

**PROCUREMENT DEPARTMENT
FISCAL YEAR 2015 BUDGET TESTIMONY
MARCH 31, 2014**

EXECUTIVE SUMMARY

DEPARTMENT MISSION AND FUNCTION

- Procurement works as a team to enable the City to plan, manage, obtain and dispose of assets. The primary focus is to obtain quality goods, services, construction, and concessions in an open, timely, and cost-effective manner by a competitive, fair and socially responsible process in accordance with the law. Procurement is constantly improving its performance through enhanced customer service and improved performance management.
- The Procurement Department takes pride in achieving its core objective, which is to contribute to Philadelphia government working efficiently, effectively, with integrity and responsiveness. Our vision is to be recognized as a government leader in applying strategic supply management practices to achieve excellence in procurement, producing a sustainable, competitive paradigm in every facet of our operation.
- The Procurement Department's strategic priorities are to:
 - Improve Procurement processes to realign with industry best practices
 - Organize City-wide staff resources to improve contract portfolio
 - Streamline external interaction processes
 - Train and develop employees to support a culture of continuous improvement and innovation

PROPOSED BUDGET HIGHLIGHTS/FUNDING REQUEST

The Procurement Department is requesting a total appropriation for all funds of \$4,712,143 of which \$4,643,115 is in the General Fund. The General Fund Budget for Fiscal Year 2015 provides \$2,277,794 in Class 100 for payroll expenses, which supports 50 employees; \$2,316,267 in Class 200 of which \$2,194,662 is allocated for advertising expenses, and the remaining \$121,605 is allocated for the purchase of services; \$49,054 in Class 300 and 400 for the purchase of supplies and equipment. The Water Fund budget provides \$69,028 in Class 100 for payroll expenses which support two employees.

The Procurement Department has implemented a reverse auction pilot project in FY14. We have awarded one-year contracts to two separate firms, to each conduct Reverse Auctions for commodity purchases, while maintaining the competitive sealed bid process. To date, the reverse auction for Emergency HVAC Parts and Service projected estimated savings of 4.6%, and the reverse auction for Bituminous Materials projected estimated savings of 5.8%. A formal request for proposal (RFP) is currently being developed to solicit a one year contract with (3) one-year renewals for reverse auctioning services.

The Procurement Department and the Office of Economic Opportunity continue to work together to develop an environment of inclusion in city contracting. In an effort to increase diversity in contracting, we send announcements for every bid opportunity to every M/W/DSBE certified vendor registered with the Procurement Department. The Department also participates in various outreach events, including the "Doing Business with the City" workshop. There is an unwavering focus to support ongoing initiatives to reach and exceed the Administration's goal of 30% participation.

The Department is also responsible for certifying Local Business Entities (LBE) that may qualify for a bid preference on contract awards. This effort is an incentive meant to encourage local vendors to get preference in bidding opportunities while continuing to have a base of operations within the City. Currently, we have 200 LBE certified vendors. Since the program began in 2004, 73 contracts totaling \$108 million have been awarded utilizing the LBE preference.

**PROCUREMENT DEPARTMENT
BUDGET SUMMARY AND OTHER BUDGET DRIVERS**

Financial Summary by Class - General Fund

	Fiscal 2013 Actual Obligations	Fiscal 2014 Original Appropriations	Fiscal 2014 Estimated Obligations	Fiscal 2015 Proposed Appropriations	Difference FY14 - FY15
Class 100 - Employee Compensation	\$2,197,426	\$2,277,794	\$2,277,794	\$2,277,794	\$0
Class 200 - Purchase of Services	\$2,316,267	\$2,316,267	\$2,316,267	\$2,316,267	\$0
Class 300 - Materials and Supplies	\$30,711	\$39,554	\$39,554	\$39,554	\$0
Class 400 - Equipment	\$18,315	\$9,500	\$9,500	\$9,500	\$0
Class 500 - Contributions	\$0	\$0	\$0	\$0	\$0
Class 700 - Debt Service	\$0	\$0	\$0	\$0	\$0
Class 800 - Payment to Other Funds	\$0	\$0	\$0	\$0	\$0
Class 900 - Advances/Misc. Payments	\$0	\$0	\$0	\$0	\$0
TOTAL	\$4,562,719	\$4,643,115	\$4,643,115	\$4,643,115	\$0

Staff Demographics Summary*

Total	Minority	White	Female
51	59%	41%	75%
5	40%	60%	40%
Average Salary - Executive Staff	\$73,500	\$101,275	\$77,667
Median Salary - Executive Staff	\$73,500	\$102,000	\$85,000

Employment Levels*

Budgeted	Approved	Filled
51	51	51
0	0	0
5	5	5

Contracts Summary*

	FY09	FY10	FY11	FY12	FY13	FY14*
Total amount of contracts	\$137,000	\$237,000	\$3,080	\$1,801	\$33,650	\$0
Total amount to M/W/DBE	\$0	\$0	\$0	\$0	\$4,200	\$0
Participation Rate	0%	0%	0%	0%	12%	0%

*As of December 2013

PROCUREMENT DEPARTMENT PERFORMANCE, CHALLENGES AND INITIATIVES

DEPARTMENT PERFORMANCE (OPERATIONS)

The Procurement Department is comprised of three Divisions. The *Services, Supplies and equipment Division (SS&E)* centrally purchases commodities required by City departments to provide their services to the public and disseminates bid information to the vendor community. The *Public Works Division (PW)* processes Capital Projects and Concession bids, administers the City-wide advertising program, monitors the City's inventory and coordinates the inspection and disposal of City property. The *Executive Division* provides the leadership, management and direction of the Procurement Department.

- The SS&E Division issued 236 bids in FY13 resulting in 410 contract awards totaling just over \$88 million. These awards coupled with contract renewals mean that at any given time there are over 900 active Procurement processed contracts available for use. Also in FY13, 947 Small Order Purchases, contracts under \$30,000, were processed totaling over \$6.8 million. By virtue of the solicitation process the majority of these awards are made to vendors listed in the OEO Directory or other small businesses. Currently, there are 22 active cooperative contracts, with estimated contract value of approximately \$41 million, and an estimated cost savings of \$2 million annually.
- In FY13 our Capital Program Unit processed 122 bids and awarded 113 contracts worth almost \$172 million. In addition to these contract awards, the Capital Program Unit also awarded two new concession agreements on behalf of various City departments. Additionally in FY13, the Special Services Unit collected almost \$583,000 in revenue from the sale/scrap of obsolete or unserviceable property on behalf of various City departments.

DEPARTMENT CHALLENGES

Like many other city departments we have faced challenges with limited resources, older technology and the high rate of city-wide employee turnover contributes to the challenges that our department faces.

STAFFING LEVELS

The Procurement Department continues in our efforts around effective succession planning. Over the last several fiscal years, the Department has had a significant number of employees enrolled in DROP, with another substantial number of employees who were retirement eligible. While we still maintain several retirement eligible employees (17%), the Department has successfully hired and trained 12 new employees over an 18 month period who replaced departing employees amounting to 24% of our 51 budgeted positions.

- There are currently 47 full-time employees; 51 budgeted positions (as of February 2014)
- In FY13, Procurement had 7 new hires (3 Black; 3 White; 1 Asian)
- In FY14, Procurement had 5 new hires (4 Black; 1 Hispanic)

PAST INITIATIVES

- Incremental technology improvements
- Reverse Auction

CURRENT INITIATIVES

- Training and development of Procurement Department staff
- Revisions to Terms & Conditions for both Public Works and SS&E

NEW INITIATIVES

- On-going reverse auction contract
- Procurement manual, both internal and citywide
- Automated procurement processes

OTHER BUDGETARY IMPACTS

FEDERAL AND STATE (WHERE APPLICABLE)

N/A

OTHER

APPENDIX PROCUREMENT DEPARTMENT

CONTRACTING EXPERIENCE

M/W/DBE Participation on Large Contracts

FY14 Contracts

Vendor	Service Provided	Amount of Contract	RFP Issue Date	Contract Start Date	Ranges in RFP	% of M/W/DBE Participation Achieved	\$ Value of M/W/DBE Participation	Total % and \$ Value Participation - All DSBEs	Living Wage Compliant?
		\$			MBE: % WBE: % DSBE: %	% % %	N/A N/A N/A	0% \$0	y/n y/n y/n
		\$			MBE: % WBE: % DSBE: %	% % %	N/A N/A N/A	0% \$0	y/n y/n y/n
		\$			MBE: % WBE: % DSBE: %	% % %	N/A N/A N/A	0% \$0	y/n y/n y/n
		\$			MBE: % WBE: % DSBE: %	% % %	N/A N/A N/A	0% \$0	y/n y/n y/n
		\$			MBE: % WBE: % DSBE: %	% % %	N/A N/A N/A	0% \$0	y/n y/n y/n

DEPARTMENT EMPLOYEE DATA

Staff Demographics

Full-Time Staff

Executive Staff

	Male	Female	Male	Female
Total	13	38	3	2
% of Total	25%	75%	60%	40%
	Black/African-American		Black/African-American	
Total	1	24	0	1
% of Total	2%	47%	0%	20%
	White	White	White	White
Total	12	9	3	0
% of Total	24%	18%	60%	0%
	Hispanic	Hispanic	Hispanic	Hispanic
Total	0	2	0	0
% of Total	0%	4%	0%	0%
	Asian	Asian	Asian	Asian
Total	0	2	0	1
% of Total	0%	4%	0%	20%
	Other	Other	Other	Other
Total	0	1	0	0
% of Total	0%	2%	0%	0%
	Bi-lingual	Bi-lingual	Bi-lingual	Bi-lingual
Total	0	0	0	0
% of Total	0%	0%	0%	0%

