

# AMENDMENTS TO TITLE 4 OF SAN JOSÉ MUNICIPAL CODE RELATED TO PROCUREMENT OF GOODS AND SERVICES STATUS REPORT

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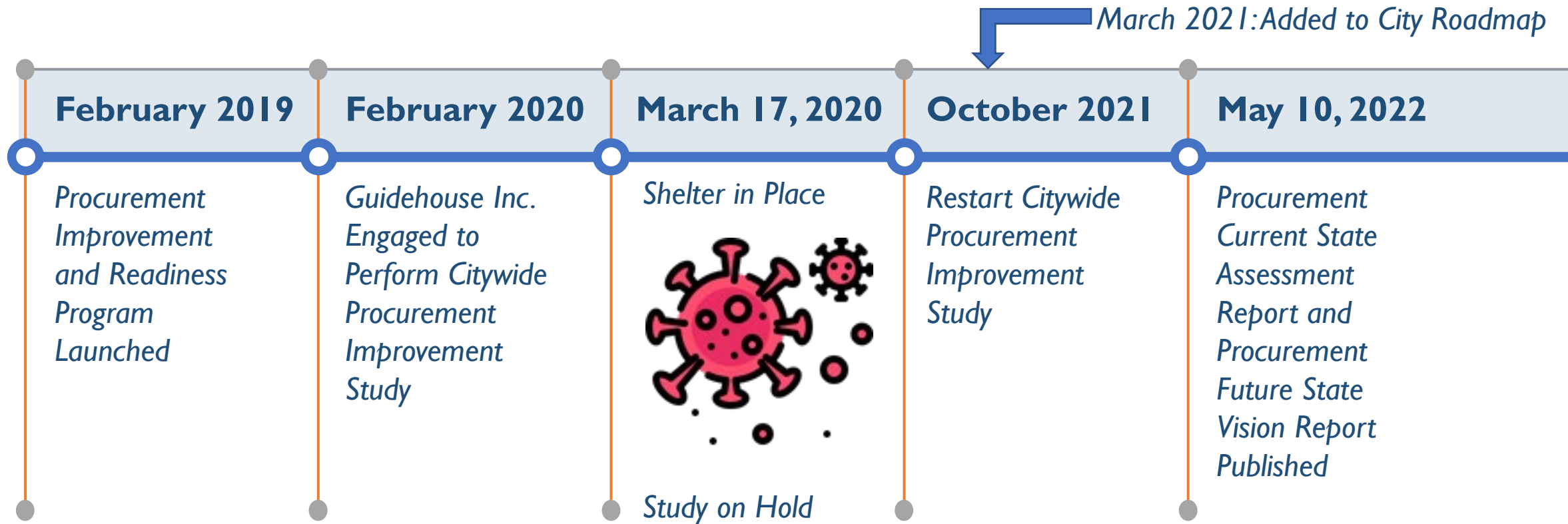
# BACKGROUND

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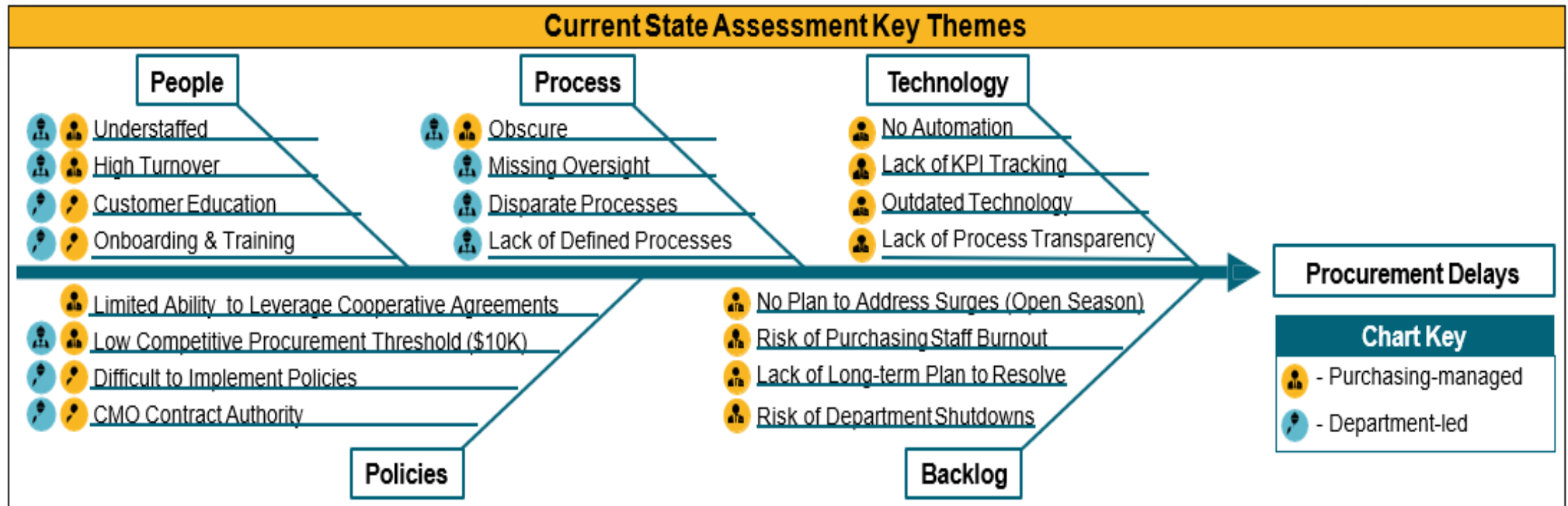
- City Decentralized Procurement Model
  - Public Works – Public Works projects, construction, improvement, or demolition of structures
  - City Departments – Department consulting services
  - Finance Department Purchasing Program (Purchasing)
    - \* All other goods and services
    - \* City Procurement Card (P-Card) Program management
- Procurement Improvement and Readiness Program (Procurement Improvement) Launched



# PROCUREMENT IMPROVEMENT TIMELINE








# PROCUREMENT CHALLENGES – PROCUREMENT CURRENT STATE ASSESSMENT REPORT



# PROCUREMENT OPPORTUNITIES – PROCUREMENT FUTURE STATE VISION REPORT

## Key Future State Recommendations:

 <b>Staffing</b>	Transitioning the Purchasing Division to a new staffing model focused on close collaboration with customer departments, while increasing the Purchasing Division's staff to reduce backlog and improve oversight
 <b>Procurement Consistency</b>	Leveraging an outcome-based procurement process that positions the Purchasing Division as a strategic advisor for procurement throughout the City, while working to increase oversight of the consulting services procurement process
 <b>Procurement Streamlining</b>	Implementing changes to policies and practices to streamline procurement within the City and building a review process to regularly update Title 4 of the City's Municipal Code to meet the needs of a continuously innovating city
 <b>Training</b>	Developing comprehensive, broadly available training for various stakeholder groups (e.g., Purchasing Division staff, procurement stakeholders, procurement customers) that is attuned to the unique needs of each stakeholder group
 <b>Technology</b>	Using technology to automate key performance indicator tracking and unlock additional efficiencies through automating time intensive procurement processes

Assessed Importance



# WHAT HAVE WE DONE SO FAR?

CITY INVESTMENTS	STAFFING	PROCUREMENT CONSISTENCY	PROCUREMENT STREAMLINING	TRAINING	TECHNOLOGY
Procurement Prioritization Board formed September 2019		✓	✓		
Reorganize Purchasing workgroups into “work teams” and enhance cross-training	✓			✓	
FY2019-20: Add one permanent Senior Analyst position	✓				
FY2020-21: Add one Overstrength Analyst position	✓				
FY2022-23: Add two Analyst I/II and one Senior Analyst positions	✓				
FY2022-23: One-time non-personal/equipment funding of \$61,000, and ongoing non-personal/equipment funding of \$50,000 for technology enhancements					✓



# WHAT IS BEING CONSIDERED TODAY?

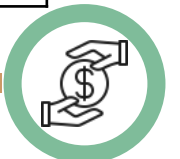
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- Procurement Thresholds
  - Competitive – City purchases with annual spend >\$10,000 must be competed
  - Informal – City purchases >\$140,000 require a formal procedure process
- Ability to Leverage Other Public Entity Procurements
  - City can only leverage other public entity procurements when designated in the respective competitive procurement process



# CURRENT SAN JOSÉ MUNI CODES

MUNICIPAL CODE SECTION	SECTION TITLE	DESCRIPTION	CURRENT
4.04.080(A)	Quarterly Reports	Minimum Contract Value for “Sunshine” Reports	\$140,000
4.12.210(A)	Selection of Procurement Method	Competitive Procurement Method Not Required	<\$10,000
4.12.210(B)	Selection of Procurement Method	Request for Quotes	\$10,000 – \$140,000
4.12.210(C, D)	Selection of Procurement Method	Request for Proposals Formal Bids	>\$140,000
4.12.350(B1, B2)	Rejection of Responses	Rejection of Bids and Proposals	\$140,000
4.12.415	Formal and Informal Protest Procedures	Formal and Informal Protest Procedures	\$140,000
4.12.420	Notice of Decision	Notice of Intended Award	\$140,000
4.12.225 (B)3	Public agencies purchases	Utilizing Other Public Agencies Procurement	Requires City to be a third-party beneficiary of the procurement process





# COMPETITIVE PROCUREMENT THRESHOLD

## PEER MUNICIPALITIES BENCHMARKING

PEER MUNICIPALITIES	SIMILAR POPULATION	LARGE TECHNOLOGY SECTOR	IN CALIFORNIA	CITY OF SAN JOSÉ RECOMMENDATION
San Diego, CA	✓		✓	
San Francisco, CA		✓	✓	
Santa Clara County, CA		✓	✓	✓
Oakland, CA			✓	✓
Sacramento, CA			✓	✓
Dallas, TX	✓	✓		✓
San Antonio, TX	✓	✓		
Austin, TX	✓	✓		



# COMPETITIVE PROCUREMENT THRESHOLD

## ESTIMATED REDUCTION IN COMPETITIVE PROCUREMENTS

CPT Increase	New CPT Range	Annual Reduction in New Competitive Procurements	% Reduction in New Competitive Procurements
\$0	\$0.01 to \$10,000	0	0.0%
\$2,000	\$0.01 to \$12,000 <sup>1</sup>	127 (+127 from prior step)	4.7%
\$5,000	\$0.01 to \$15,000	134 (+7 from prior step)	5.0%
\$10,000	\$0.01 to \$20,000	146 (+12 from prior step)	5.4%
\$15,000	\$0.01 to \$25,000	158 (+12) from prior step)	5.9%
\$20,000	\$0.01 to \$30,000	175 (+17 from prior step)	6.5%

<sup>1</sup> Procurement Future State Vision Report Recommendation



# CITY OF SAN JOSÉ PROCUREMENT THRESHOLDS

## PEER MUNICIPALITIES BENCHMARKING

Peer Municipalities <sup>1</sup>	Competitive Threshold <sup>8</sup>	Informal Bid Threshold <sup>9</sup>	Chief Executive Officer Signature Authority
San José	\$10,000	\$140,000	\$350,000 <sup>2</sup> or \$1,430,000 <sup>3</sup>
San Diego, CA	\$25,000	\$150,000	\$3,000,000 <sup>2,3</sup> or \$250,000 <sup>4</sup>
San Francisco, CA	\$10,000	\$129,000 <sup>5</sup> or \$706,000 <sup>6</sup>	\$100,000
Santa Clara County, CA	\$5,000	\$100,000 <sup>2,3</sup> or \$300,000 <sup>4</sup>	\$200,000
Oakland, CA	\$15,000	\$50,000	\$250,000
Sacramento, CA	\$5,000	\$25,000	\$250,000
Dallas, TX	\$3,000	\$50,000	\$100,000
San Antonio, TX	\$3,000	\$50,000	Less than the budgeted amount
Austin, TX	\$3,000	\$50,000	\$66,000 <sup>7</sup>
Federal Entities (Uniform Guidance)	\$10,000	\$250,000	Not Applicable

<sup>1</sup> For Peer Municipalities and Federal Entities, as of May 10, 2022

<sup>2</sup> For Goods

<sup>3</sup> For Services

<sup>4</sup> For Professional Services

<sup>5</sup> For Commodities and Professional Services

<sup>6</sup> For General Services

<sup>7</sup> Threshold is adjusted yearly based on CPI.

<sup>8</sup> Known as the Federal Micro-Purchase Threshold

<sup>9</sup> Known as the Federal Simplified Acquisition Threshold



# RECOMMENDED CHANGE

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- Staff recommends the City maintain its current Competitive Procurement Threshold at \$10,000 and remain aligned with Federal Uniform Guidance (Federal Micro-Purchase Threshold) in the future. Staff also proposes the P-Card services threshold remain at \$1,000 to control and mitigate risk.
- Staff recommends the City increase its current Informal Procurement Threshold to \$250,000 and remain aligned with Federal Uniform Guidance (Federal Simplified Acquisition Threshold) in the future.



# LEVERAGING OTHER PUBLIC ENTITY PROCUREMENTS

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- Current San José Municipal Code Section 4.12.225 (B)3 requires other public entity documents name City of San José as a third-party beneficiary of the competitive procurement process
- Most other public entities simply require the executed contract to include language allowing other entities to use said contract



# RECOMMENDED CHANGE

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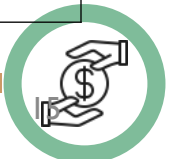
- Staff recommends the San José Municipal Code be modified to allow City procurements to leverage other public entities procurement processes which substantially comply with City procurement procedure by simply requiring the executed contract resulting from the procurement to include language allowing other entities to use said contract.



# RECOMMENDED CHANGES TO MUNI CODE

MUNICIPAL CODE SECTION	SECTION TITLE	DESCRIPTION	CURRENT	PROPOSED CHANGE <sup>1</sup>
4.04.080(A)	Quarterly Reports	Minimum Contract Value for “Sunshine” Reports	\$140,000	\$250,000
4.12.210(A)	Selection of Procurement Method	Competitive Procurement Method Not Required	<\$10,000	No Change
4.12.210(B)	Selection of Procurement Method	Request for Quotes	\$10,000 – \$140,000	\$10,000 – \$250,000
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4.12.420	Notice of Decision	Notice of Intended Award	\$140,000	\$250,000
4.12.225 (B)3	Public agencies purchases	Utilizing Other Public Agencies Procurement	Requires City to be a third-party beneficiary of the procurement process	Require executed contract to include language allowing other entities to use said contract

<sup>1</sup> And remain aligned with Federal Uniform Guidance



# RECOMMENDATION

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As recommended by the Public Safety, Finance and Strategic Support Committee on February 16, 2023:

- (a) Accept the status report on amendments to Title 4 of the San José Municipal Code Chapter 4.04 Contract Authority and Chapter 4.12 Procurements of Goods and Services to help streamline the City's procurement process for goods and services.
- (b) Direct the Administration to work with the City Attorney's Office to prepare the necessary ordinance to amend the San José Municipal Code and report back to City Council in fall 2023.

