



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: March 16, 2011

REPORT NO: 11-041

ATTENTION: Rules Committee

SUBJECT: Streamlining Our Contracting Process

REFERENCE: Report on Contracting Improvement Efforts dated March 23, 2011

REQUESTED ACTION:

Adopt the recommended approval thresholds.

STAFF RECOMMENDATION:

Approve the requested Council actions.

SUMMARY:

In 2006, the City completed a Business Process Reengineering (BPR) effort that resulted in the consolidation of City-wide procurement efforts into a centralized Purchasing & Contracting (P&C) Department. This BPR resulted in personnel savings, and set the stage for consolidation of buying power City-wide. In addition, the centralized P&C Department facilitates implementation and enforcement of internal controls, which was identified as a deficiency in the Kroll audit report of 2006.

Despite the positive results of the BPR and other initiatives conducted since the BPR, concerns persist regarding the length of time required to put new contracts in place. A reinvention study was convened to determine what improvements could be made to streamline the contracting effort. The project group consisted of Deputy Director level personnel and above, who represented Public Utilities, Public Works, Chief Financial Officer, City Planning & Community Investment, Engineering & Capital Projects, Administration, Storm Water, General Services, Real Estate Assets, P&C, and the Business Office.

The reinvention project group explored a number of options to improve the contracting process and offers recommendations for immediate implementation in addition to longer term recommendations that will require further development and approval. In addition, this report summarizes other contracting process improvement initiatives completed since the BPR.

The reinvention project group spent considerable effort discussing how to clarify roles in the contracting process so that everyone knows who is supposed to do what. Various models were researched and considered. The group's recommendation is presented in the following table

(provided as an attachment to this report) and reflects consensus. Ownership is primarily assigned to P&C in all phases of contracting: pre-solicitation/development, solicitation/proposal receipt/evaluation, contract award, and implementation. However, the initiating department maintains a significant role as it relates to defining the technical content of the contract, recommending which firm best meets the technical requirements, and monitoring actual contract performance.

While this report highlights changes that have been made and some that are pending, City staff will require the approval of Council to update the approval thresholds. The requested threshold approvals are as follows:

CONTRACT TYPE	CURRENT (1998) THRESHOLD	RECOMMENDED THRESHOLD
A&E Consultant	\$250,000	\$500,000
Consultant (non A&E)	\$250,000	\$500,000
Goods & Services and Non-Professional Services	\$1,000,000	\$2,000,000
Non-Profit Organization	\$500,000	\$1,000,000
Public Works	\$1,000,000	No limit if Council has approved project as part of the CIP budget.

FISCAL CONSIDERATIONS:

N/A.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

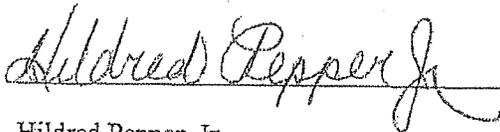
N/A.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

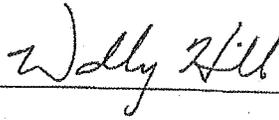
N/A.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

The key stakeholders are all departments that interact with the Purchasing & Contracting Department, which will result in efficiency improvements in the City's contracting process.



Hildred Pepper, Jr.
Director, Purchasing & Contracting Department



Wally Hill
Assistant Chief Operating Officer

Contracting Improvement Efforts

Background

In 2006, the City completed a Business Process Reengineering (BPR) effort that resulted in the consolidation of City-wide procurement efforts into a centralized Purchasing & Contracting (P&C) Department. This BPR resulted in personnel savings, and set the stage for consolidation of buying power City-wide. In addition, the centralized P&C Department facilitates implementation and enforcement of internal controls, which was identified as a deficiency in the Kroll audit report of 2006.

Despite the positive results of the BPR and other initiatives conducted since the BPR, concerns persist regarding the length of time required to put new contracts in place. A reinvention study was convened to determine what improvements could be made to streamline the contracting effort. The project group consisted of Deputy Director level personnel and above, who represented Public Utilities, Public Works, Chief Financial Officer, City Planning & Community Investment, Engineering & Capital Projects, Administration, Storm Water, General Services, Real Estate Assets, P&C, and the Business Office.

The reinvention project group explored a number of options to improve the contracting process and offers recommendations for immediate implementation in addition to longer term recommendations that will require further development and approval. In addition, this report summarizes other contracting process improvement initiatives completed since the BPR.

Ownership and accountability

The reinvention project group spent considerable effort discussing how to clarify roles in the contracting process so that everyone knows who is supposed to do what. Various models were researched and considered. The group's recommendation is presented in the following table and reflects consensus. Ownership is primarily assigned to P&C in all phases of contracting: pre-solicitation/development, solicitation/proposal receipt/evaluation, contract award, and implementation. However, the initiating department maintains a significant role as it relates to defining the technical content of the contract, recommending which firm best meets the technical requirements, and monitoring actual contract performance.

Recommendation: *Re-tool P&C-related documentation to reinforce the process ownership responsibilities. Within the next 30 days, P&C will route for approval a process narrative regarding ownership and accountability.*

Contracting Reinvention Process Ownership Evaluation	Dept.	P&C
Below is a list of tasks associated with awarding a contract. For each contract-related responsibility, an owner is identified with an X.		
PRE-SOLICITATION/ DEVELOPMENT PHASE		
Generate scope of work/draft specs	X	
Create requisition to confirm funds verification	X	
Contact firms on list to confirm participation		X
Locate vendors/prepare market research		X
Provide a list of firms to program/project manager		X
Prepare, advertise, and distribute RFP/RFB		X
Chair pre-proposal/pre-bid conference		X
Issue RFP/RFB to selected firms		X
SOLICITATION/PROPOSAL RECEIPT/EVALUATION PHASE		
Interview consultants & select firm	X	
Negotiate with selected firm for final scope, schedule & price	X	
Facilitate EOCP/Risk Management/ Labor Relations review		X
Prepare final agreement using proper boilerplate		X
Prepare advertisements & assemble bid package		X
Advertise bid package & facilitate bid conferences		X
Manage technical evaluation committee	X	
Submit contract for legal review		X
Monitor contract in City Attorney's Office		X
Process necessary addendum to address questions		X
Facilitate review and approval of addendum		X
Forward agreement to contractor/consultant for signature		X
Receive & review final documents from contractor/consultant		X
Open and tabulate bids		X
Determine "responsiveness" of bidder/proposer		X
Process action document (1544 or 1472)	X	
CONTRACT AWARD PHASE		
Facilitate City Clerk filing of contract & resolution		X
Obtain necessary mayor/designee signatures		X
Collect business tax license, insurance and endorsements		X
Final legal review of contract/obtain City Attorney signature		X
Facilitate pre-construction meeting	X	
IMPLEMENTATION PHASE		
Issue Notice to Proceed & distribute final copies of agreement		X
Issue PO, Price Agreement, or Lease to Purchase		X
Effectively process invoices for payment w/in payment period	X	
Monitor insurance updates, option renewals, amendments		X

OneSD SRM module

When the City purchased the SAP system, it bought the Supplier Relationship Management (SRM) module, but it has not yet implemented the module. While the SAP modules that the City has implemented have improved many aspects of the City's accounting and controls, the new system without the SRM implementation does not yet provide some functionality that was included in the systems that SAP replaced. This means that many activities in P&C that used to be computerized/automatically must now be done manually such as automated Vendor Registration, purchasing and contracts reports, Vendor certification interface, etc. This is a major setback in performance and efficiency.

The SAP Supplier Relationship Management (SAP SRM) application enables multiple levels of suppliers, partners, and manufacturers to work together on a fully integrated source-to-pay process. SAP SRM enables key business processes, including:

- Procure to pay – Execute the operational activities of procurement, including self-service, plan-driven, and services procurement. With SAP SRM, you can integrate catalog-based requisitioning with traditional procure-to-pay process and gain the benefits of e-procurement without losing back-end enterprise resource planning processes.
- Catalog management – Manage catalog data as master data in a repository that is deeply integrated with the core application processes.
- Centralized sourcing – Gain visibility into the demand for goods and services from multiple back-end systems, aggregate spend and streamline bidding processes, and collaborate with suppliers for faster and more efficient savings capture. SAP SRM can help tap into new value through better business planning, improved supplier qualification, and more efficient supplier negotiation.
- Centralized contract management – Consolidate contract information across multiple systems and regions, distribute contract usage, ensure optimal contract selection and pricing, and track compliance and savings realization.
- Supplier collaboration – Link suppliers to purchasing processes through the supplier portal. With SAP SRM, you can choose the optimal interaction channel for numerous business processes and documents and collaborate more effectively with suppliers in supplier-facing processes.
- Supplier evaluation – Manage suppliers and reduce risk through supplier scorecarding.

Recommendation: *The City should seriously consider approval of the funding needed (approximately \$3,000,000) to implement SRM to achieve process improvements for P&C. In the interim, P&C will implement stand alone solutions in order to increase productivity and efficiency. P&C anticipates these stand alone solutions will be implemented within the next five months.*

Tracking and reporting

The reinvention study team identified a gap in the City's ability to measure and report on the progress of contracts that are in the various stages of award. The City's Contract Information Management System (CIMS) was designed to capture data related to the process steps, but it relied on data being manually entered into it by the personnel involved and did not have a robust reporting capability for tracking progress and delays. These weaknesses in CIMS contributed to confusion regarding ownership of and accountability for each of the process steps.

CIMS was "retired" on June 30, 2010, but the OneSD system does not provide the robust reporting capabilities that were provided by CIMS. The City is currently researching a new system to replace CIMS' tracking and reporting capabilities that will integrate with OneSD.

***Recommendation:** Develop OneSD or OneSD-compatible tracking and reporting capabilities for contracts. Engineering & Capital Projects, OneSD and the Purchasing & Contracting Departments are exploring various reporting tools and expect to have a solution in place within the next 90 days.*

Insurance endorsements

One step in the process that regularly experiences delay is the selected firm's provision of insurance endorsements. The reinvention study team creatively researched options for reducing and working around this paperwork but found that it is absolutely required. Therefore, the group made recommendations related to more strict enforcement of this required step in the process.

***Recommendation:** To ensure timely submission of insurance endorsements, enforce the "10 calendar day" time period for delivery of bonds and insurance documentation. The consultant/contractor community was notified of this change, which was fully in effect by July 1, 2010. Currently, the City uses a consultant to verify insurance endorsements. P&C will bring the insurance validation function in-house. P&C is considering a new requirement for a \$10,000 cashier's check to be submitted with construction bids. This cashier's check would be returned to bidders upon successful compliance with the 10-day insurance endorsement submittal requirement.*

Council approval to award

Currently, Council must approve the award of all construction contracts over \$1,000,000 and construction contracts over \$500,000 that are not in the CIP budget. Council approval is also needed for goods and services contracts over \$1,000,000, and consultant contracts over \$250,000. It would simplify the process and speed procurement to obtain authority to award to the lowest responsible/best value bidder when Council approves the budget. This would require

including a list of contracts as part of the proposed and adopted budget so that Council may maintain visibility into the portfolio of contracted work.

Recommendation: Obtain authority to award to the lowest responsible bidder/best value when Council approves the budget.

Approval thresholds

Council contract approval thresholds have not changed since 1998 with the exception of minor construction which has been increased from \$250,000 to \$500,000 based upon the implementation of the Emerging/Small Local Business Program. As time passes and inflation occurs, this has in effect lowered the threshold amount, resulting in Council having to approve a relatively larger number of contracts. Because it takes extra time to take contracts to Council Committee and full Council for approval, this has impacted the City's ability to enter into contracts in a timely manner. By eliminating the requirement to take items to Committee prior to Council, it is estimated a two week process improvement could be gained. The following table provides data from the last four fiscal years of Council dockets regarding the number of contract-related items that were presented to Council and Council committees.

Fiscal Year	Number of contract-related items presented to Council	Number of contract-related items presented to Council Committee prior to Council	% items to Committee first	Median number of days between Committee and Council
2010	117	86	74%	47.5
2009	135	54	40%	41
2008	149	45	30%	48
2007	108	23	21%	27

Council Policy 100-013 states: "It shall be the policy of the City for the [Mayor] to submit to Council... amendments to the San Diego Municipal Code using the San Diego Consumer Price Index (CPI), as published by the United States Department of Labor, to adjust figures related to purchase limitations regarding purchases and contracts for public works and consultant services." However, this policy has not been followed, resulting in the approval thresholds remaining unchanged since 1998.

The 2006 BPR recommended increasing Council approval thresholds, and while Council approved the BPR, said approval did not include implementation of the BPR threshold-related recommendations. Therefore, the contracting reinvention group chose to revisit thresholds and to provide new recommended amounts. The following table compares the current thresholds to the inflated and proposed thresholds by contract type.

Contract type	Current (1998) threshold	2006 BPR proposed threshold	1998 threshold inflated to 2010	Recommended threshold
A&E consultant	\$250k	\$1M if Council has approved the project as part of the City's budget	\$335k	\$500k
Consultant (non A&E)	\$250k	No limit if Council has approved the project as part of the City's budget	\$335k	\$500k
Goods & services and nonprofessional services	\$1M	NA	\$1.339M	\$2M
Non-profit organization	\$500k	NA	\$669K	\$1M
Public works	\$1M	No limit if Council has approved project as part of the City's budget	\$1.339M	No limit if Council has approved project as part of the CIP budget

For the contract types that are recommended to have no limit if Council has approved the project as part of the City's budget, primarily the Capital Improvement Plan (CIP) budget, Council members could request selected items be discussed before committee or full Council prior to award. For consultant contracts, it is recommended to permit cumulative awards of \$500,000 or less, City-wide, to a single consultant in a Fiscal Year.

To calculate what the different thresholds would mean in terms of number of contract-related items that would not have to be handled by Council and committees, the following table provides—by contract type—the total number of contracts that were presented to Council over the last four fiscal years and indicates the number that would not have been required to be presented under the three alternative threshold scenarios.

Contract type/ Current (1998) threshold	Total FY2007- 2010	Number avoided with 2006 BPR proposed threshold	Number avoided with 1998 threshold inflated to 2010	Number avoided with recommended threshold	Number to be presented under recommended thresholds
A&E consultant/ \$250k	180	122	16	37	143
Consultant (non A&E)/ \$250k	95	21	11	29	66

Goods & services and nonprofessional services/ \$1M	56	NA	6	13	43
Non-profit organization/ \$500k	8	NA	0	1	7
Public works/ \$1M	170	170	142	170	0
Total	509	313	175	250	259

The most-currently recommended Council approval thresholds would have resulted in a total 250 contract-related items not having to spend the extra time going to Council committees and full Council for approval. Adopting these recommended thresholds would have saved 60 to 90 days per contract.

Recommendation: *Adopt the recommended approval thresholds (listed in the table on the previous page) then keep them current over time by asking Council permission to adjust them annually with inflation, as permitted by the Council Policy 100-13.*

Approval process

The 2006 BPR recommended increasing approval thresholds to reduce the number of contracts that are required to experience the delays associated with presenting contracts to Council for approval. However, the City's new OneSD system has built-in approval routing capability as part of the requisition process that permits streamlined approvals without compromising controls.

By using the SAP embedded best practice process to replace 1544 and PA 2625 approvals, the following benefits accrue:

- Initial funding source validation
- Streamline process with a minimum of a 50-day savings (project initiation to award)
- Build positive relationship with the contractor/vendor community
- Bonding capacity enhancement
- Citywide savings of staff review time

Recommendation: *Use the functionality of the City's OneSD system to replace the old manual PA2625 and 1544 forms with the requisition approval process. This recommended approach has been documented in new process narratives and flow charts and is awaiting implementation in the OneSD system.*

Standardized RFP language and streamlining

The City's Purchasing & Contracting Department has standardized its terms and conditions. In addition, Purchasing & Contracting has initiated a streamlined RFP template which is less than 20 pages (compared to the previous model, which was over 100 pages).

Recommendation: None required. Implementation complete

Minimum Request for Bid (RFB) advertising times/MACC/cooperatives

Unless specifically required by federal guidelines, the timeframe in which bids are "on the street" can be reduced. Currently, the City generally posts bids for 30 days; however, a reduction to 18 days could be considered as this is the minimum posted advertising time required to support the EOC outreach requirements.

Recommendation: Implement a 20-day posted advertising time. When feasible, all bids for the City will include this minimum posting time.

Recommendation: Adapt the use of Multiple Award Construction Contract (MACC), which is used extensively by the Navy and other Department of Defense agencies. This process will expedite the award of construction projects. The process is explained in Attachment 2.

Recommendation: Increase the use of national cooperative contracts as procurement delivery vehicles which could result in a revenue source for the City. The City is seeking "lead agency" status in as many cooperative procurement contracts as possible. Depending upon the contract, the City can expect savings of up to 20%.

SCOPE posting requirement

Subcontractor Outreach Program (SCOPE) requirements are delineated in San Diego Municipal Code, Chapter 2, Article 2, Division 27: Equal Employment Opportunity Outreach Program (Ordinance O-18173N.S. amended May 1, 1995), and Council Resolution Number R-304143, dated October 8, 2008.

The City's SCOPE requirement mandates a 15-day posting period prior to bid opening. Since state law only requires a 10-day posting period, the City's 15-day requirement should be reviewed in order to reduce the bid-to-award time on certain projects, depending on the funding source. To implement this improvement requires an ordinance change by Council.

In addition, SCOPE language drives an additional 17 days after the pre-bid conference.

Recommendation: With the approval of the ELBE/SLBE programs, delete the SCOPE program requirements once a sufficient number of firms are certified.

CDBG improvements

As part of an initiative to improve customer service in the Community Development Block Grant (CDBG) program, P&C spearheaded a multi-disciplinary team that worked together to streamline contract processing. As reported to Council's Public Safety & Neighborhood Services Committee on May 26, 2010, the CDBG contract processing initiative:

- Eliminated loopbacks and reduced steps from 9 to 5.
- Reduced durations from 4 to 6 months down to 2 months.

The following paragraphs describe the new contract flow process:

In November/December of each year, the Department is made aware of the approximate amount of funding from HUD for the next year. The Department will hold mandatory Application Workshops with Agencies to provide training on the application process including all submittals required with the Application.

In September/October of each year, the City Attorney and Purchasing & Contracting will review the Agency template and make recommendations for change. The final template will be available by October 30th of each year so the Department can hold the Application Workshops in November/December.

In January/February of each year, the Agencies submit their complete Application for review. Department Staff will review application for eligibility and fiscal status. Applications are then submitted to Council members for funding recommendations. Once recommendations are received the Department will go before Council Committee with the recommendations. Changes may be made, but the final for City Council review comes out of the Council Committee. The 1472 routing process is started once City Council approves the entity to receive the TOT funds and the dollar amount for each.

By April 15th of each year, a 1472 is docketed and brought before Council which includes a list of all Agencies to be funded with the funding amount, the Action Plan to HUD, and a copy of the agreement to be used for these Agencies.

By May 15th of each year, the Action Plan is submitted to HUD showing consolidated Plan Goals. The award letter from HUD is anticipated with 45 days of the City submitting the Action Plan.

In May/June of each year, mandatory workshops are held for the Agencies that applied for funds. Agencies should be working with the Department to get the current Agency agreement signed by the proper Agency staff and all submittals should be current.

In July/August the award letter should be received from HUD. The Department will immediately submit the award letter to the Comptrollers and request the budget be set up in SAP. The Agreements with the effective date will be sent to the Agencies to review and sign. As soon

as the budget is set up, purchase requisitions will be established in SAP for all Agencies that have presented their agreements back to the City. The Department will attach the agreement signed only by the Agency to the purchase requisition along with the 1472, Resolution, and Non-Profit Status with the State.

The Agency agreement with all submittals attached will be delivered to P&C with the Submittal Form attached to the front of the documents. Purchasing & Contracting will verify all items on the Submittal Form and sign off on the Submittal Form. Purchasing and Contracting will attach a copy of the purchase requisition to the documents directly under the Submittal Form. The agreement will go to the P&C Director for signature. The Agreement will then go back to the Department to be delivered to the City Attorney.

Once the City Attorney has signed the Agreement, the Department will go into the purchase requisition, delete the agreement template and attach the fully executed agreement with all the submittals, and the completed Submittal Form. The Department will notify Purchasing & Contracting via email that the process is complete. The purchase requisition will be converted into a purchase order within 24 hours of Department notification. The Purchase Order will not be mailed by Purchasing & Contracting but will be sent to the community development specialist at MS 56D. The Department will attach the purchase order to the award letter that CDBG must send out to the Agency.

To resolve pending issues the following will be done:

1. Comptrollers will set up accounting for the CDBG funds.
2. Department will process purchase requisitions for all pending Agencies. Since there are some situations with pending Agency agreements, the Department, Comptrollers, Purchasing & Contracting and the City Attorney will work to complete the pending Agency agreements no later than May 30 of each year in order that the next fiscal year will be clean.
3. No future payments shall be mailed on and IP for these Agencies.
4. The Department and Comptrollers will work to reduce the funding in SAP for the items that have been paid on IP.
5. Purchasing & Contracting will request a copy of the template for FY11 from City Attorney and review.

Recommendation: None required. Implementation complete

Signature delegation

In an effort to streamline the procurement process, the Purchasing & Contracting Department proposes, under existing As-Needed Contracts, or Contracts containing Additional Services established under the original base Contract that are processed within Purchasing & Contracting, to delegate the execution of Task Orders/Authorizations to Department Directors, as appropriate.

An additional element for consideration could be to grant Department Directors the authority to execute contracts up to \$100,000 for which Department Directors, and their staffs, will be fully responsible for the assembly and processing of the contract documents that must comply with the established procurement policies/procedures for A&E Consultant Contracts, and Public Works Construction Contracts contained herein as Attachment No. 1.

***Recommendation:** Upon receiving approval from the City Attorney and senior management to implement this new policy, develop standard documents, procedures, and training. The current signature delegation memorandum is attached as Attachment No. 3.*

RFP scoring

For “best value” procurements, P&C has replaced the adjectival rating system with a point-based RFP evaluation system. This has reduced two sequential steps (technical evaluation followed by price evaluation) into one step and is reducing processing time on RFP evaluation by at least 25%.

***Recommendation:** None required. Implementation complete*

e-procurement

Modern procurement organizations leverage technology and the internet to gain efficiency.

***Recommendation:** At a minimum, the City’s P&C function is adopting the following technology-drive best practices for procurement within the next five months:*

- *On-line business self-registration*
- *Electronic lock box for submitting bids*
- *Ability to push out procurements electronically*
- *Reverse auction.*

Results

By using the SAP embedded best practice process to replace 1544 and PA 2625 approvals, the following benefits accrue:

- Initial funding source validation
- Streamline process with a minimum of a 50 day savings (project initiation to award)
- Build positive relationship with the contractor/vendor community
- Bonding capacity enhancement
- Citywide savings of staff review time

Overall the efforts described in this report have the following results:

- Streamlined RFP document (maximum limit of 20 pages) – easier RFP review for potential bidders
- Point-based RFP system – speeds up proposal evaluation by reducing the two step process into one
- CDBG contract process improvements – reduced contract award durations by two to four months
- Minimum posting times – could reduce advertising/bid posting process by up to 10 days
- Standardized language – quicker RFP generation
- Maximized use of OneSD – many potential savings, the most immediately identifiable of which is the 50 day savings as a result of using SAP to replace 1544 and PA 2625 approvals
- e-procurement – to be determined
- Subcontractor/socio-economic outreach – 22 days
- Enforcement of 10-day insurance requirement – up to several weeks, depending on the circumstances

Depending on the nature of the item or service being procured, and if all of the recommendations herein are approved, the time savings could range from 30 to 90 days in the contracting/procurement process.

ATTACHMENT NO. 1

**PROCEDURES FOR A&E CONSULTANT CONTRACTS, AND
PUBLIC WORKS CONSTRUCTION CONTRACTS**

A&E CONSULTANT CONTRACTS:

1. Originating Department shall submit a fully funded requisition to the Purchasing & Contracting Department for review.
2. Originating Department shall develop the Scope of Work.
3. Originating Department shall be responsible for identifying all funding sources (i.e., State and/or Federal) and obtaining from the appropriate funding source all contracting language and/or procurement requirements stipulated by the funding source in order to ensure City meets all procurement requirements so as to satisfy funding agency and be able to withstand any/all audits by funding agency.
4. Originating Department shall coordinate with the Consultant Services Coordinator (CSC) of the Purchasing & Contracting Department to obtain:
 - a. Project Request Form to be completed by Originating Department and returned to CSC.
 - b. CSC will provide appropriate Boilerplate Contract Document based on information provided in Project Request Form.
5. Originating Department shall be responsible for addressing all project specific information/requirements needed to complete the Boilerplate RFP and/or Contract Document.
6. Originating Department will route a “master-markup” copy to EOCP for review of required EOCP language. “Master-markup” will also be routed to Purchasing & Contracting Department (P&C) to ensure contract documents do not contain requirements contrary to public laws and/or policy (ies).
7. Originating Department shall be responsible for identifying dates for pre-proposal conferences, pre-proposal work-site visits and proposal due dates.
8. Originating Department shall use the established Emerging Local Business Enterprise (ELBE) list to issue the Request for Proposal.
 - a. Notice shall be sent to those firms qualified and listed on existing roster established and maintained by EOCP.
 - b. Originating Department shall also be responsible for distributing the RFP to interested proposers and maintaining a RFP holders list.
 - c. If there are no qualified ELBE’s to solicit from, project shall be publicly advertised in the San Diego Daily Transcript.

9. Originating Department shall be responsible for conducting pre-bid conferences/site visits and maintaining a sign-in sheet for the pre-bid conference.
 - a. Any mandatory pre-bid conferences shall be closely monitored to ensure no firms are admitted after the start time of the conference. Attending firms shall sign in order to be considered responsive.
10. Originating Department shall be responsible for evaluating questions received prior to proposal submittal to determine whether addenda need to be issued.
 - a. ANY addenda issued that address the Scope of Work or materiality of the RFP shall also extend the bid opening date to ensure 10 calendar days remain between the date of issue (counting starts the following day) and the proposal submittal date.
 - b. Any questions the Originating Department answers shall be disseminated in writing in the form of an Addendum to all RFP-holders of record. Verbal answers are not binding and shall be avoided.
11. Originating Department shall be responsible for receiving proposals which shall be date/time stamped and initialed by person receiving the proposal.
 - a. NO proposals shall be accepted after the date/time noted in the RFP. These proposals are non-responsive and shall not be considered. Proposals received after date/time shall be returned to the proposer unopened.
 - b. Subsequent to the proposal submittal, the Originating Department shall be responsible for:
 - i. Verifying proposal does not exceed the page count specified in the RFP.
 - ii. Verifying all addenda have been acknowledged.
 - iii. Reviewing and addressing exceptions to the RFP and/or draft agreement.
 - iv. Verifying that bidders are qualified and listed (at time of bid) as an ELBE contractor (verify with EOCP).
 - v. Verify that all selected consultants have no history of business/performance practices that resulted in them being debarred or suspended from doing work for the Federal government, State of California, or City of San Diego. This applies to all contracts issued by the City of San Diego, and all three verifications must be performed for each contract issued. The verification information is available at the following: for the Federal government (Excluded Parties List System), www.epls.gov; for the State of California (DSLE Debarment), www.dir.ca.gov/dlse/debar.htm; and for the City of San Diego, contact the Purchasing & Contracting Department, Principal Contract Specialist. Results of this search shall be printed and retained in the project folder.
 - vi. The Originating Department shall not allow proposers to make corrections to their proposals once the proposals have been submitted.

- vii. The Originating Department shall be responsible for resolving any/all protests that may arise.
 - c. Upon EOCP's review and determination that the proposers complied with any outreach requirements, the Originating Department shall begin interviewing the proposers.
- 12. The Originating Department shall be responsible for receipt of signed contracts and insurance from the selected proposer.
 - a. Originating Department shall be responsible for verifying all insurance requirements have been met including all endorsements have been provided.
- 13. The Originating Department shall make award recommendations to P&C.
- 14. P&C shall award the contract, issue the Purchase Order and issue the Notice to Proceed.
- 15. The Originating Department shall be responsible for the oversight of the contract through its completion.
- 16. The Originating Department shall be responsible for the timely issuance and execution of Contract Amendments.
- 17. The Originating Department shall be responsible for creating and maintaining a project folder for the contract. The folder shall be retained as required by the City's records retention policy.

PUBLIC WORKS CONSTRUCTION CONTRACTS:

1. Originating Department shall submit a fully funded requisition to the Purchasing & Contracting Department for review.
2. Originating Department shall develop the Scope of Work.
3. Originating Department shall be responsible for identifying the appropriate California Contractors License required of the Contractor.
4. Originating Department shall be responsible for identifying all funding sources (i.e., State and/or Federal) and obtaining from the appropriate funding source all contracting language and/or procurement requirements stipulated by the funding source in order to ensure City meets all procurement requirements so as to satisfy funding agency and be able to withstand any/all audits by funding agency.
5. Originating Department shall coordinate with the Contracts Processing Clerks Section (CPC's) of the Engineering & Capital Projects Department to obtain:
 - a. Project Information Sheet to be completed by Originating Department and returned to CPC's.
 - b. CPC's will provide appropriate Boilerplate Contract Document based on information provided in Project Information Sheet.
6. Originating Department shall be responsible for addressing all project specific information/requirements needed to complete the Boilerplate Contract Document.

7. Once project specific information/requirements are completed, return Boilerplate Contract Document to CPC's for final editing.
8. CPC's will route a "master-markup" copy to Originating Department for review after which "master-markup" will be routed to EOCP for review of required EOCP language. "Master-markup" will also be routed to Purchasing & Contracting Department (P&C) to ensure contract documents do not contain requirements contrary to public laws and/or policy(ies).
9. Originating Department shall be responsible for identifying dates for pre-bid conferences, pre-bid work-site visits and bid opening and provide same to CPC's who will insert dates into the Contract Document.
10. Originating Department shall use the established Emerging Local Business Enterprise (ELBE) list to issue the Request for Bids.
 - a. Notice shall be sent to those firms qualified and listed on existing roster established and maintained by EOCP.
 - b. Notice shall be sent to those firms holding the required Contractors License.
 - c. Originating Department shall also be responsible for uploading notice and contract documents (PDF) to E-Bidboard.
 - d. If there are no qualified ELBE's to solicit from, project shall be publicly advertised in the San Diego Daily Transcript.
11. Originating Department shall be responsible for conducting pre-bid conferences/site visits and maintaining a sign-in sheet for the pre-bid conference.
 - a. Any mandatory pre-bid conferences shall be closely monitored to ensure no firms are admitted after the start time of the conference. Attending firms shall sign in order to be considered responsive.
12. Originating Department shall be responsible for evaluating questions received prior to bid opening to determine whether addenda need to be issued.
 - a. ANY addenda issued that address the Scope of Work or materiality of the bid shall also extend the bid opening date to ensure 10 calendar days remain between the date of issue (counting starts the following day) and bid opening date.
 - b. Any questions the Originating Department answers shall be disseminated in writing in the form of an Addendum to all plan-holders of record (see plan-holders listed on E-Bidboard). Verbal answers are not binding and shall be avoided.
13. Originating Department shall be responsible for receiving bids which shall be date/time stamped and initialed by person receiving the bid.
 - a. NO bids shall be accepted after the date/time noted in the Notice Inviting Bids of the Contract Documents. These bids are non-responsive and shall not be considered. Bids received after date/time shall be returned to bidder unopened.
 - b. After the time for receipt of bids closes, bids shall be opened publicly with the Originating Department being responsible for and read aloud the following:

- i. Verifying bidder holds required license.
 - ii. Verifying bid bond submitted (when a bid bond is required).
 1. For contracts where bid bonds are required, bid missing said bond shall not be considered and set aside (as it is a non-responsive bid).
 - iii. Verifying bid is signed.
 - iv. Verifying all addenda have been acknowledged.
 - v. Read the total price bid.
 - vi. After all bids have been opened and read, announce the “apparent low bidder” and read listed subcontractors and suppliers listed in the bid of the apparent low bidder only.
 - vii. After conclusion of bid opening, make available for review any bids requested by those in attendance. Bidders may take notes while reviewing bids. Person opening bids shall remain in the room during this review. No copies will be provided to any bidder at this time.
- c. Subsequent to the bid opening, the Originating Department shall be responsible for:
- i. Verifying all bidders hold the appropriate license and that said license is in good standing via verification with California Contractors State License Board at www.cslb.ca.gov . Any bidder whose license is not valid on day of bid shall be considered non-responsive and notified of such a determination.
 - ii. Verifying that bidders are qualified and listed (at time of bid) as an ELBE contractor (verify with EOCP).
 - iii. Verify that bidders have complied with City’s Prequalification Program and are appropriately listed (verify with Michele Haines/Dave Stuckey).
 - iv. Verify that all selected contractors have no history of business/performance practices that resulted in them being debarred or suspended from doing work for the Federal government, State of California, or City of San Diego. This applies to all contracts issued by the City of San Diego, and all three verifications must be performed for each contract issued. The verification information is available at the following: for the Federal government (Excluded Parties List System), www.epis.gov; for the State of California (DSLE Debarment), www.dir.ca.gov/dlse/debar.htm; and for the City of San Diego, contact the Purchasing & Contracting Department, Principal Contract Specialist. Results of this search shall be printed and retained in the project folder.
 - v. Tabulate all bids to ensure bid extensions and total(s) have been added appropriately. (City staff that makes any corrections as a result of the bid tabulation shall enter corrections using pencil and initial the correction.

- vi. Verify any corrections made by bidders have been initialed. Any changes/corrections by bidders that have not been initialed shall result in the bid being declared non-responsive and ineligible for further consideration with the bidder being notified in writing as to the determination.
 - vii. Verify that bidders have not subcontracted work to the extent that the bidder will not be able to achieve the self-perform requirements set forth in the Contract Documents.
 - viii. The Originating Department shall not allow bidders to make corrections to their bids once the bids have been opened.
 - 1. In the event a bidder claims an error in their bid, the Originating Department's only recourse will be to allow the bidder to be relieved of their bid.
 - ix. The Originating Department shall be responsible for resolving any/all bid protests that may arise.
 - d. Upon EOCP's review and determination that the apparent low bidder has complied with any outreach requirements, the Originating Department shall issue a Notice of Intent to Award (includes 3 original contract documents) to the apparent low bidder who will sign contracts and provide appropriate bonds and required insurance documentation.
14. The Originating Department shall be responsible for receipt of signed contracts, bonds and insurance from the contractor.
- a. Originating Department shall be responsible for verifying acceptable bonds have been submitted and verifying all insurance requirements have been met including all endorsements have been provided.
15. The Originating Department shall make award recommendations to P&C.
16. P&C shall award the contract, issue the Purchase Order and issue the Notice to Proceed.
17. The Originating Department shall be responsible for the oversight of the contract through its completion.
18. The Originating Department shall be responsible for the timely issuance and execution of Change Orders.
19. The Originating Department shall be responsible for the issuance of the Notice of Completion and routing of same to the City Clerk's office.
20. The Originating Department shall be responsible for creating and maintaining a project folder for the contract. File shall be retained for a period ten years following recording of the Notice of Completion by the County of San Diego.

ATTACHMENT 2 MACC PROCESS SUMMARY

INTRODUCTION

Multiple Award Construction Contract (MACC) which is used extensively by the US Navy is an alternative method of project delivery to the City's normal process which is Design-Bid-Build process.

A MACC is a contract awarded from a single solicitation that may result in award to multiple Contractors e.g., 5 contracts valued at several \$M each. It is an indefinite delivery indefinite quantity (IDIQ) contract with no pre-established fixed contract prices. The actual amount of work to be performed and the time of such performance will be determined by the City's Project Manager, who will issue written Task Orders to the contractor. Award of Task Orders will be on a firm fixed price basis and comes with pre-established Task Order limits.

This procurement uses the 2-phase Design-Build selection procedures and consists of one solicitation covering both phases with the intent to award 3 or more IDIQ Contracts to the Design-Builders whose Proposals, conforming to the RFP, will be most advantageous to the City resulting in the Best Value, cost or price and other factors considered.

The City would then award multiple Design-Build contracts. Each contract would have a minimum guaranteed amount of business e.g., 1 task at a minimum value of \$50,000. The City may award only 1 contract covering the project identified in the RFP (i.e., "Seed Project") if the minimum guarantee of funds is not available for 3 or more awards.

Under a MACC contract, the same entity (i.e., Design-Builder) provides both engineering design and construction services for the Project. Consequently, the City's oversight role particularly during design consists of monitoring and auditing progress, interpreting contract requirements, and verifying design compliance with contract requirements. The Design-Builder is the Engineer of Record/Work and responsible for delivery of a complete product i.e., Project design and construction.

Typical Steps	
1	CITY ISSUES RFQ
2	DESIGN-BUILDERS SUBMIT SOQs
3	CITY SHORTLISTS THE SOQs AND ISSUES RFP FOR THE "SEED PROJECT"
4	BIDDERS SUBMIT PROPOSALS
5	CITY SELECTS THE BEST PROPOSALS AND AWARDS 3 OR MORE CONTRACTS
6	THE 1 ST DESIGN-BUILDER BUILDS THE SEED PROJECT
7	CITY ISSUES ADDITIONAL RFP(S) FOR ADDITIONAL TASK(S) AS-NEEDED TO THE 3 OR MORE CONTRACTORS FROM STEP5
8	CITY SELECTS THE BEST OFFER AND AWARDS THE TASK
9	DESIGN-BUILDER BUILDS THE TASK ORDER
10	REPEAT STEP 6 AND 7 UNTIL THE CONTRACT TIME OR BUDGET IS DEPLETED

DECISION

The City of San Diego has over 6,500 miles of aging Water and Sewer main servicing millions of citizens. Many of these mains have or soon will be exceeding their useful life (50-70 years depending on material and other factors). The Public Utilities Department estimates that soon the City will need to replace/rehabilitate 60 miles of water main and 60 miles of sewer main to keep up with the aging of the systems. The replacement/rehabilitation of these mains will be executed through the City's Capital Improvement Program. Typically, the planning, design, award, and construction of Capital Improvement Projects can be lengthy and labor intensive. Therefore, the City is looking for alternative delivery methods e.g., MACC to meet this increased demand to replace/rehabilitate water and sewer mains.

COMPETITION

Public contracting laws require the award of contracts in a competitive process that is not necessarily a "low-bid" one only. For Design-Bid-Build contracts, the pre-qualified Bidders compete on price element only. For MACC contracts, the prequalified and shortlisted bidders compete 2 times; once during RFP stage for the "Seed Project" and again for each Task Order in more than one area because the value of the Proposal is no longer limited to price alone; it includes multiple elements e.g. technical proposal, management plan, EOCP commitment level, etc.

SELECTION & AWARD

The Bidders are required to submit their Price Proposal (in sealed envelope) and Non-price Proposal separately.

There are several industry (i.e., DBIA) accepted selection formulas. The City uses a few:

1. **Weighted Criteria:** Weights are assigned to the selection criteria e.g., 65% for Price and 35% for Non-price factors). The winner is the one with the highest score.
2. **Adjusted Low Bid:** Price is adjusted by the non-price criteria by dividing the Price Score by the Non-price Score).
3. **Best Value:** Fixed price Bids are compared using non-price criteria e.g., technical and design concept proposed.
4. **Meet Criteria/Low Bid:** Price Bids are compared for technical proposals that meet certain minimum criteria.

The City's standard RFQ and RFP "boiler specifications" describe the selection and award process and the scoring system in details so that the potential Design-Builders know where to concentrate their competition efforts prior to Bid submittals.

Usually a group of City staff and sometimes invitees from other agencies form a review panel who evaluate the Non-price submittals i.e., Statement of Qualifications (SOQ) and Proposals using a point system. Following is an example:

<u>Criteria</u>	<u>Maximum Points</u>
Executive Summary	5
Project Team	10
Technical Approach/Design Concept	25
Construction Plan	10
Project Challenges/Issues	10
Community Outreach	5
EOCP Commitment	25
Presentation/Interview	10
<u>Reference Checks</u>	<u>5</u>
Total Points	105

The review panel then sends the evaluation results to the Purchasing & Contracting Department who will then open the sealed Price information for completing the evaluation process in a scheduled public meeting.

The results are submitted to the Mayor or designee (typically the E&CP's Director) who will make the final selection of the best team with the highest value to award the Contract or the Task Order to.

ATTACHMENT 3
DESIGNATION OF AUTHORITY MEMORANDUM
Dated August 23, 2010



THE CITY OF SAN DIEGO
MAYOR JERRY SANDERS

Nov. 17
2010
Turned in to
City Clerk
Deno

M E M O R A N D U M

DATE: August 5, 2010
TO: Department Heads
FROM: Mayor Jerry Sanders
SUBJECT: Designation of Authority

Effective February 1, 2010, in accordance with San Diego City Charter section 260(b), all executive authority, power and responsibilities conferred on the City Manager in Article V, Article VII and Article IX of the San Diego City Charter have been transferred to, assumed and are to be carried out by the Mayor. Pursuant to San Diego City Charter; Article V, section 28, the Mayor has the duty to supervise the administrative affairs of the City, including the duty to execute all contracts for the departments under his control. Section 28 further provides that the Mayor may designate persons for the purpose of carrying out these duties.

Pursuant to San Diego Charter sections 28 and 260(b), the persons holding the positions identified in Attachment I are hereby designated the authority to request and authorize all contracts and other related documents which are the designated responsibility of the Mayor for the City of San Diego. **Positions listed in Category I have the authority to execute (sign and award) contracts.** The persons holding the positions in the Purchasing and Contracting Department identified in Attachment II are also authorized to execute (sign and award) contracts and other documents specified for the City of San Diego at the levels identified. Listed in the following page is a chart describing authority categories and related documents.

As used in this memorandum, the authority to "request and authorize" means the authority to initiate and negotiate a contract, lease, or other document or amendment thereto. "Request and authorize" does not include authority to execute or sign the document on behalf of the City or otherwise bind the City to any obligation. No contract, lease, or other document is effective or enforceable unless it is executed by the Mayor or his designee as set forth in this memorandum. Defects in authority to "request and authorize" shall not render a contract, lease, or other document void or unenforceable provided that the Mayor or his designee executes the document in accordance with this memorandum.

All designations of authority shall vest in the position, not the person holding the position, should the appointment to the position change pursuant to Charter section 29. Attachment III provides the names and signatures of the individuals currently holding these positions. Attachment IV provides a summary of these authorizing contract limits. This memorandum supersedes all prior Designation of Authority memos issued under my signature with the exception of the following attachments, which will remain in effect: (Attachments A); Signature Authority – Authorization to Sign Leases (dated May 20, 2009, Attachment B); Signature Authority – Sale of approved City Real Estate Assets (dated May 20, 2009, Attachment C); Designation of Authority to Sign Grant Applications and Associated Documents (dated August 28, 2009, Attachment D); and Designation of Authority to Sign Change Orders and Escrow Agreements for all Construction Public Works Contracts (dated August 24, 2009, Attachment E); Letter addressed to Erwin Gojuangco – Caltrans Assistant Engineer (dated August 11, 2009 Attachment F).

Category I	<ul style="list-style-type: none"> a) Authority to request, authorize and execute any contract, lease, or other document or amendment thereto, subject to any required Council approval. The Purchasing Department Director/Purchasing Agent's authority is limited to up to \$4,000,000 in value. b) Any authority delegated to all Categories.
Category II	<ul style="list-style-type: none"> a) Authority to request and authorize contracts, leases, and other documents and amendments thereto up to \$500,000 in value, subject to any required Council approval. b) Any authority delegated to Categories III, V.
Category III	<ul style="list-style-type: none"> a) Authority to request and authorize contracts, leases, and other documents and amendments thereto up to \$250,000 in value, subject to any required Council approval. b) Authority to execute all right of entry permits involving no expenditure of City funds; c) Authority to execute Park and Recreation Special Use Permits involving no expenditure of City funds; d) Any authority delegated to Categories V, VI.
Category IV	<ul style="list-style-type: none"> a) Authority to request, authorize, and execute any change order or contract amendment to public works construction contracts up to \$200,000 in value, subject to any required Council approval. b) Authority to execute all escrow agreements requested by the Prime Contractor under section 22300 of the California Public Contract Code for all construction public works contracts.
Category V	<ul style="list-style-type: none"> a) Authority to request and authorize contracts, leases, and other documents and amendments thereto up to \$100,000 in value, subject to any required Council approval. b) Authority to execute Special Event Permits involving no expenditure of City funds; c) Authority to execute Qualcomm Stadium Use Permits involving no expenditure of City funds; d) Any authority delegated to Category VI.

Category VI	Authority to request and authorize contracts, leases, and other documents and amendments thereto up to \$50,000 in value, subject to any required Council approval.
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The dollar limits set forth in the above table apply to both the expenditure of City funds and to revenue generated for the City. Amendments and change orders are not considered cumulative, and each may be executed separately within these limits provided the cumulative value is within the amount authorized by City Council and the Municipal Code. Intentionally subdividing a contract, lease, amendment or change order into two or more documents to bring it within the authority of a particular category is prohibited.

Attachment I identifies the positions that fall into each category in the above table.
Attachment III includes the names and signatures of the individuals currently holding these positions.



Jerry Sanders
Mayor

- Attachments:
- I - Signature Authority Positions
 - II - Execution and Award Authority, Purchasing & Contracting Department
 - III - Signature Samples
 - IV - Contract Authorization Table
 - A - Designation of Authority to Sign Settlement Agreements, dated July 10, 2008
 - B - Signature Authority - Authorization to Sign Leases, dated May 20, 2009
 - C - Signature Authority - Sale of Approved City Real Estate Assets, dated May 20, 2009
 - D - Designation of Authority to Sign Grant Applications and Associated Documents, dated August 28, 2009
 - E - Designation of Authority to Sign Change Orders and Escrow Agreements for All Construction Public Works Contracts, dated August 24, 2009
 - F - Letter addressed to Erwin Gojuangco - Caltrans Assistant Engineer dated August 11, 2009.

cc Chief Operating Officer
Assistant Chief Operating Officer
City Clerk
City Attorney
Deputy Chief Operating Officer

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Streamlining our Contracting Process

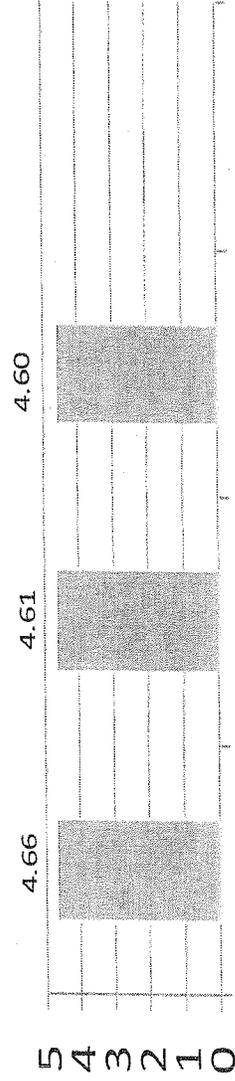
March 23, 2011



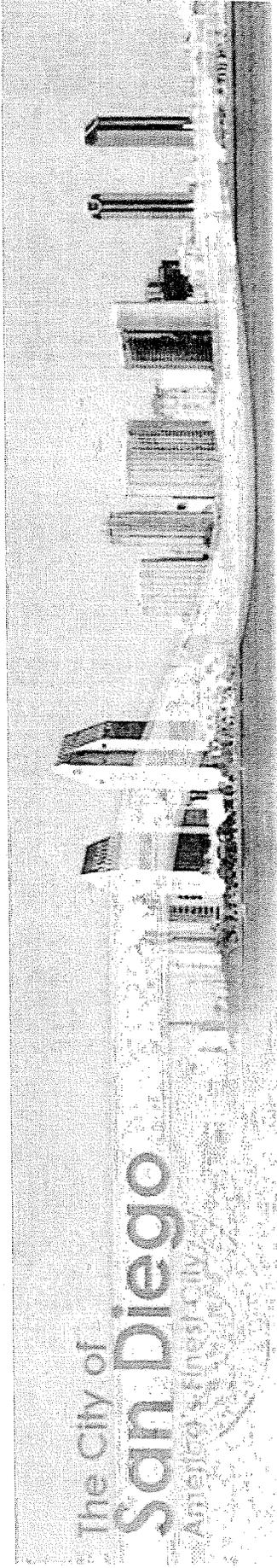
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Our Current Situation

- February, 2011 customer satisfaction remains high (4.6 on 5.0 scale); but...

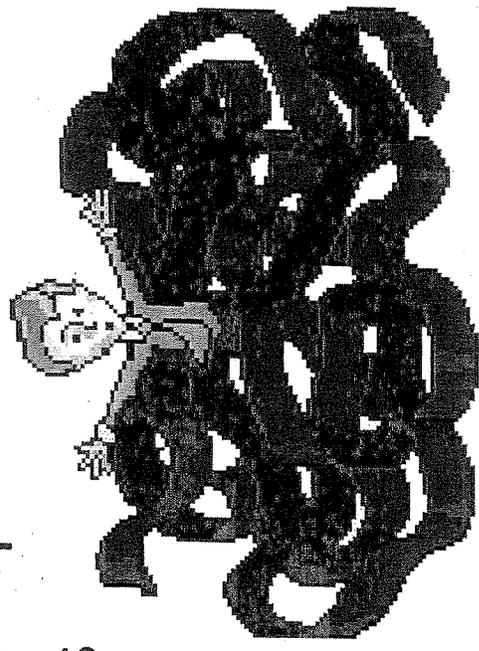


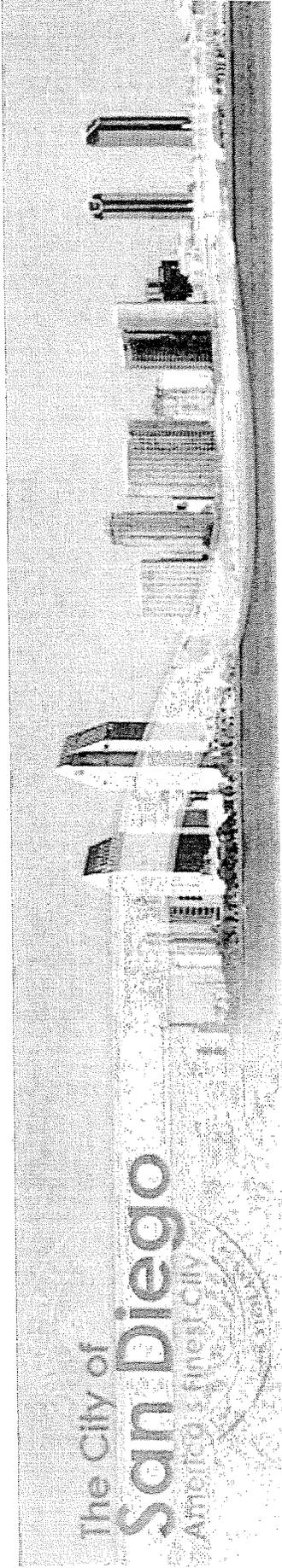
Feb. 2010 May, 2010 Feb, 2011



Our Current Situation

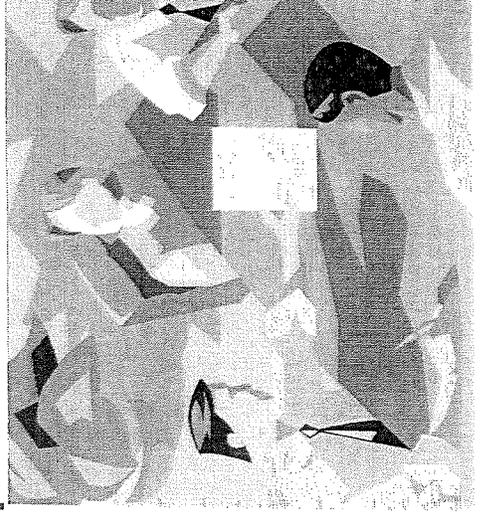
- We know we can reduce red tape and improve our cycle times





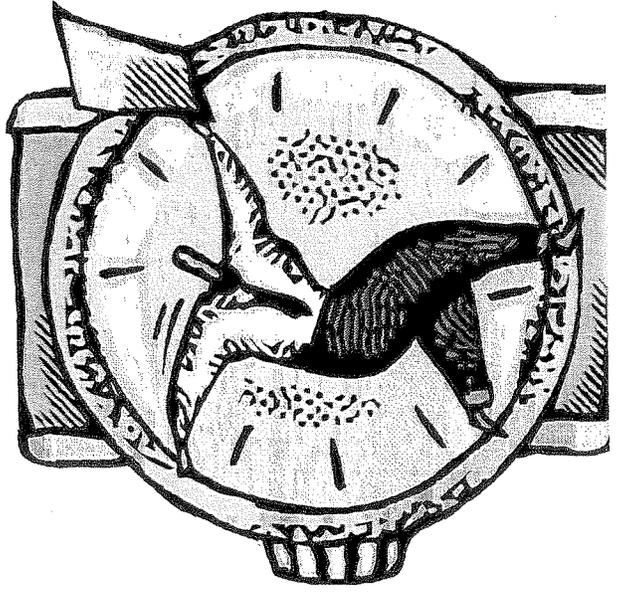
What We've Done So Far

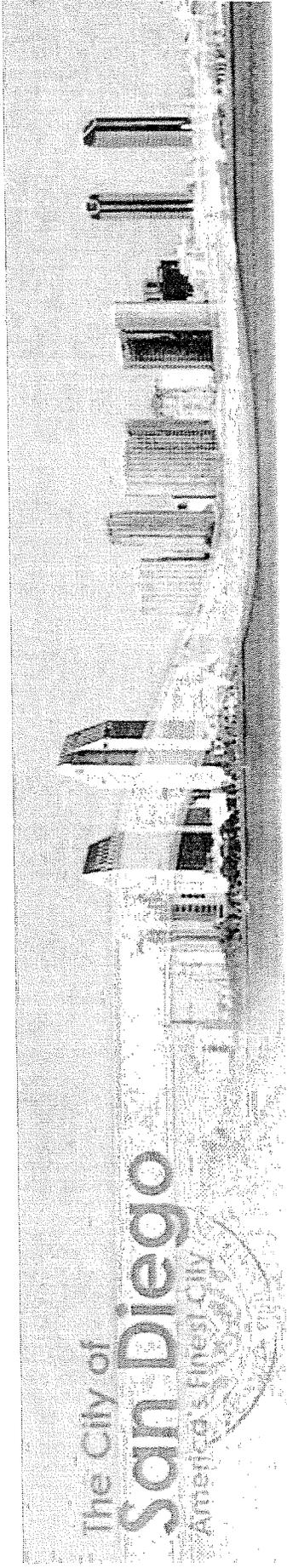
1. 2006 BPR and consolidation of most Purchasing & Contracting functions
2. 2009-2011 contracting reinvention study with 10 departments, facilitated by Business Office



Contracting Improvements Made

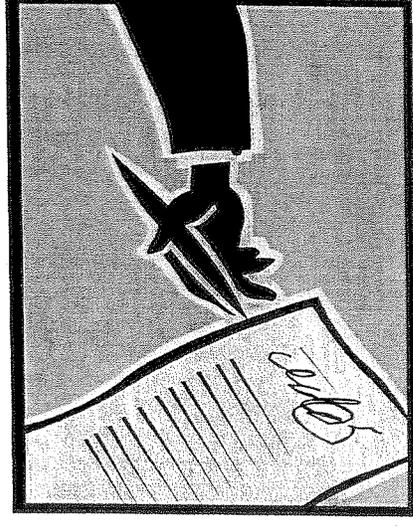
1. Defined process ownership for all phases of contracting
2. Enforcing a 10 calendar day deadline for submission of insurance endorsements

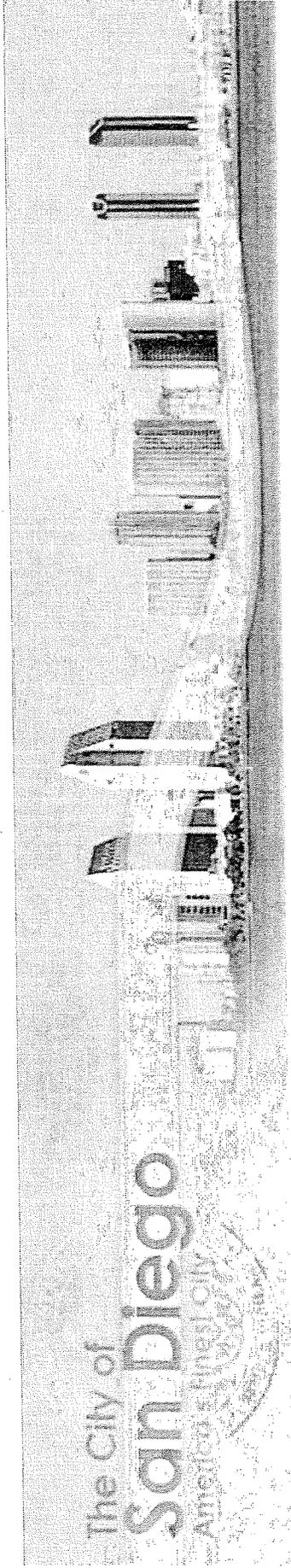




Contracting Improvements Made

3. Streamlined CDBG contract processing, reducing cycle time by 2 – 4 months
4. Streamlined and standardized RFP document, reducing prep time and easing review by bidders



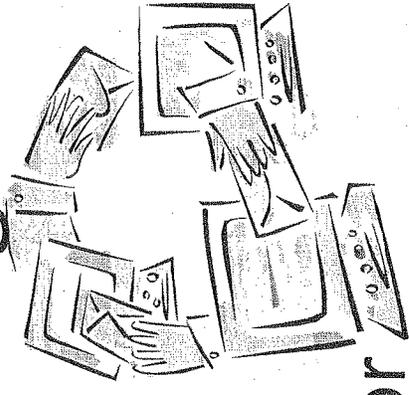


Contracting Improvements Made

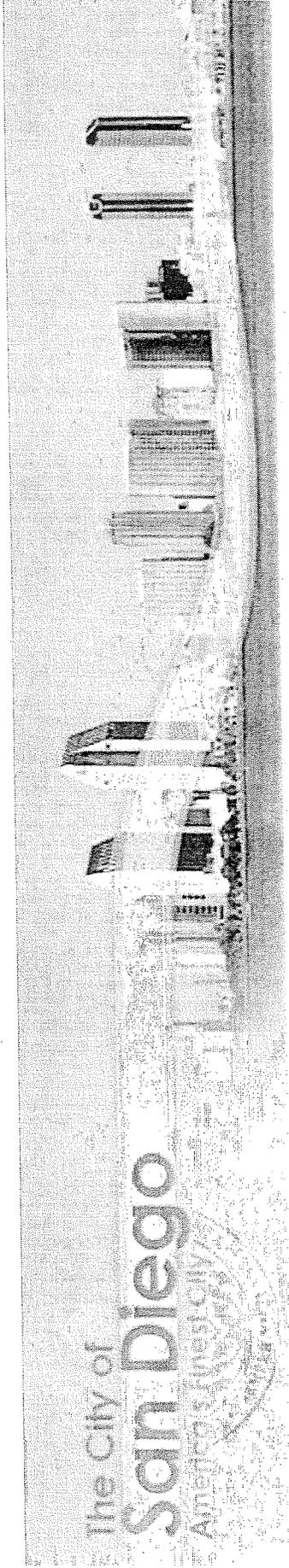
5. Subcontractor outreach efforts
6. Point-based RFP response evaluations, reducing time and improving transparency
7. Increased use of cooperative purchasing agreements, speeding procurements by 90 – 150 days



Further Improvements Pending

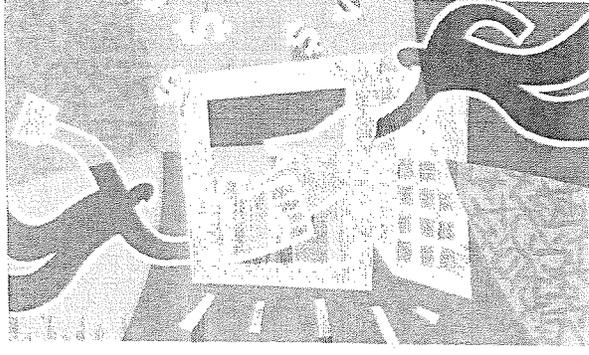


8. Replace manual contract routing with the SAP requisition approval process
9. Implement a 20 day posting period for proposals/bids
10. Use Multiple Award Construction Contracts, permitting multiple design-build awards from a single procurement



Further Improvements Pending

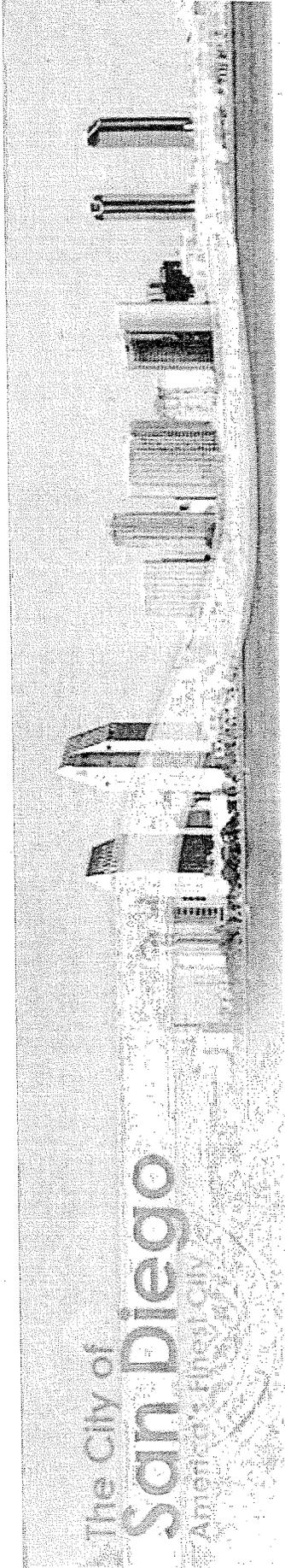
11. Use of "reverse auctions"
12. On-line business self-registration
13. Electronic lock-box for submitting bids
14. Pushing out procurements electronically





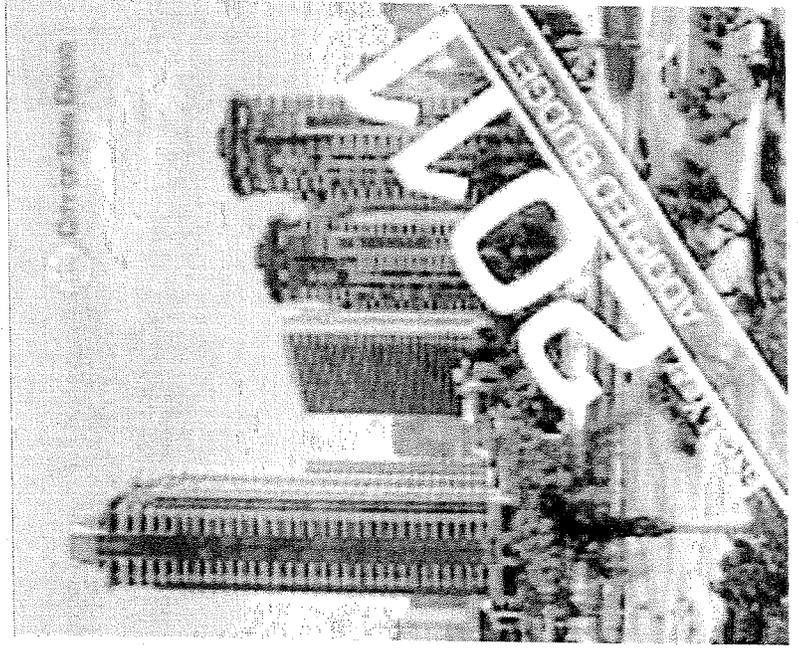
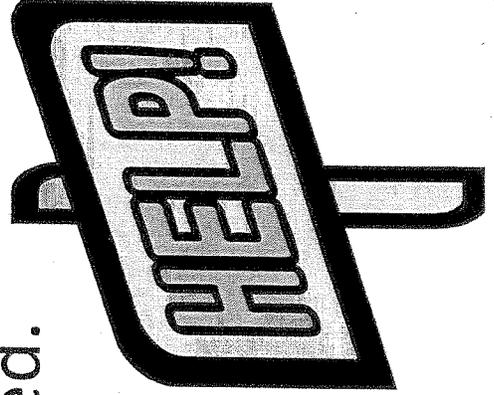
Further Improvements Pending

15. Eliminate the SCOPE program when sufficient # of firms are certified for small emerging/local business enterprise (SLBE) program
16. Delegate Mayoral authority to Directors to execute contracts up to \$100K, if they comply with all procurement policies/procedures.



How the Council Can Help

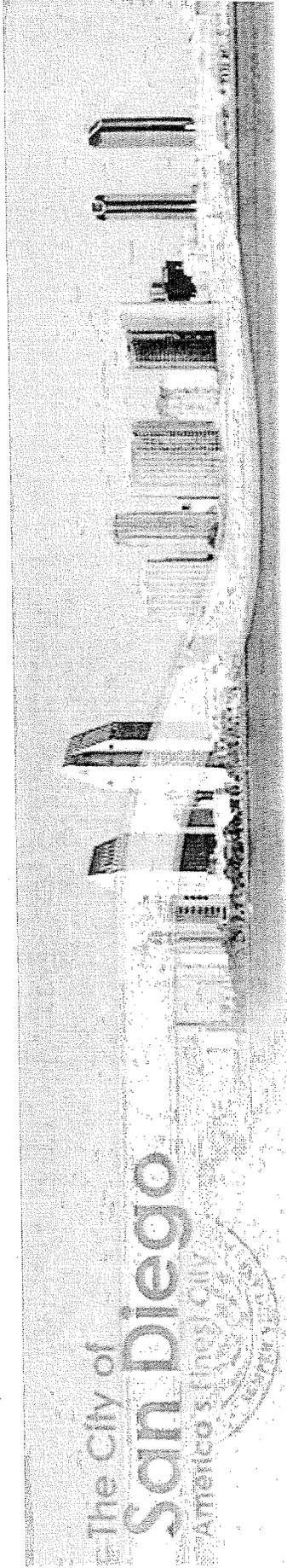
1. Increase thresholds for awarding contracts if they are budgeted.



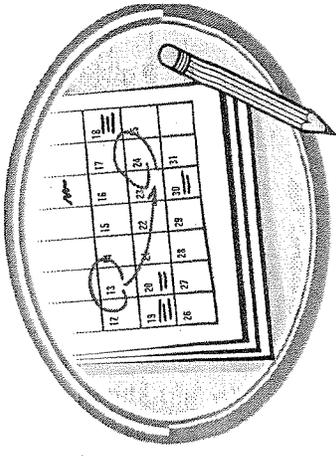
Proposed New Approval Thresholds*

Type of Contract	Current (1998) Threshold	Recommended Threshold*
Consultants	\$250,000	\$500,000
Goods & services (professional & non- professional)	\$1,000,000	\$2,000,000
Non-profit organizations	\$500,000	\$1,000,000
Public works projects	\$1,000,000	No limit if approved in CIP

* These values will be inflation-adjusted in future years in accordance with Council Policy 100-13



Rationale for New Approval Thresholds



- Would speed up contract awards by about two months
- Council has already approved the projects and contracts in the budget or CIP
- Council does not have the authority to select different bidders; can only reject all or cancel the project

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1850



Questions?

