarter to increase awareness of City contracting opportunities. We continue to partner with and participate in events hosted by the Philadelphia Housing Authority, Philadelphia Gas Works and The Enterprise Center, along with other regional partners. Monthly, Procurement presents at the Office of Economic Opportunity's "Doing Business in the City" workshop. At this workshop, Procurement highlights PHLContracts and details navigating through opening contract opportunities and the requirements for doing business with the City.
2. **Fully Roll out Vendor Performance Module to Key Stakeholders.** Procurement will complete the roll-out and implementation of the Vendor Performance Module in PHLContracts. Benefits of the vendor performance module include: the ability to foster communication between City Departments and City Vendors, view data provided by the Operating Department, Office of Economic Opportunity and Labor Standards Unit, monitor vendor compliance and ensure the City is provided with quality goods and services. Over time, the vendor performance evaluation process is intended to provide the City with a data pool to support determining whether a vendor has been responsive and responsible. Procurement will continue to meet with departments and develop a marketing strategy for external stakeholder engagement and educational opportunities regarding this method.
3. **Improve the use of Best Value opportunities:** The Best Value initiative is implemented. To date, 12 Requests for Proposals (RFPs) have been posted. Criteria is developed for each individual opportunity and posted within the RFP. This research-based method communicates what the City is looking for and how vendor proposals will be evaluated. We anticipate increased utilization of the Best Value model and are currently working with various departments to develop and post RFPs. In addition, we have assembled a team to review and consider City-wide opportunities for Best Value. Over the past several months, we have focused on training and development of Procurement staff and plan to identify a unit focused on Best Value RFPs.

PROCUREMENT

BUDGET SUMMARY & OTHER BUDGET DRIVERS

Staff Demographics Summary (as of November 2018): All Funds				
	Total	Minority	White	Female
Number of Full-Time Staff	46	30	16	32
Number of Exempt Staff	3	2	1	2
Number of Executive Staff (deputy level and above)	3	2	1	2
Average Salary, Full-Time Staff	\$53,099	\$50,761	\$57,483	\$51,299
Average Salary, Exempt Staff	\$101,283	\$90,125	\$123,600	\$90,125
Average Salary, Executive Staff	\$101,283	\$90,125	\$123,600	\$90,125
Median Salary, Full-Time Staff	\$46,506	\$44,036	\$50,611	\$45,225
Median Salary, Exempt Staff	\$92,700	\$90,125	\$123,600	\$90,125
Median Salary, Executive Staff	\$92,700	\$90,125	\$123,600	\$90,125

Employment Levels (as of November 2018): All Funds		
	Budgeted in FY19	Filled as of the Increment Run (11/18)
Number of Full-Time Positions	52	46
Number of Exempt Positions	5	3
Number of Executive Positions (deputy level and above)	5	3
Average Salary of All Full-Time Positions	\$53,311	\$53,099
Median Salary of All Full-Time Positions	\$47,482	\$46,506

General Fund Financial Summary by Class						
	FY18 Original Appropriations	FY18 Actual Obligations	FY19 Original Appropriations	FY19 Estimated Obligations	FY20 Proposed Appropriations	Difference: FY20-FY19
Class 100 - Employee Compensation	\$2,566,732	\$2,450,043	\$2,573,121	\$2,648,866	\$2,709,242	\$60,376
Class 200 - Purchase of Services	\$2,316,267	\$2,297,951	\$2,316,267	\$2,316,267	\$2,316,267	\$0
Class 300/400 - Materials, Supplies & Equipment	\$49,054	\$41,515	\$49,054	\$49,054	\$49,054	\$0
	\$4,932,053	\$4,789,509	\$4,938,442	\$5,014,187	\$5,074,563	\$60,376

Contracts Summary (Professional Services only)						
	FY14	FY15	FY16	FY17	FY18	FY19 YTD (Q1 & Q2) ¹
Total amount of contracts	\$2,602	\$3,015,512	\$4,960	\$7,805	\$2	\$2
Total amount to M/W/DSBE	\$0	\$705,512	\$4,960	\$5,467	\$0	\$0
Participation Rate	0%	23%	100%	70%	0%	0%

¹ 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)			
	FY18	FY19	FY20
M/W/DSBE Contract Participation Goal	12%	15%	15%

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PROPOSED BUDGET OVERVIEW

Proposed Funding Request:

The proposed Fiscal Year 2020 General Fund budget totals \$5,074,563 an increase of \$60,376 over Fiscal Year 2019 estimated obligation levels. This increase is primarily due to the 3% pay increase for DC 33 (\$25,644) and the 3% pay increase for DC 47 / and non-represented employees (\$34,732).

The proposed budget includes:

- \$2,709,242 in Class 100, a \$60,376 increase over FY19 estimated obligations. This increase is due to the 3% pay increase for DC33 (\$25,644) and the 3% pay increase for DC47 / and non-represented employees (\$34,732).
- \$2,316,267 in Class 200, level with FY19 estimated obligations. This funding is primarily utilized to cover City-wide advertising needs, including mandated election-related newspaper advertising and other mandated requirements (health regulations, legal ordinances and bids). The remainder of the funds is used for professional dues and professional development opportunities for staff.
- \$49,054 in Class 300/400, level with FY19 estimated obligations. These dollars fund office supplies/furniture, marketing and networking materials, and professional subscriptions.

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STAFFING LEVELS

The department is requesting 52 All Funds budgeted positions for FY20, level with FY19.

NEW HIRES

Procurement had no new hires between 7/1/19 and the increment run.

The Department hired 4 new employees during the date range of 11/25/18 to 3/27/2019. Demographics are the following: one Black or African American, two White, and one “Other” (who identifies as Turkish and who speaks Turkish, German and English).

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PERFORMANCE, CHALLENGES, AND INITIATIVES

SERVICES, SUPPLIES, AND EQUIPMENT (SS&E) PROGRAM

FY20 Strategic Goals				
<ul style="list-style-type: none"> Improve sourcing and marketing of bidding opportunities through partner organizations (Pennsylvania Public Purchasing Association, The Institute for Public Procurement, local Chambers of Commerce). Increase vendor outreach to attract local, small, and diverse businesses through monthly vendor trainings. Develop strategic purchasing plans with client departments to improve the City’s overall purchasing process. Encourage professional staff to attend training and pursue professional certifications. 				
FY20 Performance Measures				
Measure	FY18 Actual	FY19 YTD (Q1 + Q2)	FY19 Target	FY20 Target
Average number of days from bid initiation to award ¹	130	141	110	130
Average number of bidders per awarded contract(s) ²	2.3	2.8	4.0	4.0
Percentage of Service, Supply and Equipment (SSE) contracts awarded to Minority-, Women-, and Disabled- Owned Business Enterprises (M/W/DSBEs) ³	27.1%	N/A	35.0%	35.0%
Percentage of Small Order Purchases (SOPs) awarded to M/W/DSBEs ³	12.8%	N/A	20.0%	25.0%

¹ SSE is experiencing longer processing times due to unexpected staffing changes.

² Procurement anticipates larger contracts during Q3 and Q4.

³ This is an annual measure, and FY19 data will be available at year-end. These percentages represent the overall M/W/DSBE contract awards for all City contracts. These percentages are based upon the availability of M/W/DSBE in the marketplace for a specific commodity area.

PUBLIC WORKS PROGRAM

FY20 Strategic Goals				
<ul style="list-style-type: none"> Improve sourcing and marketing of bidding opportunities through partner organizations (Pennsylvania Public Purchasing Association, The Institute for Public Procurement, General Building Contractors Association and 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. 				
FY20 Performance Measures				
Measure	FY18 Actual	FY19 YTD (Q1 + Q2)	FY19 Target	FY20 Target
Average number of days from bid initiation to award	84	77	85	85
Average number of bidders per awarded contract(s)	4.2	4.3	5.0	5.0
Percentage of contracts awarded to Local Business Entities (LBE) ¹	62.0%	44.5%	75.0%	65.0%
Percentage of Public Works contracts awarded to M/W/DSBEs ²	30.0%	N/A	35.0%	35.0%

¹ These metrics are a result of a change in LBE regulations and requirements. City Council Bill 160709 amended Chapter 17-109 of the Philadelphia Code entitled Procurement Contracts – Local Bidding Preference. The bill was amended to state that the “Business Entity’s principal place of business is located in the City” as one of the criteria for becoming a LBE. Prior to this amendment, entities were only required to “occupy” a space in the city of Philadelphia. Those companies that may have met the original criteria will no longer qualify.

² This is an annual measure, and FY19 data will be available at year-end.

INVENTORY DISPOSAL/CONTROL PROGRAM

FY20 Strategic Goals				
<ul style="list-style-type: none"> Increase outreach and training to City operating departments. Measure savings related to storage and disposal cost avoidance. Implement a new inventory management system. 				
FY20 Performance Measures				
Measure	FY18 Actual	FY19 YTD (Q1 + Q2)	FY19 Target	FY20 Target
Total revenues earned across the program ¹	\$1,116,750	\$974,662	\$970,000	\$695,000

¹ The revenue earned from vehicle sales (surplus disposal) is a large component of the revenue reported in this measure.

VENDOR ENGAGEMENT PROGRAM

FY20 Strategic Goals				
<ul style="list-style-type: none"> Increase the number of suppliers registered in PHLContracts. Increase and develop training opportunities for external stakeholders. Improve and increase marketing strategies for attracting and maintaining local and diverse vendors. Increase customer satisfaction rating (customer experience). 				
FY20 Performance Measures				
Measure	FY18 Actual	FY19 YTD (Q1 + Q2)	FY19 Target	FY20 Target
Percent of external survey respondents that rate customer service as Satisfactory or better	64.5%	N/A	85.0%	85.0%

¹ This is an annual measure, and FY19 data will be available at year-end. In FY19, Procurement is increasing its marketing strategies regarding the Customer Service Survey.

ADMINISTRATION PROGRAM

FY20 Strategic Goals				
<ul style="list-style-type: none"> Develop strategic purchasing plans with operating departments. Finalize the roll-out of City’s Vendor Performance Module. Continue to assess advertising costs. Increase and develop training opportunities for City operating departments. 				
FY20 Performance Measures				
Measure	FY18 Actual	FY19 YTD (Q1 + Q2)	FY19 Target	FY20 Target
Average invoice processing times for Citywide advertising	23.6	17.1	30.0	30.0
Percent of citywide advertising not related to bid advertisements	67.5%	45.1%	66.0%	60.0%

PROCUREMENT

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

N/A

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CONTRACTING EXPERIENCE

As of this reporting, Procurement has two \$1 contracts for this year. 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 November 2018)					
Full-Time Staff			Executive Staff		
	Male	Female		Male	Female
	African-American	African-American		African-American	African-American
<i>Total</i>	5	22	<i>Total</i>	0	1
<i>% of Total</i>	11%	48%	<i>% of Total</i>	0%	33%
<i>Average Salary</i>	\$44,220	\$50,338	<i>Average Salary</i>	\$0	\$87,550
<i>Median Salary</i>	\$39,869	\$42,598	<i>Median Salary</i>	\$0	\$87,550
	White	White		White	White
<i>Total</i>	9	7	<i>Total</i>	1	0
<i>% of Total</i>	20%	15%	<i>% of Total</i>	33%	0%
<i>Average Salary</i>	\$64,434	\$48,546	<i>Average Salary</i>	\$123,600	\$0
<i>Median Salary</i>	\$54,428	\$45,995	<i>Median Salary</i>	\$123,600	\$0
	Hispanic	Hispanic		Hispanic	Hispanic
<i>Total</i>	0	1	<i>Total</i>	0	1
<i>% of Total</i>	0%	2%	<i>% of Total</i>	0%	33%
<i>Average Salary</i>	\$0	\$92,700	<i>Average Salary</i>	\$0	\$92,700
<i>Median Salary</i>	\$0	\$92,700	<i>Median Salary</i>	\$0	\$92,700
	Asian	Asian		Asian	Asian
<i>Total</i>	0	1	<i>Total</i>	0	0
<i>% of Total</i>	0%	2%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$0	\$50,798	<i>Average Salary</i>	\$0	\$0
<i>Median Salary</i>	\$0	\$50,798	<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>	0	3	<i>Total</i>	0	1
<i>% of Total</i>	0%	7%	<i>% of Total</i>	0%	33%
<i>Average Salary</i>	\$0	\$64,795	<i>Average Salary</i>	\$0	\$92,700
<i>Median Salary</i>	\$0	\$50,798	<i>Median Salary</i>	\$0	\$92,700
	Male	Female		Male	Female
<i>Total</i>	14	32	<i>Total</i>	1	2
<i>% of Total</i>	30%	70%	<i>% of Total</i>	33%	67%
<i>Average Salary</i>	\$57,215	\$51,229	<i>Average Salary</i>	\$123,600	\$90,125
<i>Median Salary</i>	\$50,711	\$45,225	<i>Median Salary</i>	\$123,600	\$90,125

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LANGUAGE ACCESS

1. Has your leadership received language access training?

The Interim Procurement Commissioner and Director of Purchasing received training in 2018 and the Director of Administration received training in 2017. The Deputy Procurement Commissioner will receive training on April 23, 2019. In addition, the Procurement Vendor Engagement team was trained in 2017. This team includes three Service Representatives and a Procurement Operations Support Manager.

2. Do you currently have a language access coordinator?

Yes, Procurement's language access coordinator is 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:
<https://www.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 has maintained a Language Access Log to collect data about constituents requesting language access services and the department continues to network and engage with the local ethnic chambers of commerce. The Procurement department hosts three monthly PHLContracts workshops and participates monthly in the Office of Economic Opportunity's Doing Business in the City workshop. These events are marketed to local and diverse businesses.