CITY OF OAKLAND

AGENDA REPORT

TO:	Sabrina B. Landreth City Administrator	**FROM:**	Kirsten LaCasse Interim Controller
SUBJECT:	Informational Report On The City Of Oakland's Procurement Process	**DATE:**	April 27, 2016

City Administrator Approval _____ Date: 4/28/16

RECOMMENDATION

Staff Recommends That The City Council Accept This Informational Report On The City Of Oakland's Procurement Process.

EXECUTIVE SUMMARY

In response to the Finance and Management Committee's concern regarding the low number of vendors submitting bids in response to the City's competitive procurement process, the City Administrator's Office has prepared this report. The focus of this report is limited to Supplies and Goods due to the complexity and varying nature of Professional Services and Construction contracts. Staff has identified factors in the process that may be contributing to lower than anticipated responses which include the following:

- The City's bidding process, which requires compliance with a number of City policies, procedures, and legislated requirements *(Table 2)*;
- The timeframe between bid submission and contract award;
- Contracts for Supplies and Goods are awarded to the lowest responsible bidder (the qualified vendor with the lowest cost); and
- Limitations in the City's vendor registration system (iSupplier).

This report outlines improvements that are currently underway as well as suggestions for additional strategies to improve outreach and encourage responses.

BACKGROUND / LEGISLATIVE HISTORY

At the Finance and Management Committee meeting on September 29, 2015, the Committee requested a report on the City's overall procurement process, including why more firms do not participate in the bid process.

With a population of over 400,000 people, the City of Oakland must provide a variety of services to the community. The goal of the City's purchasing and contracting function is to procure the

highest quality materials and services at the most economical price, in accordance with all Federal, State, and local laws, codes, ordinances, and regulations.

Due to the complexity of procurement, this report only addresses an overview of the supplies and goods procurement process and potential obstacles.

Legislation Governing Contracting

Contracting is governed by various Federal, State and Local laws and legislation, including but not limited to:

- United States Code, Title 41 - Public Contracts requires full and open competition, responsible source, competitive procedures, and antitrust violations
- Oakland City Charter, Article VIII, Fiscal Administration, Sections 807 & 808 -Goods and Services and Bids and Awards
- Oakland Municipal Code, Section 2.04 - Purchasing System
- Oakland Administrative Instruction 4323 - Procurement - Goods and Services

ANALYSIS AND POLICY ALTERNATIVES

To provide the Committee with an idea of the volume of bid response rates that the City is receiving on goods and supply opportunities, *Table 1* below shows a summary of the contracts awarded in a sample month, February 2016, as well as the number of vendors that were included in the Request for Quotation (RFQ) invitations from iSupplier, and the resulting response rates. As *Table 1* shows, there were generally low response rates, with three contracts receiving two or less bids.

Table 1: Number of Bids Received for Contracts Awarded in February 2016

Contract Title	Amount	Number of Vendors included in RFQ (in iSupplier)	Number of Responses	Percent of Responses
Transcription Services	$10,000	18	9	50.00%
Refuse/Garbage Collection/Dumping Equipment Maintenance & Repair	$10,000	9	2	22.22%
Vehicle Rental Services	$99,000	4	1	25.00%
Video Systems (Studio Quality Production)	$37,643	11	3	27.27%
Plotters, Graphic	$18,043	32	3	9.38%
Microcomputers, Desktop or Tower	$5,339	35	3	8.57%
Microcomputers, Handheld, Laptop, and Notebook	$5,329	37	2	5.41%
Total		146	23	15.75%

The Controller's Bureau has identified the following factors that may be discouraging vendors from bidding for goods and supplies:

1. The City has a number of processes, policies, and requirements with which any vendor doing business with the City must comply. For example:

   - The City requires all vendors who want to compete for a City contract to provide up to ten (10) schedules and to obtain a business license, liability insurance, and other applicable certifications (e.g. Local and Small Local Business Enterprise [LBE/SLBE]) on top of their bid proposal document (see *Table 2* below).

Table 2: List of Schedules & Requirements To Bid For City Goods And Supplies

Required
• Schedule B-1 - Declaration of Compliance with the Arizona Resolution
• Schedule C-1 - Compliance With The Americans With Disabilities Act
• Schedule K – Pending Dispute Disclosure Form
• Schedule M - Part A - Independent Contractor Questionnaire
• Schedule V - Affidavit Of Non-Disciplinary Or Investigatory Action
• Schedule O - Disclosure of Campaign Contributions Form
• Oakland Business Tax License
• Bid Proposal
Sometimes Required
• Schedule N-1 - Equal Benefits Declaration Of Nondiscrimination
• Schedule U - Compliance Commitment Agreement
• Certificate of Liability Insurance
• L/SLBE Certification
Included but not Required
• Schedule D - Ownership, Ethnicity and Gender Questionnaire
• Schedule P - Nuclear Weapons Proliferation Ordinance

*Majority of these schedules have been combined into a four page document for the ease of the vendor as they complete their paperwork.

   - For supplies and goods, the standard timeline for the bidding process through contract award takes approximately two to four months, and depending on the complexity, could take more or less time. For example, the process for bidding a contract over $50,000 requires the following activities:

     - Staff reviews and prepares the specifications for bidding
     - Formal advertising in the newspaper (21 day minimum)
     - Staff reviews and vets all bids received
     - Contracts over $100,000 require staff to prepare, review, and approve a Council Report (routed through the Budget Office, City Attorney and City Administrator for review, approval and scheduling)
     - Scheduling, noticing, and receiving Committees' and Council's approval (approximately one month)

2. For supplies and goods, contracts are awarded to the lowest responsible bidder. (Large corporations are sometimes able to offer deeper discounts based on the bulk volumes that they purchase and sell).

3. The City's vendor registration system, iSupplier, has limitations. For example:

   • Vendors are responsible for maintaining their information in iSupplier. If they do not update their business profile as their business information changes, such as contact information, they may not continue to receive bidding opportunities. In addition, iSupplier does not notify City staff when a bid notification bounces back from an invalid email address so there is currently no mechanism to determine the accuracy of vendor email addresses, absent manual verification of the entire database.

   • When the City moved to iSupplier in 2009, existing vendor profiles from the previous supplier system were automatically converted into the new system. When these legacy vendors want to make changes to their business profile they must take an extra step to work directly with the City to gain access to their vendor profile for any updates.

   • Vendors can see all RFQ titles, but cannot automatically see the details of each RFQ. If the vendor has not been specifically invited to see the RFQ, the vendor must take an additional step and manually request the City to add them to each particular RFQ that they would like to view.

   • Bid invitation lists are generated in iSupplier using product and service category codes. There are a total of 1,243 category codes that vendors have registered for. These codes include National Institute of Governmental Purchasing (NIGP) codes, which are used for goods and supplies, North American Industry Classification System (NAICS) and Contractor codes, which are used for professional services and construction, and "Description" codes, which are the old category codes that have not yet been replaced but are, unfortunately, still available for vendors and departments to select.

   Out of these total category codes, 73.4 percent of codes have four (4) or more vendors registered to receive notifications for that code (see *Table 3* below). The registration for NIGP codes (goods and supplies) has the lowest percent of categories with four or more vendors registered (56.4 percent). It is important to note that in addition to iSupplier, the City does extensive outreach through the following:

   - All contracting opportunities are advertised on the City's website
   - City procurement staff research and work directly with departments to identify other potential vendors to invite to participate in the RFQ and then send those vendors an invitation by email
   - For contracts that are over $50,000, the City advertises the contracting opportunity in the local newspaper

Table 3: Category Types and Vendors Per Category

Category Type	Number of Codes per Type	Number of Codes with 4 or More Vendors Registered	Percentage
NIGP	750	423	56.40%
NAICS	336	332	98.80%
Contractor	18	18	100.00%
Description (active but no longer used)	139	139	100.00%
TOTAL	1243	912	73.40%

Based on our preliminary analysis of the iSupplier category codes, we found that:

- The City may have too many category codes for vendors to choose from. At the very minimum, the old "Description" codes need to be removed so that vendors cannot register for these codes.
- Vendors may have selected incorrect category codes or did not select any category codes on which to receive notifications. Of the 3,107 vendors registered in iSupplier, only 877 vendors have selected category code(s) on which they would like to be notified. Some vendors have selected category codes but their status is "Pending," which means that they are waiting on city staff approval (because this is currently a manual process). Until category code selections are approved, those vendors will not receive the corresponding RFQ notifications.

What Others Are Doing To Increase Bids

Online research shows that other government agencies appear to be experiencing similar difficulties in attracting vendors to submit bids. Several online resources make suggestions on how to increase the competitive element of procurement.[1,2,3] For example, the Office of the New York State Comptroller suggests the following components for effective competitive procurement[4]: advertising, creating a comprehensive guide to the City's bidding process for new vendors, and creating a purchasing calendar that identifies upcoming dates that show when different commodities will be bid. The City of Oakland is considering similar approaches.

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[1] http://www.latimes.com/local/lanow/la-me-ln-airport-bidding-audit-20160304-story.html

[2] http://bbp.dau.mil/docs/BBP%202-0%20Competition%20Guidelines%20(Published%2022%20Aug%202014).pdf

[3] https://www.whitehouse.gov/sites/default/files/omb/assets/procurement_gov_contracting/increasing_competition_10272009.pdf

[4] https://www.osc.state.ny.us/localgov/pubs/lgmg/seekingcompetition.pdf

What The City Of Oakland Is Doing To Increase Bids

The City of Oakland is already moving forward on a number of steps to improve its contracting / bidding process for vendors. For example:

1. The City is currently in the process of re-implementing Oracle (R12), which includes mass coordination efforts across the City to clean up the City's vendor database and the processes that surround the vendor registration system and purchasing. Some of the improvements that are being implemented with Oracle (R12) include:

   - Clean-up of the supplies and services category codes. The old codes that are no longer used by the City will be removed from the system, eliminating the possibility that vendors will register for category codes that will not be used.
   - Clean-up of vendor files that are no longer active with the City, which will reduce the amount of outdated vendor information in iSupplier.
   - Auto-approval of category code requests from vendors, which will allow vendors to be included in bid invitations more timely.
   - Updating, improving, and documenting formal purchasing procedures for department end-users, central purchasing staff, and vendors. Having clear processes and manuals will help ensure smoother and more consistent processes, and more timely results.

2. The City is also looking into other potential improvements, including but not limited to:

   - Allowing all vendors registered in iSupplier to automatically view the details of all RFQs. Increasing this access will allow vendors to more easily review the City's contracting opportunities and determine if they are interested and/or qualified to bid, which may increase the bids received by the City.
   - Reviewing and updating the City's external and internal website pages regarding purchasing, to ensure that the process of doing business with the City is well-defined, easy to understand, and all useful information is provided.

3. Going forward, the City will conduct vendor focus groups to obtain their insight into the bidding process and how it can be improved. The City will also provide additional training to vendors and staff on iSupplier and the City's bidding process.

In December 2016, the City Administrator's Office will return to the Finance and Management Committee with an update on the above activities.

FISCAL IMPACT

This is an informational report therefore there are no fiscal impacts.

PUBLIC OUTREACH / INTEREST

No public outreach was conducted for this informational report beyond posting this report on the City's website.

COORDINATION

This informational report was prepared by the Controller's Bureau in coordination with the City Administrator's Office and the Division of Contracts and Complaince.

SUSTAINABLE OPPORTUNITIES

Economic: There are no Economic opportunities associated with this report.

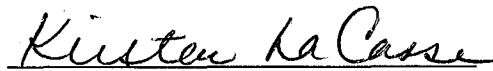*Environmental:* There are no Environmental opportunities associated with this report.

Social Equity: There are no Social Equity opportunities associated with this report.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Accept This Informational Report on the City of Oakland's Procurement Process.

For questions regarding this report, please contact PAIGE ALDERETE, ASSISTANT CONTROLLER, at (510) 238-7492.

Respectfully submitted,

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