



THE CITY OF SAN DIEGO  
**REPORT TO THE CITY COUNCIL**

DATE ISSUED: March 2, 2012 REPORT NO: 12-026  
ATTENTION: Council President Tony Young and Members of the Rules Committee  
SUBJECT: Update on Purchasing and Contracting Improvements and Streamlining Efforts  
REFERENCE:

REQUESTED ACTION: Information Report

STAFF RECOMMENDATION: No Action required on the part of the Committee

SUMMARY: The Purchasing and Contracting Department is a department in transition. Despite a number of challenges over the course of the last two years, the department has implemented a number of improvements and has identified several opportunities to further improve the functioning of the department in meeting the procurement needs of the City. This update provides a summary of these accomplishments and highlights the initiatives that will be the focus of the department's workplan over the coming months.

Accomplishments

Managed Competitions:

Purchasing and Contracting staff has supported the successful execution of three managed competitions, most recently including Street Sweeping services. The Landfill Operations and Maintenance Competition is currently underway.

IT Procurement Matriculation:

In 2011 the City made the strategic decision to transfer IT procurement activity being done on the City's behalf by SDDPC to the City's Purchasing and Contracting Department. This transition was successfully completed as of January 1, 2012. Involved activity totals over \$20 million and includes 273 maintenance/software license agreements and 31 service/consultant contracts. 143 different vendors provide services to 24 City departments and programs.

Process improvements:

- Terms and Conditions have been standardized and a streamlined RFP template which is less than 20 pages (compared to the previous model, which was over 100 pages) has been developed and implemented

- P&C is enforcing the “10 calendar day” time period for delivery of bonds and insurance documentation, except when federal funding requires that awards be made to the lowest bidder. This will ensure timely submission of insurance endorsements,
- 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%.
- The contracting process for CDBG contracts has been redesigned and streamlined saving months and improving customer service
- The department has begun using “virtual” web-based pre-proposal conferences on selected procurements, which is more convenient for prospective bidders and provides a better record of the activities during the pre-proposal conference.
- The department implemented an electronic bidder registration system, without cost to the City
- The department has increased its use of cooperative purchasing agreements, which represents the fastest means of procuring goods and services for the City
- Five warehouses have been consolidated into three, saving money and improving accountability for inventories

#### Opportunities & Initiatives Underway:

##### Staffing:

The Department has concluded an aggressive recruiting effort which has culminated in the selection of Jeffery Baer, from the City of Portland, as the new Director of Purchasing and Contracting. Jeffery has extensive experience in government procurement and business operations and holds several professional procurement certifications. In addition, the department has restored full staffing including 3 senior level positions who will play a critical role in the strategic assessment and development of staff and initiatives to improve department performance. This will emphasize proactively working with City departments to reduce costs through improved definition of requirements, improved contract management and utilization of Cooperative contracting opportunities when appropriate. Resources will also focus on outreach to the vendor community to increase awareness of opportunities to do business with the City.

##### MRO – Maintenance Operations and Repair Program:

The MRO program was implemented in large part to address the procurement challenges associated with the elimination of City wide purchase orders. The program was structured around a market basket of 600 items used across City departments. Based on the first two quarters of operations, achieving the anticipated savings will require retuning of the program. P&C staff is meeting with City departments and the vendors to identify the possible expansion of

the market basket of items, opportunities to improve local sourcing and development of guidelines for when procurement through MRO may not be the most cost effective option.

**Procurement System Analysis:**

The department currently utilizes several software applications for different portions of the procurement process such as vendor registration, posting of bidding/RFP documents, tracking awards and processing the associated requisition and purchase order documents. Other City departments also have activities and interests in these areas, including Public Works Contracting staff who utilize E-Bid Board and EOC staff who maintain a vendor registration system. P&C is undertaking an analysis of current and optimal procurement and vendor/supplier management practices and will compare these with the features and capabilities of the available system alternatives (including DemandStar and the SRM module of SAP. The resulting cost/benefit analysis will provide the foundation for selection and implementation of a system that best meets the City and community's needs, from vendor registration to procurement processing to payment processing to contract management. The attachment provides summary statistics on the level of procurement activity processed through DemandStar since system implementation.

**Performance Measurement and Management:**

P&C staff is researching industry standard performance metrics to be implemented as part of an overall performance measurement, management and improvement initiative. Simultaneously, the department is working expeditiously with ERP staff to address issues identified with current SAP reporting tools. The objective is to develop dashboards of critical procurement data which will be available to and utilized by all procurement staff to most effectively manage the workload and to proactively anticipate and address issues or problems. Measurement and improvement of customer feedback will remain a critical element of the department's performance management program.

**Delivery System Restructuring:**

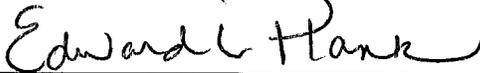
Based on the results of a recent Business Process Re-engineering effort, P&C is overseeing the consolidation of Inter-Office and Delivery Services across the City organization. Delivery services currently being provided by staff from Fire, Police, Library and the Central Mail Room will be performed by a unified but streamlined and more cost effective delivery operation housed at a retrofitted facility at 20<sup>th</sup> and B.

FISCAL CONSIDERATIONS:

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

KEY STAKEHOLDERS AND PROJECTED IMPACTS:



Originating Department



Deputy Chief/Chief Operating Officer

## **Attachment 1 - DEMANDSTAR ACTIVITY SUMMARY**

In June 2011, the DemandStar system became operational, at no cost to the City, and provides the following:

- On-Line Electronic Vendor Registration
- One Agency Free Subscription- No cost vendor registration if vendor uses the City of San Diego as its one free subscription
- Targeted Outreach
- Supplemental Supplier- If a vendor is not a member of the DemandStar Onvia system, the City can add the vendor who will then receive the electronic notification
- Information on which firms are utilizing the system

### **DEMANDSTAR PERFORMANCE ANALYSIS:**

- System Performance  
Initiated June 17, 2011
  - 124 procurements uploaded
  - 40 per month
  - 16,200 contacts made
  - 1880 plan specification downloads
- Planholder / Vendor Profile
  - 1190 Unique business
  - 890 California businesses
  - 680 San Diego Region SDC, LAC, ORC, RC, SBC businesses
  - 280 San Diego businesses
- Preliminary Assessment
  - Pros
    - No software or staff cost to City
    - Well supported
    - Easy to learn and use for both City and Client
    - Wide Distribution
    - Industry Standard
  - Cons
    - Vendor Cost to participate
    - Limited reporting capability
    - No data ownership
    - Doesn't meet all data needs (EOCP Reporting Functionality)