



THE CITY OF SAN DIEGO

Report to the City Council

DATE ISSUED: February 24, 2016 REPORT NO: 16-016

ATTENTION: Budget and Government Efficiency Committee

SUBJECT: Purchasing & Contracting Department's Update on Key Performance Indicators and Streamlining Measures for Fiscal Year 2015

REFERENCE:

REQUESTED ACTION:

Accept the update report for Fiscal Year 2015 from Purchasing & Contracting.

STAFF RECOMMENDATION:

Accept the update report for Fiscal Year 2015 from Purchasing & Contracting.

EXECUTIVE SUMMARY OF ITEM BACKGROUND:

During Fiscal Year 2014 City Council approved several amendments to the San Diego Municipal Code (SDMC) Chapter 2, Article 2, Divisions 5 and 32. These changes provided the Purchasing & Contracting Department (P&C) the ability to be more effective in procuring goods and services for our client departments. These changes included:

- An increased dollar threshold for informal procurements (SDMC §22.3203);
- Acceptance of an electronic signature as part of the bidding process (SDMC §22.3020); and
- A pre-approval option for contracts in excess of \$3 million (SDMC §22.3206).

The changes were an effort to address opportunities for efficiencies as outlined by the Huron Consulting Group (Huron) in a report presented to City Council on April 8, 2014. The Huron report examined workflow process, including those in the Materials Management (MM) module in SAP. A recommended short term goal¹ was an analysis of the entire workflow from procurement through payment. In a joint effort with the Department of Information Technology (DoIT), this was implemented in March 2015.

This report not only provides an update of these streamlining measures taken during the last fiscal year, but also an overview of P&C's Key Performance Indicators for Fiscal Year 2015 as well as the Performance Measures introduced by the Independent Budget Analyst (IBA).

¹ Procurement and Contracting Review: City of San Diego, Recommendation TT.1: Improve Current SAP MM Functionality, page 25

Key Performance Indicators

| Performance Indicator | Actual FY 2014 | Target FY 2015 | Actual FY 2015 |
|---|----------------|----------------|----------------|
| Percent of contract compliance with federal, State and local equal employment and contracting laws. | 100% | 100% | 100% |
| Percent of contracts, based on total dollar value, awarded to Small Local Business Enterprises (SLBEs) | 30% | 15% | 13.6% |
| Percent of Living Wage Ordinance violations investigated and addressed within 60 days | 100% | 100% | 100% |
| Total number of formal bids completed by P&C | N/A | N/A | 42 |
| Average processing time between submission of a completed requisition and placement of a purchase order | N/A | N/A | 17 days |
| Average cycle time for completion of request for proposal (RFP)/ invitation to bid (ITB) | N/A | N/A | 77 days |
| Average completion time for purchases under \$150,000 | N/A | N/A | 16 days |
| Total number of trainings conducted with City staff | 10 | 15 | 28 |
| Percent of process narratives completed | 100% | 100% | 100% |
| Percent increase of SLBE firms registered annually in Planet Bids | N/A | N/A | 6.6% |

N/A indicates that the metric was not being tracked or could not be captured accurately in SAP

In September of 2014, the Office of the Independent Budget Analyst issued a report proposing fifteen performance measures to track efficiencies and benefits of the approved streamlining measures. Those are presented in the tables below.

| Efficiency Measures for Municipal Code Changes | FY 2014 | FY 2015 |
|---|-----------------|-----------------|
| Total dollar value of formal bids completed by Purchasing & Contracting | \$83,206,895.36 | \$62,413,348.78 |
| Total number of formal bids completed by Purchasing & Contracting | 83 | 45 |
| Average processing time between submission of a completed requisition and placement of a purchase order | 17.84 | 18.65 |
| Average cycle time for completion of request for proposal (RFP) / invitation to bid (ITB) | N/A | N/A |
| Average completion time of purchases under \$150,000 | 16.30 | 20.23 |

| Oversight Measures for Municipal Code Changes | FY 2014 | FY 2015 |
|---|---------|----------|
| Percent of total transactions on contract for purchases under \$150,000 | 37% | 40% |
| Total number of trainings conducted with City staff & total number of attendees | N/A | 14 / 89* |
| Internal customer satisfaction with streamline measures (customer survey) | 34 | 98 |
| Number of Administrative Regulations and Process Narratives completed | 10 | 2 |

**P&C workshops after the go-live for Auto-Generating POs*

| Other Performance Measures | FY 2014 | FY 2015 |
|---|----------------|----------------|
| Total number of SLBE firms registered | 497 | 530 |
| Total dollar amount of procurement to SLBE firms | \$3,423,092.88 | \$5,157,121.45 |
| Total number of SLBE firms notified of procurement opportunities through PlanetBids | 0 | 534 |
| Percentage of total procurement spending undertaken through a cooperative platform | 0.27% | 1.84% |
| Number of buyers per 1,000 City staff | 1 | 1.4 |
| Average number of training hours per buyer FTE | 0 | 64 |

Client Department Feedback

P&C oversees the procurement of nearly \$1 billion in goods and services annually. P&C receives approximately 240 requests annually to formulate agreements via a formal bid procurement process. Staff maintains more than 600 active agreements and processes more than 12,000 purchase orders in a fiscal year. As part of the tactical planning, P&C has updated its performance indicators to provide information that reflects the meaning and impact of its work.







In September 2015 as part of this effort, P&C issued a Citywide Customer Survey, which focused on questions in the following areas:

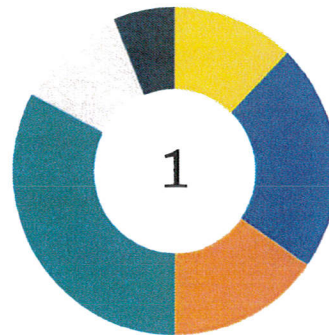
- Responsiveness of P&C staff to our customers;
- Effectiveness of the annual Forecasting process; and
- Clarity on processes and the need for City wide trainings.

The survey was provided to 743 P&C customers who typically are responsible for either the issuance or approval of purchase requisitions, as well other key stakeholders who work with P&C on a frequent basis. There was a 13% return of the surveys. While the return rate was lower than anticipated, the results were positive and provided insight on how customers perceive the department and what needs to be addressed to support City departments more effectively.

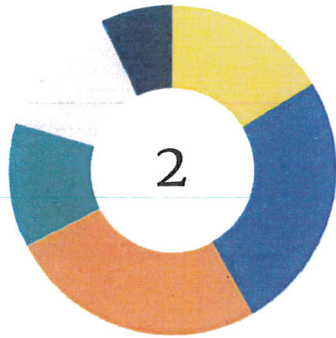
Below are info-graphics on three of the questions posed to customers and results.

1. The Purchasing and Contracting Forecasting process has allowed our department to plan our annual procurements in a better manner.

| Answer Options | Response Percent | Response Count |
|---|------------------|----------------|
|  Strongly Agree | 12.2% | 12 |
|  Agree | 22.4% | 22 |
|  Somewhat Agree | 15.3% | 15 |
|  Cannot Answer | 32.7% | 32 |
|  Disagree | 11.2% | 11 |
|  Strongly Disagree | 6.1% | 6 |
| <i>answered question</i> | | 98 |
| <i>skipped question</i> | | 0 |



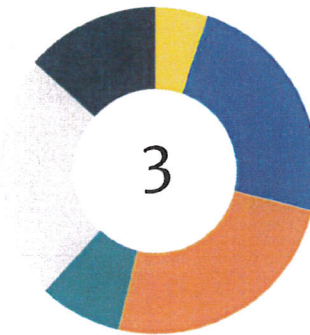
2. Purchasing and Contracting generally understands my department's procurement needs.



| Answer Options | Response Percent | Response Count |
|--------------------------|------------------|----------------|
| Strongly Agree | 16.3% | 16 |
| Agree | 25.5% | 25 |
| Somewhat Agree | 25.5% | 25 |
| Cannot Answer | 12.2% | 12 |
| Disagree | 13.3% | 13 |
| Strongly Disagree | 7.1% | 7 |
| <i>answered question</i> | | 98 |
| <i>skipped question</i> | | 0 |

3. The policies and procedures that Purchasing and Contracting has in place are clear to me.

| Answer Options | Response Percent | Response Count |
|--------------------------|------------------|----------------|
| Strongly Agree | 5.2% | 5 |
| Agree | 23.7% | 23 |
| Somewhat Agree | 24.7% | 24 |
| Cannot Answer | 8.2% | 8 |
| Disagree | 24.7% | 24 |
| Strongly Disagree | 13.4% | 13 |
| <i>answered question</i> | | 97 |
| <i>skipped question</i> | | 1 |



Increased Delegated Authority for Informal Procurements

On September 2, 2014, automatic generation of purchase orders for goods valued under \$25,000 was successfully implemented through the collaboration of a team consisting of staff from P&C, the DoIT and the Office of the City Comptroller. The auto generation allows an end user department to source and procure goods through the traditional requisition process but with a simplified approval strategy.

In an effort for continuous improvement, P&C and DoIT's ERP team have plans to improve the functionality of this feature to increase contract compliance as part of the Procure to Pay (P2P) Overhaul Project currently underway.

Electronic Signature and Pre-approval for Contracting Activities

The inclusion of language allowing electronic signatures will bring a marked improvement to the City's competitive bidding process. P&C is working with staff from the Public Works Department and the City Attorney's Office to finalize an Administrative Regulation that would

outline this process. It is anticipated it will be in place by the end of the fiscal year. Once this is instituted the City will have a completely electronic bidding system in place.

Several departments utilized the pre-approval option for end user departments whose contracts will exceed \$3 million dollars over the term of the contract during the Fiscal Year 15 Budget review cycle. P&C staff is working with the Department of Financial Management to make continuous improvements to the process so that end users fully understand the option.

CITY STRATEGIC PLAN GOAL(S)/OBJECTIVE(S):

Goal # 1. Provide high quality public service

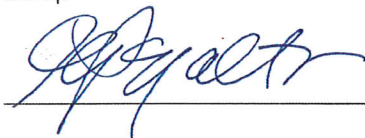
Objective #1. Promote a customer-focused culture that prizes accessible, consistent, and predictable delivery of services

Objective #4. Ensure equipment and technology are in place so that employees can achieve high quality public service

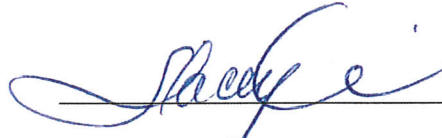
FISCAL CONSIDERATIONS: None with this item.

EQUAL OPPORTUNITY CONTRACTING INFORMATION (if applicable): N/A

PREVIOUS COUNCIL and/or COMMITTEE ACTIONS: On April 14, 2014 City Council approved the Proposed Revisions to the SDMC regarding the Approval of Purchase Requisitions and Contract Award Thresholds. Also related to this item, City Council approved the Proposed Additions to the SDMC Regarding the Approval of Electronic Transactions and Signatures in the Processing of Contracts for Consultants, Goods, and Services & Public Works In November 2014.



Kristina Peralta
Purchasing & Contracting Director



Stacey LoMedico
Assistant Chief Operating Officer