

**PROCUREMENT DEPARTMENT
FISCAL YEAR 2025 BUDGET TESTIMONY
TUESDAY, APRIL 2, 2024**

INTRODUCTION

Good Morning, President Johnson and Members of City Council. I am LaShawnda Tompkins, Acting Procurement Commissioner. Joining me today is Janira Barroso, Deputy Procurement Commissioner. I am pleased to provide testimony on the Procurement Department's Fiscal Year 2025 Operating Budget.

DEPARTMENT MISSION & PLANS

Mission:

The Procurement Department is the central purchasing and materials management agency for the City. Procurement's goal is to acquire services, supplies, equipment, and construction contracts through a fair and open process and at the best value to the City. Procurement seeks to leverage taxpayer dollars in a way that upholds trust by using sound procurement practices. Procurement enables the City to purchase goods and services in pursuit of the Mayor's vision to make Philadelphia the safest, cleanest, and greenest big city in the nation with economic opportunity for everyone.

Plans for Fiscal Year 2025:

Public Works

We will continue to support the City in maximizing investments from the Bipartisan Infrastructure Law, with a specific focus on developing generational wealth opportunities through business participation on City of Philadelphia contracts, and workforce development opportunities. We will engage and partner with City agencies, resource partners and the local diverse Chambers to organize, develop and facilitate outreach events and seminars to promote access to project awareness.

SS&E

Procurement will continue to collaborate with City departments to streamline processes and develop multiple purchasing/bidding programs for the inclusion of local, small, and diverse businesses on various commodities. Achieving these goals will be accomplished through improving bidding processes and contract availability by educating citywide purchasing staff and leadership of procurement regulations, best practices, upcoming policy and procedure changes.

Administration

Procurement continues to promote contracting best practices and procedures through training and development sessions. We will engage those City agencies that are ready and have the capacity to develop departmental subject matter experts dedicated to equitable contracting, compliance and data analysis. We are in the early stages of developing a peer-to-peer support model for knowledge sharing, with the goal of building purchasing knowledge and capacity within city agencies. This initiative will enable departments to better evaluate, forecast, and communicate their purchasing needs.

In preparation for the City's new ERP system, OPAL, the Procurement Department will continue to engage with the consultants, implementation, and change management team to review and analyze the City's requirements related to vendor and department system interactions. In addition, Procurement is routinely engaged with departments to ensure that the City's purchasing requirements and needs are timely and properly met.

PROPOSED BUDGET OVERVIEW

General Fund Financial Summary by Class						
	FY23 Original Appropriations	FY23 Actual Obligations	FY24 Original Appropriations	FY24 Estimated Obligations	FY25 Proposed Appropriations	Difference: FY25-FY24
Class 100 - Employee Compensation	\$3,404,302	\$2,585,104	\$3,612,226	\$3,612,226	\$3,612,226	\$0
Class 200 - Purchase of Services	\$3,431,115	\$3,761,841	\$3,576,628	\$3,576,628	\$3,576,628	\$0
Class 300/400 - Materials, Supplies & Equipment	\$39,359	\$2,036	\$46,868	\$46,868	\$46,868	\$0
Total	\$6,874,776	\$6,348,981	\$7,235,722	\$7,235,722	\$7,235,722	\$0

Proposed Funding Request:

The proposed Fiscal Year 2025 General Fund budget totals \$7,235,722.

The proposed budget includes:

- \$3,612,226 in Class 100, level with FY24. This funding will primarily be used for employee wages.
- \$3,576,628 in Class 200, level with FY24. This funding will primarily be used for citywide newspaper advertisements and contracts.
- \$46,868 in Class 300/400, level with FY24. This funding will primarily be used for office materials and supplies.

STAFFING LEVELS

The department is requesting 53 budgeted positions for FY25 which is level with FY24.

Employment Levels (as of December 2023)		
	FY25 Budgeted	Filled as of December 2023
Number of Full-Time Positions	53	35
Number of Exempt Positions	9	8
Number of Executive Positions (deputy level and above)	5	4
Average Salary of All Full-Time Positions	\$73,045	\$81,482
Median Salary of All Full-Time Positions	\$63,328	\$78,851

NEW HIRES

There were no new hires between July 2023 to December 2023.

PROGRAM BASED BUDGETING:

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

Program Number: 380100

FY25 Proposed General Fund: \$1,676,229

Program Description: Service, Supplies, and Equipment is responsible for managing formal and informal contracts for the procurement of City services, supplies, and equipment as per the requirements of the Philadelphia Home Rule Charter (Section 8-200) and the Philadelphia Code.

FY25 Strategic Goals:

- Procurement intends to continue their work with MDO and OEM to engage in an emergency purchasing plan for unforeseen natural disasters and/or domestic emergencies and will continue to support departments with strategic purchasing plans, including sustainable purchases, where appropriate.
- Utilize Cooperative contracts established by other governmental agencies and/or public institutions to leverage buying power and alleviate increased costs for specific commodities.

- Implement continuous improvement strategies to enhance purchasing processes and contract availability.

FY25 Performance Measures:

Measure	FY23 Actual	FY4 Target	FY25 Target
Average number of days from bid initiation to award*	224	140	200
Average number of bidders per awarded contract(s)**	2.2	5.0	4.0
Percentage of Service, Supply and Equipment (SSE) contracts awarded to Minority-, Women-, and Disabled- Owned Business Enterprises (M/W/DSBEs)***	15.2%	35.0%	35.0%
Percentage of Small Order Purchases (SOPs) awarded to MWDSBEs****	58.9%	25.0%	25.0%

* The Procurement Department has experienced a high level of vacancies in this unit/program which resulted in increased staff workloads and processing times. The demand for filling this position is high across the department while the supply is currently low, but improving. Procurement collaborated with OHR to review and revise the Procurement Specialist requirements. The Department continues to train new staff and focus on efficient contract execution and operational excellence. Due to these challenges, the actual figure for FY23 was 224, and to keep the target realistic, it is rising from 140 in FY24 to 200 in FY25.

** The Procurement Department collaborates with departments and other City agencies in efforts to increase the number of potential bidders on SS&E contract opportunities. These opportunities are advertised in the newspaper and on electronically on PHLContracts. Some of these contracts are historically single response contracts which decreases the average.

*** The FY2023 Year end of 15.2 percent represents overall percentage of Service, Supply and Equipment (SSE) contracts awarded to Minority-, Women-, and Disabled- Owned Business Enterprises (M/W/DSBEs) across all city departments; not specifically Procurement. There are a large number of SSE contracts that are either sole source or sole product which do not yield M/W/DSBE participation. In addition, there are several SSE commodity codes that have been historically reported as commodities where few or no M/W/DSBEs are available to participate. 35% is the citywide goal and is not set by the Procurement Department.

**** This is an annual measure. 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. 25% is the citywide goal and is not set by the Procurement Department.

PROGRAM BASED BUDGETING

Program Name: Public Works

Program Number: 380060

FY25 Proposed General Fund: \$909,734

Program Description: Through the Public Works program, the City utilizes formal contracts for the procurement of its public works (construction) contracting for City-owned property, land, or leased facilities. This program also includes concessions contracts, which are public-private partnerships established between the City and a business to generate revenue.

FY25 Strategic Goals:

- Continue to further standardize documents and procedures for bidding among Public Works' primary client departments.
- Collaborate with the Office of Economic Opportunity, Rebuild and the Infrastructure Solutions Team to increase the availability of diverse vendors to participate in Public Works contracting.
- Encourage Public Works departments to exchange best practices related to various procurement methods, preparing projects for bid, and vendor performance. Procurement will support departments in this engagement via consistent communication and reporting.

FY25 Performance Measures:

Measure	FY23 Actual	FY4 Target	FY25 Target
Average number of days from bid initiation to award	121	140	140
Average number of bidders per awarded contract(s)	4	3	3
Percentage of contracts awarded to Local Business Entities (LBE)	60.7%	60%	60%

PROGRAM BASED BUDGETING

Program Name: Inventory Disposal/Control

Program Number: 380070

FY25 Proposed General Fund: \$276,098

Program Description: Inventory Disposal/Control tracks the purchase, ownership, and disposal lifecycle of all City assets and conducts random inspections to ensure vendors are in compliance with contracts. This program posts all surplus inventory to a local vendor, which hosts online government auctions for vehicles, equipment, excess office supplies, and other surplus goods. Procurement promotes its auction services and visits City agencies to help identify and manage surplus inventory that can be auctioned

FY25 Strategic Goals:

- Work with the Police Department, Finance and Revenue to facilitate the auction of two Police helicopters which will be a first for the City.
- Continue to collaborate with the Optimizing Procurement and Accounting Logistics (OPAL) Team to enhance current business practices and develop best practice inventory efficiencies throughout the City.
- Evaluate citywide need for virtual tagging, disposals, transfers, and inventory reconciliation training sessions.

FY25 Performance Measures:

Measure	FY23 Actual	FY4 Target	FY25 Target
Total revenues earned across the program*	\$2,438,942	\$1,500,000	\$1,500,000

*The total revenues earned across Inventory Disposal/Control is based upon the availability of surplus items and the readiness of vehicles for auctions. The amount of large vehicles for auction, such as the tractor trailers and loaders auctioned in FY23, fluctuate from year to year.

PROGRAM BASED BUDGETING:

Program Name: Vendor Engagement

Program Number: 380080

FY25 Proposed General Fund: \$185,055

Program Description: The Vendor Engagement program consists of customer service and vendor outreach initiatives, including marketing City procurement contract opportunities and programs, answering questions received from vendors and City employees, and registering vendors in PHLContracts, the City’s eProcurement system.

FY25 Strategic Goals:

- Increase marketing strategies to attract, educate and elevate small, local and diverse businesses seeking growth opportunities with the City.
- Reinstigate e-procurement training sessions for vendors.
- Continue to provide prompt response through focused customer service to resolve vendor registration, quotation and purchasing inquiries.

FY25 Performance Measures: No performance measures for this program.

Program Name: Administration

Program Number: 380090

FY25 Proposed General Fund: \$4,189,605

Program Description: The Procurement Administration program is responsible for the strategic direction of all procurement program areas including training and human resources. The program also oversees procurement advertising for all City departments, boards, and commissions as needed.

FY25 Strategic Goals:

- Engage with City stakeholders to modernize the billing process for print media advertising.
- Collaborate with the OPAL ERP software and implementation vendors to analyze the City’s E-Procurement system requirements. This work includes the review of existing systems and functionalities to support data integration efforts, supplier engagement and contracting requirements.
- The program will collaborate with the Office of Human Resources to redesign recruitment strategies for Procurement related positions to attract eligible interested candidates.
- Procurement Administration will work with the Infrastructure Solutions Team (IST) and external networks to develop policies that reduce racial disparities in contracting. The program also will analyze and report data to support data-driven decision- making with the goal of achieving more equitable contracting opportunities.

FY25 Performance Measures:

Measure	FY23 Actual	FY4 Target	FY25 Target
Average invoice processing times for Citywide advertising*	15.7	14.0	14.0
Percent of citywide advertising not related to bid advertisements**	46.2%	60%	60%
Average contract conformance time: professional services contracts (days)***	88.3	80.0	80.0

*The Procurement Department does not directly control all factors related to this measure. Procurement receives and submits the invoices for payments. Payments are processed and issued by the Finance Department.

** Fiscal year targets for this measure are based on projections of upcoming City needs, which can vary greatly from year to year due to events such as elections. Procurement does not internally have any ability to impact these fluctuations which directly correlate to the percentage of non-bid advertisements in a given year.

*** The Department will continue to work with the agencies responsible for conforming contracts and assist them with working through processing issues as they arise.

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

N/A