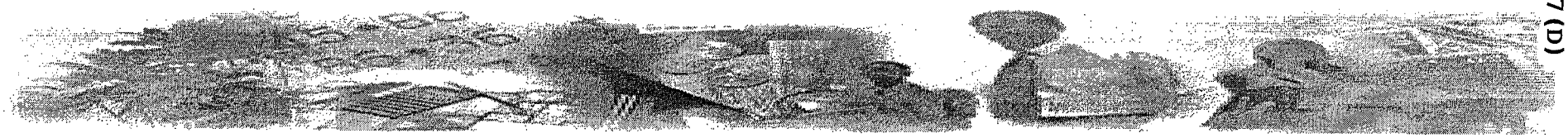
Procurement Consolidation Review

Procurement Subcommittee

May 23, 2003

Miami-Dade County

Office of Performance Improvement



County Procurement Defined

- Architects and Engineering (A&E) Services
- Construction Services
- Goods/Commodities and Services
  - Small purchases
  - Standard/Recurring
    - Generally procured through multi-departmental contracts
    - Purchased by user departments on a price per unit basis
  - Specialized/Non-recurring
    - Generally procured on behalf of a single department
    - May be purchased for a fixed price or with multi-tiered pricing

Today's FOCUS

- DPM's Procurement Responsibilities related to Procurement of Goods/Commodities and Services
  - Small purchases
  - Standard/Recurring
    - Generally procured through multi-departmental contracts
    - Purchased by user on a price per unit basis
  - Specialized/Non-recurring
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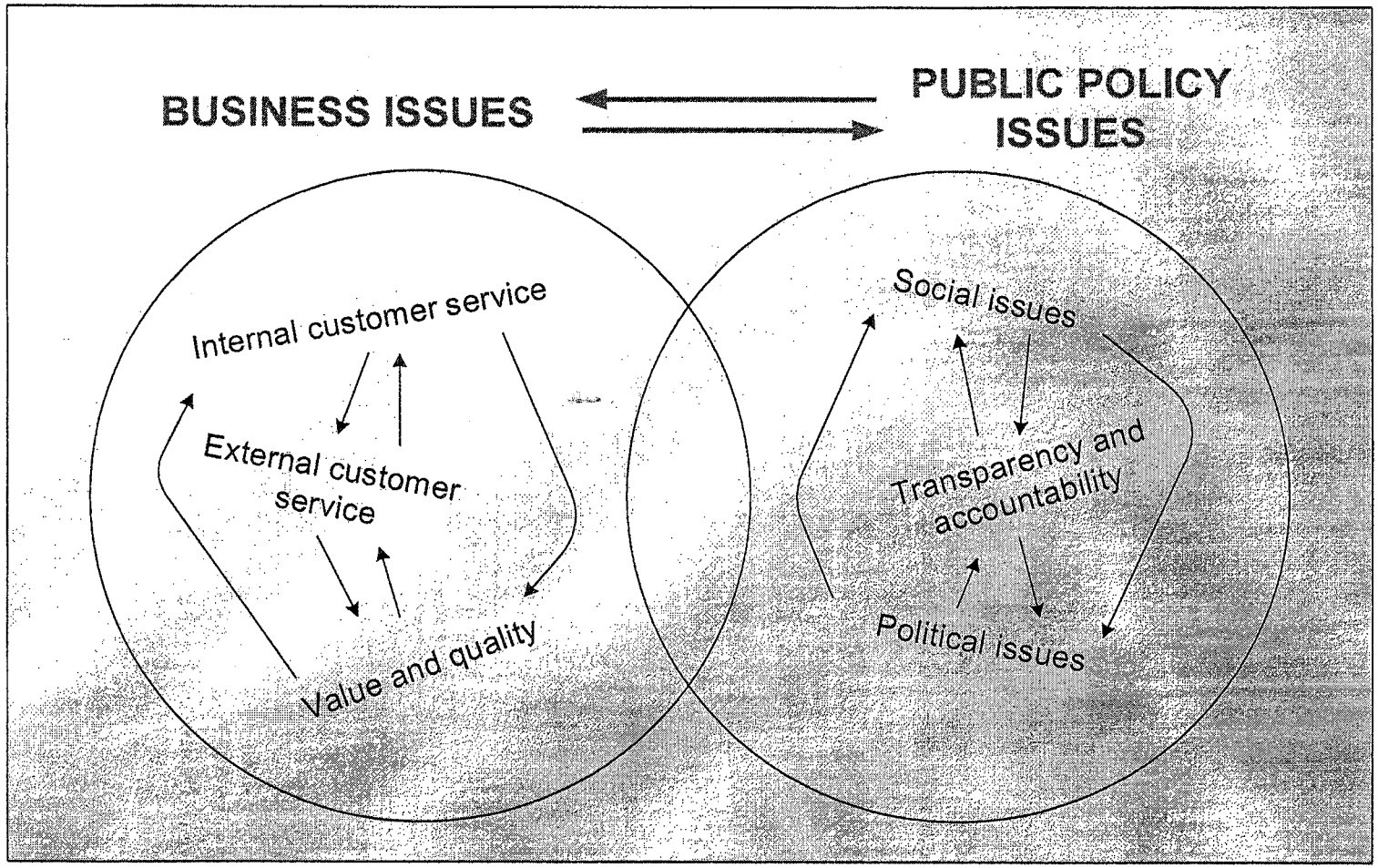
Recent Studies Analyzing Procurement

STUDY	DATE	CONDUCTED BY
Procurement Organizational Review	June 1994	AMS - Management Services
Procurement Management Review	May 1995	Arthur Andersen
Comprehensive Procurement Report	May 1999	Resource Management Task Force
Procurement Organization and Best Practices Survey	May 1999	Office of Performance Improvement
Procurement Management Review	February 2002	National Institute of Governmental Purchasing

Competing Procurement Issues



Procurement Reform Efforts 1998 - 1999

- November 1998: Manager's Blueprint for Organizational Reform and Accountability
  - Created Resource Management Task Force to
    - formulate fiscal policies to promote effective service delivery and prudent resource management.
    - focus on a comprehensive approach to the procurement functions in County government
- May 27, 1999: Task Force issues Comprehensive Procurement Report
  - outlines a work plan for procurement improvement.

Procurement Reform Efforts, 1998-1999 (cont.)

- Key issue: organizational structure of procurement function, then a division of the General Services Administration Department
- Key recommendations :
  - Create a new Department of Procurement Management
  - Streamline procedural steps
  - Create a business center with one-stop shopping
  - Implement legislative improvements

Procurement Reform Efforts, 1998-1999 (cont.)

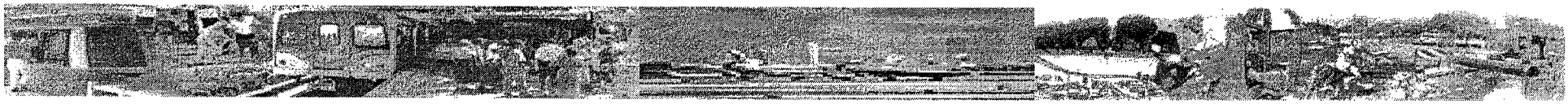
Reasons for creation of DPM:

- Business Issues
  - Standardize processes and procedures through centralization
  - Address lack of strategic planning and forecasting to maximize buying power
  - Enhance ability to negotiate contracts
  - Streamline processes for County vendors
  - Address staffing and technical support deficiencies
  - Ensure consistency among procurement documents
  - Update outdated regulations and administrative orders

Procurement Reform Efforts, 1998-1999 (cont.)

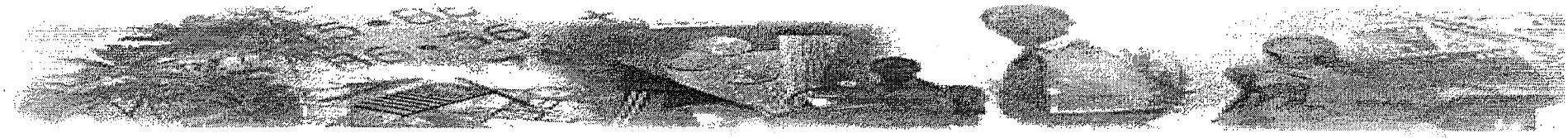
Reasons for creation of DPM:

- Public Policy Issues
  - Restore public faith in the integrity of the County's procurement process



Procurement Reform Efforts, March 2000-present

Business Issues



Internal Customer Service

Accomplishments:

- Quarterly procurement workshops
- "Your Role and Ours" workshops
- E-procurement

Ongoing Issues:

- Procurement delays & resulting impact on user departments' operations and costs
- DPM responsiveness
- DPM staff workloads
- Ability to provide guidance in developing scope of services

External Customer Service

Accomplishments:

- Vendor Information Center (VIC)
- E-procurement
  - online solicitations
  - e-mail notification
  - Online "reverse auctions"
- Business process reform
  - Vendor enrollment
  - Condition of award registration
- Vendor "how-to" workshops
- Streamlined contract boilerplate

Ongoing Issues:

- Registration requirements

Quality & Value

Accomplishments:

- Standardization of procurement procedures and documents
- Increased number of procurement professionals (65 as of May 2003 up from 46 in March 2000)
- A.O. 3-33 (2001): Acquisition of Professional Services for A&E projects
- A.O. 3-34 (2001) Formation and Performance of Selection Committees
- A.O. 3-29 (2000): Prohibiting Contracts with Entities in Arrears with the County
- NIGP Outstanding Accreditation Award

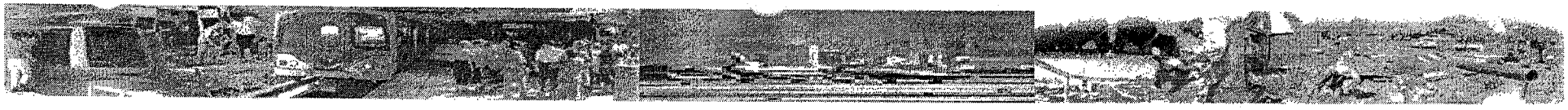
Quality & Value (cont.)

Accomplishments (cont.):

- Created Competition Advocate position and a Non Competitive Acquisition Unit
- Aggressive approach to contract negotiations
- Increased competition due to external customer service improvements
- Emphasis on market research
- Creation of pre-qualified pool ("mini competition") guidelines
- Master A.O. that consolidates procurement policies

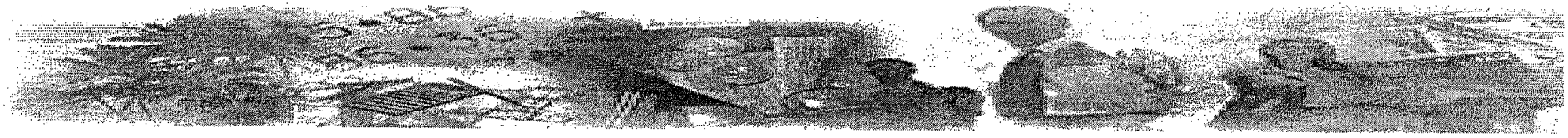
Ongoing Issues:

- Bonding and insurance requirements restrict competition
- Need for advanced acquisition planning in user departments



Procurement Reform Efforts, March 2000-present

Public Policy Issues



Social and Political Issues

Accomplishments:

- A.O. 3-30 (2000): Living wage requirements for service contracts
- A.O. 3-32 (2001) Community Business Enterprise program for A&E projects – under EDP ordinance
- A.O. 3-37 (2003): Community Workforce Program
- Ordinance # 03-67 increases the Manager's authority to advertise, award and reject bids up to $1 million

Ongoing Issues:

- Equitable work distribution
- Efficacy of BBE, HBE, WBE programs
- New BCC committee structure/scheduling and resultant procurement delays
- High profile investigations regarding federal minority participation requirements at MDAD
- Enforcement challenges

Transparency and Accountability

Accomplishments:

- A.O. 3-27 (1999): Cone of Silence
- A.O. 3-21: Bid Protest Procedures (2001)
- A.O. 3-31 (2001): Taping of Selection Committee meetings
- Lobbyist registration

Ongoing Issues:

- Perception of undue lobbyist influence
- Lobbyist fee disclosure
- Employee sanctions for violations of procurement policy and procedure

Support for Further Procurement Reform

- County Manager's 2002-03 Budget Message:
  - Calls for centralization of procurement activities in DPM
- Mayor Alex Penelas' 2003 State of the County Address:
  - "We must modernize and speed up our process of procurement"
- Chairperson Carey-Shuler established the Procurement Subcommittee to:
  - streamline process, reduce costs and encourage efficiencies
  - promote openness and accessibility to all segments of our community

Support for Further Procurement Reform

- DPM's vision and plan:
  - DPM as a strategic partner (not a "paper pusher")
  - DPM staff as project managers facilitating value-added purchasing
  - Expert, well trained procurement professionals
  - Become "best in class" among procurement departments nationwide
  - Redefine job functions and reorganize T.O.
  - Consolidation and oversight of procurement activities Countywide

Why consolidation?

- Standardizes procurement process and procedures through centralization
- Addresses lack of strategic planning and forecasting to maximize buying power
- Enhances ability to negotiate contracts
- Streamlines processes for vendors to facilitate doing business with Miami-Dade County
- Ensures consistency among procurement documents
- Restores public faith in the integrity of the procurement process

What does County wish to consolidate within DPM?

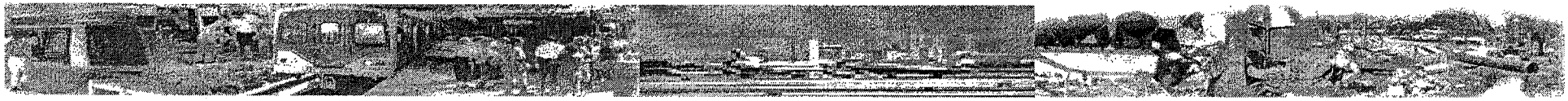
- **Procurement of Goods/Commodities and Services**
  - **Small purchases**
  - **Standard/Recurring purchases**
  - **Specialized/Non-recurring purchases**

Recommended Centralized Procurement Model for Goods and Services

Task	Responsibility
Planning and Preparation	
Advanced acquisition planning	DPM & User
Identify business need	User
Prepare scope and specifications	User
Market research	DPM & User
Procurement Management	
Determine procurement method	DPM
Prepare solicitation, advertise, issue addenda	DPM
Chair Selection Committee and evaluate responses	DPM
Administer protest with Third Party Administrator	DPM
Conduct negotiations	DPM
Execute Contract with vendor	DPM
Post-award Contract Management	
Purchase goods and services off of existing contracts	User
Manage vendor performance	User
Administer formal remedies for vendor nonperformance	DPM

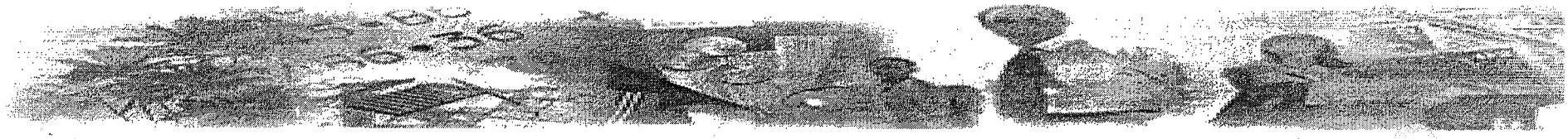
Procurement Consolidation Today

- DPM provides comprehensive procurement services for all but three County departments
  - MDAD, MDT and PWD issue solicitations independently
- OPI conducted staff activity analyses related to procurement in these departments
  - MDAD report issued 8/23/02
  - MDT & PWD report issued 9/25/02



OPI Procurement Consolidation Review

MDAD, MDT and PWD



Methodology

- OPI analyzed procurement related staff activities and project workloads in MDAD, MDT, PWD
  - Initial interviews with management
  - Detailed one-on-one staff interviews:
    - 51 employees in MDAD
    - 28 employees in MDT
    - 15 employees in PWD
  - Performed workload analyses

Staff involved with Goods and Services Procurement at MDAD, PWD and MDT

Department /Division	Number of Personnel Involved	FTEs
Aviation	12	4.11
Transit:		
Property Development	9	2.58
Materials Management	1	.4
Public Works	6	1.16
Total	**28**	**8.25**

Current and Upcoming Workload

(Number of Solicitations and Estimated Total Contract Value, in $Millions as of August 2002)

Department	In process as of August 2002, total		In process as of August 2002, Non-recurring / Specialized G&S		Upcoming projects, total		Upcoming projects, non-recurring / specialized G&S	
	Number	Estimated Contract Value, in $Millions	Number	Estimated Contract Value, in $Millions	Number	Estimated Contract Value, in $Millions	Number	Estimated Contract Value, in $Millions
Aviation	32	352	20	118	52	442	2	
Transit	13	83	2	62			3	100
Public Works	*Data Not Available.*							
Total	**45**	**435**	**22**	**180**	**52**	**442**	**5**	**100**

FINDINGS: Existing Goods and Services Procurement process

Task	Responsibility
	Desired State
Planning and Preparation	
Perform advanced acquisition planning	DPM/User
Identify need	User
Prepare scope / specifications	User
Perform market research	DPM/User
Procurement Management	
Determine procurement method	DPM
Prepare solocitation, advertise, issue addenda	DPM
Chair Selection Committee and evaluate responses	DPM
Administer protest with Third Party Administrator	DPM
Conduct negotiations	DPM
Execute Contract with Vendor	DPM
Post-award Contract Management	
Purchase goods and services off of existing contracts	User
Manage vendor performance	User
Administer formal remedies for vendor nonperformance	DPM

DPM 2002 Workload

Without Consolidation

Unit	Number of Solicitations	Contract Amount (in $Millions)	Avg Number of Solicitations per person	Avg Total Contract Amount per person (in $Millions)
Bids & Contracts	876	738	27	23
RFP	20	331	2	37

•By comparison, as of August 2002: MDAD Project Managers were responsible for an average of 6-7 solicitations per person worth an average total of $70 million.

DPM Staffing Impact

FY 02-03 Positions	106
Current Vacancies	13
Additional Positions Needed to Meet Current DPM Responsibilities - Without Consolidation	20
Additional Positions Needed to Absorb Current Workload from MDAD, MDT, PWD	7 - 9

Pros and Cons of Organizational Consolidation

(in general)

Pros:

- Professional procurement
- Central control and oversight
- Centralized checks/balances
- Separation of duties/reduced bias and conflict of interests
- Standardized processes
- Economies of scale
- Ability to address common interests (related to the consolidated functions) in a coordinated manner
- Increased competition

Cons:

- Reduced user control and flexibility
- Reduced user subject matter expertise
- Reduced ability to coordinate the consolidated function with other local processes
- Reduced proximity to users
- Increased process times and "red tape"

Consolidation Issues to be Resolved

- Departmental customer service requirements
  - Dedicated staff for MDAD procurement?
  - Will services improve with consolidation?
  - Impact of procurement delays on operations
    - Capital Improvement Program
    - People's Transportation Plan
    - Concessions revenue

Consolidation Issues to be Resolved

- Flexibility to lump Construction and Goods and services procurement into one solicitation
  - Timing and Coordination of Goods and Services deliveries with construction needs
  - Project schedules
  - Storage and delivery logistics
  - Product and other warranty implications

Consolidation Issues to be Resolved

- DPM Responsiveness to current and near term department needs
  - Speed
  - Product delivery
  - Technical capability and familiarity with unique needs and situations
  - Flexibility
- Departments' acceptance of and participation in forward procurement planning

Consolidation Issues to be Resolved

- Staffing
  - Current DPM staffing levels for existing and future workload
  - DAC's involvement in MDAD Procurement
  - MDAD/MDT procurement staff are cross-trained and perform RFP, RFQ, ITB, A&E solicitations; while
  - DPM staff are specialized (ITB unit/RFP unit)

Consolidation Issues to be Resolved

- Staffing (cont.)
  - Extended work hours required on many MDAD projects
  - Discrepant employee classifications and pay ranges across departments
  - Physical location of staff

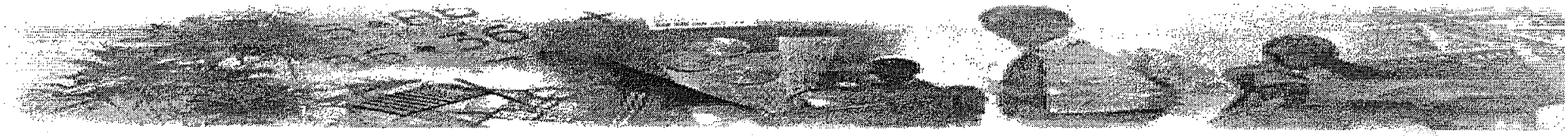
Consolidation Issues to be Resolved

- FTA requirements
  - Certification to procure with federal dollars
  - Reporting and FTA audit requirements
- Determination of procurement methods
  - Earlier DPM involvement
  - Unique industry demands and regulations require close collaboration and flexibility
- Collaboration during scope preparation

Consolidation Issues to be Resolved

- Compatibility of computer systems
- Interaction with MDAD Commodities Management Division
- MDT leases, joint-development contracts and inter-local agreements
- Need for a comprehensive consolidation plan and timeline

Policy Alternatives

- **Status quo** – no consolidation
- **Consolidate all functions immediately**
- **Staged Consolidation**
  - **MDT and PWD**
    - **Consolidate oversight immediately**
    - **Prepare detailed implementation plan to absorb day-to-day work**
    - **Consolidate remaining functions by October 2003**
  - **MDAD**
    - **Consolidate certain oversight functions immediately**
    - **MDAD performs procurement functions for a stated period**
    - **Reassess performance and DPM's ability to absorb MDAD workload before further consolidation**

Questions?