

Memorandum



CITY OF DALLAS

DATE September 30, 2011

TO Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair), Tennell Atkins (Vice-Chair), Monica R. Alonzo, Scott Griggs, Ann Margolin

SUBJECT Purchasing Process Overview Briefing

On Monday, October 3, 2011, you will be briefed on the Purchasing Process Overview. The material is attached for your review.

If you have questions or need additional information, please let me know.

A handwritten signature in cursive script that reads "Jeanne Chipperfield".

Jeanne Chipperfield
Chief Financial Officer

Attachment

CC: Honorable Mayor and Members of City Council
Mary K. Suhm, City Manager
Thomas P. Perkins, Jr., City Attorney
Craig D. Kinton, City Auditor
C. Victor Lander, Administrative Judge
Rosa A. Rios, Acting City Secretary
AC. Gonzalez, First Assistant City Manager
Ryan S. Evans, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forrest E. Turner, Assistant City Manager
Joey Zapata, Interim Assistant City Manager
Helena Stevens-Thompson, Assistant to the City Manager
Michael Frosch, Interim Director, Business Development and Procurement Services



Purchasing Process Overview

Budget, Finance and Audit Committee

October 3, 2011





Purpose

- Provide a high level overview of the City's procurement process
- Provide history of the Good Faith Effort policy
- Discuss the current Business Inclusion and Development (BID) plan
- Discuss the current BID Program Administration and outreach efforts



History of the City's Procurement Process

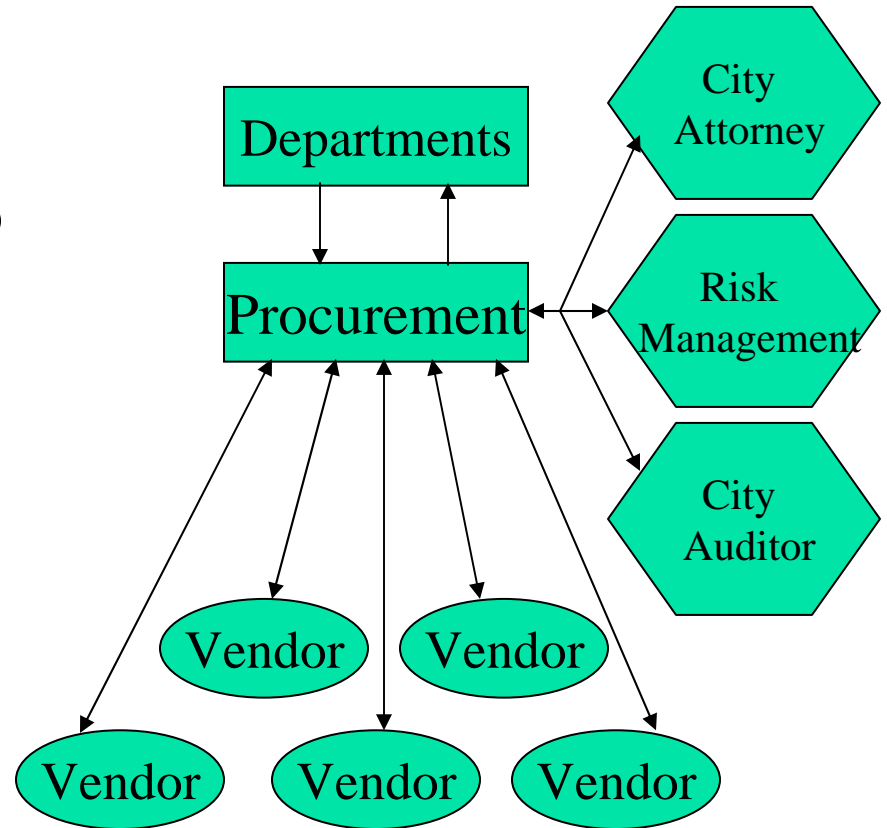
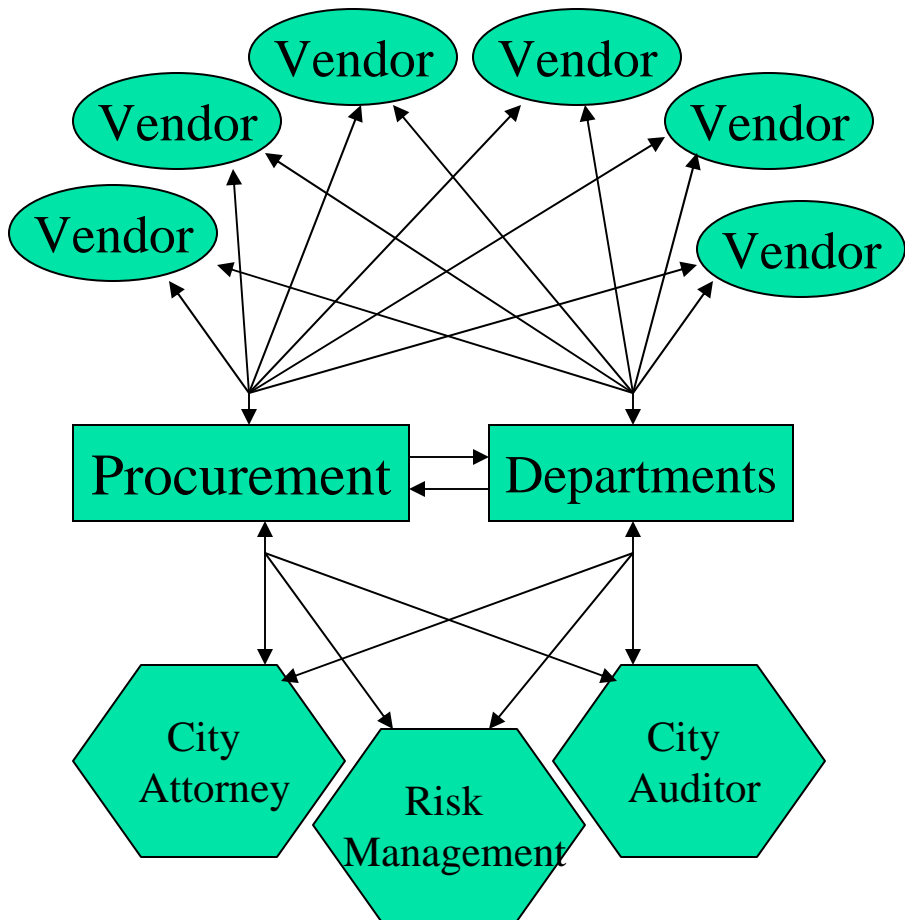
- In 2001, the City Manager's office selected a number of business processes to review with a goal of optimization through process improvements
- The responsibility to oversee and formalize this initiative was placed within the City's Efficiency-Team (E-team)



History of the City's Procurement Process (cont.)

- The E-team worked with an outside consulting firm to provide industry best practices to the City's operations and to provide critical private sector input in the purchasing process
- After several months of process reviews, interviews, process mapping and analysis, the consulting firm recommended a number of changes in the procurement process with the most significant being centralization of the City's procurement process

Decentralized vs. Centralized Procurement Services





Procurement

- Business Development and Procurement Services is committed to delivering timely service to its clients through strategic and competitive purchasing while working diligently to maximize its purchasing power and establish business opportunities for local, small and minority vending communities.



Procurement (cont.)

- The City of Dallas uses the Business Inclusion and Development Policy in collaboration with a centralized procurement model as an additional tool to support local businesses and recruitment of new companies
 - By using strategic procurement practices, greater business opportunities can be created for local business communities
 - Business outreach efforts increase the visibility of the City's purchasing power and thus persuades more vendors to participate in the City's procurement endeavors
 - The City spends approximately \$725 million yearly in goods/services through established contracts and other procurement efforts



Compliance

- The City must comply with all local, state and federal procurement laws
 - State Laws of Texas
 - Dallas City Charter
 - Dallas City Code
 - Dallas City Ordinances
 - Administrative Directive
 - Business Inclusion and Development Plan
- May 2010 BDPS successfully completed the QMS third party audit and became the first governmental agency Purchasing Department to be ISO 9001:2008 certified



Procurement Methods

- Informal Bid (IFS) - procurements not exceeding \$25,000
- Formal Bid (RFB) - procurements exceeding \$25,000
 - Request for Bids (Low bid)
- *Request for Proposal (RFP)
- *Request for Competitive Sealed Proposals (RFCSP)
 - High Technology and Insurance
- Emergency Procurements
- Sole Source Procurements – items that are available from only one source because of patents, copyrights, secret processes, or natural monopolies as defined by Texas Local Government Code 252.022 (7)(a)
- Cooperative Purchasing Agreements

**Evaluation Process & Negotiations*



Informal Bid Process (under \$25,000)

Administrative Directive 7.2.1, Contracts not exceeding \$25k govern the following informal solicitation process:

- Requisition received, specifications/clarification requested by Buyer
- Bid number is issued and posted on City's procurement website
- Bid is online for a minimum of three business days
- Bid closes after three days
- Low bid recommendation is made
- Departmental review and concurrence
- Purchase order is issued
- No Council action required



Formal Bid Process (over \$25,000)

- Local Government Code 252 governs formal solicitations
- Bid documents, bid sheet & specifications are received & best method of procurement is determined
 - Bid number is issued in conjunction to advertising in the Dallas Morning News for two weeks – state law requirement
 - Bid is posted to City's procurement website
 - E-mails are automatically sent to vendors registered in City database
 - Chambers of Commerce are notified of upcoming procurement to encourage participation from their members



Formal Bid Process (over \$25,000) (cont.)

- Pre-bid conference is held to answer questions and allow vendors to gain additional information
- All questions and answers are posted online for all vendors to review
- Bid closes and responses reviewed for compliance
- Lowest bidder(s) meeting specifications must be recommended
- Council approval if required (\$50k or greater)
- Purchase order or contract is prepared



Construction Services

- Construction and Architectural/Engineering (A/E) services contracts are managed by the City's construction departments (DWU, PBW, PKR, EBS, SAN, TWM)
- Construction departments collaborate efforts with Procurement Services to advertise, post solicitations online and receive bid submittals
 - Request for Bids
 - Design/Build
 - Construction Manager-at-risk



Construction Services (cont.)

- Construction Manager-agent
 - Construction Request for Competitive Sealed Proposals
 - Job Order Contracts
 - Architectural and Engineering (A/E) Contracts
- The bids or proposals are reviewed and the low bid or most advantageous proposer is recommended to Council for consideration by the lead department



Request For Competitive Sealed Proposal

- Request for Competitive Sealed Proposal (RFCSP)
 - RFCSP is an advertised competitive procurement process to obtain sealed proposals only for acquisition of items and services expressly allowed by State Law
 - The RFCSP process includes formal evaluation of sealed proposals on the basis of specific written criteria beyond price
 - Some examples are listed below:
 - Insurance- Human Resources, with the assistance of Purchasing, develop the RFCSP specifications
 - High Technology- CIS and Purchasing coordinate development of specification



Request For Competitive Sealed Proposal (cont.)

- RFCSP process requires that an evaluation committee be formed to evaluate the proposals
- The committee:
 - Evaluates all submittals against evaluation criteria
 - Conducts discussions with proposers on an unbiased basis
 - Negotiates best and final offers as well as contract terms
 - Makes recommendation as to the most advantageous offeror(s) to the City
- The City always retains the right to reject any and all proposals

Vendor Communication Guidelines



- During competitive procurement processes, vendors are instructed under the bids/proposals terms and conditions to direct all communications to the designated City representative (Buyer) for the specific solicitation
- Vendors that fail to comply with the communications guidelines may be disqualified from the procurement process
- Dallas City Code Section 12 A-15.8 (g) provides:
 - “Lobbying by bidders and proposers on city contracts. A person responding to a request for bids or request for proposals on a city contract shall not (either personally or through a representative, employee, or agent) lobby a city council member from the time the advertisement or public notification of the request for bids or request proposals is made until the time the contract is awarded by the city council. This subsection does not prohibit a bidder or proposer from speaking at the city council meeting where the award of the contract is considered.”



Emergency Procurements

- Circumstances under which these procurements can be made:
 - A public calamity where it becomes necessary to relieve the necessity of the citizens or to preserve the property of the City
 - Where it is necessary to preserve the public health or safety of the citizens of the City
 - If unforeseen damage to City property, machinery, or equipment occurs where such damage threatens to seriously disrupt the service operation of the City
- Are exempted from formal competitive bidding
- A department may, depending on circumstances, solicit prices by telephone, e-mail, or the internet from a minimum of three vendors and determine the lowest responsible price for recommendation to Purchasing
- Emergency purchases greater than \$25k must be ratified by City Council prior to processing payments



Sole Source Procurements

- Sole Source Procurements – items that are available from only one source because of patents, copyrights, secret processes, or natural monopolies as defined by Texas Local Government Code 252.022 (7)(a)
- Are exempted from competitive bidding
- All sole source procurements over \$25k must be reviewed by the City Auditor's Office and require City Council action
- For all sole source procurements:
 - Purchasing contacts the manufacturer to obtain verification and justification as to why it is sole source
 - Purchase price is negotiated
- Examples of previous sole source procurements:
 - Maintenance on proprietary software or systems previously purchased by the City in a competitive process



Co-operative Purchasing

- Co-operative agreements conform to statutes applicable to competitive bidding, Texas Local Government Code, 791.025.
- State Law allows governmental agencies to use co-operative purchasing programs to satisfy bidding requirements
 - Available contracts have been bid by another public agency and are available to all governmental agencies at the pre-established pricing
 - Enables the City to leverage market buying power and purchase goods or services at lower prices
- When practical, the City's practice is to publicly bid first, and conduct a comparison between bids received to prices available through the co-operative agreements
- Purchasing is responsible for coordination and administration of all co-operative purchasing agreements
 - As an additional procurement volume leverage, the City includes language in its bids offering vendors to extend pricing to other government agencies



Commercial Card Program

- P-Card program was established in 2001
 - Reduce the number of petty cash transactions and small dollar requisitions
 - Utilize City resources in a more strategic manner to enhance service delivery
 - Improve vendor relationships through faster vendor payment
- Total P Cards issued to date 287
- Transparency:
 - All commercial card transactions are posted on the City's website quarterly



Commercial Card Program (cont.)

- Extensive controls have provided multiple levels of oversight on credit card purchases and have prevented inappropriate use
 - Maximum single transaction not to exceed \$1,000
 - Maximum monthly credit limit not to exceed \$10,000 per card
 - The number of times a cardholder can use the credit card per day and per month can be predetermined
 - Ability to block purchases at various businesses by use of limiting Merchant Category Codes (MCCs)



Good Faith Effort History

- In October 1984, Dallas City Council adopted the City's first Good Faith Effort (GFE) Plan
- A&D Study conducted by an outside consultant in 1995
- GFE Plan was updated and adopted in 1997
- A&D study May 2002
 - Reviewed City's contracting and purchasing policies from October 1997 to September 2000
 - Findings
 - Disparity exists in the subcontracting construction category for African Americans and Asian American owned firms



Good Faith Effort History (cont.)

- Supplemental study often called But/For study February 2003
 - The findings suggest that when construction contracts are not subject to M/WBE goals, the utilization of M/WBEs is lower than when there is a good faith effort requirement
- Administration of the GFE program was consolidated to Business Development and Procurement Services in October 2003
- City Council voted to continue the policy and adopted the current GFE plan in March 2004



Good Faith Effort History (cont.)

- On October 22, 2008 the City Council adopted the following amendments to the City's GFE plan:
 - Changed name to Business Inclusion and Development (BID) Plan
 - Granted evaluation points to encourage meaningful inclusion of M/WBE firms in response to evaluations of proposals estimated to be in excess of \$250K
 - Encouraged bidders and proposers on City projects to create Joint Ventures, when feasible, to increase capacity and build stronger and larger M/WBE firms

Business Inclusion and Development Plan



- It is policy of the City of Dallas to use qualified Minority and Women-Owned Business Enterprises (M/WBEs) to the greatest extent feasible on the City's construction, procurement and professional services contracts



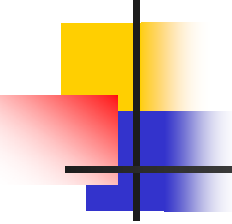
Business Inclusion and Development Plan (cont.)

- Continue with the established M/WBE Goals:
 - Construction: 25.00%
 - Architecture & Engineering (A&E): 25.66%
 - Other Professional Services: 36.3%
 - Other Services: 23.8%
 - Goods: 18.00%
- Goals are met by utilizing local (inside Dallas County boundaries) M/WBE businesses
- Compliance is based on the good-faith effort made by the prime contractor to utilize M/WBEs
- Failure to comply with the good-faith effort may result with vendor being deemed non responsive and bid awarded to next lowest bidder or advantageous proposer



Business Inclusion and Development (BID) Administration - BDPS

- Administration of BID program
 - BDPS contract compliance group provide administrative services to contracting departments, alleviating the need for project managers to perform administrative duties related to the BID Plan policy
 - Provide centralized location for contractors and subcontractors to obtain BID information and resolve BID-related issues



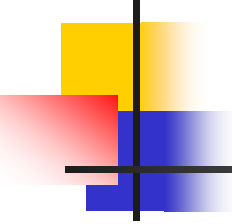
Business Inclusion and Development (BID)- Vendor Outreach

- On every formal solicitation for the City, the following steps are followed to maximize competition
 - Advertise in the Dallas Morning News
 - Provide advertisement to all (25) local chambers of commerce
 - Email all City registered vendors by selected commodity
- Quarterly training and round table events are held providing instructions on how to participate on City projects as well as providing lists of upcoming planned projects



Business Inclusion and Development (BID)- Vendor Outreach

- FY 2010-2011 Events Attended – 155
- FY 2010-2011 Training Sessions Conducted
 - 37 (3840 vendors attended) to date
- FY2010-2011 Awards/Recognitions Received
 - Asian American Contractors Association – 2010 Moon Award
 - U. S. Small Business Administration -InnerCity Entrepreneurs Emerging 200 Coalition Partnership Recognition
 - Dallas - Fort Worth Minority Supplier Development Council – 2011 Buy Those That Buy Us Best Practices Award



Business Inclusion and Development (BID) Administration - ResourceLINK Team (RLT)

RLT - A team established to serve as business liaison to the vending community & conduct outreach activities

- Work directly with project managers to identify possible subcontracting opportunities before a project is advertised
- Conduct outreach efforts during pre-bid and pre-proposal meetings
- Provide possible subcontractor M/WBE listings to prime contractors
- Assist M/WBE companies with vendor registration and certification process



Business Inclusion and Development (BID) Administration Process

Pre-Award Process for Proposals over \$250k

- BID staff will evaluate and award a maximum of 15 points based on qualitative review of M/WBE participation
 - These points will be a part of the evaluation criteria of the Request for Proposal/Qualification (RFP/RFQ) for M/WBE participation on (architectural/engineering, professional services and other services) contracts that are over \$250,000 and above
- Contacts prime to communicate BID policy and assist with completion of BID forms
- Verifies all planned M/WBE participation with supporting documentation prior to approving item for Council consideration



Business Inclusion and Development (BID) Administration Process (cont.)

Post Award Process

- Department's project manager oversees progression of project and submits routine documentation as follows:
 - Verified schedule of work and payment application showing all sub-contractors performing work for the period
 - Submits signed M/WBE Change Form to BDPS (if necessary)
 - Form must be signed by project manager and approved by BDPS BID group prior to changes being made to ensure prime contractors do not make unauthorized changes to a contract once approved by City Council
- Track planned M/WBE participation with internal tracking software
- Report the success of the Business Inclusion and Development policy on a quarterly basis to City Council



Previous Program Enhancements

- Moving the BID process from post solicitation to project conceptual stages to increase opportunities for unbundling and M/WBE firms
- Evaluating large contracts prior to renewal to determine and /or identify unbundling opportunities so as to increase M/WBE participation



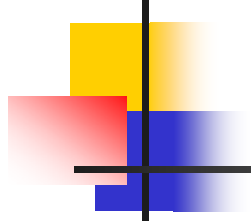
Transparency

- As required by state law, Dallas advertises all solicitations and the bid opening date and time in the Dallas Morning News
- A unique feature Dallas utilizes during bid openings is live webcasting of the bid openings
 - Streamed on the City's website and on cable access channel 16
- Post all purchasing card transactions online on the City's website
- Effective July 2011, began posting copies of administrative actions on the City's website



Current Program Successes

- The City makes available business opportunities for all sizes of companies
 - FY 2009-2010:
 - Total local dollars spent: \$345,643,329
 - Dollars awarded to local M/WBEs: \$122,460,467 – (35.4%)
 - \$52M or 70% above M/WBE previous year participation
 - FY 2010-2011 – Third quarter Oct. – Jun. 2011
 - Total local dollars spent: \$307,356,397
 - Dollars awarded to local M/WBEs: \$102,700,255 – (33.4%)



Questions