



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: October 29, 2014 REPORT NO: 14-062

ATTENTION: Budget and Government Efficiency Committee

SUBJECT: Proposed Additions to the Municipal Code Regarding the Approval of Electronic Transactions and Signatures in the Processing of Contracts for Consultants, Goods, Services, and Public Works.

REFERENCE: San Diego Municipal Code Chapter 2, Article 2, Division 30

REQUESTED ACTION:

Approve the addition of section 22.3020 to San Diego Municipal Code Chapter 2, Article 2, Division 30 relating to electronic transactions and signatures.

STAFF RECOMMENDATION:

Approve the Requested Action.

BACKGROUND:

The Purchasing and Contracting Department (P&C) and the Public Work Contracts Division (PWC) are responsible for administering the City's procurement and solicitation processes for securing goods and services, and construction and consultant services, respectively, which include architectural and engineering services. P&C and PWC have the responsibility of ensuring that the taxpayers' money is spent wisely - based upon a system of competitive bidding. This process is vital to maintaining public trust for a well-run and well-respected government for the residents of the City of San Diego. The need for the most efficient tools and methods to maximize competition while ensuring transparency are critical to achieving our long term goals.

Both P&C and PWC have brought forward streamlined measures to City Council – aimed at increasing internal efficiencies and effectiveness of their processes and operations. It is important to note that the rapidly evolving landscape of Information Technology directly affects the way in which P&C and PWC provide our procurement and solicitation services. The City of San Diego, just like the vast majority of public agencies, is realizing the significance of the benefits of the newer procurement approaches and digital tools that have been widely adopted in the industry.

Purchasing & Contracting, working in tandem with PWC, is in the process of implementing an E-procurement system and process for submitting bids electronically. "E-procurement" is a term that signifies replacing the paper-laden solicitation process with an electronic one. An E-

procurement system allows marketplace suppliers and providers the capability of logging-in to a web-based purchasing system, viewing an agency’s solicitations, and responding with their offers – all electronically. PlanetBids will be the City’s E-procurement system and will enable vendors and suppliers to submit responses to Invitations to Bid (ITB) and Requests for Proposal (RFP) electronically. The City will still continue to accept paper (hardcopy) bids from bidders who are unwilling or unable to submit them electronically. The implementation of the new E-procurement system (PlanetBids) provides significant benefits to our vendors, suppliers, and City departments:

- The cost and time related to preparing bids will be reduced.
- Vendors will have additional time to prepare and submit bids.
- Postal or overnight delivery costs will be eliminated.
- Suppliers will be able to view and edit their bid responses online up to the bid closing date and time.
- Access the history of all of bid responses online.

Jointly, P&C and PWC are requesting the addition of language into the San Diego Municipal Code that would allow for the electronic submission of bids, proposals, and related documents; and would allow for the electronic signature of contracts. The addition of this language will bring efficiency gains and benefits to the City of San Diego’s procurement and contracting processes.

In January of 2013, the City Attorney opined that the City could accept electronic bids and signatures if the technology selected met minimum State law regarding authentication requirements, that bids remain sealed until bid opening date and time, and that the transactions complied with all applicable laws, including the City Charter and the San Diego Municipal Code (SDMC). This last stipulation requires that changes be made to the SDMC which will allow for electronic submittals and electronic signing of contracts.

In January 2014 the City of San Diego went live with vendor registration within the City’s vendor management and bid notification system, PlanetBids. A phased roll-out plan was undertaken with a full implementation proposed for December 2014. Currently, there are over 3,800 registered vendors with the City and of these registered vendors, over 400 are prequalified for Capital Improvement Projects. The ongoing workload carried out by both departments, P&C and PWC, would benefit from the streamlining that a complete electronic bid management system would bring.

Division	Number of Planned Projects 2014/15 Fiscal Year
Purchasing and Contracting	254*
Public Works Contracts	170

*forecasting data from City departments provided to P&C

Full implementation of an electronic bid management system means that the system will have the capability to accept electronic signatures; the capability to receive bid and proposal submissions electronically; and the capability to verify that these submissions are authentic.

The Municipal Code currently specifies how all solicited bids and proposals are processed. Today, prospective bidders go to the City's bid notification system, view the scope of work or specifications, and download all the required documents online. Prospective bidders must then complete and submit all bid and proposal documents in a hard copy format by the bid due date for a public opening (reading) of the bid. The process is very manual, time consuming, and the abundance of touch-points creates opportunities for error. Though available technology has changed significantly from year to year, the methodology of our public procurement has not.

Researching the Best Practices

During the Summer of 2012, the Journal of Public Procurement published an article titled, "E-Procurement: Myth or Reality?" In it, the authors surveyed Government employees at various agencies and levels of jurisdiction as to the extent of e-procurement implemented within their respective agencies. The National Institute of Governmental Purchasing (NIGP) provided the names of over 2,000 Procurement Professionals to be surveyed across the country. Results of the survey showed that full implementation of E-procurement solutions in public agencies was underutilized. One of the conclusions drawn from the survey was that without a clear goal as an organization, implementation was not successful. Many agencies had partial solutions that were invested in or phased implementations that were never completed.

In the same study, results showed that the best implemented systems boasted benefits such as: reduced costs, better vendor-to-agency relationships, better documentation of the bidding process, and enhanced government transparency and accountability. The City of San Diego is poised to be an agency that has a best practice solution which is fully implemented and will gain from all associated benefits.

Complete Transparency

Transparency within a contracting arm of any public agency is critical. Electronic bid management will make it possible to achieve consistent transparency. By deploying state-of-the-art technology to obtain goods, services, construction and professional services, the city will be able to better disseminate ongoing procurement and solicitation actions while allowing greater access to the procurement process for professional firms, construction companies, suppliers, and the public.

Bids Remain Sealed Until Bid Deadline

When using the PlanetBids system, electronic bids are transmitted into the PlanetBids system via hypertext transfer protocol secure (https) mechanism using SSL 128-256 bit security certificates which encrypts data being transferred from client to server. Sensitive data such as pricing, passwords, and tax IDs are encrypted using server and database level master keys to ensure maximum level of security and performance. Only partial information about Bidders, such as electronic bid ID numbers generated by the system, the bidders' names, and times of submittal, is revealed to the public, the City and PlanetBids staff prior to bid deadline.

Verification of Authenticity

Bidders must register with PlanetBids and will be assigned a Digital ID in order to submit electronic bids. Once successfully registered, vendors will be assigned a Digital ID (a 5-digit PIN) in accordance with the California Government Code Section 16.5, Guidelines for Digital Signatures. The bidders will be required to enter their digital user name, password, and Digital ID number in order to be allowed to submit their electronic bids. PlanetBids will automatically track information submitted to the site including Internet Protocol (IP) addresses, browsers being used and the URLs from which information was submitted. In addition, PlanetBids will keep a history of every login instance including the time of login, the area of login and information about the user's computer configuration such as the operating system, browser type, version, and more.

Also, electronic bid management provides both the participating bidders and the agency protections and transactional monitoring that are undisputable.

Increased Competition

The use of technology can increase potential supplier's knowledge of, and access to open solicitations, thereby increasing competition, diversity, and inclusion.

Improved Audit Capabilities

Technology contributes to improved information flow and data collection resulting in improved auditing capability.

Minimizing Human Error

The proposed electronic bidding system is responsible for bid tabulations. When bids are received electronically the system ensures that the required bidding amounts are properly posted. The system then computes the correct extensions, subtotals and grand totals in the form of a spreadsheet. This eliminates the risk of over-sighted omissions and math errors from the bidder(s) input.

Reduced Number of Protests

Through electronic bid and vendor management, the City has the ability to see all transactions made in the system while a bid is in progress. Notifications for projects are sent out by predetermined commodity codes and licensing requirements are stated up front to ensure that unqualified vendors are not competing in solicitations that they cannot perform. Bidder activity is tracked from the initial viewing of the bid documents through the submission of a response. In other words, all transactions within the bid are traceable.

In addition, since the system ensures that appropriate pricing information and all other bid submittal requirements are submitted prior to acceptance of the bid or proposal, unnecessary protests will be avoided in the future for electronically submitted procurements and solicitations.

PROPOSED MUNICIPAL CODE ADDITIONS:

Attached to this report is a proposed new section of the Municipal Code Chapter 2, Article 2, Division 30 which would allow electronic transactions and signatures.

IMPACTS OF PROPOSED RECOMMENDATION TO DEPARTMENTS:

Implementing the proposed recommendations will ensure accuracy, transparency, and an overall smooth process of awarding contracts.

FISCAL CONSIDERATIONS:

P&C currently pays all associated annual maintenance fees out of the General Fund for the City's vendor and bid management system. The item was identified as part of the approved Fiscal Year 2015 budget.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

None regarding this report.

EQUAL OPPORTUNITY CONTRACTING INFORMATION (IF APPLICABLE):

P&C will work with the Equal Opportunity Contracting Program (EOCP), key stakeholders, and the entire vendor community to ensure that the goals of Council Policy 100-10 are achieved.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

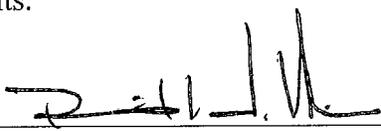
None regarding this report.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Key stakeholders for the proposed Municipal Code recommendations are residents served by City departments, City employees, and all City vendors. The impact of the proposed recommendations will fundamentally change the way the City processes its procurements and shape the future of the P&C and PWC departments.



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Ronald H. Villa
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Attachments:

1. Attachment A: City Att'y MS 2013-1 (January 24, 2013)
2. Attachment B: Proposed Municipal Code section 22.3020
3. Attachment C: E-Procurement: Myth or Reality?