

City of San José Procurement Improvement Initiative

Status Update

May 10, 2022



Executive Summary

The City of San José has three different procurement processes

The City of San José has a decentralized procurement model, with the Purchasing Division maintaining responsibility for all non-consulting and non-public works procurements.

Within the scope of this report



Purchasing Division

The Purchasing Division is responsible for procuring goods and services not covered by other two procurement processes, along with administering the P-Card program.

- **Number of Procurement Staff:** 15 Staff
- **Oversight Authority:** Finance Department
- **Contracting Responsibility:** Negotiates Contracts
- **Number of Yearly Procurements:** 89 RFxs & 2,054 POs
- **Total Value of Procurements:** \$450 Million



City Departments

City departments are responsible for procuring all consulting services. Additionally, departments may run procurements for Purchasing at Purchasing's request.

- **Number of Procurement Staff:** Staffing Varies by Department
- **Oversight Authority:** City Manager's Office
- **Contracting Responsibility:** City Attorney's Office
- **Number of Yearly Procurements:** 205 Contracts & 620 Adjustments
- **Total Value of Procurements:** \$169 Million



Public Works

The Public Works Department is responsible for procurements relating to public works projects, including the construction, improvement, or demolition of structures.

- **Number of Procurement Staff:** 3 Staff (1 of 3 Positions is Open)
- **Oversight Authority:** Director of Public Works
- **Contracting Responsibility:** City Attorney's Office
- **Number of Yearly Procurements:** 78 RFxs
- **Total Value of Procurements:** \$151 Million

Note: Due to data limitations, data for the Purchasing Division and Public Works is based on FY2021, whereas the City Departments data utilizes calendar year 2021.

Executive Summary

The current state of procurement within the City of San José

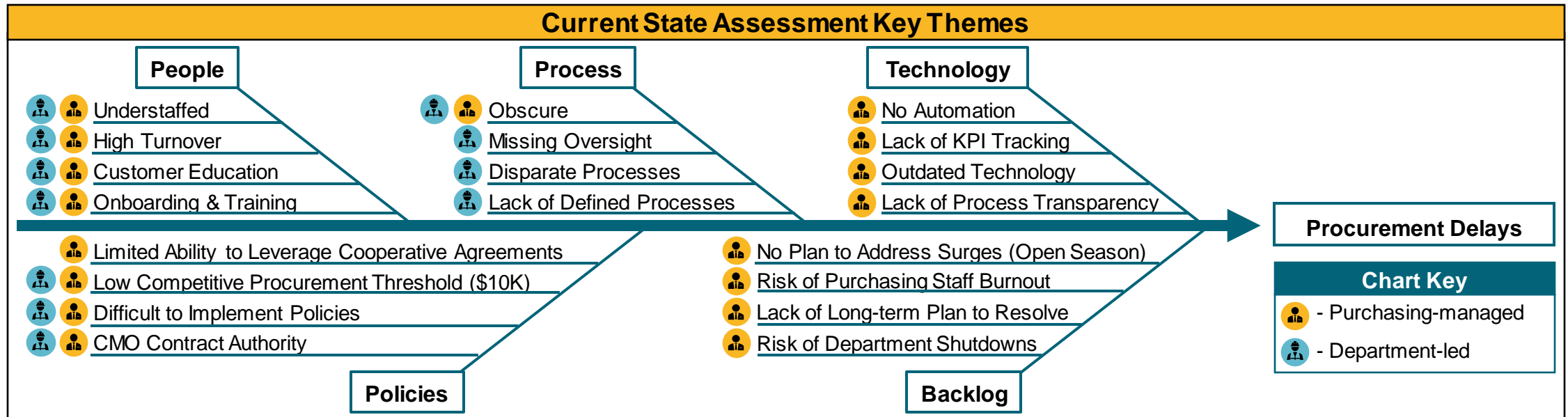
Current State Context:

The City's 2016 Smart City Vision identified streamlining procurement processes as a critical element of the City's innovation strategy. In response to growing demand for City procurement services, the City launched a procurement improvement initiative in 2018, seeking to streamline procurement processes to help departments secure goods and services more efficiently and standardize procurement processes.

The Coronavirus Pandemic exacerbated the existing situation, delaying procurements and saddling the City's Purchasing Division with a three-month backlog. The City Council approved procurement Improvement as a City Roadmap priority in March of 2021. An October 2021 memo issued by the Mayor's Office directed the Finance Department to report back to the Smart Cities and Service Improvement Committee and City Council on procurement improvement recommendations and strategies..

Current Procurement Challenges:

The City of San José's procurement challenges fall into five main categories, including people, process, technology, policies, and backlog. While many challenges span the Purchasing Division-managed and department-led processes, certain challenges are unique to a specific process (e.g., backlog).



Executive Summary

A shared future vision for procurement within San José

Mission

As stewards of public funds, the City of San José facilitates a transparent, competitive process that responsibly, equitably, and efficiently procures goods and services at the best value for the City.

Core Procurement Components



Goals

Decrease procurement processing times to allow departments to obtain needed goods and services in a timely manner

Provide consultative procurement expertise to departments as they navigate the procurement process

Develop a vendor pool that represents the diversity of San José's businesses and residents

Act as stewards of public funds by ensuring the City spends money in a manner that safeguards the best value to the City

Serve as a strategic procurement resource during the planning and execution of City Roadmap initiatives

Objectives

1. Decrease time to process purchase orders
2. Decrease procurement dwell times
3. Decrease procurement lead times
4. Leverage technology to increase staff productivity
5. Track time spent negotiating agreements

1. Ensure that City staff have the support they need
2. Transition Purchasing to a consultative model
3. Centralize consulting services procurements
4. Develop procurement tools and trainings
5. Effective triaging of procurement requests

1. Improve vendor customer service
2. Increase equity throughout the procurement process
3. Track core vendor participation metrics
4. Develop new vendor outreach practices
5. Examine relaxing policies and practices to improve vendor participation

1. Ensure the City receives the best possible value
2. Increase P-Card compliance
3. Identify spend consolidation opportunities
4. Develop a compliance scoring methodology
5. Leverage technology solutions to improve compliance

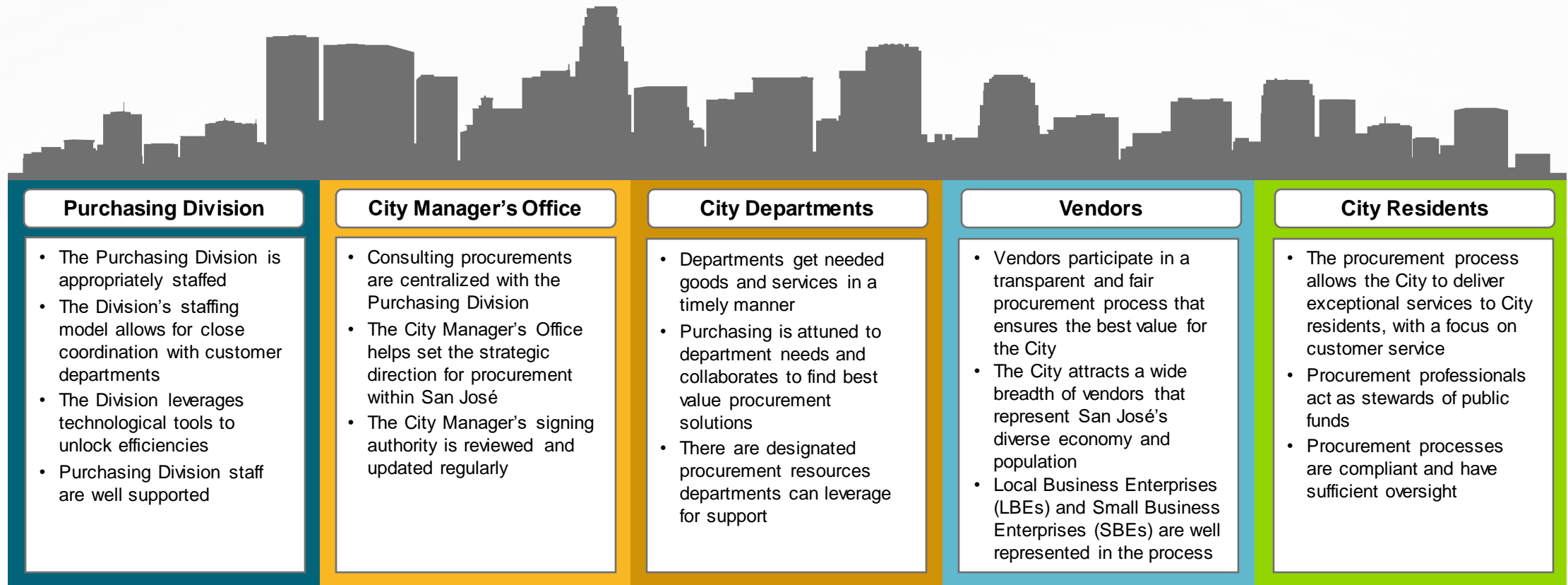
1. Include the Purchasing Division earlier
2. Align Purchasing Division staffing to City Roadmap
3. Leverage outcome-based procurements
4. Reduce resistance to involving Purchasing
5. Develop clear procurement escalation pathways

Mission Statement in Practice

The implementation of San José's future state procurement vision

Procurement Mission Statement: As stewards of public funds, the City of San José facilitates a transparent, competitive process that responsibly, equitably, and efficiently procures goods and services at the best value for the City.

The Future of Procurement in San José:



Executive Summary

Positioning procurement to maximize value within the City

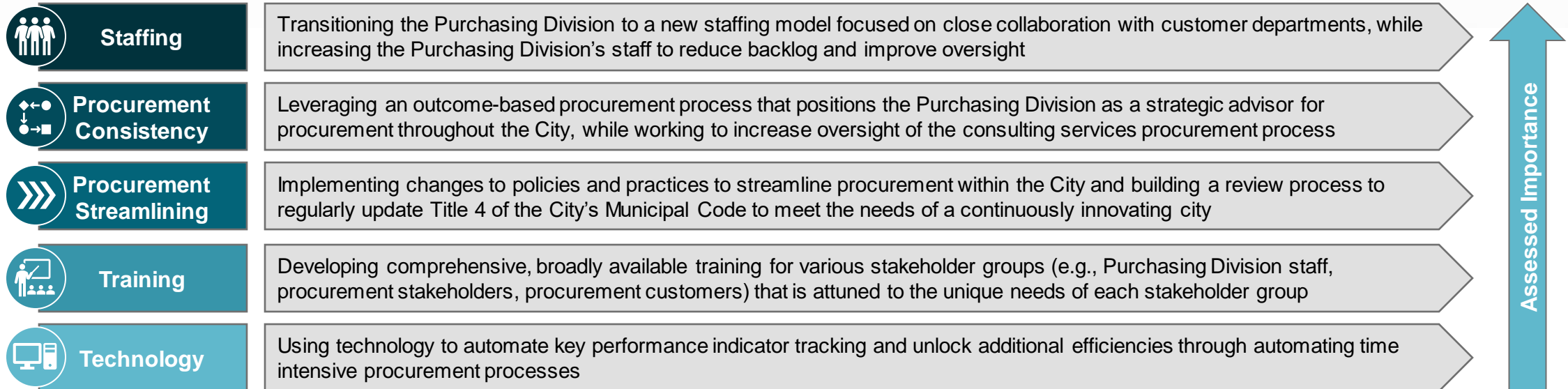
Project Context:

The Procurement Future State Report provides a modernized vision of procurement within the City of San José. The goal is to create a procurement process that is agile, responsive to the needs of customers, compliant with all City policies, and furthers San José's goal of being the most innovative City in the United States. Driven by input from over seventy City staff members, direction from City leadership, a comprehensive current state assessment, and visioning sessions, the future state vision aims to be actionable and implementable. The future state vision will come to fruition through a focus on centralizing procurement processes, staff, and leadership within the areas of the City with specific subject matter expertise.

Future State Recommendations:

The future state recommendations are centered around five pillars. Each pillar represents a key component of developing and refining the City's procurement processes. Full details and recommendations are available in the corresponding section of the Future State Vision.

Key Future State Recommendations:



Procurement Technology

Leveraging technology to drive process efficiencies

Leveraging technology throughout the procurement lifecycle represents an opportunity to unlock efficiencies, enhance collaboration, and drive further compliance with City policies. Recommendations to improve how the City leverages technology are included below:

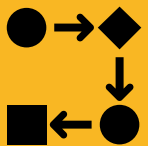


Quick Wins (1 Year)

Objective: Better leverage existing tools to improve KPI tracking and document management practices

Recommendations:

- **Data Cleansing:** Clean existing data to improve reliability and allow for more accurate output reporting
- **Automate KPI Tracking** – Develop dashboards using existing software tools to automate the tracking of procurement-related KPIs
- **Centralize Documentation** – Using SharePoint, centralize procurement documentation in a single location to make it easily referenceable



Medium-Term (1-2 Years)

Objective: Begin assessing opportunities to replace existing systems that no longer meet the City's needs

Recommendations:

- **Procurement Management Requirements Gathering** – Gather requirements and develop an RFP for a procurement management solution
- **Process Automation** – Leverage process automation technologies to explore opportunities to automate processes to save time and reduce City procurement workload



Long-Term (2-5 Years)

Objective: Implement a software solution to streamline and automate procurement-related business processes

Recommendations:

- **Implement Procurement Management System** – Implement a new procurement management solution to help streamline processes, improve accountability, and reduce workload

Procurement Training

Getting stakeholders trained on policies and procedures

Procurement is complex, detail-focused, and has little margin for error. To ensure City staff and the Purchasing Division team successfully navigate the intricacies of procurement, the City should refine its procurement training curriculum.

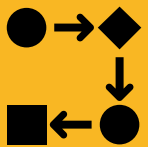


Quick Wins (1 Year)

Objective: Improve access to procurement training and resources to increase policy compliance

Recommendations:

- **Intranet Redesign** – Redesign the Purchasing Division’s intranet around the needs of Purchasing Division customers and procurement stakeholders
- **Overhaul P-Card Trainings** – Revamp P-Card trainings by consolidating disparate documentation and making the yearly P-Card exam more difficult
- **Procurement Trainings** – Introduce procurement and contract management trainings at regular intervals and begin developing module-specific trainings



Medium-Term (1-2 Years)

Objective: Increase the consistency of training and work to better anticipate citywide procurement training needs

Recommendations:

- **Disparity Study** – Fund the current City disparity study proposal to understand disadvantaged business participation in the procurement process
- **Internal Training Program** – Develop a yearly training program for Purchasing Division staff that is centered around executing on Division goals
- **Vendor Engagement** – Increase vendor engagement efforts throughout the procurement lifecycle and track vendor participation



Long-Term (2-5 Years)

Objective: Implement formal training programs and processes to standardize the training experience across stakeholder groups

Recommendations:

- **Onboarding Standardization** – Standardize the onboarding experience within the Purchasing Division to maximize effectiveness
- **Vendor Outreach** – Develop a formal vendor outreach program with a particular emphasis on reaching disadvantaged businesses
- **Implement a Learning Management System** – Implement a learning management system to standardize and formalize training across the City

Streamlining Policies

Increasing efficiency by streamlining and clarifying policies

Title 4 of the City's Municipal Code governs goods and services procurements within the City of San José. Given how infrequently Title 4 is updated, there are multiple opportunities to revise policies to streamline procurements without increasing risk.

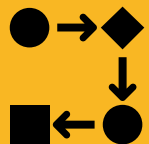


Quick Wins (1 Year)

Objective: Develop compliant workarounds to the most burdensome policies and critically examine the City's risk posture

Recommendations:

- **Risk Posture Examination** – Examine if there are opportunities to take minimal risks to increase procurement speed and decrease acquisition cost
- **Wage Theft Policy** – Modify the City's wage theft policy as the current policy makes certain procurements impossible



Medium-Term (1-2 Years)

Objective: Develop and implement improvements to the City's Municipal Code to streamline procurement processes

Recommendations:

- **Competitive Procurement Threshold** – Increase the competitive procurement threshold to account for inflation
- **Local Business Preference** – Modify the City's Local Business Enterprise preference program to focus on companies that prioritize San José



Long-Term (2-5 Years)

Objective: Regularly review Title 4 of the City's Municipal Code to ensure it continues to meet the City's procurement needs

Recommendations:

- **Municipal Code Review Process** – At regular intervals evaluate the relevancy of Title 4 of the Municipal Code and propose necessary changes to Council
- **Council Approval Process** – Streamline the process for contracts to be approved by City Council to minimize staff time required, while still preserving the City Council's oversight of the process

Increasing Procurement Consistency

Altering processes to regularly achieve optimal value for the City

To reduce risk to the City, maximize value, and consistently deliver exceptional customer service, the City of San José should look to refine its procurement processes to center on department's business needs. Many of these recommendations are predicated on the City having sufficient staffing.

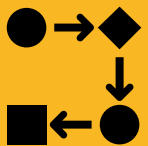


Quick Wins (1 Year)

Objective: Once staffing is sufficient, increase usage of cooperative agreements and the informal procurement process

Recommendations:

- **Informal Procurement Redesign** – Implement a redesigned informal procurement process that encourages department compliance
- **Expand Usage of Cooperative Agreements** – Make greater use of cooperative agreements for simple, low-risk commodity procurements
- **Consulting Procurement Oversight** – Increase the Purchasing Division's oversight of the consulting procurement process to reduce risk



Medium-Term (1-2 Years)

Objective: Move to a business needs oriented model for procurements within the City

Recommendations:

- **Business Needs Focus** – Transitions to a business need-focused model where the Purchasing Division selects procurement strategies based on a department's identified business need
- **Collaborative Scope Development** – Transition to a model where the Purchasing Division is involved in scope development from the outset to reduce the likelihood of departments developing non-compliant scopes



Long-Term (2-5 Years)

Objective: Centralize consulting procurements with the Purchasing Division to reduce risk to the City

Recommendations:

- **Centralize Consulting Procurements** – When the Purchasing Division is sufficiently staffed, processes are improved, and there is no backlog, centralize consulting services procurements under the Purchasing Division

Purchasing Division Staffing

Getting departments needed goods and services in time

The current Purchasing Division backlog presents a challenge to departments that rely on the Purchasing Division for the to get needed goods and services within a timely manner. The recommendations below focus on eliminating the backlog.

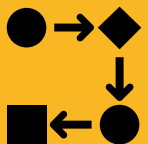


Quick Wins (1 Year)

Objective: Eliminate the backlog of requisitions to get departments the goods and services they need before the end of the fiscal year

Recommendations:

- **Staff Augmentation** – Leverage staff augmentation to clear the current requisition backlog
- **Additional Staff** – Hire three new buyers or analysts and convert the current overstrength analyst position to a permanent role
- **Develop a Competency Framework** – Create a competency framework for all roles within the Purchasing Division



Medium-Term (1-2 Years)

Objective: Optimize staffing to ensure staffing levels align with Division goals and procurement demand from departments

Recommendations:

- **Additional Analysts** – Hire two new analysts or senior analysts to account for growth in IT procurements
- **Demand Management and Staffing Plan** – Leverage demand management and a staffing plan to staff the Purchasing Division to demand
- **Division Restructure** – Transition the Purchasing Division to a new structure based on procurement teams, which would each be assigned to departments



Long-Term (2-5 Years)

Objective: Attract new candidates from diverse backgrounds by leveraging new recruitment and retention strategies

Recommendations:

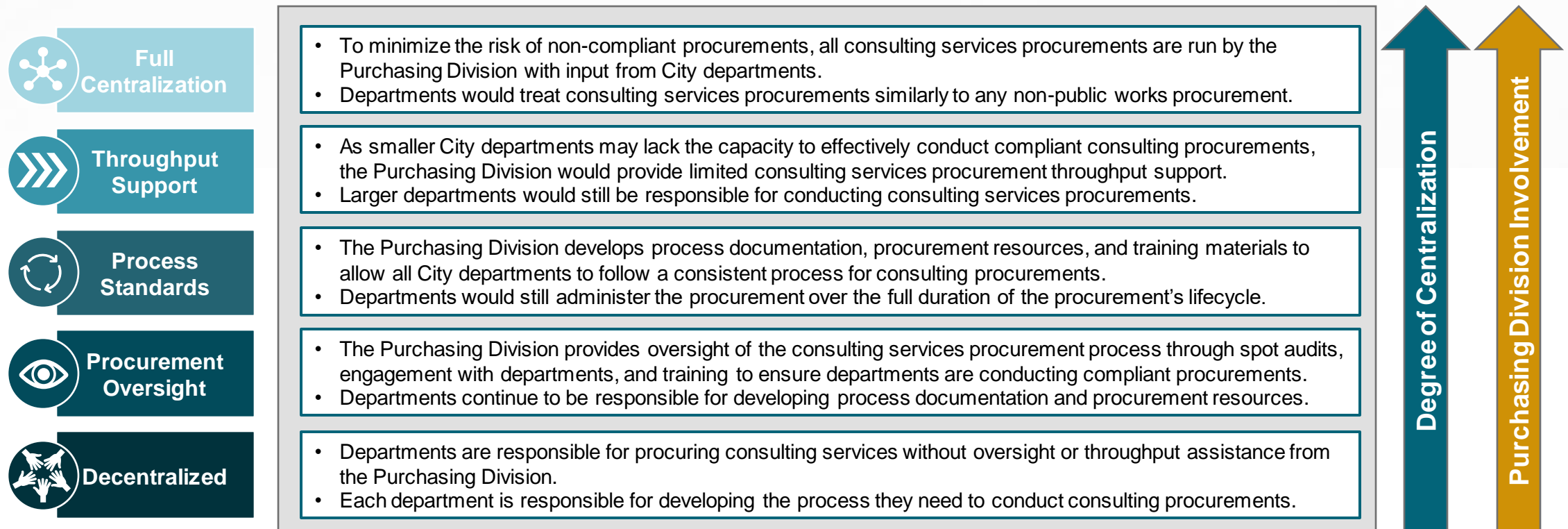
- **Alternative Entry Buyer Program** – Launch a program to recruit and train buyers that may not have a Bachelor's Degree
- **Alternative Recruitment Strategies** – Consider leveraging alternative recruitment strategies to attract candidates from unconventional backgrounds

Consulting Services Procurement Centralization

Centralization occurs along a spectrum

Currently, consulting procurements are decentralized within the City of San José, which introduces significant risk as processes are not standardized across the City. Moving towards a more centralized model allows the City to standardize processes and ensure consulting services are procured in a compliant manner.

Degrees of Centralization:



Implementation Guide

Next steps to improve procurement performance

The Implementation Guide details a phased approach to implementing this report's recommendations for improving and maturing the City's procurement processes. Each task highlights a specific recommendation designed to address a unique need within the City. Quick wins are lower effort remediations that can be implemented within a year and help address immediate needs of the City. Medium-term and Long-term tasks are more complex and require increased coordination.

