



COUNCIL AGENDA: 5/10/2022

ITEM: 3.7

FILE NO: 22-659

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Toni J. Taber, CMC
City Clerk

SUBJECT: SEE BELOW

DATE: May 10, 2022

SUBJECT: City Roadmap - Procurement Improvement Status Report

Recommendation

As recommended by the Smart Cities and Service Improvements Committee on April 7, 2022:

- (a) Accept the status report on procurement improvements efforts as part of the approved City Roadmap for 2021-2022, which includes the consultant's final report on potential strategies for procurement innovation, recommended innovations and reforms, and assessment and evaluation of resources required to fully implement the strategies.
- (b) Direct staff to return to City Council with recommendations to update Chapter 4.04 Contract Authority and Chapter 4.12 Procurements of Goods and Services of Title 4 of the San José Municipal Code.
- (c) Refer to City Council procurement improvement staffing and technology recommendations for consideration, along with other City priorities, during the FY 2022-2023 budget process.
- (d) Accept the City of San José Procurement Current State Assessment Report and City of San José Procurement Future State Assessment Report.

CEQA: Not a project, File No. PP17-009, Staff Report, Assessments, annual Reports, and Informational Memos that involve no approvals of any City action. (Finance)

[Smart Cities and Service Improvements Committee referral 4/7/2022 - Item (d)1]

Memorandum

TO: SMART CITIES AND SERVICE
IMPROVEMENTS COMMITTEE

FROM: Julia H. Cooper

**SUBJECT: CITY ROADMAP:
PROCUREMENT IMPROVEMENT
STATUS REPORT**

DATE: March 30, 2022

Approved



Date

3/30/2022

RECOMMENDATION

- (1) Accept the status report of the City Roadmap Procurement Improvement initiative; and
- (2) Direct staff to return to City Council with recommendations to update Chapter 4.04 *Contract Authority* and Chapter 4.12 *Procurements of Goods and Services* of the San José Municipal Code; and
- (3) Refer to City Council procurement improvement staffing and technology recommendations for consideration, along with other City priorities, during the FY 2022-2023 budget process; and
- (4) Refer and cross-reference the City Roadmap Procurement Improvement project to the May 3, 2022, City Council Meeting for acceptance; and
- (5) Direct staff to submit the City of San José Procurement Current State Assessment Report and City of San José Procurement Future State Assessment Report for the May 3, 2022, City Council meeting.

OUTCOME

The Committee will receive a status report on the City Roadmap's Procurement Improvement work, provide feedback to staff, and direct staff to provide the status report, City of San José Procurement Current State Assessment Report and City of San José Procurement Future State Assessment Report to the full City Council.

BACKGROUND

The City maintains a decentralized procurement model, wherein procurement responsibility is divided into three areas:

- 1) Finance Department's Purchasing Division is charged with the procurement and contracting of all goods, supplies, equipment, non-consulting services, and information technology (IT) for all City departments; and
- 2) City departments are responsible for the procurement of all consulting services with oversight from the City Manager's Office of Administration, Policy, and Intergovernmental Relations; and
- 3) Department of Public Works is responsible for procurement relating to capital improvement projects.

The focus of this memorandum is on (1) Finance-led procurements and (2) department-led consultant procurements.

In February 2019, the Finance Department, in collaboration with the City Manager's Office of Civic Innovation, announced the launch of the "Procurement Improvement and Readiness Program" in response to a dramatic citywide increase in demand for procurement services to support the growing number of initiatives underway in the organization. One major component of that effort was securing funds through the City's Fiscal Year 2019-2020 budget process to procure consulting services for a comprehensive assessment of the City's procurement and contracting processes for the acquisition of equipment, goods, and services.

The City Manager's Office of Civic Innovation released a Request for Proposal (RFP) on behalf of the Finance Department in June 2020. Through the RFP process, an award of contract to Guidehouse, Inc., (formerly Guidehouse LLC) was made under the City Manager's contract authority, with contract execution in February 2020. Finance staff and Guidehouse held a project kick-off meeting in February 2020, but project activities were subsequently paused in March 2020 to redeploy staff to procure emergency goods and services for the COVID-19 pandemic emergency response.

In March 2021, the "Procurement Improvement and Readiness Program" was added to the City Roadmap, under the Strategic Fiscal Positioning + Resource Deployment enterprise Priority, and the name abbreviated to "Procurement Improvement." The goal of the initiative is to increase the organizational capacity, efficiency, and effectiveness of City procurement capability with a focus on the entire value chain. Conducting a comprehensive assessment of the City's procurement operations with Guidehouse was identified as a key component of that process.

In accordance with the City Roadmap timeline, Finance Department leadership and Guidehouse periodically checked in to assess an appropriate time to re-start the project. Check-in meetings were held on March 30, 2021, and September 2, 2021. As a result of the September meeting, Guidehouse assembled a new project team for the effort, and a new kick-off meeting was held on

October 15, 2021. The Finance Department provided a status update on these efforts to the Smart Cities and Services Improvements Committee on October 7, 2021.¹ At that meeting, staff was directed to return to the Committee and Council in April 2022 with the consultant's recommendations. This memorandum and attached presentation respond to that direction and summarizes Guidehouse's recommendations.

Additionally, in October 2021, having identified potential efficiencies in collaborative audit recommendations and needed process improvements, the Finance Department and the City Manager's Office of Administration, Policy, and Intergovernmental Relations collaborated and subsequently amended the contract with Guidehouse— under the City Manager's contract authority— to include department-led consulting procurements in Guidehouse's assessment.

ANALYSIS

Current State Assessment

Guidehouse conducted 76 interviews with City staff to complete a detailed assessment of the City's procurement processes. Staff interviews aimed to understand, from staff perspectives, what is working, what is not working, and where opportunities exist for process improvements. Guidehouse reviewed and analyzed data provided by City staff and compared the City's procurement processes to best and leading practices nationwide. The resulting Current State Assessment authored by Guidehouse captures and documents key issue areas in the City's procurement process with regard to staffing, process, technology, policies, and the current purchasing backlog.

Future State Assessment

Guidehouse conducted five visioning sessions with City leadership and key stakeholders to envision the future of procurement in the City. Guidehouse used feedback gathered and the Current State Assessment to help the City develop a procurement mission statement and future state recommendations for City procurement processes. Guidehouse produced the Future State Assessment to document their findings and recommendations, which is in the process of being finalized.

¹ Smart Cities and Service Improvements Committee October 7, 2021, meeting item (d)1.: *Procurement Improvement Status Report*
<https://sanjose.legistar.com/LegislationDetail.aspx?ID=5145020&GUID=0F8B342D-3943-40FE-8466-2B1B7908CA5D>

Guidehouse recommendations fall into the following five pillar framework across a five-year timeline:

- Staffing
- Procurement consistency
- Procurement streamlining
- Training
- Technology

Staff is evaluating the recommendations and will commence discussions across the organization regarding the feasibility of implementing the recommendations.

Prioritized recommendations include updates to Chapter 4.04 *Contract Authority* and Chapter 4.12 *Procurements of Goods and Services* of the San José Municipal Code, which govern contract authority limits and adjustments, and the procurement of goods and services at the City. Guidehouse has also made specific recommendations on staff augmentation and technology investments, which will require operational resources. The Finance Department has submitted budget proposals for the staff augmentation and technology investment recommendations in the Fiscal Year 2022-2023 budget process that will be considered along with other City priorities.

CONCLUSION

The Guidehouse assessments advance the City Roadmap Procurement Improvement project and provide recommendations for improving the City's procurement processes. The recommendations are categorized into a five-pillar framework across a five-year timeline. As many of the recommendations require considerable resources for implementation, staff will assess the feasibility of each recommendation and advance components for implementation as appropriate.

EVALUATION AND FOLLOW-UP

The Finance Department will continue to assess the consultant's recommendations and implement as appropriate. With Committee approval, staff will provide the status report, City of San José Procurement Current State Assessment Report and City of San José Procurement Future State Assessment Report to the full City Council on May 3, 2022.

CLIMATE SMART SAN JOSE

The recommendation in this memo has no effect on Climate Smart San José energy, water, or mobility goals.

PUBLIC OUTREACH

This memorandum will be posted on the City's website for the April 7, 2022, Smart Cities and Service Improvement Committee meeting and on the May 3, 2022, City Council agenda.

COORDINATION

This memorandum was coordinated with the City Attorney's Office and the City Manager's Office of Administration, Policy, and Intergovernmental Relations.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

CEQA

Not a project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Information Memos that involve no approvals of any City action.

/s/
JULIA H. COOPER
Director of Finance

Attachment: Procurement Improvement Consultant Executive Summary presentation

For questions on department-led consultant procurements, please contact Sarah Zarate, Director of the City Manager's Office of Administration, Policy, and Intergovernmental Relations, at sarah.zarate@sanjoseca.gov. For questions on Finance-led procurements, please contact Jennifer Cheng, Deputy Director of Finance, at jennifer.cheng@sanjoseca.gov.