



Date: September 15, 2015
To: Patrick H. West, City Manager 
From: John Gross, Director of Financial Management 
For: Mayor and Members of the City Council
Subject: **Procurement Process and Policy**

On April 7, 2015, the City Council directed staff to develop a response detailing the City's current procurement process and vendor payment process.

Background

Purchasing procedures emanate from the City Charter, the Long Beach Municipal Code (LBMC), State law, and administrative procedures.

The City Charter, with some exceptions, requires competitive bidding for goods and materials within the City. The LBMC further details the City Charter requirements including more specificity about the established dollar limits for purchases requiring City Council approval. Under California state law, the Public Contracting Code provides detailed guidance on all elements of bidding for public works of improvement.

The City Charter and the associated procurement process prescribe that staff develops specifications for purchases, releases requests for bids or proposals, technically evaluates the responses, receives and evaluates protests, and then brings a recommendation to the City Council. The City Council then reviews that information and affirms (or does not affirm) that recommendation.

This process provides the City Council:

- with a researched and analyzed professional procurement recommendation based on established criteria;
- the opportunity, at a public meeting, to question staff with regard to staff's recommendation and to hear bidder concerns (one of the available protest mechanisms); and,
- a credible and efficient procurement process that is critical to maintaining and enlarging the City's pool of bidders.

Procurement Tools and Methods

The Purchasing Division's goals include ensuring the City receives the best price or value, maintaining a level playing field for bidders, and providing bidding opportunities for as many vendors as feasible, including encouraging Long Beach businesses to participate and providing a local incentive in accordance with the LBMC. The Purchasing Division also has goals of being timely and efficient, and to meet the procurement needs of the internal

customer departments. The Purchasing Division uses a variety of tools to conduct the purchasing process, but relies primarily on Invitations to Bid (ITB) or Requests for Proposals (RFP).

- The ITB process is used in those purchasing situations where the lowest price represents the best value to the City, after a vendor meets definitive City specifications or other requirements. The ITB is typically used for goods and equipment.
- The RFP process is used in those purchasing situations where price is not the only decision factor. Typically, those situations have more complex procurement requirements and usually include professional services. An evaluation committee receives and reviews those proposals. The proposals are matched against stated criteria before making a recommendation for award.

There are additional purchasing options available to the Purchasing Division in addition to the ITB and RFP. These include Cooperative Purchasing and Sole Source Procurement.

- Cooperative “Piggyback” Purchasing is considered when another government agency has already used a competitive procurement process, similar to Long Beach’s, and has purchased the desired goods or services through that mechanism. The City Charter specifically authorizes the City to use Piggyback Purchasing to “step into the shoes” of another agency. Use of Piggyback Purchasing is an almost universal government best practice; it allows governments to save considerable time and money, and also allows the size of the Purchasing Division to have fewer staff than would be necessary if piggybacking on other government’s contracts could not be used. When a cooperative contract is considered for award by the City, Purchasing staff review and ensure it was properly competitively bid, that more than one bid was received, that the other agency’s governing board actually made the award, and that it is still timely, and that the goods or services were received. The City Attorney always reviews a proposed Piggyback purchase and any such proposed award is formalized through a Resolution that requires City Council approval.
- Sole Source Procurement is used where the City has determined that there is only one known or available vendor and bidding it would not yield a different result or might not result in any bids. Reasons for Sole Source Procurement include an exclusive dealer territory or a unique or proprietary product or delivery method. A Sole Source award is formalized through a Resolution that requires City Council approval.

The Purchasing Division has created a summary of the purchasing procurement process that details the threshold levels and reminds departments of the approval requirements in each situation (see Exhibit A). The City Manager is authorized to enter into purchases for up to \$100,000. The City Manager is authorized to enter into purchases of up to \$200,000 if competitive bidding was conducted, three bids were received, and no protests were filed. In the case of Homeland Security grant funding, that limit increases to \$500,000.

In comparing Long Beach with other municipal entities in the region or statewide, Long Beach relies on the most widely used procurement methodologies available. We continually look for the most time- and cost-effective methods to purchase the necessary goods and services in order to deliver the services to the residents of Long Beach. Purchasing stays connected through a number of methods to the latest communications on the state and national level with regard to procurement trends and alternative methodologies. Among the tools being reviewed for use would be “reverse auctions,” where the City could quickly determine the price for standard or simple items forcing vendors to compete against each other. This method has been used in other jurisdictions as an additional tool available for procurement. The table below shows how the City compares with other municipal entities with regards to procurement methodologies used:

Procurement Methods Available

	Request for Proposals	Invitations to Bid	Request for Qualifications	Request for Quotations	Request for Information	Piggyback	Sole Source	Reverse Auctions
Long Beach	✓	✓	✓	✓	✓	✓	✓	(TBD)
Regional								
Pasadena	✓	✓	✓	✓	✓	✓	✓	
Irvine	✓	✓	✓	✓		✓	✓	
Riverside	✓	✓	✓	✓		✓	✓	
Anaheim	✓	✓	✓	✓	✓	✓	✓	
State								
Los Angeles	✓	✓	✓	✓	✓	✓	✓	✓
San Diego	✓	✓	✓	✓	✓	✓	✓	
Oakland	✓	✓	✓	✓		✓	✓	✓
Sacramento	✓	✓	✓	✓	✓	✓	✓	

Outreach

The bid distribution and solicitation process is administered through a third party online computer system (PlanetBids) that allows for a very broad and cost-efficient distribution of bids and bid specifications. The City currently has approximately 17,000 registered vendors. Additionally, due to the capabilities of the PlanetBids system, the City is also able to notify some suppliers registered with other nearby agencies about the City’s bids, even though they may not have registered with the City.

In addition to PlanetBids, the City reaches out directly to Long Beach-based businesses that may have an interest in a specific request or project. The Purchasing Division is always working to identify and encourage other disadvantaged groups through DBE, SBE and Section 3 efforts. Purchasing staff utilizes a number of channels to reach the business community that may be interested in bidding, including direct email of opportunities, advertising in the Long Beach Business Journal and attendance at industry outreach events, such as the CalCon Expo and the Regional Hispanic Chamber events. The

Purchasing Division also frequently partners with the Port of Long Beach to increase the exposure and distribution of bidding opportunities to the widest possible market.

Support for Protests

A good purchasing procurement process will provide for receiving and evaluating protests. It is not possible to have a 100 percent fool-proof purchasing process, so all protests must be reviewed on the basis of their merit. The protest procedures are described to prospective vendors by way of the procurement documentation provided to them by the City for ITBs or RFPs. Eligible bidders or proposers can contest an intended award before that award is considered by the City Council. The process allows five business days to submit a written protest once the Purchasing Division has posted the Notice of Intent to award a contract. When a protest is received by the City, it is immediately reviewed and a response provided within two business days. The review, in appropriate circumstances in consultation with the City Attorney, determines if there are grounds to support the protest. In addition to the administrative protest procedure, a bidder or proposer (or anyone) may comment at the City Council meeting when the award is scheduled, or at any City Council meeting before the award. Thus, there are multiple avenues for protest. The final determination of whether to award a contract is always made by the City Council at the time of consideration of award.

The protest procedures allow every proposer or bidder who submitted a proposal or bid to have due process. The timeframes and procedures for a protest were set to allow time to protest, but to avoid a delay in the award, and also to avoid disruption of the bidding process if a bidder is simply unhappy that they did not win the bid award and want to force a rebid so they can bid again. Often awards are time-sensitive and a protest may result in additional costs or delay for projects or repairs. The protest procedures were designed with the assistance of the City Attorney's Office and are consistent with those used in other cities.

The City utilizes a "no contact" clause in high profile ITBs/RFPs/RFQs where bidders may want to attempt to contact staff or the City Council. This is done to protect the integrity of the bidding process while City staff is evaluating proposals. Bidder contacts during the evaluation process may lead to claims of favorable treatment, disclosure of sensitive information, and could be used as a basis for protests. Contact by a bidder with staff and/or City Council is not a problem once staff has made a recommendation for award. The Purchasing Division will issue a written notification to the appropriate City Departments and to the City Council when a "no contact" clause is issued.

Local Preference

Where allowed by the funding source, Long Beach maintains a local preference on bids, as authorized by the City Charter and detailed within the LBMC. By Charter, the local preference applies to materials, equipment, supplies, and non-professional services. The City procures these items from Long Beach vendors whenever possible. The preference amount set by the City Council is 10 percent and is not to exceed \$10,000 (a \$100,000 maximum bid amount). For those similar-sized cities that have preference policies, the local preference can range from 5 to 10 percent. The City has a robust local outreach program to notify local vendors of opportunities to bid on City purchases.

Disadvantaged Business Programs

Proposition 209, adopted by initiative in 1996, amended the California Constitution to prohibit the City from discriminating against, or granting preferential treatment to, any individual or group on the basis of gender, race or ethnicity in public contracting. This includes policies intended to assist minority or women-owned businesses by providing advantageous bidding conditions, such as set-asides and quotas.

An important, but very narrow, limitation to the broad prohibition of Proposition 209, permits “action ... which must be taken to establish or maintain eligibility for any federal program where ineligibility would result in a loss of federal funds ...” Thus, the City provides compliance monitoring for a number of specific programs that are required by the funding source. The primary programs include:

- Disadvantaged Business Enterprise (DBE) – the DBE program is regulated through the US Department of Transportation (USDOT) and provide a race- or gender-specific target for subcontracting opportunities (DBE applies when federal grants from the USDOT are in place, as well as for Airports through the FAA and Public Works through CalTrans/FHWA).
- Section 3 under federal Housing and Urban Development (HUD) grant funding – Section 3 is a program that identifies firms or employees that earn under the average or poverty wages for their respective areas. Contractors are required to submit forms that could be used to determine if their firm is Section 3 and if their employees meet the criteria when HUD funds are utilized.

Separately from the above programs, the City also maintains a Small Business Enterprise (SBE) program – relying on the definition from the federal Small Business Administration and on the State of California Department of General Services for the Very Small Business Enterprise (VSBE), the City allows firms to self-certify their status as a small business (generally fewer than 100 employees and less than \$12 million in annual revenue).

The Purchasing Division continues to outreach to firms at every opportunity to ensure firms are aware of these program requirements and to educate them as to how to apply or become certified.

Payment to Vendors

The City Council requested that this report discuss timeliness of payments to vendors. The City process now in place enhances timely payment to vendors. In 2013, the Financial Management Department determined that the centralized accounts payable (A/P) process (the process that approves and pays vendor invoices) was a key cause of the sometimes long payment times to vendors. As a result, Financial Management decentralized the A/P process over a number of months. With the decentralization, an operating department is able to process invoices much more quickly as the department now receives invoices directly from the vendors. Turn-around time to pay an invoice is much quicker than before decentralization. Once an invoice is approved by a department, the check is issued in approximately two days. A detailed diagram of the current vendor payment process, as compared to the previous workflow, is attached (Exhibit B).

Summary

The City's current purchasing process is both appropriate and adequate to meet the City's needs, especially in the areas of outreach and local business support. However, during the upcoming Enterprise Resource Planning (ERP) systems (Financial/HR) implementation that will start next year, purchasing processes and procedures will be reviewed and updated. Some areas of the procurement process to be reviewed include:

- Internal processing for improved efficiency and effectiveness of communications of departmental purchasing needs, goals, and timelines.
- Review of purchasing dollar approval levels.
- Additional review of practices that further assist with improving a vendor's expectation and belief in transparency and fairness of the bid process, while continuing to preserve the efficiency and effectiveness of the purchasing process.

It is the intent of the Financial Management Department to improve the skills and capacity of the staff in the Purchasing Division and to provide a better level of purchasing training to operating departments. It is also the intent of the Department to develop more robust purchasing policies and procedures as part of an overall improvement and training process. The scheduled implementation over the next few years of the new ERP systems is expected to be an excellent opportunity to support this effort. The Purchasing Division will continue to reach out to the Long Beach business community to provide information on how to do business with the City.

JG:JM

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ATTACHMENTS

CC: CHARLES PARKIN, CITY ATTORNEY
LAURA L. DOUD, CITY AUDITOR
TOM MODICA, ASSISTANT CITY MANAGER
ARTURO SANCHEZ, DEPUTY CITY MANAGER
JYL MARDEN, ASSISTANT TO THE CITY MANAGER
JASON MACDONALD, PURCHASING AND BUSINESS SERVICES MANAGER

EXHIBIT A



CITY OF LONG BEACH PURCHASING DIVISION GUIDELINES

<http://clbnet/purchasing/guidelines.asp>

No products/services may be ordered before any purchase order has been approved and issued.
The steps listed below must be completed before any products/services are obtained.
Contact the Purchasing Division at (562) 570-6200 with further questions.

PURCHASING GUIDELINES THAT APPLY TO ALL THRESHOLDS	
<ul style="list-style-type: none"> ✓ Departments may only utilize the Purchasing Guidelines for products/services not available under CLB Citywide Blanket Purchase Order (BPO) Program. ✓ Professional services require Professional Services Additional Terms and Conditions. (http://clbnet/purchasing/professional_services/default.asp) ✓ If applicable, insurance certificate must be approved by Risk Management. (http://www.longbeach.gov/hr/risk_management/insurance_requirements/default.asp) ✓ All technology related purchases shall be approved by the Department of Technology Services. ✓ All procurement documentation shall be retained by the Department for 5 years. ✓ Grant-funded purchases shall adhere to all grant requirements. 	
DOLLAR AMOUNT	STEPS FOR DEPARTMENTS
<p>\$0 - \$2,500 Department issues Direct Purchase Order (DPO)</p>	<ul style="list-style-type: none"> ✓ Vendors utilized for these transactions shall be registered in the City's bid notification system. ✓ Departments are encouraged to seek Long Beach-based businesses. ✓ No bidding required. ✓ Departments shall exercise due diligence to perform cost comparison. ✓ Departments shall retain backup documentation to support purchase (i.e. quote, proposal, etc.)
<p>> \$2,500 - \$25,000 Department issues Direct Purchase Order (DPO)</p>	<ul style="list-style-type: none"> ✓ Vendors utilized for these transactions shall be registered in the City's bid notification system. ✓ Departments are encouraged to seek Long Beach-based businesses. ✓ Informal bidding is required. Departments shall obtain 3 informal quotes. The following are acceptable: a) online pricing b) phone quote c) email quote d) fax quote d) catalog pricing. INFORMAL BID QUOTE FORM shall be completed as backup documentation. ✓ REQUEST FOR QUOTE FORM may be completed if a hard copy of the quote cannot be obtained from vendor. ✓ If a Department cannot get 3 quotes or cannot solicit for informal quotes, an INFORMAL BID QUOTE FORM - EXCEPTION portion shall be completed and signed by Department Director.

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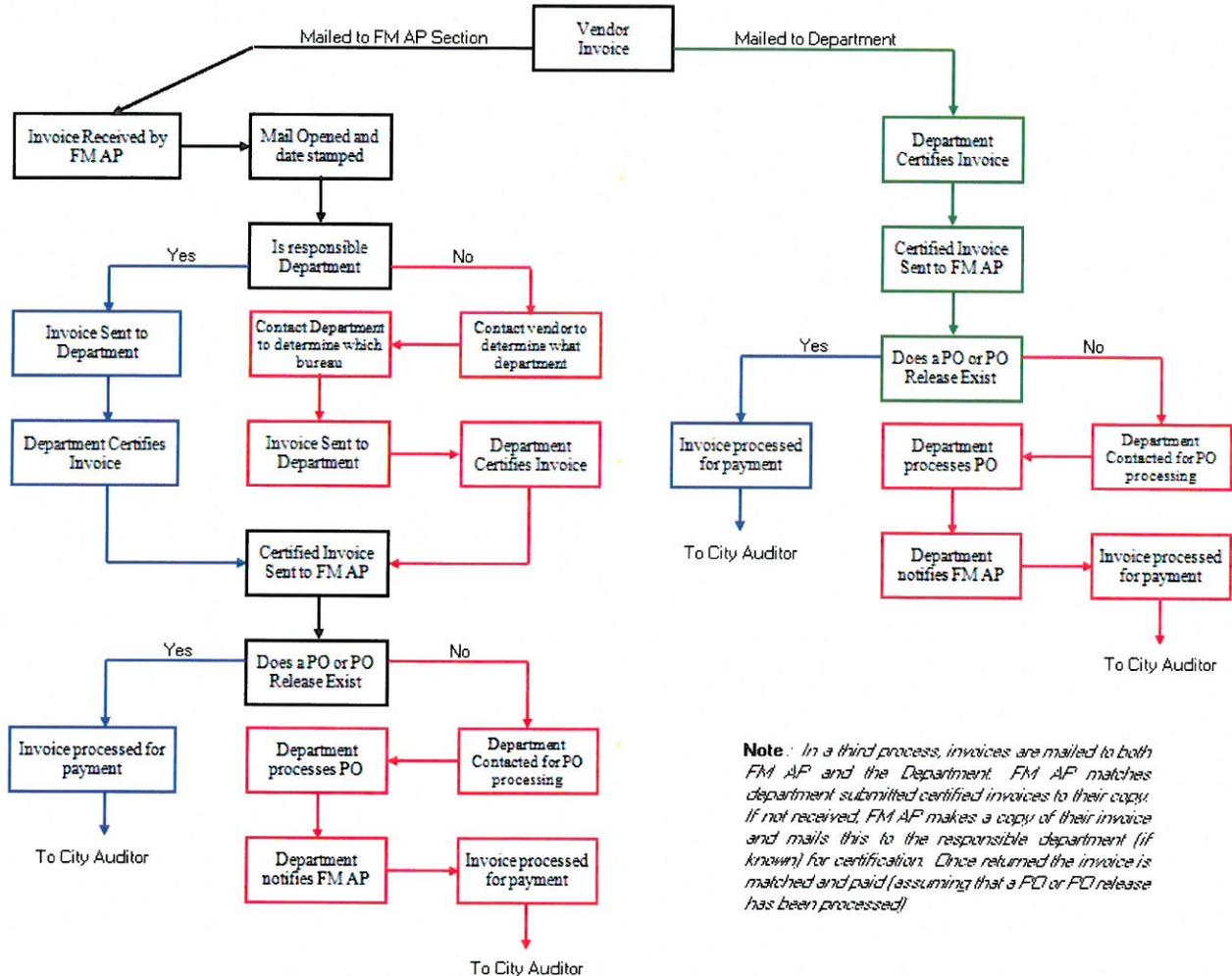


CITY OF LONG BEACH PURCHASING DIVISION GUIDELINES

<http://clbnet/purchasing/guidelines.asp>

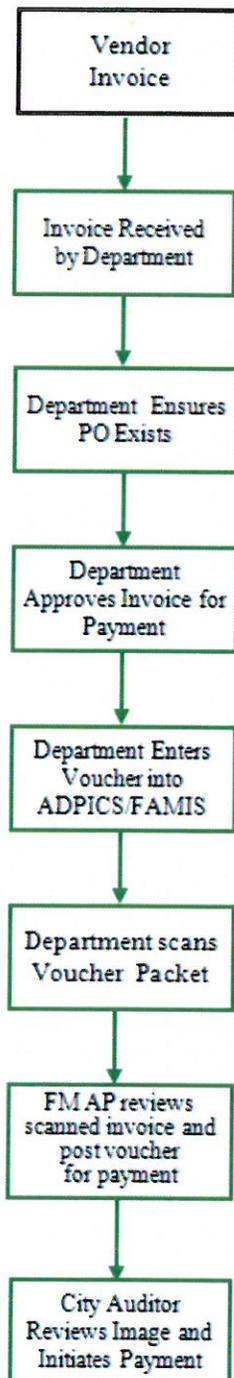
DOLLAR AMOUNT	STEPS FOR DEPARTMENTS
<p>> \$25,000 - \$100,000 Department initiates, Purchasing Division issues Blanket Purchase Order (BPO) or Standard Purchase Order (SPO)</p>	<ul style="list-style-type: none"> ✓ Department initiates procurement process through Purchasing Division using PURCHASING REQUEST FORM. ✓ Purchasing Division administers ITB/RFP, posts ITB/RFP on bid notification system, provides local outreach, and complies with legal requirements. ✓ Purchasing Division posts Notice of Intent to Award (NOI) on bid notification system for ITB/RFP pursuant to protest procedures. ✓ City Manager Purchasing Approval Form (CMAF) is required. ✓ If bids/proposals cannot be obtained through ITB/RFP, an EXCEPTION TO POLICY FORM is required.
<p>> \$100,000 - \$200,000 Department initiates, Purchasing Division issues Blanket Purchase Order (BPO) or Standard Purchase Order (SPO)</p>	<ul style="list-style-type: none"> ✓ Department initiates procurement process through Purchasing Division using PURCHASING REQUEST FORM. ✓ Purchasing Division administers ITB/RFP. If 3 or more bids/proposals are received, no City Council approval is required. CMAF is required. ✓ Purchasing Division posts NOI on bid notification system for ITB/RFP pursuant to protest procedures. ✓ If product/service cannot be procured through ITB/RFP or if less than 3 bids/proposals are received, City Council approval is required.
<p>> \$200,000 Department initiates, Purchasing Division issues Blanket Purchaser Order (BPO) or Standard Purchase Order (SPO)</p>	<ul style="list-style-type: none"> ✓ Department initiates procurement process through Purchasing Division using PURCHASING REQUEST FORM. ✓ Purchasing Division administers ITB/RFP. ✓ Purchasing Division posts NOI on bid notification system for ITB/RFP pursuant to protest procedures. ✓ City Council approval is required.

EXHIBIT B AP Process Flowchart – Old Process



Note: In a third process, invoices are mailed to both FM AP and the Department. FM AP matches department submitted certified invoices to their copy. If not received, FM AP makes a copy of their invoice and mails this to the responsible department (if known) for certification. Once returned the invoice is matched and paid (assuming that a PO or PO release has been processed)

EXHIBIT B AP Process Flowchart – New Process





City of Long Beach
Working Together to Serve

Memorandum
Councilwoman
Suzie Price
3rd District

NB-29

Date: April 7, 2015

To: Honorable Mayor and Members of the City Council

From: Councilwoman Suzie Price, Third District *SP*
Councilwoman Lena Gonzalez, First District *LG*
Councilwoman Stacy Mungo, Fifth District *SM*
Councilman Rex Richardson, Ninth District *RR*

Subject: Request for Proposal Process Improvements

BACKGROUND

The Request for Proposal (RFP) process varies among cities and counties throughout the State of California. The goal is to have the most transparent and competitive process in the region in order to ensure that taxpayer funds are spent wisely and prospective contractors are treated fairly.

It is requested that the City of Long Beach reexamine its current RFP process as well as review RFP processes used by other entities to determine if there are opportunities to improve transparency, increase competitiveness, and enhance procurement professionalism. The purpose of this agenda item is to study the City's RFP process and recommend improvements that would increase the overall value of our service contracts.

RECOMMENDATION

Respectfully request the City Manager and staff analyze the City's current RFP process, review RFP processes used by other entities, and report back within 90 days regarding recommendations to improve the City's procurement process.

FISCAL IMPACT

There is no significant fiscal impact for the delivery of the report.