

Citywide Administrative Service Review Project Purchasing Function Framework Plan

NOTES: This document is approximately 60 pages long. Attachments 4-7 are available in hard copy through the Office of Management & Finance.

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I. Introduction

Background

On May 3, 2000, the Portland City Council amended City Code to reorganize administrative service functions to provide for efficiencies and accountability.¹ That action created the Office of Management and Finance and directed the newly appointed Chief Administrative Officer to reduce administrative service budgets and undertake a corporate or citywide review of those administrative services. That review and, if needed, realignment of services, is intended to produce additional budget savings and improve services.

Services undergoing the administrative review during the time period of September 2000 – February 2001 include:

- Auditing
- Communications
- Facilities
- Financial Management
- Financial Planning
- Fleet
- Human Resources
- Information Technology
- Intergovernmental
- Legal
- Printing & Distribution
- Public Information
- Purchasing
- Risk Management

For the Purchasing Administrative Services Review (ASR), two existing committees were used to review proposed changes and obtain feedback. First, the Contract Coordinating Committee (C3) provided internal bureau staff review. (Attachment 1 provides a listing of members.) The Council established this staff work group to coordinate contracting efforts and push policy agenda forward in June 1993. The C3 has met on a regular basis since that time to review purchasing related issues and proposed policies.

Second, the Mayor's Fair Contracting and Employment Forum provided external clients and experts to review proposed changes and obtain feedback. (Attachment 2 provides a listing of members.) The Forum was established at the request of the Mayor in August 1996 to provide customer feedback on current and proposed contracting efforts. The Forum has been meeting since 1996 on a regular basis, working with the City to improve its procurement practices.

¹ Ordinance No. 174410

Service Description

BUREAU MISSION

The City of Portland Bureau of Purchases seeks to create a procurement system that is fair, efficient, effective, and accountable to all citizens while acting in a manner that results in a minimum adverse impact on the environment and embracing the values and achieving the vision, goals, strategic outcomes, and objectives of the Fair Contracting and Employment Strategy.

The bureau's motto is *Quality Service, Responsible Spending*.

BUREAU VALUES

- **Diversity**

The Purchasing Bureau and the City of Portland values an open and friendly community that is free from bigotry and intimidation. We value a community that welcomes and respects the individuality, unique talents, and contributions of all people regardless of age, race, gender, ethnicity, sexual orientation, religion, physical or mental ability, or financial means.

- **Economic Vitality**

The Purchasing Bureau and the City of Portland values a strong, varied, adaptive, and diverse contracting economy that provides employment and training for all individuals, in particular those who have been excluded from the economic mainstream because of historic discrimination.

- **Sustainability**

The Purchasing Bureau and the City of Portland values a sustainable future that meets today's needs by balancing the impact of the environment with equity and economic concerns.

- **Customer Accountability**

The Purchasing Bureau and the City of Portland values customer success and seeks to create a contracting environment in which everyone has the opportunity to flourish. At the same time, personal responsibility and accountability on the part of individual contractors and the ability of the contractor to establish independent profitable business relationships are also valued.

- **Customer Partnership**

The Purchasing Bureau and the City of Portland values open, honest government that is responsive to citizens, tax and rate payers. The City values partnership with its customers and municipal services that are immediately useable and that tangibly improve the public contracting environment.

- **Disclosure**

The Purchasing Bureau and the City of Portland values integrity and full disclosure of results. The City does not cover up bad news. While failure is never a desired outcome, learning from previous mistakes in order to improve future decision-making is valued.

- **Quality and Efficiency**

The Purchasing Bureau and the City of Portland values a public contracting environment that is demonstrably effective in its ability to balance social objectives with economic realities.

BUREAU HIGHLIGHTS

Bureau Focus The Bureau of Purchases administers competitive bidding and contract processing in compliance with necessary laws to acquire goods and services for City bureaus and is responsible for the implementation of the Fair Contracting and Employment Strategy.

Divisions

Three divisions, the Procurement Division, the Contractor Development Division and the Operations Division, contribute to City efforts to improve and streamline government processes.

Procurement Division

The Procurement Division of the Bureau of Purchases administers the City's competitive bidding and contracting programs. The division is responsible for all contracting in support of all City Bureaus' construction and operational needs, including materials, equipment and services as well as annual supplies.

Contractor Development Division

The Contractor Development Division of the Bureau of Purchases is responsible for facilitating implementation of the City's Fair Contracting and Employment Strategy. The Strategy provides direction on how to improve contracting and employment opportunities for minority-owned, women-owned, and emerging small businesses.

Operations Division

The Operations Division provides central support functions for the Bureau. This includes, but is not limited to: budget preparation, facilities management, computer and network support, database administration, reception and clerical staff duties, and bureau communication systems. In addition, the Operations Division administers the City's procurement card and travel contracts as well as the City's Equal Employment Opportunity (EEO) Program.

Budget and Service Trends

BUDGET

The Purchasing Bureau budget for fiscal year 2000-01 is \$2,829,622. The Bureau currently has a total of 29 FTE. The Bureau budget has increased from \$1,553,840 in FY 1996-97. This is an 82% increase.

The increase in the Bureau budget has occurred as the result of three major actions. First, with the adoption of the Fair Contracting and Employment Strategy in FY 1996-97, the Purchasing Bureau function and related budget was increased significantly. Because of the increased work assignments and responsibilities primarily associated with the implementation of the Strategy, a total of 12 FTE have been added to the Bureau during the last six years. The increased costs have been paid for, in part, through interagency agreements with other local jurisdictions.

Second, as part of the budget process for FY 2000-01, the Council also approved the addition of 1.0 FTE to administer the Procurement Card Program.

Third, the staffing for Prequalification of Construction contractors was moved from the Office of Transportation to the Purchasing Bureau in July 2000. The major construction bureaus pay for the majority of the funding for this 1.0 FTE.

The actual portion of the Bureau that is responsible for the procurement of goods and services has not increased during this time frame.

SERVICE TRENDS

The purchasing function has been under detailed review for the last four years. In 1996 Purchasing undertook a lengthy review process resulting in a complete mapping of the internal systems as well as a number of areas recommended for review. The Bureau has made major strides in service and program delivery as a result of this ongoing effort. These efforts have allowed the Bureau to continue to offer more services with the same level of staffing.

▪ Use of Technology

The Purchasing Bureau has, to the extent possible given budget constraints, utilized technology to improve outreach and access for firms wishing to do business with the City. In 1997, the Bureau implemented a 24-hour fax-on-demand-system where firms can obtain information about contracting opportunities as well as bid results. The fax-on-demand-system is used to proactively fax information about contracting opportunities to small businesses.

Now, late in 2000, Purchasing has implemented a web-based system that allows vendors to download plans and specs from the Purchasing web site. It is expected that over time, the utilization of this technology will save both time and resources for the City and the vendor.

Another major improvement resulting from increased technology involves the database used to track contract bidding, award and compliance. For the first time, the City can track all of its non-PTE expenditures, vendor information and certification information in one database.

▪ **Improved Process and Procedures**

In January 2001, the City of Portland implemented the new City Procurement Code. This rewrite of the code and associated documents is the first major upgrade to the procurement system in over 20 years. It is expected that the new rules and procedures will speed up the procurement process as well as reduce the time and resources expended to administratively process an individual contract.

▪ **New Program Implementation**

As noted above, the Purchasing Bureau has been responsible for the implementation of the City's Fair Contracting and Employment Strategy. Now, after three full years of program development, design and implementation, significant improvement in the utilization of M/W/ESB firms on city jobs is evident.

RESULTS FROM COST REDUCTION PLANS

As part of the ASR process, four areas were recommended for cost reductions in fiscal year 2001-02. They are:

Focus Area	Cost Savings
▪ Implementation of an Annual Supply Contract for Recycled Toner Cartridges	\$ 43,062
▪ Utilization of Procurement Card in lieu of Limited Purchase Orders	\$ 62,992
▪ Implementation of Web based Plans and Spec System	\$ 63,000
▪ Reduction and transfer of Internal Apprenticeship Program	\$ 101,619

Although much work has been done in the area of streamlining policies and procedures, it was difficult to capture actual savings in the time allowed. (The brainstorm list of potential cost saving policy changes drafted by the C3 Committee at the beginning of the ASR process is included in Attachment 3 along with the summary disposition of each recommendation.) Therefore, to meet the required cuts, staff attempted to find areas where better utilization of technology would result in cost savings.

The one recommended cut resulting in a reduction of service, is the reduction and transfer of the Internal Apprenticeship Program. After two years, Maintenance is the only Bureau using funds budgeted in Purchasing to fill trade related apprenticeship positions. Because of this, it is recommended that that portion of the funds be transferred to the Maintenance Bureau budget and all other program dollars budgeted in Purchasing be eliminated. It

should be noted that the Mayor's Fair Contracting and Employment Forum has expressed a strong concern about backing away from the City commitment to a more diversified workforce and ability of underrepresented classes to obtain entry level or training positions at the City. As a result, the Chief Administrative Office is currently considering a transfer of this funding from Purchasing to the citywide effort located in the Bureau of Human Resources, Office of Management and Finance.

In addition to the recommended cost savings noted above, staff continues to market services for contract compliance to other jurisdictions as well as look for additional savings resulting from changes in technology.

II. Business Environment and Strategic Vision for Service Delivery

Within the functional area of purchasing, the major focus areas of system improvement include:

- Contracting for Goods and Services (Non-PTE Contracting) policies and procedures;
- PTE Contracting policies and procedures;
- Fair Contracting and Employment Strategy – Policy and Procedures;
- Procurement Card Function;
- Utilization of Electronic Procurement tools;
- Advertising Policies; and
- Stores/ Warehouse Function

Figure A summarizes the issues and trends for each of the service areas, those that will drive the support service over the next 3 –5 years and the plan to address those issues and trends. Those issues and trends that are internal to the City are noted with the marker ⓘ. Items not marked are common to the market place and the procurement industry.

Each of the major areas listed above is reviewed in further detail below.

To allow the reader the ability to quickly note recommended changes in each of the major areas, recommended improvements are noted with special characters in the margin.



Denotes improvements that can be made with existing resources;



Denotes those recommendations requiring additional resources to implement.

Figure A – Purchasing Function - Business Environment and Strategic Vision for Service Delivery

	Real-World Issues and trends	Trends that will drive the support service over the next 3 – 5 Years	How does Strategic Plan address these trends and Issues
Contracting for Goods and Services	<ul style="list-style-type: none"> ▪ Need more requirements contracts ⓘ ▪ Need for evaluation options other than low-bid ▪ Need for sustainable purchasing practices 	<ul style="list-style-type: none"> ▪ Rewrite of ORS 279 ▪ Corporate wide change in staffing, requiring on-going training and easily accessible rules and procedures ▪ New Sustainable Purchasing policies at state and local level 	<ul style="list-style-type: none"> ▪ Participation in state effort to rewrite procurement laws ▪ Code revisions to streamline process ▪ Participation in process to define policies for sustainable purchasing practices
PTE Contracting	<ul style="list-style-type: none"> ▪ Balance of qualitative vs. cost criteria ▪ Need for increased standardization ⓘ ▪ Need more flexible spending contracts ⓘ 	<ul style="list-style-type: none"> ▪ Pressure from the PTE community for an improved process ▪ Fewer dollars for PTE contracting 	<ul style="list-style-type: none"> ▪ Increased compliance and monitoring of process and outcomes ▪ Improved PTE procedures
Fair Contracting and Employment Strategy	<ul style="list-style-type: none"> ▪ Possible further legal elimination of Affirmative Action tools ▪ Increased numbers of minority and women contractors and workers ▪ Decrease in economic stability and growth 	<ul style="list-style-type: none"> ▪ Update of census data will move the benchmarks and require ongoing and extended effort ▪ Increased political pressure for equitable contracting process 	(To be included in the 3 year review of the Fair Contracting and Employment Strategy)
Procurement Card	<ul style="list-style-type: none"> ▪ Trend toward “all-in-one” cards ▪ Exclusion of vendors who don’t accept P-cards from bidding opportunities ▪ Web based financial management and reporting ▪ Difficulty of 1099 reporting with P-card 	<ul style="list-style-type: none"> ▪ Both customers and vendors will require ability to use P-Card for both expenditures and payment ▪ Card vendors production of new products ▪ Desire to expand card use for larger purchases 	<ul style="list-style-type: none"> ▪ Implementation of web based software (EAGLS) ▪ Vendor Outreach ▪ Staff training ▪ Review of code and policies to allow for expanded use

<p>Electronic Procurement tools</p>	<ul style="list-style-type: none"> ▪ Desire of vendors to be able to access information and submit bids electronically ▪ Need to ensure that all businesses are computer competent ▪ Desire of city employees to order supplies and materials electronically ① ▪ Desire to reduce steps and paper flow in process ▪ Fear of creating a “digital divide” 	<ul style="list-style-type: none"> ▪ Acceptance of electronic signatures ▪ Ability to bring order catalogues on-line ▪ Availability of complete web based financial management system ① 	<ul style="list-style-type: none"> ▪ Review of need for signatures on procurement documents ▪ Implementation of web based bidding system ▪ Use of Ghost Card to pay vendors
<p>Advertising Policies</p>	<ul style="list-style-type: none"> ▪ Limited resources vs. legal requirements ① ▪ Need to advertise in the most efficient & effective manner ▪ Advent of web based advertising ▪ Fear of creating a “digital divide” 	<ul style="list-style-type: none"> ▪ Movement from paper based to electronic advertising ▪ Political pressure of community (ethnic and geographical based) newspaper to continue hard copy advertising 	<ul style="list-style-type: none"> ▪ Centralized web based advertising ▪ Coordination and optimization of special event advertising ▪ Balance between hard copy and web based advertising
<p>Stores/ Warehouse Function</p>	<ul style="list-style-type: none"> ▪ Move toward just-in time delivery and elimination of stores function ▪ Corporate wide enterprise systems for stores and warehouse functions 	<ul style="list-style-type: none"> ▪ Availability of citywide inventory tracking software ▪ Ability to link financial data with operational measurements to capture economies of scale 	<ul style="list-style-type: none"> ▪ Recommendation to invest in assessment of actual liability followed by corporate decision

Contracting for Goods and Services (Non-PTE Contracting)

□ **Vision**

A superior procurement system is one that is fair, efficient, effective, and accountable to all citizens. In addition to that, public contracting in Oregon is moving into a new phase where not only does economics play a role, but also lowest cost is balanced with equity and the environment. The balance of these three factors will lead purchasing professionals into a world of “sustainable” procurement practices.

Goods, services, and materials that are not of the professional, technical or expert service nature are considered “Non-PTE” contracts. This involves contracting for public works or construction projects, janitorial services, new fleet vehicles or even office supplies.

Non-PTE contracting is highly regulated in Oregon. While the law leaves little doubt as to appropriate procedures, the existing Oregon procurement laws were originally written for and in a public works environment and do not always provide a basis for an efficient or effective process when contracting for non-utility goods and services. The best method for contracting for a new water line is not necessarily the same method that should be used to buy new computer hardware.

Oregon’s vision of procurement includes a rewrite of the state statute to allow for the ability to choose the appropriate procurement method for the good or service to be purchased. Currently, a group of procurement professionals is working to rewrite ORS 279. It is anticipated that this will require an additional two-year effort to prepare for the 2003 legislative session. City staff is playing a key role in this effort.



□ **Policies**

A thorough review of existing non-PTE procurement policies was just completed in December 2000. This effort included a two-year process to rewrite all City procurement related code and the Purchasing Manual. During the same two-year period, Bureaus also participated in a complete rewrite of the Division I Construction Specifications. The Division I specs are expected to be completed in March 2001.

The Purchasing Manual, which describes how Bureaus implement the Code, has been placed on the Bureau Intranet site. Ongoing changes and improvements will be incorporated into the electronic document on an ongoing basis.

□ **Organizational Structure / Roles and Responsibilities**

The procurement of all non-professional goods and services is completed on a centralized/decentralized basis, depending on the size of the expenditure. As with most procurement activities, there has been an effort to delegate responsibility for items of low dollar volume, while retaining central review and monitoring of larger dollar amounts. Currently, City policy allows Appropriation Unit Managers to authorize expenditures up to \$5,000. Expenditures over \$5,000 but under \$500,000 are generally bid, reviewed and awarded by the Purchasing Agent. Contracts over \$500,000 must be approved by City Council.

Even with expenditures over \$5,000 that require centralized review and approval by the Bureau of Purchasing or Council, individual Bureaus provide the technical expertise to define specifications and contract requirements. Attachment 4 reflects a sample “map” of roles and responsibilities for construction contracts over \$500,000.

The preponderance of literature on the subject of organizing purchasing operations supports the centralization of the procurement function in both public and private sectors. The use of centralized procurement is recommended by the National Institute of Governmental Purchasing (NIGP), the National Association of Purchasing Management (NAPM), by the American Bar Association through its Model Procurement Code, and by the National Association of State Purchasing Officials (NASPO).

The major benefits of centralized procurement are (1) effective control; (2) cost savings and (3) the utilization of a professional procurement staff. Proponents of decentralized purchasing point out that centralized purchasing requires end-users to retain many purchasing duties. For example, bureaus must still develop their requirements and transmit them to central purchasing.

The City of Portland strives to incorporate features of both systems, thus ensuring best control and cost effectiveness while providing timely and professional service to the customer. No major change in the current model is recommended at this time.

□ **Service Provision Options** –

During the mapping process in 1996 and during the City Code rewrite in 2000, each requirement and step was reviewed to determine if it could be eliminated or streamlined. Because of the complex requirements of ORS 279 on public contracting, few efficiencies were found. Some administrative functions are currently in the process of being moved from the Auditor’s Office to Purchasing to streamline the paper flow and eliminate excess paper handling and mail time.



Other items, such as approval authority have been partially addressed with the Code revisions. Additional efficiencies could be realized if Charter restrictions could be eliminated or lessened by a vote of the people. For example, the charter sets the dollar limit for those contracts requiring formal sealed bids. Today, all non-PTE contracts



over \$48,526 require a sealed bid process. To move that dollar amount to a higher level – thus saving considerable administrative costs – would require a Charter change. It is recommended that Charter changes be considered as part of any future changes submitted to the public for a vote.

There are, however, services that are minimally provided that can be enhanced, resulting in cost savings and efficiencies to the City. It is recommended that during the next fiscal year, increased effort and attention be given to:



- Improving the bid process and management of annual supply contracts; (This will require increased FTE.)
- Obtaining office supply and other commodity catalogs on line to allow for immediate ordering; (See discussion of Electronic Tools)
- Practice greater city/vendor cooperation to find cost savings, improved order/delivery methods and/or billing methods;
- Incorporation of sustainability principles into procurement policies as well as standard bids and specs;

(Note: See section on Electronic Procurement Tools for additional discussion of alternative methods of service delivery in the contracting process. Also see section on Procurement Card regarding the use of Ghost Cards.)

Other service delivery options that were discussed and eliminated from further consideration included:

Service Delivery Option	Reason for Elimination from Further Consideration
One Engineering Bureau to write all technical specifications	<ul style="list-style-type: none">- Difficulty in “pulling apart” spec writing from other work assignments- Differences in the technical requirements from industry to industry- Benefit of having Project Manager part of spec writing
Hiring outside vendor or other jurisdiction to provide procurement function	<ul style="list-style-type: none">- Differences between public and private procurement laws- Differences (based on past efforts) of combining multi-jurisdictional policies and procurement efforts

❑ **Service and Performance Standards** –

The procurement related performance standards include:

- Formal, competitive sealed bids issued annually
- Processing time for formal contracts
- Percentage of requisitions to POs in less than 15 days

See section on Fair Contracting and Employment Strategy for other procurement related benchmarks.

Staff continues to evaluate other procurement-related benchmarks and performance standards.

□ **Technology**

Use of technology is a key tool in improving procurement service to both internal and external customers. See additional discussion under section on Electronic Tools.

□ **Financial Issues** –

There are no immediate opportunities for the City to bring in outside income by providing contracting services to other governmental jurisdictions or to private companies.

PTE Contracting

- **Vision** – As noted in the previous section, a superior procurement system is one that is fair, efficient, effective, and accountable to all citizens. These attributes are also key in purchasing professional, technical and expert (PTE) services.

There is general agreement that the best system to purchase professional services is one where the end-user is as close as possible to the service provider. PTE contracting generally is not as highly regulated by law, as is goods procurement. There are usually no size or quantity discounts in PTE contracting. Therefore, the vision for the perfect PTE system generally includes centrally designed and controlled purchasing policies that are then deployed in a decentralized manner – either by location or function. This is the general model now used at the City.

Currently, procurement of PTE services is the responsibility of individual City Bureaus and offices. Although a citywide PTE manual exists to assist in managing successful PTE procurements, Bureaus retain control of the process.

The long term vision of PTE contracting is best focused on a standardized approach which is flexible enough to meet the needs of the individual Bureaus, but stable enough to allow for individual vendors to understand and have faith in the process. The ultimate process would allow for contractors to be aware of contracting opportunities, easily respond to requests for proposals and if needed, have a fair and clear method for questioning the process or outcome.

- **Policies** – A review of existing PTE procurement policies was completed in April 2000. This effort included an eighteen month process to rewrite the Contracting for Professional, Technical and Expert Services (PTE) Manual. As noted above, because PTE contracting is generally the responsibility of the Bureaus, the PTE Manual is published as a guide to assist City staff in managing the procurement process consistent with City Code (5.68.010). PTE contracting is exempt from the State Public Contracting law.

In the fall of 2000, the Mayor's Fair Contracting and Employment Forum reviewed the PTE process from the perspective of the consulting community. The Forum based their report on personal experience, on anecdotal information from consultants who addressed the Forum, and on information supplied by the Bureaus. Their report to the Mayor is included in Attachment 5.

As part of the ASR process, a subcommittee of the Contract Coordinating Committee reviewed the Forum report and considered other cost saving or service improvement alternatives. The C3 subcommittee report is included in Attachment 6.

Figure B summarizes the recommendations of the two reports.

Figure B - Professional, Technical and Expert Services – Summary Comparison of Recommendations

Forum Recommendation	C3 Sub-Committee Recommendation
Selection Process	
<ul style="list-style-type: none"> ➤ Develop and clearly articulate selection criteria in the SOQ/RFP. Describe the evaluation process up front so those consultants know what will count. More clearly define scope of work. 	<ul style="list-style-type: none"> ▪ Agree that evaluation criteria be clearly developed, weighted, explained. ▪ Recommend entire selection process is fully described in the SOQ/RFP. ▪ Bureaus retain decision as to process as long as it's in advance, specified in documents & followed. ▪ Recognize varying levels of clarity are acceptable for different solicitation.
	<ul style="list-style-type: none"> ▪ Recommend informal level below \$5,000 where competition not required. Limit aggregate amount that may award to a firm in any one FY. ▪ Recommend increasing formal competition to \$50,000 to reduce costs associated with solicitation and approval. ▪ Require increased process controls for informal contracts.
<ul style="list-style-type: none"> ➤ Establish a systematic evaluation process and make sure it is laid out in advance. All selection committee members must understand & comply with the criteria and process. A single member cannot exert inappropriate influence. 	
<ul style="list-style-type: none"> ➤ Advance determination of how each eval step will influence decision. 	
<ul style="list-style-type: none"> ➤ Form Selection Committee in advance. Comm include Project Manager, outside member of technical community, and other project stakeholders. ➤ Evaluation criteria explained, reviewed & understood by Selection Comm. Give Comm briefing regarding the nature/ complexity of project. 	<ul style="list-style-type: none"> ▪ Current Code requires at least 1 member from outside City government. ▪ Recommend committee members be given copies of the scope of work and evaluation criteria in order to understand the complexity of the project and priorities based on the weighting of the evaluation. ▪ Recommend use of other public entities to avoid peer bias.
<ul style="list-style-type: none"> ➤ Ensure that all the Selection Comm members are able to attend all meetings, interviews, and evaluation sessions. Comm should understand time commitment. Members unable to interview all proposers should be eliminated from the entire process. Explore quorum requirements. 	<ul style="list-style-type: none"> ▪ Same evaluators should evaluate each phase of the selection process.
<ul style="list-style-type: none"> ➤ Make sure there are no conflicts of interest with members of Selection Committee. Utilize Multnomah County's conflict of interest form. 	<ul style="list-style-type: none"> ▪ Agree that an Evaluator's Conflict of Interest Statement is useful and should be immediately implemented.
<ul style="list-style-type: none"> ➤ For large and/or complex projects, hold pre-proposal meeting including persons able to speak to City's key interests/ concerns. 	<ul style="list-style-type: none"> ▪ Agree for large and complex projects. Increase use of pre-proposal conferences and pre-proposal meetings during RFQ processes.
<ul style="list-style-type: none"> ➤ Develop scoring method for the M/W/ESB participation that is consistent for all Comm members. Scoring based on both % of participation and the amount of meaningful work performed by the M/W/ESB firms. M/W/ESB selection criteria made as clear and objective as possible. 	<ul style="list-style-type: none"> ▪ Modify PTE Manual to include factors considered in evaluating M/W/ESB criterion. Modifications address how to assess and allocate points. ▪ Recommend individual evaluators retain flexibility to evaluate M/W/ESB participation based on pre-established factors.

Forum Recommendation	C3 Sub-Committee Recommendation
➤ Clarify City policy so those M/W/ESB firms are given credit for M/W/ESB participation if they are proposing as a prime contractor.	(Note: The concept of ways to evaluate M/W/ESB participation by prime firms is currently under review by the City Attorney's Office.)
<ul style="list-style-type: none"> ➤ Each Selection Comm member should score proposal and each interview; rank firm; share with comm first place choice based on scoring. ➤ Proposer with highest number of first places should be selected. Selection is based on one person, one vote. ➤ If tie vote, the comm continues discussion and then take second vote. Continue process until one firm is first. Document discussion and voting. 	<ul style="list-style-type: none"> ▪ Recommend an odd number of evaluators to avoid tie votes.
➤ Member of Purchasing or an independent M/W/ESB advocate should be at interview. They could be nonvoting member of the Selection Comm.	<ul style="list-style-type: none"> ▪ Purchasing may wish to select projects on which they would like to sit-in on as a non-voting member and follow through the interview phase.
➤ Selection should only be made when Committee members are present. Committee should know who is selected when they leave meeting.	<ul style="list-style-type: none"> ▪ Recommend all evaluation sessions be finalized with completion of a recommendation form so that all evaluators acknowledge the selection.
➤ If Proj Mger would have a problem working with the selected firm, change the Proj Mger rather than allowing Proj Mger to derail the selection.	
➤ Develop complete record of process. Maintain good records from all members of the Comm. Records are freely available upon request.	<ul style="list-style-type: none"> ▪ Recommend compliance with all requests for review of qualifications and proposals subject to statutory limitations and as determined by the City
	<ul style="list-style-type: none"> ▪ Recommend debriefings be held as soon as possible following selection.

Forum Recommendation	C3 Sub-Committee Recommendation
Appeal Process	
➤ Develop a clear and concise appeal process.	<ul style="list-style-type: none"> ▪ Recommend development of written appeals process for each bureau/department that will be incorporated in all solicitation documents.
➤ First step of process: Bureau Manager or Director not involved in the selection process reviews proposals, comm scoring, and recommendation. Hold meeting between individual and protesting firm.	<ul style="list-style-type: none"> ▪ Recommend bureaus have the first opportunity to resolve complaints.
➤ If appeal not resolved at Bureau level, go to an independent appeal board. The board would consist of a layperson; member of Purchasing; a M/W/ESB advocate (If a M/W/ESB firm or issue), a representative from another Bureau that understands the technical issues.	<ul style="list-style-type: none"> ▪ Recommend that if not resolved at bureau, the firm may request Purchasing review. Purchasing makes written report to bureau and bureau's Commissioner. Firm may ask final review by Council. ▪ Do not recommend creating another layer of bureaucracy, which could result from the creation of a board of appeals.
➤ Appeal process should ensure that no retaliation is made later by the defending Bureau against a protesting firm.	

Forum Recommendation	C3 Sub-Committee Recommendation
Management of the Contract	
➤ Develop method to penalize firms who don't meet participation commitments or don't use identified M/W/ESB firms without having good justification for not doing so.	▪ Recommends modification to existing contract to grant City remedies for use by bureaus in this area.
➤ Provide a M/W/ESB Advocate to work across Bureau lines.	▪ Recognize need for better consistency related to M/W/ESB issues. However, better if developed at operations level so that bureaus' goals and objectives are integrated into contracting strategies versus arms' length/ reactionary function resulting from Citywide approach. ▪ Subcommittee questions if cost of a citywide advocate is feasible. If services are provided, they must be provided across bureau lines.
➤ Bureau Directors and Project Managers need to understand that Council is serious about diversity in contracting. The Bureau Directors need to create an atmosphere where it is acceptable to select small firms.	▪ Recommend information from the PTE Worksheets is summarized to determine the activities of bureaus individually and collectively to raise the level of visibility of contracting opportunities and actual awards.
➤ Recognize inconsistent quality of project management by and within different bureaus creates serious problems for firms. For new M/W/ESB firms which lack substantial financial buffer, unfair or sloppy project management by City staff can spell financial / professional disaster.	▪ Agrees with the concept that consultants who are requested to perform additional work should be paid for those services.
➤ Provide better, mandatory training and monitoring of PTE project staff.	
➤ Accomplish better pairing of City staff expertise and individual projects.	
➤ Review the on-call services model for fairness in distribution of opportunities, pairing of consultants, and use of M/W/ESB firms	▪ Committee recognizes benefit of increased use of standard on-call/flexible services, which are solicited once for a wide range of services provided as needed. Committee believes benefit of standard services outweighs disadvantages and encourages continued use. ▪ Committee recommends increased use of this contract type across bureau lines. ▪ Recommends processes developed to establish parameters for use.
➤ Review financial pressures on bureaus and individual project managers so that pressure is not taken out inappropriately on consultants.	

Many of the items noted by the Forum and supported by the subcommittee are currently City policy and are already included in the PTE Manual. These items require process improvement and compliance by the Bureaus. Examples include the inclusion of the selection criteria in the SOQ/RFP or the completion and retention of process documentation.

It is recommended that modifications to the PTE Manual be made as indicated by both the Forum and C3 Subcommittee. These items include:



- Addition of an Evaluator's Conflict of Interest Statement;
- Inclusion of a requirement for pre-proposal meetings for large or complex projects;
- Inclusion of a scoring method for M/W/ESB participation;
- Inclusion of a Recommendations Form to be signed by participants at the conclusion of the selection process;

Other items recommended but which require more design work in conjunction with staff and community members prior to implementing include:



- Development of a clear and concise appeal process;
- Development of subcontracting reporting requirements;
- Contract modifications which grant the City remedies for non-compliance with M/W/ESB requirements;

Finally, there are other items highlighted in the reports that begin to get at the core issues surrounding PTE contracting. The issues fall into three major areas:

- Compliance with citywide policy and comprehensive reporting of results
- Utilization of M/W/ESB firms
- Accountability of decentralized staff

In July 2000, the Purchasing Bureau began collecting the PTE worksheets that are placed on file with the Auditor's Office at the time a contract number is assigned. The intent of the PTE worksheet (Attachment 7) is to provide data on the procurement process completed by the Bureau. The PTE worksheet specifically asks for information regarding the number of proposals distributed and the number of M/W/ESB firms contacted in the proposal process. Prior to July 2000, no effort has been made to analyze the data on file in the Auditor's Office. (Note: The Auditor's Office is currently completing an internal audit on PTE contracting. No information about the results of this audit is available at the time of this writing.)

The information from the PTE worksheets for the time period July 1, 2000 – December 31, 2000 has been placed into a database by Purchasing staff. Reports reflecting the data collected are included in Attachment 8. The following PTE activity reported to the Auditor's office during this six-month period is summarized below.

TABLE C PTE Contracting 7/1/00 – 12/31/00 As Reported on PTE WORKSHEETS

	Total		% of Total	
	Contracts	Dollars	Contracts	Dollars
All Contracts	230	\$26,656,279.11	100.00%	100.00%
Awards to MWESB Firms	31	\$944,475.89	13.48%	3.54%
Sole Source Contracts*	118	\$2,698,755.11	51.30%	10.12%
Sole Source to MWESB Firms	9	\$385,269.89	7.63%	14.28%
Number of Contractors	206	\$26,656,279.11		100.00%
Average award per contractor	1.12			
Repeat Vendors	18	\$6,448,185.00		24.19%
Repeat vendors who received 1 or more contracts without competition	15			

All Contracts Citywide

Bureau	Total PTE		% of Citywide Total		MWESB Prime Participation		% of Bureau Total	
	Contracts	Dollars	Contracts	Dollars	Contracts	Dollars	Contracts	Dollars
AUDITOR	2	\$195,360	0.87%	0.73%	0	\$0	0.00%	0.00%
BES	39	\$19,735,533	16.96%	74.04%	2	\$298,045	5.13%	1.51%
BGS	28	\$849,854	12.17%	3.19%	5	\$93,135	17.86%	10.96%
BHCD	2	\$43,150	0.87%	0.16%	0	\$0	0.00%	0.00%
BHR	7	\$322,300	3.04%	1.21%	1	\$5,000	14.29%	1.55%
BIT	7	\$594,720	3.04%	2.23%	1	\$85,000	14.29%	14.29%
BOEC	2	\$117,000	0.87%	0.44%	0	\$0	0.00%	0.00%
BUILDINGS	3	\$87,660	1.30%	0.33%	1	\$19,800	33.33%	22.59%
CABLE	5	\$80,050	2.17%	0.30%	2	\$10,250	40.00%	12.80%
CITY ATTORNEY	6	\$186,500	2.61%	0.70%	0	\$0	0.00%	0.00%
COMM PUBLIC UTILS	1	\$15,000	0.43%	0.06%	0	\$0	0.00%	0.00%
ENERGY	2	\$19,075	0.87%	0.07%	0	\$0	0.00%	0.00%
FIRE	6	\$47,450	2.61%	0.18%	0	\$0	0.00%	0.00%
MAINTENANCE	3	\$30,796	1.30%	0.12%	2	\$11,500	66.67%	37.34%
OMF/OFA	7	\$562,388	3.04%	2.11%	0	\$0	0.00%	0.00%
ONI	1	\$244,000	0.43%	0.92%	0	\$0	0.00%	0.00%
OPDR	11	\$93,223	4.78%	0.35%	5	\$32,723	45.45%	35.10%
PARKS	33	\$1,767,178	14.35%	6.63%	12	\$389,023	36.36%	22.01%
PDOT	4	\$52,360	1.74%	0.20%	0	\$0	0.00%	0.00%
POLICE	36	\$304,535	15.65%	1.14%	0	\$0	0.00%	0.00%
PURCHASES	3	\$73,980	1.30%	0.28%	0	\$0	0.00%	0.00%
TRAFFIC	2	\$155,000	0.87%	0.58%	0	\$0	0.00%	0.00%
TRANSPORTATION	5	\$106,800	2.17%	0.40%	0	\$0	0.00%	0.00%
WATER	15	\$972,367	6.52%	3.65%	0	\$0	0.00%	0.00%
Total	230	\$26,656,279	100.00%	100.00%	31	\$944,476	13.48%	3.54%

* Projects for which 0 or 1 RFPs were distributed

Without jumping to major conclusions about the effectiveness of the PTE contracting process solely from the raw data, a number of issues are readily apparent.

- **Incomplete data and Non-Compliance with central policy**

As with prior attempts to collect PTE data from the worksheets, one major problem faced by Purchasing is the lack of consistent, complete documentation. Although the Auditor's Office has a responsibility to ensure that PTE worksheets are submitted with contracts, no resources have been allocated in either Purchasing or the Auditor's Office to ensure that the worksheets are complete or correct. Data submitted on the PTE worksheets is inconsistent at best.

In addition to the data collected from the PTE worksheets, the Forum members were very clear as to their concern about a process that is not systematically and uniformly enforced across Bureau lines. As noted in the Forum report, the quality of the PTE process varies considerably across Bureau lines and within individual Bureaus, depending on staff assigned. Lack of staff training and evaluation is a major issue.

Many other inconsistencies appear to exist between current contracting rules and actual procedures followed. For example, 5.68.050 of the City code currently dictates that:

Each bureau or responsibility unit desiring a professional, technical or expert services contract of more than the formal bid threshold set annually by the City Auditor shall establish a professional, technical or expert selection committee. The committee, with approval of the Commissioner, shall be chosen by the bureau or responsibility unit head and shall have a minimum of three members. The committee shall include at least one person from outside City government with expertise in the particular area of consideration unless the Commissioner In Charge explicitly waives this requirement.

From the PTE worksheets reviewed, almost no selection committees included a member from outside City government or the required waiver.

- **Amount of Sole Source Contracting**

Sole source, for purposes of this review, has been defined as those contracts with no or only one RFP distributed. It was assumed that if only one firm received the RFP, that competition did not occur. It cannot be assumed, in all cases, that competition should have occurred. With closer scrutiny, it is apparent that at least some of the 118 sole source contracts were made with either other jurisdictions or governmental institutions such as schools or Fire Districts. Another group of legitimate sole source contracts is with firms who modify proprietary software.

From a raw data perspective, it appears that over half of all of the PTE contracts the City awards are done with little or no competition. However, these contracts represent only 10% of the total dollar amount awarded and many appear, from the central data

available, to meet the criteria for sole source contracting. An assessment of if sole source contracting is a problem will require further labor-intensive review.

- **Lack of M/W/ESB Utilization**

The Mayor's Fair Contracting and Employment Forum members have repeatedly expressed an ongoing concern about the lack of M/W/ESB firms who either receive an opportunity to bid on contracts or receive awards as prime contractors. For contracts awarded during the last half of calendar year 2000, only 31 of the 230 contracts were awarded to certified firms. This represents 13% of the contracts, but only 3.5% of the total dollars. The City currently has no availability data from which to compare.

- **Organizational Structure and Roles and Responsibilities**

Organizational structure and responsibility is an ongoing question in the area of PTE contracting. As noted above, major benefits of centralized procurement include effective control and the utilization of a professional procurement staff. Proponents of decentralized purchasing for PTE contracting point out the need for personal relationships and individual contact with professional consultants. Although the Purchasing staff are trained and can provide PTE contracting services for the Bureaus, for the most part, almost all of the PTE procurement process occurs within the individual bureaus. During the period of July 1, 2000 – December 31, 2000, the City awarded 230 PTE contracts. Only sixteen (16) of those contracts were processed through Purchasing.

Responding to the current service delivery model, the Forum recommendations speak to the problems of poor compliance and reporting, insufficient utilization of M/W/ESB firms and the lack of accountability of decentralized staff. It is recommended that:



1. PTE contracting opportunities are advertised centrally to allow access to information (See section on advertising policy).
2. Systematic monthly compliance reports instituted for PTE contracts that are similar to those utilized for construction contracts. Bureaus must monitor and review such reports to identify situations where M/W/ESBs are losing out on subcontract work committed to them in the underlying proposal. Quarterly reports to be provided to Purchasing from the Bureaus.
3. Reporting and compliance policies should be developed centrally for consistency and control.
4. Purchasing and Human Resources need to establish a comprehensive training and evaluation process for the City's PTE project management staff to address some of the inconsistencies identified in the problem statement.
5. Additional staff resources are added to Purchasing to allow for independent involvement for larger formal PTE contracts.

□ **Service and Performance Standards**

Reporting and performance measures for PTE contracting have not existed citywide for a number of years. It is recommended that, pending the availability of resources, regular reports on PTE contracting be made available. These reports could be incorporated into the bi-annual performance measure supplied by Purchasing on construction and other non-PTE contracting.



The ability to track, monitor and report on PTE contracting will require both on-going staff and one-time resources to modify the existing data base system. The suggested performance measures below will also require the development of subcontracting reporting requirements as noted above.

Suggested Performance Measures:

- Number of bids received from diverse group of M/W/ESB firms at both a prime and subcontractor level for PTE contracts.
- Number of contracts and dollars received by diverse group of M/W/ESB firms at both a prime and subcontractor level for PTE contracts.
- Amount of dollars awarded vs. amount received at both the prime and subcontracting level.

□ **Technology**

As noted in the section on Advertising Policy, one of the current problems associated with PTE contracting involves the decentralized advertisement of contracting opportunities. If a consultant wishes to do businesses with the City, they must approach every Bureau who might have a need for their services. Advertising PTE contracts on the Purchasing web site will improve service delivery and access to contracting opportunities.

As with non-PTE contracting, using the Purchasing web site to download SOQs/RFPs will also save printing and mailing costs for the City. As other web-based procurement tools are developed (See section on Electronic Procurement Tools), it will be possible achieve additional cost savings.

Fair Contracting and Employment Strategy

□ **Vision**

To determine if and how discrimination has occurred in local public procurement processes, Portland Mayor Vera Katz proposed and the Portland City Council approved the execution of an Oregon Regional Consortium Disparity Study in February 1995. Completed in May 1996, in partnership with other local governments, the Study found that discrimination and bias have hindered the City's procurement process, by documenting through both statistical analyses and anecdotal information that contracting and employment opportunities have not been fairly distributed to a broad spectrum of qualified minority, women-owned, and emerging small businesses. The Study also identified inefficiencies in the City's procurement system that limited the ability of all contractors, regardless of race or gender, to successfully bid and perform work for the City. The Fair Contracting and Employment Strategy was crafted in response to the Study's findings and recommendations for the City of Portland. Council adopted the Strategy in February 1997.

The Strategy outlines for the City of Portland a set of Guiding Principles that serve as a citywide policy foundation for efforts to improve contracting and employment opportunities for minority, women-owned, and emerging small businesses. These Guiding Principles articulate a vision and mission statement, governing values, goals, strategic outcomes, objectives, and performance measures to guide the actions of the City Council, City staff, and contractors.

The Strategy establishes as a unified vision the principle of race and gender parity in the amount the City spends to procure goods and services by awarding contracts to a diverse and competitive group of local contractors while providing significant employment opportunities to minorities and women. Consistent with the overall procurement vision, the Strategy mission is to create a procurement system that is fair, efficient, effective, and accountable to all citizens while embracing the values and achieving the vision, goals, strategic outcomes, and objectives of the Fair Contracting and Employment Strategy.

The Vision, Mission and Values of the adopted Fair Contracting and Employment Strategy are shown on Figure D.

FIGURE D - Fair Contracting and Employment Strategy

Vision

To achieve greater economic and social equity in our community, the City of Portland seeks race and gender parity in the amount it spends to procure goods and services by awarding contracts to a diverse and competitive group of local contractors while providing significant employment opportunities to minorities and women.

Mission

The City of Portland seeks to create a procurement system that is fair, efficient, effective, and accountable to all citizens while embracing the values and achieving the vision, goals, strategic outcomes, and objectives of the Fair Contracting and Employment Strategy.

Values

Diversity

The City of Portland values an open and friendly community that is free from bigotry and intimidation. The City values a community that welcomes and respects the individuality, unique talents, and contributions of all people regardless of age, race, gender, ethnicity, sexual orientation, religion, physical or mental ability, or financial means.

Economic Vitality

The City of Portland values a strong, varied, adaptive, and diverse contracting economy that provides employment and training for all individuals, in particular those who have been excluded from the economic mainstream because of historic discrimination.

Customer Accountability

The City of Portland values customer success and seeks to create a contracting environment in which everyone has the opportunity to flourish. At the same time, personal responsibility and accountability on the part of individual contractors and the ability of the contractor to establish independent profitable business relationships are also valued.

Customer Partnership

The City of Portland values open, honest government that is responsive to citizens, tax and rate payers. The City values partnership with its customers and municipal services that are immediately useable and that tangibly improve the public contracting environment.

Disclosure

The City of Portland values integrity and full disclosure of results. The City does not cover up bad news. While failure is never a desired outcome, learning from previous mistakes in order to improve future decision-making is valued.

Quality and Efficiency

The City of Portland values a public contracting environment that is demonstrably effective in its ability to balance social objectives with economic realities.

□ **Policies**

Outside the Administrative Review process, the Fair Contracting & Employment Strategy is currently undergoing a three-year review at this time with the first draft scheduled to be available March 2001. The existing Strategy contains “tools” to reach the desired vision, including programs such as the Good Faith Effort Program, the Workforce Training and Hiring Program, Technical Assistance, the Sheltered Market Program and internal staff training. The current review process has identified a need to strengthen each of these areas. The written review of the Strategy will provide more detail. Examples of draft recommendations expected to be part of the total review include items such as:

- Increase outreach in the Workforce area to include public school education and recruitment in the trades and the reinvestment of liquidated damages, collected as a result of a contractor’s failure to meet labor requirements, in workforce training programs. Lead a region wide summit on pre-apprentice recruitment and training to determine how to utilize existing resources.
- Increase Technical Assistance to include specific business assistance for each contractor in the Sheltered Market Program and an exit evaluation to determine specific progress made by each business beyond the project specific progress.
- Develop in-house training for Sheltered Market Contractors that teaches them government relationship skills. Provide more hands on assistance from CDD (Contractor Development Division) for project managers and SMP contractors to resolve conflicts and communication issues. Expand SMP, or create a similar program, to include start-up or “young” businesses to increase the pool of available M/W/ESB contractors for the future as existing businesses “graduate” from the program. Develop a tracking system to follow graduates for 5 years so that the long-term effects of the Program can be monitored.

Additional recommendations and policy changes will be highlighted through the completed review process that will include community, contractor and staff input.

□ **Organizational Structure**

The Fair Contracting and Employment Strategy adopted by Council, specifically delegated authority to the Contractor Development Division (CDD) in the Bureau of Purchases as the City’s lead agency in facilitating implementation of the program. The City Council also designated the Contractor Development Division Manager as the lead staff on all Strategy-related efforts.

In addition, the Strategy recognized that each City bureau or office has the responsibility for coordinating its actions related to this Strategy with the Contractor Development Division and for assisting in executing this Strategy.

□ **Roles and Responsibilities**

As noted above, Purchasing has the responsibility for Strategy implementation. This includes program development and administration of portions of the Contractor Development Program best done centrally. (Detailed roles and responsibilities are delineated in the original Strategy document.) Specifically, this central administration has included site compliance, monitoring and reporting. The City has shown, as documented in the Disparity Study, that without central oversight, program implementation and reporting is inconsistent and unbalanced at best.

The actual success of the Strategy, however, often lies at the bureau level. Data indicates that the design of construction projects – starting with concept – often impacts the City’s ability to utilize M/W/ESB firms. As a result, CDD has worked hard to include impacted Bureaus in all phases of the Strategy implementation. As noted in the introduction, the C3 or Contract Coordinating Committee has been an integral part of review and input at all phases and levels of program development.

The Disparity Study also pointed out the need for individual City staff to understand the overall Vision and how their own individual daily actions impact the ability of small firms to be successful. For this reason, a number of additional task forces have been involved in design of training curriculum, as well as program language.

□ **Service Provision Options**

The CDD currently contracts to provide compliance services for Multnomah County, PDC, Tri-Met and Metro. To eliminate services currently performed by this division would result in a reduction of revenue.

As part of the proposed ASR Target cuts, a proposal was made to eliminate the Internal Apprenticeship Program from Purchasing. The purpose of this program is to increase the numbers of apprentices working directly for the city. This effort is more appropriately addressed by Human Resources. The timesaving for CDD would be minimal because the activities surrounding this project were performed by committee and directed by the Project Coordinator for workforce.

□ **Service and Performance Standards**

The Fair Contracting and Employment Strategy includes a large component of reporting. To provide a means to determine the effectiveness of the programs developed, much staff time and effort is put into “counting and measuring” results. The current performance measures include:

- Number of bids received from diverse group of M/W/ESB firms at both a prime and subcontractor level for both construction and A&E work.
- Number of contracts and dollars received by diverse group of M/W/ESB firms at both a prime and subcontractor level for both construction and A&E work.
- Percentage of M/W/ESB firms reporting that if they sought private sector work, business opportunities were available.

- Percentage of M/W/ESB contractors surveyed reporting that they are receiving adequate technical assistance.
- Percentage of M/W/ESB contractors surveyed reporting that access to bonding is not an obstacle to their business development.
- Percentage of M/W/ESB contractors surveyed reporting that access to financial assistance is not an obstacle to their business development.
- Percentage of M/W/ESB contractors surveyed reporting that discrimination has not been an obstacle to their business development in the last year.
- Percentage of projects at which random site inspections are completed.
- Percentage of staff with procurement-related responsibilities that complete annual training program.
- Percentage of annual training hours received by women and minorities on City-funded construction projects.
- Completion/ graduation rates of women and minorities in the apprenticeship programs.
- Parity representation of minorities and women in EEO-certified construction firms.
- Parity representation of women and minorities in the construction trades.

The status of the major Performance Measures is reported twice a year to the Mayor's Fair Contracting and Employment Forum.

□ **Technology**

As noted above, much of the centralized role of implementation revolves around data tracking. The current database system was state-of-the-art when purchased and designed in 1997 and, as a result, the City has a national reputation for its innovative program and data collection.

However, the current BizTrak System is vulnerable from three perspectives. First, due to limited resources, the City has not purchased the ongoing upgrades provided by the vendor. In addition, few dollars have been spent on enhancements. As a result, as data collection needs have become more sophisticated in the last three years, staff has been forced to create "work-arounds" in compatible software. Over time, this becomes an unacceptable solution. For example, reports become disjointed and hard to produce, and more staff time is spent tracking data problems than ensuring compliance with program requirements.

Second, the current BizTrak system is not web based. As Purchasing moves forward with its vision of increased use of electronic procurement tools, it will require a data tracking system that is web based and integrated with the online bidding system.

Third, the system was built and designed for software not optimized in a multi-user-networked environment. The current software version does not allow data to be readily available across Bureau lines.



If continued and/or expanded monitoring is needed, the City must spend funds to upgrade the data tracking system. (See section on PTE contracting for additional tracking needs and section on electronic Procurement Tools for proposed web-based system improvements.)

□ **Financial Issues**

The CDD currently markets its compliance services to other local governments. Funding from Multnomah County, PDC, Tri-Met and Metro currently provide revenue for some staff positions. Although some economies of scale and staff flexibility are realized, the agreements have been designed to only recover actual costs.

Procurement Card

□ **Vision**

The procurement card (P-card) has been designed to replace low dollar, paper intensive transactions with a “plastic” or a credit-card-like instrument. The plastic should be simple to use for both the end user and the goods provider, easy for the corporate entity to track and pay bills, and should allow for controls and audit of the expenditures.

In the optimum P-card environments, the corporate management and policy control of the system is centralized and minimal, while also ensuring compliance with laws, regulations and policies. There would be maximum deployment or delegation of authority to individuals to use the card and purchase low dollar items. In other words, to be effective, the P-card system should be as simple and “painless” as possible for all involved.

Specifically at the City, use of the P-Card during the last two years has demonstrated a system that:

- < Streamlines the procurement process by replacing Limited Purchase Order (LPO), direct invoicing and petty cash transactions with a purchasing tool that is quicker and easier to use.
- < Reduces by 25 - 37% the number of administrative hours necessary to process more than 35,000 small transactions annually.
- < Allows vendors to the City to receive payment within two days rather than thirty days, and still take advantage of a thirty-day payment cycle.
- < Allows the City to take cash discounts for purchases and still take advantage of a thirty-day payment cycle.
- < Increases transaction security by allowing the programming of individual procurement cards.
- < Allows highly detailed and customized reporting of transactions.

□ **Policies**

The Portland City Council authorized the implementation of a procurement card (P-Card) trial and development of a procurement card plan for the City of Portland in May 1996.² The trial was established with the Bureau of Transportation, Bureau of Buildings, and the Bureau of Purchases in September 1997 through a relationship with Wells Fargo Bank. The trial was expanded to include the Water Bureau several months later.

Information obtained during the trial determined that the fees and services provided by the P-card providers was dependent primarily on the volume of dollars identified

² Ordinance Number 170041, passed May 1, 1996.

for P-card usage. With this in mind a consortium of local government entities in the Portland area was established for a joint bid.³ A joint Request for Proposals⁴ was prepared and the Bank of America was awarded a contract⁵. The City of Portland procurement card program (P-Card) was implemented in August 1997.

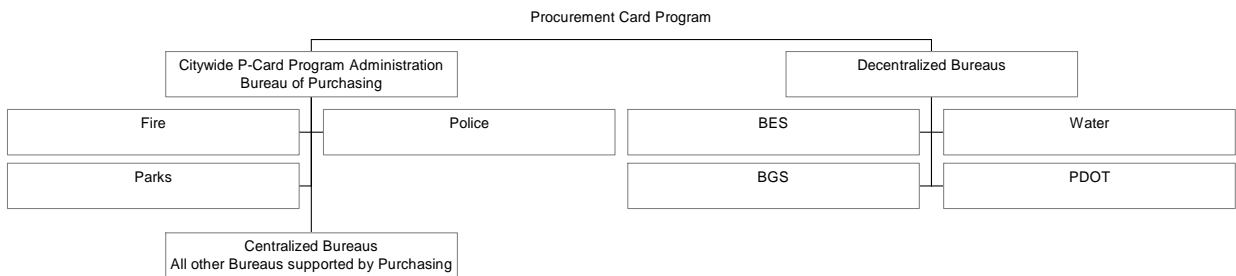
The Bureau of Purchasing administers central written policies for the use of the P-card. The City Code authorizes the Purchasing Agent to “adopt forms, procedures, and administrative rules for all City purchases regardless of amount. The forms, procedures and administrative rules shall be used by the City unless in conflict with the City Code.”



In July 2000, the Bureau of Purchasing was authorized 1 FTE to assist in the administration of the citywide P-card program. The current work program calls for a review of the Code to determine what additional language or authorization is needed.

❑ **Organizational Structure and Roles and Responsibilities**

Much of the current structure of the P-card system has been designed to work within the financial management system and separate “pay entities.” When IBIS is replaced, it will benefit the City to review the current structure.



The functions or current division of duties and responsibilities are summarized in Figure E below.

³ This consortium included the City of Portland, City of Eugene, Clackamas County, Metro, Portland Public Schools, Portland Community College, Tri-Met, Washington County, Port of Portland, Tualatin Fire and Rescue and the Unified Sewerage Agency.

⁴ RFP #122. Proposals were opened February 18, 1997.

⁵ Contract Number 40362, dated May 1, 1997.

FIGURE E – Roles and Responsibilities for P-Card Program

Duties	Primary Responsibility				
	Purchases	Centralized Bureaus (W/O Card/ Site Admin)	Card Administrators (Parks/Fire/Police)	Site Administrators Decentralized Bureaus (Water, PDOT, BES, BGS)	Accounting
Contract for services	◆				
Contract management	◆				
Write policy / procedure*	◆				
Distribute policy guides	◆				
Primary bank liaison	◆				
Consortium representative	◆				
Receive / distribute bank rebates for City, consort.	◆				
Order / distribute plastics	◆				
Initiate orders for new plastics		◆	◆	◆	
Cancel plastics for centralized bureaus	◆				
Cancel bureau-specific plastics				◆	
Provide training to groups, admin.'s, cardholders	◆			◆	
Maintain hierarchy	◆				
Download / distribute activity reports to centralized bureaus (Including Parks, Fire, Police)	◆				
Download/distribute bureau-specific activity report			◆	◆	
Copy monthly totals to Accounting	◆				
Provide cost accounting for purchases made		◆	◆	◆	
Prepare IBIS payment authorization		◆	◆	◆	
Follow-up on delinquent payment authorizations	◆		◆	◆	◆
Prepare one check to cover collective charges				◆	◆
Quality – check payment authorizations					◆
Perform bureau-specific quality checks	◆		◆	◆	
Perform City-wide quality checks	◆				
Enforce policy	◆			◆	
Correct billing errors**		◆	◆	◆	

* Bureaus may write their own policies/ procedures within parameters of citywide policies/ procedures.

** Bureaus may request assistance from Purchasing

□ **Service Provision Options**

Use of the P-card is, in fact, a decision to outsource accounting functions. Procurement card savings arise from the fact that accounts payable functions on P-card transactions are essentially outsourced for free. The merchant and the bank (the P-card vendor) perform quality control, invoice matching, detail reporting, and consolidated monthly billing. Individual expenditures are checked, as always, by the city employee and approved by a supervisor. Internal Accounts Payable responsibility is reduced to the cutting of a single check per month to the bank for all P-card purchases citywide. As we expand the number of cardholders, the number of P-card transactions, and the allowable uses of the P-card, the proportion of accounts payable work we effectively outsource increases.

Working within the constraint of the existing accounting structure, two major areas were identified for improvements in the next 12 months. Both of these improvements will result in increased savings in time and resources.

- **Training Resulting in Increased Usage**

With the addition of P-card staff who can internally market the use of the P-card and train staff on policies, a conservative estimate of citywide savings is \$200,000 - \$500,000 annually. This estimate is based on the savings per transaction, which can occur with additional P-card users. Although the City may not always realize direct decreased costs resulting from staff layoffs, it can realize the saving of staff time that will become available for other assignments. This offset will allow the City to essentially re-assign duties of existing staff involved in the LPO and invoice processing procedures.

	# of Transactions	Savings per Transaction as compared to P-Card	Estimated Savings if P-Card Utilized
Estimated FY 98-99 LPO Transactions	13,000	\$24.11	\$313,478.03
Estimated FY 98-99 Invoice Transactions	17,000	\$15.34	\$260,780.00
Total Estimated / Possible Savings			\$574,258.03

In addition to the immediate impact on City staff, increased use of the P-card results in an increased rebate to the consortium members based on dollars expended. In 1999, based on a total expected consortium expenditure of over \$20 million, a .20% rebate or \$40,000 is expected to be received. The City will receive approximately 30% or \$12,000 of that rebate.



Since August 2000, staff has been preparing improved documentation of the P-Card policies and preparing the curriculum and marketing campaign. Training is currently scheduled for the spring of 2001.

- **Technology Upgrade Resulting in More Control and Less Staff Resources**

If frustration with the P-card system exists, it has been with the software currently provided by Bank of America to download and track expenditures. In November 2000 staff attended a demonstration of the EAGLS web-based procurement card tracking system, presented by Bank of America. The Purchasing Bureau has committed to the purchase of EAGLS software using the P-card rebate funds from FY 1999-2000.

The application meets the City's P-card tracking needs and would eliminate the current software that the City is using to track P-card expenditures. SmartData has been increasingly difficult to support and is now considered obsolete.

EAGLS (Electronic Accounting & General Ledger System), being on the Web, eliminates all of the problems associated with SmartData, and adds some significant advantages:

- ALL the card administrators can have flexibility in downloading and reporting data
- Cardholders can check their own card usage online from anywhere
- Transactions are updated daily from the bank's main database
- All City users would necessarily be on the same version, and software updates would take place automatically on the host server
- Our internal IT staff would not have to support the application
- Purchasing would no longer have to send monthly statements to the card administrators

Further, EAGLS is an established and tested system in use by several major corporations.



The total base cost of the system is \$5500, with a single annual mailbox fee of \$400. This means that all eight of the P-card administrators and as many of their cardholders as they wish could have access to the system at tightly--controlled levels of security that we designate. EAGLS is expected to be installed in April 2001.

□ **Service and Performance Standards** –

Although tracked, no service and performance standards are currently reported on.

Industry standard performance standards include:

- Card usage
Benchmark: 80% of cards should be in active use each month.

- Average transaction per card
Benchmark: \$250

Because of the documented cost savings in using the P-Card in lieu of LPO or petty cash transactions, it is also important to track the number of those transaction types. To optimize cost savings, the City should continue to see a decrease in the number of LPO and petty cash transactions and an increase in P-Card transactions.

□ **Technology**

See discussion above regarding EAGLS software replacement.



One major additional technology/ policy opportunity currently exists that Purchasing will consider in the next year. Specifically, it is possible to use a “ghost card” to pay Annual Supply Contractors.

The City currently has in excess of 266 annual supply contracts. These contracts allow for the purchase of goods and services, across Bureau lines with one or more vendors at the best price. The annual supply contract and competitive bid process replaces individual competitive bids each time an order for asphalt or chairs or other goods are needed.

With the existing technology, the annual supply contracts could require that the vendor allow for payment via a charge to a “ghost card” that was set up at the time of the contract award. Ghost cards would provide detailed usage reports citywide. Also, ghost cards have the potential of lowering bid costs as a result of immediate payment. The City, however, would still retain its use of a 30-day float to pay the card vendor.

This option will be researched during the next year and implemented as soon as is feasible.

□ **Financial Issues**

Increased use of the P-card results in an increased rebate to the consortium members based on dollars expended. In 1999, based on total consortium expenditures of over \$20 million, a .20% rebate or \$41,000 was received. The City received approximately 30% or \$12,000 of that rebate. The rebate was used to purchase EAGLS software as well as off set staff costs.

When the volume of consortium wide P-card expenditures reaches \$30,000,000, the rebate increases to .25%. If a larger number of LPO and petty cash transactions are captured on the P-card, the City’s P-card expenditure could easily reach \$11.5 million. This would result in a hard dollar rebate of \$25,000 - \$29,000 to the City.

Electronic Procurement Tools

□ **Vision** –

As the computer industry continues to revolutionize the way we work and communicate, the opportunities for changing the face of how everyday business is transacted looms large. Governments are looking to e-commerce as a way to continually increase productivity while dealing with declining support budgets. The procurement function is deep in the middle of this fast changing landscape.

The vision for an electronic procurement system includes:

- On-line solicitation and bidding;
- On-line document preparation and review across organizational boundaries, including standardized forms, worksheets and routing;
- On-line or paperless vendor certifications;
- On-line advertising of contracting opportunities available to all regardless of size, race or location;
- On-line ordering by end-users direct from vendors, with financial management interfaces to automatically encumber and disperse funds and track usage;
- A single entry system for specifications and requisitions as well as automatic generation of POs and contracts;
- Increased purchasing or ordering via multi-jurisdictional contracts available on-line.

The buyers should be shifting from a role of “moving paper” where primary costs center on each individual transaction, to a value-added role. Time and resources can be spent managing contracts and building an interactive service delivery to both Bureaus and vendors. In this way, the work of the City can occur in the most fair, efficient, effective, and accountable manner possible.

□ **Policies**

The recent procurement Code changes now allow for the City to move forward with all or some of the various e-procurement efforts. It is recommended that operational Bureaus outside Purchasing not attempt to recreate the central efforts. Additional legal review of state and federal policies on specific elements still needs to be completed (How and when we can begin acceptance of electronic signatures is the primary issue at this time.).



Beyond procurement policies, the current financial management system (IBIS) and Information Technology policies are the two main policy areas which have a direct and controlling impact on e-procurement. The ability of IBIS to access or share data across organizational lines is hampered by both the age of the system and current

implementation policies (such as separate pay entities). Issues related to IBIS make on-line ordering or vendor payment difficult, if not impossible.

Information Technology policies and related implementation schemes also make reaching full implementation of e-procurement systems problematic. Below, in the section of financial issues, it is noted that even the simple problem of non-standard hardware and software across bureau lines, makes implementation difficult.

This report does not address recommendations regarding either of these policy areas.

□ **Organizational Structure and Roles and Responsibilities**

Internet Site

The Bureau of Purchasing now maintains a web site. The intent of this web site is to provide vendors with as much information as possible about City contracting opportunities and the procurement process. Recently Spearman, Welch & Associates, Inc. of Fort Worth, Texas performed a study of municipal government web sites and released their findings in the report *Use of the Internet for Electronic Commerce in U.S. Cities with Populations Greater than 500,000*. The study evaluated and ranked the web sites of 26 large American cities, New York being the largest city in the study, and Portland the smallest. The study looked at seven city government service categories, including permits, payments, advertising and ordering (purchasing). The City of Portland's purchasing pages were ranked number one in the nation in the Ordering category, while the City's overall web presence was ranked number four. (The executive summary of the Spearman-Welch study is available at www.spearman-welch.com/media/evaluation.pdf.)

Even with the high marks given to this electronic tool, it is inaccurate to state that this web site represents all city contracting opportunities. Because PTE contracts are not currently processed through Purchasing, an estimated \$50 million of annual PTE contracting is never advertised centrally. (See discussions on PTE contracting and Advertising.). Currently, some Bureaus advertise their PTE contracts on their individual web sites (or other web sources), but most do not. Vendors report extreme frustration with the inability to go to one site and see all opportunities.

Since the Spearman-Welch report, the Bureau of Purchases implemented a new mechanism to increase notification of opportunities to area businesses. Contractors and vendors are now able to register for bid notification online. Businesses that register through the online vendor registration page will receive e-mail notices of upcoming bid opportunities, and also will be able to download project specifications instantly. (See Web page at www.ci.portland.or.us/purchase/purchase.htm for more details.) The effectiveness of this tool will be determined by the ability of user Bureaus to prepare and submit documents according to citywide standards.



It is recommended that the Purchasing Bureau formally be assigned the responsibility for centralized web based procurement advertising. Recommendations regarding advertising of PTE contracts through Purchasing should also be implemented. This effort must be done in concert and cooperation with the broader e-commerce effort for the entire City.

Intranet Site

In addition to the Internet web site, Purchasing also maintains an active and widely used website on the City's Intranet. This site provides employees of the other City bureaus with information, forms, and interactive access to our vendor and contracts database. As the Purchasing Agent has been delegated the authority to direct all administrative procedures related to procurement, this electronic tool has the potential to be extremely efficient and effective, depending on staff access to computer resources and information about the Web site.



It is recommended that Purchasing continue in its role of central authority for all purchasing related procurement policies and related efforts in e-procurement.

❑ **Service Provision Options**

The Purchasing Bureau should be responsible for the delivery of e-procurement tools in conjunction and cooperation with the central IT e-commerce effort.

❑ **Service and Performance Standards**

No standards currently exist specifically for electronic purchasing tools. Increased use of e-procurement should result in increased standards for performance measurement of PTE and non-PTE contracting as well as the Fair Contracting and Employment Strategy.

❑ **Technology**



The resources needed to continue and move forward the implementation of e-procurement related tools will require the following investments:

- The purchase of software to allow for continuation of on-line bid and spec distribution.

The current BidServer software has been provided for free to the City in exchange for using the City site as a demo site. The vendor has been notified that following the 12 – 18 month pilot project, it will be necessary to competitively bid the software purchase. (Another alternative at that time may also be to join a governmental consortium for a web site. Either way will require funding of an estimated \$30,000.)

- IT support for application development.

If the e-procurement systems are designed in-house or modified by an

external provider, it will be necessary to provide funding not now budgeted in Purchasing.

- PC software and hardware upgrades internal to Purchasing.
- Citywide PC software and hardware upgrades.
With the design and implementation of the e-procurement web site, document routing, revision control and CAD standardization have become issues. Solving these problems will require citywide software and hardware upgrades and standardization.
- Funds for fee structures required to purchase cooperatively with other jurisdictions.
Some consortium of jurisdictions formed to allow cooperative purchases require a membership fee. Currently no funds are budgeted for this expense.

□ **Financial Issues**

Currently, regional and state governments are discussing ways to move forward with e-procurement while maintaining a vision of one seamless process for vendors to access. The goal is to supply one regional or state web site where a firm may see all contracting opportunities – regardless of jurisdictional boundaries. It is too early in the process to determine if the City is the provider or end-user of such a system. Purchasing staff is currently organizing and/or participating in these on-going discussions.

Advertising Policies

□ **Vision** –

Within the Purchasing function, the City has the need to let citizens know of opportunities available and/or events that either have taken place or will happen. These communication or advertising needs include both procurement-related notices, including information on both bidding opportunities and award; and advertisements showing support of targeted activities for underserved communities.

The communication or advertising should be provided:

▪ **In one central, consistent and coordinated manner**

Currently, there is no one place – either on the web, in a newspaper or Bureau – where an individual may go to determine the entire scope of contracting opportunities. This results in a system that is very difficult for individuals or firms wishing to do business with the City of Portland.

It is not unusual for various Bureaus to buy advertisement space independently in support of community based events. The reader is left with the impression that although the City supports the event or topic, the City is made up of separate, independent organizations. These ads should be coordinated.

▪ **In a way to reach a more diverse audience**

To enable the City to do business with a more diverse population, it will be advantageous to utilize both traditional and increasingly accessible technologies to reach a more diverse audience.

▪ **In a way to meet public notice requirements**

With the implementation of the new procurement code revisions January 1, 2001, construction and supply or service contracts under \$500,000 will be bid and awarded by the Purchasing Agent. This means that the Council Calendar will no longer be used as the vehicle of legal public notice. Instead, Purchasing is now posting a Notice of Intent to Award on the web site and in the office.

▪ **In a cost effective manner**

It is the stated intent to look for ways to meet legal advertising requirements while containing or reducing costs. This may be possible through extended use of electronic postings.

With limited city resources, the opportunities to place ads for additional special events or special edition publications are limited. As the City increases its effort to do outreach and support a more diverse population, there is an opportunity to place ads in more special publications. Currently the budget does not allow this.

□ **Policies** –

The City Charter⁶ requires that all advertising shall be done in the “City official newspaper.” Currently, the official newspaper, as determined by an annual bid process, is the Daily Journal of Commerce. In addition, with the adoption of the PTE (Professional, Technical and Expert Contracts) Ordinance in April 2000⁷, the Purchasing Agent is directed to provide a citywide advertising strategy. The Code was amended to include a requirement that “ PTE projects are advertised in publications serving Portland’s diverse communities, including minority and women-oriented publications, so that equitable access to information about the City’s PTE contracting opportunities is made available.”



To meet the stated Vision, the following policies should be implemented. Needs met by each action are noted in *italics*.

- A. Purchasing will reduce the information placed in written bid notices in the official City newspaper to the extent possible under law. (*Cost effective*)
 - B. Implement centralized advertising of all contracting opportunities through:
 - the Purchasing web site
 - the Purchasing 24 hour fax-on-demand-system
 - the Purchasing 24 hour telephone BuyLineNOTE: This will require Bureaus to notify the Purchasing Bureau of all PTE contracts that are available for bid and/or awarded.
(*Central Information, More Diverse Audience, Public Notice*)
 - C. Purchasing will explore a process to advertise, on a weekly basis, either a summary listing of both contract opportunities and awards in designated community newspapers or a notice directing interested parties to the Bureau’s Internet web site and automated phone system to learn about bid opportunities, bid results and other valuable information. Include notice of the web, phone and fax-on-demand-system in the advertisements. (*More Diverse Audience, Public Notice*)
 - D. Implement centralized advertising for support of special events or causes through the Contractor Development Division in the Bureau of Purchases. This will require transfer of any annual budgets from individual Bureaus to Purchasing. (See previous note regarding budget cuts.)(*Central Coordination*)
 - E. Purchasing will be responsible for coordination of advertising for special events with other jurisdictions to allow for cost sharing. (*Cost Effective*)
 - F. With any cost savings realized from elimination of duplicate ads or from cost sharing, expand support of city advertising to other special events if possible. (*More Diverse Audience*)
- These policies assume that the Bureaus may continue to place specialized advertisements in trade or specialty publications at their own discretion.

□ **Organizational Structure**

Procurement Notices – Currently non-PTE contracting opportunities are advertised centrally. Each originating Bureau, however, advertises PTE contract opportunities. In some cases,

⁶ City Charter Chapter 8; section 8-101

⁷ Ordinance No. 174347; Amending Code 5.68.030

Bureaus are duplicating web site efforts and notices, may be not meeting legal requirements for advertisement. From the perspective of someone wanting to do business with the City, this decentralized advertisement is very frustrating and difficult to access.

Advertisements showing support of targeted activities for underserved communities - The City supports various ethnic and gender based special events and publications through the purchase of advertisements. These special ads recognize the goals and vision for a community that is free from racial and gender bias. Examples of events, activities or publications that are supported by the City include, but are not limited to, MED (Minority Enterprise Development) Week publications, special ethnic focus newspaper editions (Black History Month, Cinco de Mayo, etc.), or Women in Construction publications.

It is not unusual for various Bureaus to buy advertisement space independently. A reader will open the publication and see an ad for the Purchasing Bureau, turn the page and see an ad from the Bureau of Environmental Services and then a few pages later, see an ad from the Affirmative Action Office. The reader is left with the impression that although the City supports the event or topic, the City is made up of separate, independent organizations.

The policy recommended above indicates that these functions should move toward a more central administration.

□ **Roles and Responsibilities**

The policies recommended above reflect two major changes in roles and responsibilities.

1. Implement centralized advertising of all contracting opportunities through:



- the Purchasing web site
- the Purchasing 24 hour fax-on-demand-system
- the Purchasing 24 hour telephone BuyLine

This change in policy will require Bureaus to notify the Purchasing Bureau of all PTE contracts that are available for bid and/or awarded.

In the future, given a seamless technology system, it may be possible to allow all Bureaus to add their information to the Web Site. Until such time as that is feasible, it is necessary to allow for a “gatekeeper” or single point of entry for information.

2. Implement centralized advertising for support of special events or causes through the Contractor Development Division in the Bureau of Purchases. This will require transfer of any annual budgets from individual Bureaus to Purchasing. (Currently, major Bureaus indicate that all funds for this type of advertising have been eliminated from their budgets.)



This change in policy would indicate that individual offices should direct all requests for support ads of events, activities or publications related to various ethnic and gender based special events. This includes, but is not limited to MED (Minority Enterprise Development) Week publications, special ethnic focus newspaper editions (Black History Month, Cinco de Mayo, etc.), or Women in Construction publications.

□ **Service and Performance Standards**

No standards currently exist specifically for advertising. It is assumed that all contract opportunities will be advertised in accordance with State and City laws, code and policies. Effective and appropriate advertising is reflected in the performance measure for PTE and non-PTE contracting as well as the Fair Contracting and Employment Strategy.

□ **Technology**

The use of the Purchasing Web site to advertise contracting opportunities, provide bid specifications and plans and announce bid results will allow for improvement in procurement related advertising. (See section on Electronic Tools for discussion of service, investments needed, etc.)

□ **Financial Issues**

There are two major areas relating to advertising where outside income might be generated and/or cost savings realized.

- **Web-based advertising and bidding ability** – This effort is currently in its early stages of development. The City implemented its ability to download plans and specs in December 2000. This pilot program was done with free software provided by an individual vendor. The vendor has been notified that at some future time, a formal competitive bid would be required prior to the purchase of software. No funds are currently budgeted for this purchase.

At the same time, the State of Oregon, Multnomah County and other jurisdictions are moving in the same direction. As part of a coordinated effort, the representative staff people are currently discussing the possibility of one site, hosting all governmental bidding opportunities. It is too early to tell which jurisdiction and/or software platform may be chosen to lead the consolidated effort.

- **Coordination of advertising for special events with other jurisdictions** – Currently the Purchasing Bureau works to do cooperative ads with other jurisdictions in support of events, activities or publications related to various ethnic and gender based special events. This effort will be continued and expanded.

Stores / Warehouse Functions

□ **Vision** –

The ultimate in a stores or warehouse function is one where goods are handled, moved, stored, protected, and controlled with less inventory, in less space, and with less labor all without sacrificing customer services.

This vision is in stark contrast to the old mental picture of a warehouse that acts as a giant monument to dust and inactivity, or a place where money sits unproductively on shelves in the form of obsolete inventory.

□ **Policies and Recommendations**

Currently, Chapter 2, Section 2-304 of the City Charter requires that:

All materials and supplies of the City shall be properly housed, segregated and tabulated and a perpetual inventory kept showing the additions and depletions thereof. Each department shall report its time and expenses for comparison with the prior month and prior year to show percentage of increase or decrease and shall also report stores and material accounts for like comparison.

Beyond this code language, no central procurement policies exist regarding store or warehouse functions. In the mid-1990's, the Bureau of Purchases and Stores, entirely eliminated the stores function from its area of responsibility. This was done, in large part, to free up central resources for the implementation of the Fair Contracting and Employment Strategy.

As part of the broader ASR effort to look at all procurement related functions, existing store systems in each of the major Bureaus was mapped (Attachment 9). The summary of the data collected is shown in Figure F. It was found through the highly variant systems, that the City currently maintains somewhere in excess of \$4 million in inventory and utilizes over 30 FTE to operate the decentralized store function.

FIGURE F - Summary of Stores Information - Data received from Bureaus as of 12/13/00

Bureau	Size of Inventory	Type of Inventory	Annual Stores Budget for Capitalized Items	Annual Stores Budget for O&M Items	Stores FTE	Personal Services Budget	Mapped by SII Staff?
BES - ▪ Wastewater ▪ Pollution Cont Lab	\$661,298 \$19,880	▪ Industrial spare parts (pumps, valves, motors, tools, washers, chemicals,) ▪ Analytical, chemical and peripheral parts and supplies	\$1,500 (one forklift, one warehouse pallet racking system)	No line item	6.0 FTE	\$308,870	Yes
Commnications	\$250,000	Communications / Electronic Supplies	\$0	\$1,500,000	2.0 FTE	\$124,000	Yes
BGS (Fleet)	\$428,362	55,705 automotive and equipment parts; 1,790,208 gallons of fuel	\$ 0	\$3,788,875	5.4 parts 1.0 fuel	\$425,179	No
Fire	Information not available. Misc. inventory kept at various sites. Not mapped.						
Parks	Not provided	2,639 different park and community center-related (clean materials, games, hand & landscape tools, off supplies, mech & irrigat parts.	\$0	\$409,481 (11/0199-10/31/00)	3.0 FTE	\$110,000	Yes
PDOT	\$1,500,000	2,400 items (\$2m turnover a year) ▪ Street Preserv.– asphalt, emulsion, slurry , etc ▪ Traf Maint - traffic paints; markings; signals, street light poles and accessories; signs ▪ Street Cleaning – sweeper brooms, disposal, ▪ Sidewalk Preserv – ready-mixed concrete, bagged cement, lumber, backfill, saw blades ▪ Structural Maint – bridge joint compound, graf remover, paint, lumber, welding supplies ▪ Emerg Services – sanding material, sand bags, ▪ Environ Mainte – sewer pipe, fittings, fill gravel, manhole covers, catch basin parts ▪ Drainage Maint – brush cutters, machetes, seed, chemicals, erosion control materials ▪ Support – janitor supls, off supls, engine part ▪ All programs: safety supplies, such as gloves, vests, coveralls, goggles, flags, flares, barricades	\$0	\$96,910 (includes \$77,500 for fleet services forklifts and loaders)	8 FTE	\$575,304	Yes
Water	\$1,300,000	Material and tools	\$0	\$200,000	5.4 FTE	\$330,000	Yes
Total	\$4,159,540		\$1,500		30.8FTE	\$1,873,353	

With no more data than that initially provided by the Bureaus, a reasonable person would begin to ask additional questions regarding:

- Sharing of data – why are there no links between systems to allow for a corporate wide, coordinated inventory?
- Turn rate - What opportunities are lost to the City because individual store systems do not track turn over or usage rate?
- Lost economies of scale – What opportunities are lost by the City by operating multiple store functions?
- Lost Resources – Is it possible to reduce inventory and thereby increase interest revenues and increase the dollar value of the City assets?



It is recommended that external experts be hired by the City to review the area of Stores and Warehouse systems and make recommendations for potential system changes and cost reductions. The outside review would include items such as:

- Inventory analysis and control
- Outsourcing
- Vendor stocking
- Housekeeping
- Cycle counts
- Cataloging
- Warehouse organization
- Best Practices

Based on discussions with a representative from the Oregon Advanced Technology Consortium, an estimated amount for an initial system assement is \$20,000.

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III. Implementation Overview

Figure G provides a summary of the key issues that are the most critical for moving the purchasing function into the preferred future. Figure G reflects priorities; general timeframes for completion, and cost estimates (if known).

In summary, major constraints to moving the purchasing service delivery forward include:

- The existing financial management system and its current structure; and
- Lack of citywide technology infrastructure, including hardware, software and technical support.

In other words, the technology exists, but the City must decide how much it is willing to pay to achieve the optimum system.

Conversely, major opportunities exist. Small and relatively simple improvements such as providing central advertising and reporting of all contract opportunities or the increased use of annual supply contracts can make a huge difference in the efficiency and effectiveness of the purchasing procedures. The Purchasing staff is committed to continuing its effort to make daily improvements to the Purchasing function.

FIGURE G – Summary of Purchasing Function Recommendations

Recommendation	Priority	Estimated Time Frame for Completion	Estimated Costs
Contracting for Goods and Services			
Participation in the rewrite of ORS 279	H	Late 2003	Within available resources
Charter revisions to increase dollar limitations	M	Unknown	Election Costs Unknown
Improved management of Annual Supply Contracts	H	Ongoing	\$62,000 for add of 1 FTE
Use of On-Line Catalogs	M	Unknown	Unknown
Movement of admin function from Auditor to Purchasing	M	January 2001	Within available resources
PTE Contracting			
Revision to PTE Manual <ul style="list-style-type: none"> ▪ Addition of an Evaluator’s Conflict of Interest Statement; ▪ Inclusion of a requirement for pre-proposal meetings; ▪ Inclusion of a scoring method for M/W/ESB participation; ▪ Inclusion of a Recommendations Form; 	H	July 2001	Within available resources
Design and implement: <ul style="list-style-type: none"> ▪ Development of a clear and concise appeal process; ▪ Contract modifications which grant the City remedies for non-compliance with M/W/ESB requirements; 	M [#]	January 2002 [#]	Within available resources
Development and implementation of subcontracting: <ul style="list-style-type: none"> ▪ Contract reporting requirements; and ▪ Centralized monitoring and compliance. 	H	January 2002	\$62,000 for add of 1 FTE
Development of PTE Project Manager training	H	September 2001	Funding required for curriculum development
Independent involvement in PTE Contracting	H	July 2001	\$62,000 for add of 1 FTE

[#] Priority and timing reflects lack of current staffing to assign to these efforts.

Fair Contracting and Employment Strategy			
Recommendations to be provided as part of three year review. Draft complete April 2001.			

Procurement Card			
Update procurement code as needed	M	March 2001	Within available resources
Present citywide training and marketing campaign	H	May 2001	Within available resources
Install EAGLS software	H	April 2001	Within available resources
Use of Ghost Cards for Annual Supply Contracts	L	Draft Procedures complete Sept 2001	Within available resources

Electronic Procurement Tools			
Research on necessity of signature and/or use electronic signature; Review internal policies as needed	M	January 2002	Within available resources
Purchase of web-based software to allow for distribution and receipts of bid specs and proposals	H	January 2002	\$30,000
IT support for application development	H	Ongoing	Unknown
PC software and upgrades internal to Purchasing	H	Annually	\$15,000 annually
Funding to join intergovernmental cooperative purchasing agreements	L	Unknown	Unknown

Advertising Policies			
Formally assign Purchasing as central advertising location for all contracting opportunities	H	July 2001	Within available resources

Stores/ Warehouse Functions			
Hire external experts to review citywide stores/warehouse systems	H	July 2001	\$20,000 initial assessment

C3 – Contract Coordinating Committee – Membership List

<u>First Name</u>	<u>Last Name</u>	<u>Company</u>
SAM	ADAMS	MAYOR'S OFFICE
TONI	ANDERSON	CITY AUDITOR'S OFFICE
LINDA	ANDREWS	PDC
NANCY	AYRES	CITY ATTORNEY'S OFFICE
ANDRE	BAUGH	BUREAU OF TRANS ENG
TRICIA	BERGMAN	PURCHASES
DIANE	BETCHER	CITY AUDITORS OFFICE
TERESA	BLIVEN	CITY OF PORTLAND BUREAU OF PURCHASING
MARY ELLEN	COLLENTINE	WATER BUREAU
HOWARD	CUTLER	BHCD
SUSAN	DESCAMP	COMM HALES' OFFICE
DENISE	DIETRICH	TRANSPORTATION CIVIL DESIGN
CRISTINA	GERMAIN	COMM FRANCESCONI'S OFFICE
TIM	GREWE	OFFICE OF FINANCE & ADMINISTRATION
FRANNA	HATHAWAY	MULTNOMAH COUNTY PURCHASING
ANNE	HAWLEY	BUREAU OF PURCHASES CDD
JOHN	HOFFMAN	GENERAL SERVICES
CRAIG	JOHNSEN	BUREAU OF PURCHASES
TONY	JONES	HOUSING DEVELOPMENT CTR
DE ANN	KAMISH	CITY OF PORTLAND
SUE	KLOBERTANZ	BUREAU OF PURCHASES
MARK	LANDAUER	GOVERNMENT RELATIONS
ANTHONY	LINCOLN	BUREAU OF PURCHASES
HARVEY	LOCKETT	BES
DAVE	LOGSDON	OMF
STEVE	MANTON	OFA
CATHLEEN	MASSIER	City of Portland Purchases
SHEILA	MCDANIEL	MULTNOMAH COUNTY
BRENDA	NELSON	WATER BUREAU
ANGELA	PACK	BUREAU OF PURCHASES CDD
ANNETTE	PALMER	CITY OF PORTLAND PURCHASES
TONYA	PARKER	CITY OF PORTLAND/COMM STEN'S OFFICE
JOHN	PERSEN	BUREAU OF PURCHASES CDD
KAREN	PRIMEAU	BUREAU OF PURCHASES CDD
BILL	RYAN	BES
STEVE	SIVAGE	BGS
RUTH	SPETTER	CITY ATTORNEY'S OFFICE
DICK	STEINBRUGGE	CITY OF PORTLAND - PDOT
DAVID	TAYLOR	HUMAN RESOURCES
JOHN	THOMAS	MULTNOMAH COUNTY
KEVIN	TOLSON	CITY OF PORTLAND PURCHASES
BOB	TOMLINSON	CITY OF PORTLAND, OMF
JIM	VAN DYKE	CITY ATTORNEY'S OFFICE
STAN	VANDEBERGH	WATER BUREAU
CAMERON	VAUGHAN-TAYLOR	COMM SALTZMAN'S OFFICE
FREDA	WALKER	BES
MADLYN	WESSEL	CITY ATTORNEY'S OFFICE
RILEY	WHITCOMB	PARKS
WILL	WHITE	HOUSING DEVELOPMENT CTR
ROSIE	WILLIAMS	WORKSYSTEMS INC
LORETTA	YOUNG	BUREAU OF PURCHASES CDD

Mayor's Fair Contracting and Employment Forum – Membership List

First Name	Last Name	Company
TED	AADLAND	FE WARD INC
SAM	ADAMS	MAYOR'S OFFICE
CLARA PADILLA	ANDREWS	EL HISPANIC NEWS
CONNIE	ASHBROOK	OREGON TRADESWOMEN NETWORK
SAMUEL	BROOKS	OAME
JAMES	CASON	JEC MECHANICAL
FRED C	COOPER	FRED COOPER CONSULTING ENG
JAMES	EWALD	CAMPBELL GALT & NEWLANDS
GRACE	GALLEGOS	IMPACT BUSINESS CONSULTANTS
TIM	GREWE	OFFICE OF FINANCE & ADMINISTRATION
WILLIAM	HART	CARLETON HART ARCHITECTURE
SUENN	HO	SUENN HO DESIGN
PEGGY C.	ROSS	P.C.ROSSGROUP
BOB	SHIPRACK	OR STATE BUILDING TRADE COUNCIL
KEVIN	SPELLMAN	ASSOCIATION OF GENERAL CONTRACTORS
KATHLEEN	THOMAS	THOMAS/WRIGHT INC
BRENT	WARREN	KEY BANK
BRUCE	WATTS	TRI-MET

C3 Brainstorm List of System Improvements – October 19, 2000

C3 Brainstorming Recommendation for Cost Savings	Disposition of Recommendation through ASR Process
<p>Annual Contracts</p> <ul style="list-style-type: none"> • Make use of annual supply contracts mandatory, providing for “escape” clause • Have more annual contracts 	<ul style="list-style-type: none"> • Recommended to improve use and management of annual supply contracts. • Ongoing process to increase number of annual supply contracts.
<p>Authority Levels</p> <ul style="list-style-type: none"> • Raise dollar threshold for formal bidding and informal level • Have non-modifiable contracts that, if used, require no review by City Attorney • Broader delegation of Purchasing Agent authority 	<ul style="list-style-type: none"> • Charter Change recommended. • Not addressed as part of ASR. • Authority just increased. Will review again as needed.
<p>Non-PTE Contracts</p> <ul style="list-style-type: none"> • Fewer and/or bigger non- PTE contracts • Incorporate spec requirements by references e.g. GFE/WKFC etc • Use more alternate process in lieu of low bid / exempt more from low bid 	<ul style="list-style-type: none"> • Not recommended due to conflict with Fair Contracting Goals. • Not recommended due dynamic nature of programs and requirement for contractor response. • Only allowed if state law criteria met.
<p>PTE</p> <ul style="list-style-type: none"> • Establish competitive level under which no bids are required • Fewer and/or bigger PTE contracts • More use of Standard Service Contracts with appropriate limits and restrictions 	<ul style="list-style-type: none"> • Not recommended. Conflicts with Council intent. • Not recommended. • No recommendation pending audit review.
<p>Shorten Process</p> <ul style="list-style-type: none"> • Move auditor review to PU • No Commissioner Signature (Retain City Attorney Review) • Shorten Signature process 	<ul style="list-style-type: none"> • Currently under discussion. Some items already moved. • Change made for non-PTE contracts. PTE recommendation pending audit review. • Improvements made for non-PTE contracts.
<ul style="list-style-type: none"> • Force Procurement Card Use and abolish LPO’s 	<ul style="list-style-type: none"> • Currently implementing marketing plan and system improvements.
<ul style="list-style-type: none"> • Create Property Disposition Program as revenue generator 	<ul style="list-style-type: none"> • Not addressed as part of ASR process.
<p>Stores</p> <ul style="list-style-type: none"> • Consolidate required inventory • Go to “Just In Time” Delivery System 	<ul style="list-style-type: none"> • Review of total Stores functions by outside experts recommended.
<p>Certification Process</p> <ul style="list-style-type: none"> • Expand renewals times for various certifications • Eliminate general prequalification 	<ul style="list-style-type: none"> • Not addressed as part of ASR process. • Not recommended per City Attorney discussion.
<ul style="list-style-type: none"> • Review advertising policy for contracts 	<ul style="list-style-type: none"> • Included as part of ASR recommendation.
<p>Intergovernmental Coordination</p> <ul style="list-style-type: none"> • More joint procurement w/other jurisdictions • More marketing of services to other jurisdictions 	<ul style="list-style-type: none"> • Currently done. • Ongoing effort.
<ul style="list-style-type: none"> • Use interagency service agreements to fund bureau 	<ul style="list-style-type: none"> • Not addressed as part of ASR process.
<ul style="list-style-type: none"> • Capture savings as result of mid-month payment 	<ul style="list-style-type: none"> • Not addressed as part of ASR process.

Map of Roles and Responsibilities – Formal Construction Contracting over \$500,000

Sample map for formal construction contracts over \$500,000 attached.

The Position Paper submitted to the Mayor by the Mayor's Fair Contracting and Employment Forum on PTE contracting in September 2000 is attached.

The Report to the Fair Contracting and Employment Forum on Administrative
Review & Forum Recommendations
Submitted by the C3 PTE Subcommittee
is attached.

Attached are two reports reflecting PTE contracts awarded during the time frame July 1, 2000 – December 31, 2000. Data was taken from the PTE worksheets submitted to the Auditor's Office.

- PTE – All Contracts Awarded – Breakdown by Bureau.
- PTE Contracts Awarded Sole Source (0 or 1 RFP's distributed) – Breakdown by Bureau.

Attached are the available system maps for the stores functions that were mapped during the ASR process.