

**PROCUREMENT DEPARTMENT
FISCAL YEAR 2017 BUDGET TESTIMONY
April 20, 2016**

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 Jessica DeJesus, Director of Public Works and Special Services. I am pleased to provide testimony on the Procurement Department's Fiscal Year 2017 operating budget.

DEPARTMENT MISSION/PLANS

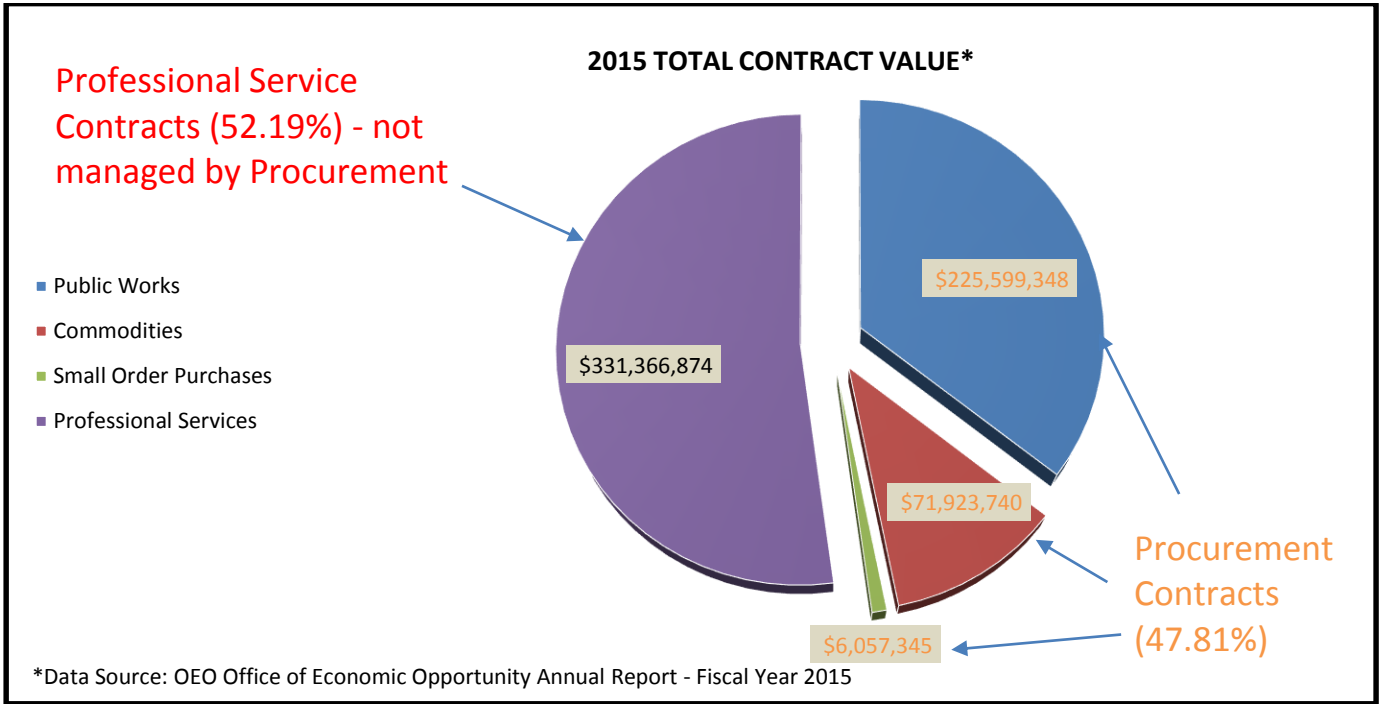
Mission: The mission of the Procurement Department is to obtain, manage, and dispose of quality goods, services, construction, and concessions in an open, timely, and cost-effective manner by a competitive, fair and socially responsible process in accordance with the law.

Plans for Fiscal Year 2017: 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 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 2017 we will accomplish the following objectives.

1. **Implement an eProcurement System:** This project will create new functionality and replace an aged system with possibilities for expansion with future functionality. This objective will enable robust analysis, process improvement and better reporting leading to increased efficiencies, cost savings and more transparency. It will immediately replace our SQL database with the following upgraded capabilities (modules): vendor management; vendor communication & sourcing; solicitation management (electronic bidding); and contract management enabling both City employees and vendors to request, track, search and respond to bid opportunities through this system.
2. **Expand our efforts to market City contract opportunities with an emphasis on local and minority, women and disabled owned businesses:** The department will implement a strategy to conduct outreach with the goal of attracting and sourcing more vendors to Procurement contract opportunities. The Procurement Department has already begun to implement a phased approach of this strategy. We have reached out to all of the local chambers to create strategic alliances. In partnership with the Office of Innovation and Technology, staff began tweeting bid announcements in calendar year 2015. Additionally, vendor forums, specific to construction and commodities contracting, will create a space for networking, marketing and improving the communication around contracting with the City.
3. **Create and distribute a Procurement Guide:** A comprehensive procurement manual is critical to ensuring that procurement, department staff, and all stakeholders have the appropriate documentation to follow the proper procedures and rules in order to have a clear and consistent understanding of the required regulations. In the absence of such guidance, a lack of transparency in how procurement work is carried out becomes likely. This ambiguity has resulted in frustration within and outside City government..

4. **Implement a reverse auction process with a plan to achieve 5% savings on our commodities contracts:** The Request for Proposal for a reverse auction service provider recently closed. Three proposals were received and are currently being reviewed and evaluated. The benefit of this service is that qualified vendors compete to offer the lowest possible price that the market will bear in order to win the contract from the City. It is a type of auction in which the roles of buyer and seller are reversed. In an ordinary auction (also known as a forward auction), buyers compete to obtain a good or service by offering increasingly higher prices. In a reverse auction, the sellers compete to obtain business from the buyer (the City) by offering lower prices than their competitors. The overall price will typically decrease as the sellers lower their bids.
5. **Collaborate with the Office of Sustainability to implement sustainable procurement policies and procedures:** According to the United States Environmental Protection Agency, sustainability means: "Meeting the needs of the present without compromising the ability of future generations to meet their own needs." Sustainable procurement is an approach to purchasing that considers the environmental, societal, and economic value of the goods and services being purchased. This approach evaluates the full cost of a purchase. The policy and procedures, created in coordination with the Office of Sustainability, will guide city employees in the purchase of goods and services that are environmentally preferable, provide benefit to society and the local economy, and achieve good value for money on a life-cycle basis. As a result the purchase of goods and services that are better for both the environment and the local economy will ensure that resources are not diminished for future generations.
6. **Create a Contract Planning Process working with each department on new anticipated Procurement contracts:** For planning and resource allocation purposes, the Procurement Department is working with City Departments to determine a method to identify future procurement events of the City that will need to be processed through Procurement. In collaborating with each major department this will assist Procurement to manage our workforce, work cycle, avoid contract lapses and provide the best service to client departments/agencies. This will enable the City to evaluate and combine bid opportunities that currently go out as single opportunities enabling the City to purchase commodities or services more strategically. Procurement will also work with OEO to analyze markets where contracts can be de-bundled to achieve a greater level of supplier diversity. Additionally, this plan will enable Procurement to market expected upcoming contract opportunities, allowing vendors to better prepare for bidding.
7. **Research and implement a new asset management system and process:** To address the antiquated technology that is currently used for City-wide inventory tracking, the Procurement Department will work with various City stakeholders to identify and implement a better asset management system and process. We are working collaboratively with the Accounting Division of the Office of Finance to update the current rules and regulations that will track assets so they are appropriately reported, tracked and disposed.

PROCUREMENT AT A GLANCE



- The Procurement Department manages the City’s Local Business Entity (LBE) program as defined by section 17-109 of the City Code. The department is proud of the LBE participation received on public works contracts let by the City. The Procurement Department is working to improve LBE participation for SS&E contracts. LBE metrics for both public works and SS&E are reported by mandate on a calendar year basis to both the Mayor and City Council President. The table below highlights those metrics.

| Calendar Year | % of contracts where low bidder was LBE - PW | % of Contract Value to LBE's - PW |
|---------------|--|-----------------------------------|
| 2015 | 70% | 80% |
| 2014 | 66% | 58% |
| Calendar Year | % of contracts where low bidder was SS&E | % of Contract Value to SS&E |
| 2015 | 20% | 28% |
| 2014 | 15% | 20% |

- The Procurement Department has improved Public Works processing times from bid initiation to PO sent to the contractor by 20% from FY15 to FY16 year to date. The Department is working with all stakeholder to continue these improved processing times.

| | FY15 | FY16 (ytd) |
|---|------|------------|
| Average Time from Bid Initiation to PO Released to Contractor* | 160 | 128 |

*Processing times reflected in calendar days

- The department, in coordination with the CAO’s office is engaged in two working groups focused on improving the procurement process in order for it to be more transparent, efficient and effective. One of the working groups led by the CAO’s office focuses on identifying policies and procedures that may need to be adjusted in order to improve the overall program. The other cross-functional working group focuses on improving the procurement process for public works projects.
- Since January, 2016, the Procurement Department in coordination with OEO, the CAO, PWD, and the Health Department has participated in seven vendor outreach events reaching several hundred local businesses.
- The Department negotiated a contract for a new front end e-procurement system and is scheduled to begin the project in May, 2016.

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

Staff Demographics Summary (as of April 1, 2016)*

| | Total | Minority | White | Female |
|----------------------|-----------|----------|-----------|----------|
| Full-Time Staff | 41 | 26 | 15 | 29 |
| Executive Staff | 3 | 1 | 2 | 1 |
| Average Salary - FTS | \$44,094 | \$43,621 | \$44,913 | \$43,149 |
| Average Salary - ES | \$102,333 | \$85,000 | \$111,000 | \$85,000 |
| Median Salary - FTS | \$41,282 | \$40,437 | \$42,307 | \$39,592 |
| Median Salary - ES | \$102,000 | \$85,000 | \$111,000 | \$85,000 |

Employment Levels (as of April 1, 2016)

| | Budgeted | Approved | Filled |
|-------------------------------|----------|----------|----------|
| Full-Time Positions | 46 | 46 | 41 |
| Part-Time Positions | 0 | 0 | 0 |
| Executive Positions | 5 | 5 | 3 |
| <i>Overall Average Salary</i> | \$48,596 | \$48,596 | \$48,065 |
| <i>Overall Median Salary</i> | \$41,630 | \$41,630 | \$42,053 |

*One of Procurement’s core strategic objectives is to attract and retain staff through increased training opportunities. The Department has also worked closely with OHR to update Civil Service job specifications to align job requirements with public procurement best practices. The Department has also updated Civil Service regulations to allow for bonuses related to professional certifications.

Financial Summary by Class - General Fund

| | Fiscal 2015 Actual Obligations | Fiscal 2016 Original Appropriations | Fiscal 2016 Estimated Obligations | Fiscal 2017 Proposed Appropriations | Difference FY17-FY16 |
|-------------------------------------|-----------------------------------|--|--------------------------------------|--|-------------------------|
| Class 100 - Employee Compensation | \$2,333,610 | \$2,472,351 | \$2,472,351 | \$2,504,399 | \$32,048 |
| Class 200 - Purchase of Services | \$2,447,216 | \$2,316,267 | \$2,316,267 | \$2,316,267 | \$0 |
| Class 300 - Materials and Supplies | \$25,004 | \$39,554 | \$39,554 | \$33,588 | (\$5,966) |
| Class 400 - Equipment | \$24,001 | \$9,500 | \$9,500 | \$15,466 | \$5,966 |
| Class 500 - Contributions | \$28,000 | \$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 | \$4,857,831 | \$4,837,672 | \$4,837,672 | \$4,869,720 | \$32,048 |

Contracts Summary (as of December 2015)

| | FY11 | FY12 | FY13 | FY14 | FY15 | FY16* |
|---------------------------|---------|---------|----------|---------|-------------|-------|
| Total amount of contracts | \$3,080 | \$1,801 | \$33,650 | \$2,602 | \$4,806,741 | \$1 |
| Total amount to M/W/DBE | \$0 | \$0 | \$4,500 | \$0 | \$826,200 | \$0 |
| Participation Rate | 0% | 0% | 13% | 0% | 17% | 0% |

*Contract value for 2016 will be with online auction contractors, which are \$0 contracts. One online auction vendor with which Procurement entered into a contract on January 1, 2016, is a local business.

The department is committed to supporting the Administration's goal of 30% minority, woman, and disabled-owned business (W/M/DSBE) participation in City contracting. We continue to review our contracts and always look for more opportunities as they arise.

PROCUREMENT DEPARTMENT PROPOSED BUDGET OVERVIEW

PROPOSED FUNDING REQUEST

The proposed Fiscal Year 2017 general fund budget totals \$4,869,720, an increase of \$32,048 over Fiscal Year 2016 estimated obligation levels. This increase is due to scheduled raises as agreed to in the last contract agreement for District Council 47.

The proposed budget includes:

- \$2,504,399 in Class 100, an increase of \$32,048 over FY16. This increase is due to scheduled raises as agreed to in the last contract agreement for District Council 47.
- \$2,316,267 in Class 200, equal to FY16 appropriations. These dollars will mostly fund City-wide advertising needs, of which the majority is for election related newspaper advertising. The small amount of funds not used for advertising, will fund improvements to the Department's customer service counter, a business analyst resource for the eProcurement system, professional dues and department-wide training, a key pillar of the Department's strategic plan.
- \$33,588 in Class 300, a \$5,966 decrease over FY16. This funding will fund various office supply and professional subscription needs for the Department
- \$15,466 in Class 400, a \$5,966 increase over FY16. This funding will allow the Department to replace end of life office equipment.

STAFFING LEVELS

- The Procurement Department has 51 budgeted positions on the General Fund in both FY16 and FY17. Of those positions, 48 were filled as of December 31, 2015. As of today, 44 of those positions are filled. The Department is actively seeking to fill two Executive Level positions with the goal of ensuring a diverse and qualified Executive Team. All of the five staff positions to be filled will come from upcoming or existing Civil Service lists.
- There are two positions budgeted and filled on the Water Fund in both FY16 and FY17.
- The Procurement Department recently filled the Director of Public Works and Special Services position with a bilingual Hispanic female who was promoted from a position within the department. She brings years of experience and a strong educational background to the position. Other recent hires and their ethnicity are listed below:
 - Two African American Females
 - One African American Male
 - One Caucasian Male
- See appendix for Bilingual Employees Chart

**PROCUREMENT DEPARTMENT
PERFORMANCE, CHALLENGES AND INITIATIVES**

DEPARTMENT PERFORMANCE (OPERATIONS)

| Performance Measures (<i>Services, Supplies & Equipment</i>) | FY15 Actual | FY16 YTD | FY17 Target | FY21 Target |
|--|-------------|----------|-------------|-------------|
| Average number of days from bid initiation to award | 125 | 118 | 110 | 90 |
| Average number of Bidders (Awarded Contracts) | 2.3 | 2.9 | 3.5 | 4 |
| Percentage of awards that are single response | 40% | 28% | 20% | 10% |
| % of contracts awarded to Local Business Entities (LBEs) | 26%* | 21%** | 30% | 35% |

*Data available for FY15 Q3 and Q4 only

**Percent of contracts awarded decreased from FY15 to FY16, but total dollar amount increased.

| Performance Measures (<i>Public Works Program</i>) | FY15 Actual | FY16 YTD | FY17 Target | FY21 Target |
|--|-------------|----------|-------------|-------------|
| Average number of days from bid initiation to award | 97 | 88 | 83 | 75 |
| Average number of Bidders (Awarded Contracts) | 4 | 5 | 5 | 5 |
| Percentage of awards that are single response | 7%* | 0% | 5% | 2% |
| % of contracts where low bidders was LBE | 76%* | 61% | 65% | 70% |

*Data available for FY15 Q3 and Q4 only

| Performance Measures (<i>Customer Service Program</i>) | FY15 Actual | FY16 YTD | FY17 Target | FY21 Target |
|--|-------------|----------|-------------|-------------|
| % of Internal survey respondents that rated Procurement customer service as Satisfactory or better | 96%* | 100% | 97% | 100% |
| % of External survey respondents that rated Procurement as Satisfactory or better | 93%* | 97% | 97% | 100% |

*Data available for FY15 Q3 and Q4 only

| Performance Measures (<i>Inventory Control Program</i>) | FY15 Actual | FY16 YTD | FY17 Target | FY21 Target |
|---|-------------|----------|-------------|-------------|
| # of Items Tagged | 8,419 | 3,527 | 7,500 | TBD |
| % of Asset Tags processed within 7 days of Agency Request | 100% | 100%* | 100%** | 100%** |

*Data available for FY15 Q3 and Q4 only

** Revised upwards from 5 year plan

**PROCUREMENT DEPARTMENT
OTHER BUDGETARY IMPACTS**

FEDERAL AND STATE (WHERE APPLICABLE)

- Procurement does not have any federal and/or state appropriations.

PROCUREMENT DEPARTMENT- CONTRACTING EXPERIENCE

**M/W/DSBE Participation on Large Contracts
FY16 Contracts***

| Vendor | Service Provided | 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 % and \$ Value Participation - All DSBES | Local Businesses | Living Wage Compliant ? |
|--------------------|-------------------------|--------------------|----------------|---------------------|-----------------------------------|--------------------------------------|------------------------------------|--|------------------|-------------------------|
| Municibid.com, LLC | Online Auction Services | \$1 | 5/18/15 | 1/1/16 | MBE: Best and Good Faith Efforts | Best and Good Faith Efforts | \$0 | 0% | Y | Y |
| | | | | | WBE: Best and Good Faith Efforts | Best and Good Faith Efforts | \$0 | | Y | Y |
| | | | | | DSBE: Best and Good Faith Efforts | Best and Good Faith Efforts | \$0 | | Y | Y |
| TBD | Reverse Auctions | \$1 | 3/2/16 | TBD | MBE: Best and Good Faith Efforts | Best and Good Faith Efforts | \$0 | 0% | TBD | TBD |
| | | | | | WBE: Best and Good Faith Efforts | Best and Good Faith Efforts | \$0 | | TBD | TBD |
| | | | | | DSBE: Best and Good Faith Efforts | Best and Good Faith Efforts | \$0 | | TBD | TBD |

Important Note: Procurement and OIT have selected Periscope Holdings, Inc. to provide the aforementioned front-end e-procurement system. The contract for this technology service totals \$1.4 million, and is managed and reported on by OIT. However, it is worth noting that actual OEO participation on the contract is 13% MBE (\$117,600) and 4% WBE (\$62,342) for a total of 17% (\$239,942) OEO participation on the contract. Procurement will also use a staff augmentation contract through OIT to assist with project management needs on the project. The contract from which this support resource will come is with Modis, which has 21% OEO participation on the contract.

* Contract value for 2016 will be with online auction contractors, which are \$0 contracts. One online auction vendor with which Procurement entered into a contract on January 1, 2016, is a local business.

PROCUREMENT DEPARTMENT- EMPLOYEE DATA

Staff Demographics (as of April, 2016)

| Full-Time Staff | | | | Executive Staff | | | |
|------------------------|--|-------------------------|-------------------------|------------------------|--|-------------------------|-------------------------|
| | | Male | Female | | | Male | Female |
| | | African-American | African-American | | | African-American | African-American |
| <i>Total</i> | | 4 | 22 | <i>Total</i> | | 0 | 0 |
| <i>% of Total</i> | | 9.3% | 53.7% | <i>% of Total</i> | | 0% | 0% |
| <i>Average Salary</i> | | \$43,639 | \$43,618 | <i>Average Salary</i> | | N/A | N/A |
| <i>Median Salary</i> | | \$41,705 | \$38,141 | <i>Median Salary</i> | | N/A | N/A |
| | | White | White | | | White | White |
| <i>Total</i> | | 8 | 7 | <i>Total</i> | | 2 | 0 |
| <i>% of Total</i> | | 19.5% | 17.1% | <i>% of Total</i> | | 66.7% | 0% |
| <i>Average Salary</i> | | \$47,745 | \$41,676 | <i>Average Salary</i> | | \$111,000 | N/A |
| <i>Median Salary</i> | | \$44,851 | \$39,792 | <i>Median Salary</i> | | \$111,000 | N/A |
| | | Hispanic | Hispanic | | | Hispanic | Hispanic |
| <i>Total</i> | | 0 | 0 | <i>Total</i> | | 0 | 1 |
| <i>% of Total</i> | | 0% | 0% | <i>% of Total</i> | | 0% | 33% |
| <i>Average Salary</i> | | N/A | N/A | <i>Average Salary</i> | | N/A | \$85,000 |
| <i>Median Salary</i> | | N/A | N/A | <i>Median Salary</i> | | N/A | \$85,000 |
| | | 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> | | N/A | N/A | <i>Average Salary</i> | | N/A | N/A |
| <i>Median Salary</i> | | N/A | N/A | <i>Median Salary</i> | | N/A | N/A |
| | | 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> | | N/A | N/A | <i>Average Salary</i> | | N/A | N/A |
| <i>Median Salary</i> | | N/A | N/A | <i>Median Salary</i> | | N/A | N/A |
| | | Bi-lingual | Bi-lingual | | | Bi-lingual | Bi-lingual |
| <i>Total</i> | | 0 | 2 | <i>Total</i> | | 1 | 1 |
| <i>% of Total</i> | | 0% | 2.3% | <i>% of Total</i> | | 33.0% | 33% |
| <i>Average Salary</i> | | N/A | \$65,726 | <i>Average Salary</i> | | \$102,000 | \$85,000 |
| <i>Median Salary</i> | | N/A | \$65,726 | <i>Median Salary</i> | | \$102,000 | \$85,000 |
| | | Male | Female | | | Male | Female |
| <i>Total</i> | | 12 | 31 | <i>Total</i> | | 2 | 1 |
| <i>% of Total</i> | | 27.9% | 72.1% | <i>% of Total</i> | | 75.0% | 25.0% |
| <i>Average Salary</i> | | \$46,059 | \$43,374 | <i>Average Salary</i> | | \$100,992 | \$87,975 |
| <i>Median Salary</i> | | \$41,705 | \$38,389 | <i>Median Salary</i> | | \$95,000 | \$87,975 |

**PROCUREMENT DEPARTMENT
APPENDIX (Other Relevant Data and Charts)**

Number of Bilingual Employees (as of April, 2016)

| | Spanish | Portuguese | German | |
|----------------------------------|---------|------------|--------|---|
| Executive Direction | 2 | 1 | 1 | |
| Total - All Divisions | 2 | 1 | 1 | |
| Total - # of Bilingual Employees | | | | 3 |
| Total - # of Languages Spoken | | | | 3 |