



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Performance Measures to Track Efficiency and Effectiveness of Purchasing & Contracting Municipal Code Changes

OVERVIEW

At the March 19, 2014 Budget and Government Efficiency Committee meeting, the Purchasing and Contracting (P&C) Department presented proposed Municipal Code changes that were intended to enable streamlining in the City's requisition and procurement process that would give greater authority to department directors and reduce the workload burden in P&C. The proposal would increase the threshold for when a formal bid would be required for procurement from the current \$50,000 limit to \$150,000; delegate authority to departments for purchases under \$25,000; and increase the non-profit contract limit without Council approval from \$500,000 to \$1.0 million, among other smaller changes.

The Committee subsequently approved the proposed Municipal Code changes and forwarded the item for full City Council consideration. The Committee also requested that P&C staff develop and present performance measures that would help determine the efficacy of these changes and track accountability and monitoring efforts when this item would be heard at City Council. When these requested changes were heard and approved at City Council on April 14, 2014¹, staff outlined proposed performance measures that would be further refined. Our office committed at that time to work with P&C staff to develop a comprehensive and easily captured set of performance measures that would allow City Council, staff, and the public to measure the impact on citywide requisition and procurement due to these changes.

¹ Second reading, and approval, of the Ordinance on April 29, 2014 (O-20364)

The purpose of this report is to provide detail on the performance measures that were developed by our office in combination with the P&C Department, for review and comment by the Budget and Government Efficiency Committee.

FISCAL/POLICY DISCUSSION

Performance Measures

During the P&C Department’s presentation of these Municipal Code changes, some of the anticipated benefits from implementation would be a reduction in the time necessary to complete the requisition and procurement process due to the elimination of certain “choke points” within the City. Additionally, this would free P&C staff to focus more time on larger procurements for departments, improve customer service, and explore additional efficiencies and cost savings such as consolidating similar purchases across departments into a single requisition.

Additionally, during P&C’s presentation a number of Councilmembers inquired about the ongoing oversight and internal controls that would be in place to ensure that these new Municipal Code changes do not have any unintended consequences.

These anticipated benefits and need for continued oversight form the basis for the proposed performance measures as follows:

| Efficiency Measures for Municipal Code Changes | | FY 2014 | FY 2015 |
|--|---|---------|---------|
| 1 | Total dollar value of formal bids completed by Purchasing & Contracting | | |
| 2 | Total number of formal bids completed by Purchasing & Contracting | | |
| 3 | Average processing time between submission of a completed requisition and placement of a purchase order | | |
| 4 | Average cycle time for completion of request for proposal (RFP) / invitation to bid (ITB) | | |
| 5 | Average completion time of purchases under \$150,000 | | |

| Oversight Measures for Municipal Code Changes | | FY 2014 | FY 2015 |
|---|---|---------|---------|
| 6 | Percent of total transactions on contract for purchases under \$150,000 | | |
| 7 | Total number of trainings conducted with City staff & total number of attendees | | |
| 8 | Internal customer satisfaction with streamline measures (customer survey) | | |
| 9 | Number of Administrative Regulations and Process Narratives completed | | |

| Other Performance Measures | | FY 2014 | FY 2015 |
|----------------------------|---|---------|---------|
| 10 | Total number of SLBE firms registered | | |
| 11 | Total dollar amount of procurement to SLBE firms | | |
| 12 | Total number of SLBE firms notified of procurement opportunities through PlanetBids | | |
| 13 | Percentage of total procurement spending undertaken through a cooperative platform | | |
| 14 | Number of buyers per 1,000 City staff | | |
| 15 | Average number of training hours per buyer FTE | | |

Efficiency Measures for Municipal Code Changes

These measures have been selected to best track the projected benefit of time savings and capacity for both the P&C Department and the department initiating the requisition. The following gives a brief overview of each performance measure proposed to track efficiency:

1. Total dollar value of formal bids completed by Purchasing & Contracting: This will track the total value of procurements completed by P&C above \$150,000, and will

measure if the Department is able to complete a greater amount of formal bids due to efficiencies gained by the Municipal Code changes.

2. Total number of formal bids completed by Purchasing & Contracting: This will track the total number of procurements completed by P&C above \$150,000 to augment the previous performance measure. This will once again measure if the Department is able to complete more formal bids in addition to the aggregate value of all formal bids.
3. Average processing time between submission of a completed requisition and placement of a purchase order: This measure will gauge the length of time from when a department completes a requisition request for the P&C Department to purchase a specific good or service and when a purchase order is fulfilled. The time frame currently being experienced by departments is one of the major complaints about the City's requisition and procurement process. This time frame is projected to decrease based on the streamline processes implemented.
4. Average cycle time for completion of request for proposal (RFP) / invitation to bid (ITB): This measure will gauge the average length of time from when an RFP / ITB is initiated to when the solicitation is completed through City Council approval. As with performance measure number three, the time frame currently being experienced is a major complaint and is expected to be reduced through these municipal code changes.
5. Average completion time of purchases under \$150,000: During adoption of these Municipal Code changes, the P&C Department estimated that the time frame for purchases under \$150,000 would be reduced dramatically, from upwards of multiple months to an estimated time frame of 2-4 weeks.

Oversight Measures for Municipal Code Changes

These measures have been selected to best review control and oversight placed on the requisition and procurement process based on the Municipal Code changes. The following gives a brief overview of each performance measure proposed to track oversight:

6. Percent of total transactions on contract for purchases under \$150,000: Purchases under \$150,000 will be randomly vetted by the P&C Department for compliance with the Municipal Code changes. However, the Department strives to have the maximum number of purchases, under the threshold amount, obtained through vendors that are under open procurement contracts with the City. This open contract is thoroughly vetted by the Department up front for pricing and competitiveness on a wide range of requisition requests. Purchases made under these open contracts, therefore, have the greatest probability for compliance with all aspects of the Municipal Code changes at the most beneficial terms.
7. Total number of trainings conducted with City staff & total number of attendees: The Department is currently conducting purchase requisition initiator training to

familiarize City staff with the new Municipal Code changes. Continued training on this and other aspects of the requisition and procurement process will reduce the need for staff to rely on the P&C Department for basic assistance, reduce errors and omissions, and familiarize departmental staff with the P&C Department staff.

8. Internal customer satisfaction with streamline measures (customer survey): Soliciting departmental satisfaction with the streamline measures and feedback will be integral in refining and improving all aspects of the requisition and procurement process.
9. Number of Administrative Regulations and Process Narratives completed: Administrative Regulations that control City operations and process narratives, which define how various City processes are completed and ensure continuity, need to be created or updated to reflect various aspects of the City's revised requisition and procurement process.

Other Performance Measures

These additional measures have been included to track both additional efficiencies and changes implemented within the last fiscal year. The following gives a brief overview of each additional measure:

10. Total number of SLBE firms registered:
11. Total dollar amount of procurement to SLBE firms: The City's small local business enterprise (SLBE) program will have a greater opportunity to expand with the implemented Municipal Code changes. This is due to the increase in the threshold before a formal bid is required (from \$50,000 to \$150,000). This will enable more SLBE firms who do not have the staff, time, or expertise to bid for a greater percentage of the City's procurement and comply with the City's requirement for a formal solicitation. tracking SLBE participation will be important to determine if this projected outcome occurs.
12. Total number of SLBE firms notified of procurement opportunities through PlanetBids: The P&C Department is continuing to expand its utilization of features available in the City's vendor and bid management software, PlanetBids, for SLBE and other purposes. PlanetBids will allow more automated solicitation notifications to SLBE registered firms, allowing for a greater number of qualifying firms to bid on City procurement.
13. Percentage of total procurement spending undertaken through a cooperative platform: The P&C Department has been utilizing more cooperative procurement platforms, such as the Western States Contracting Alliance, among others, to reduce procurement time. These cooperative platforms allow the City to competitively bid departmental requisitions utilizing economies of scale based on other jurisdiction participation while still satisfying all of the Department's due diligence requirements. The National Institute of Governmental Purchasing has noted that cooperative public procurement is something that continues to be underutilized. The P&C Department has recognized this and is taking steps to increase utilization of this resource.

14. Number of buyers per 1,000 City staff:

At the time the Municipal Code changes were approved by City Council, the City's buyer-to-staff ratio was reported by the Department as approximately 1.00 FTE per 1,000 employees. However, this ratio was based on budgeted FTE's (10.00 FTE's), not the actual number of buyer positions filled at that time. At the time these changes were adopted, 7.00 FTE's were filled which results in an approximate 1.00 FTE per 1,400 employees. Based on the problems experienced in the requisition and procurement process with this ratio, a lower ratio of employees to 1.00 buyer is likely necessary and should be tracked based on the number of filled FTE's at the time these measures are reported.

15. Average number of training hours per buyer FTE:

It should be noted that in the FY 2015 budget process, 4.00 buyer FTE's were added to the P&C Department. When the total buyer FTE's allocated to the Department are filled (14.00 FTE's), the ratio would reduce to an approximate 1.00 FTE per 700 employees. Additionally, with 50 percent of total buyers being new hires, training for these and existing employees will be imperative to reduce errors and omissions and increase customer service.

Timeline

These Municipal Code changes went into effect as of June 14, 2014²; however, the City's SAP system required modification by the Enterprise Resource Planning (ERP) section of the Department of Information Technology to allow purchases utilizing the new criteria for the updated thresholds. The P&C Department worked with ERP to develop and test the City's procurement systems in SAP to ensure that the new thresholds are in place and working properly prior to the "go-live" date, which is when departments could purchase items utilizing these new thresholds. This "go-live" date occurred on September 1, 2014. Prior to this date, the P&C Department also conducted four days of training for over 400 City staff on utilizing SAP with these new thresholds.

Based on this timeline and the training that is currently being provided to departmental purchase requisition initiators and their supervisors, both the P&C Department and other City departments should experience the full impact of these Municipal Code changes during FY 2015. FY 2015 statistics for any performance measures as compared to FY 2014 should illustrate the impacts these Municipal Code changes had on the City's requisition and procurement process.

² 30 calendar days after Mayor's approval of Ordinance on May 15, 2014

CONCLUSION

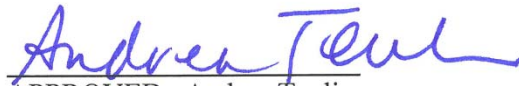
These proposed performance measures capture a wide range of projected improvements based on the streamline efforts to the City's requisition and procurement process. In addition to these municipal code changes approved by City Council in April, it is anticipated that the P&C Department will bring forward additional proposed municipal code changes to the October 29, 2014 Budget and Government Efficiency Committee to further streamline processes. These performance measures, when continually captured, will not only aid in determining if these currently implemented streamline improvements are having the intended positive effects, but also any future streamlining efforts.

Our office recommends the following actions to the Budget and Government Efficiency Committee:

1. Discuss this list of 15 performance measures and modify as the Committee should see fit to properly capture important metrics to determine the efficacy and oversight for streamlining efforts;
2. Request that the Purchasing and Contracting Department return to the Committee one year from the "go-live" date (approximately September 2015) to report on these performance measures to date and the efficacy of all streamlining efforts;
3. Request the Mayor's Office include these performance measures in the annual budget document.



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