

# Agenda Report

October 17, 2011

**TO:** Honorable Mayor and City Council  
**FROM:** Department of Finance  
**SUBJECT: ANNUAL REPORT ON CITY PROCUREMENT – CALENDAR YEAR 2010**

**RECOMMENDATION:**

It is recommended that the City Council receive the annual report on City procurement for calendar year 2010.

**BACKGROUND:**

Pursuant to the Pasadena Municipal Code, a statistical report on City procurement is to be submitted annually to the City Council.

During calendar year 2010, the City made purchases of \$89,407,102 for labor, materials, supplies, equipment and services. The totals provided herein exclude purchased power, water and natural gas commodity purchases, contracts with other governmental entities, petty cash purchases and other transactions considered non- procurement related.

The following tables provide a breakdown of total procurement dollars by department. Statistical data is provided for contracts successfully secured by local businesses and women/minority owned business enterprises (W/MBE). Additionally, an estimation of the overall impact of local contracting and purchasing is provided using the *U.S. Department of Commerce, Bureau of Economic Analysis: Regional Input-Output Modeling System (RIMS)*.

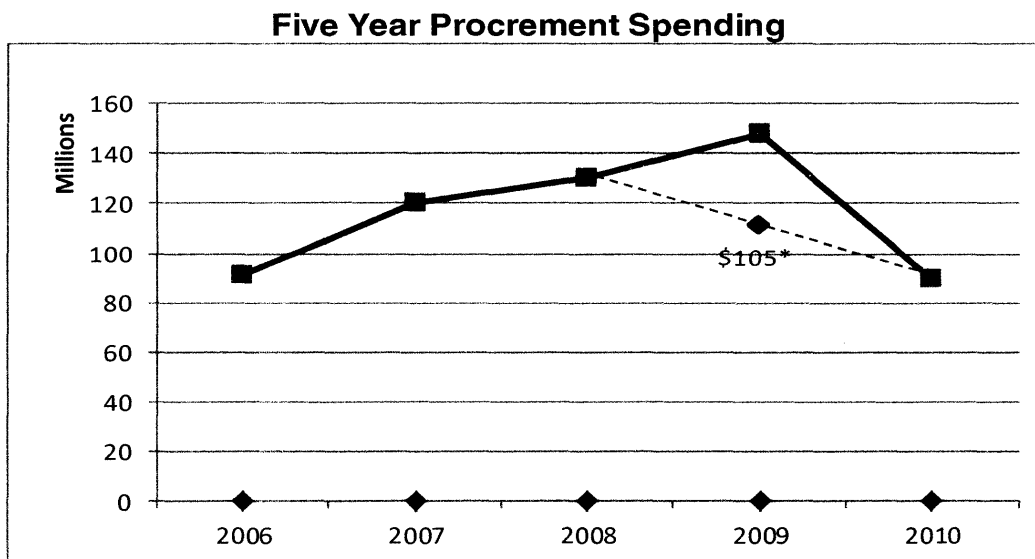
Also in 2010, the Department of Finance implemented the Pasadena First Buy Local (PFBL) program to address local subcontracting and local hiring and the use of local vendors for city-purchased goods and services. A 12-month (July 2010 to June 2011) implementation plan was followed to establish some critical components of this effort. The purpose of the implementation plan was to establish the necessary procedures to best utilize Pasadena businesses for procurement opportunities and Pasadena residents for local hiring opportunities.

In calendar year 2010, the amount of contract and procurement opportunities secured by local Pasadena businesses was \$8,717,134 (10%). The amount of contract and procurement opportunities secured by WMBE was \$9,758,902 (11%).

In line with the City's 5-year financial plan, City departments continue to adjust their spending to reduce costs and maximize use of products and services. In 2010, City departments renegotiated over 30 contracts which yielded a savings of over \$1.8 million. Over the last five years, the spending trend experienced a significant decline. Although, a majority of this drop is related to capital and other one-time expenditures, overall spending through the procurement process has been reduced. For example, purchases made via city purchasing cards has dropped 40 percent from calendar year 2009.

The charts below represent the procurement history for the last five years:

Year	Procurement Amount
2010	\$89,388,459
2009	\$148,183,682
2008	\$129,995,313
2007	\$119,917,252
2006	\$90,940,916



\*2009 expenditures exclude the construction of the Water and Power yards office building/warehouse renovation project, and the Department of Transportation operation of the Pasadena Area Rapid Transit System (ARTS) Dial-A-Ride services for a total of \$43 million.

For calendar year 2010, the performance of individual City departments and the City's two operating companies are as follows.

City Departments

Departments	Total Dollars	W/MBE Dollars	W/MBE %	Local Dollars	Local %
CITY ATTORNEY/PROSECUTOR	\$ 224,979	\$ 33,027	15%	\$ 7,548	3%
CITY CLERK	\$ 1,393,021	\$ 67,500	5%	\$ 68,398	5%
CITY COUNCIL	\$ 42,027	\$ 2,000	5%	\$ 25,687	61%
CITY MANAGER	\$ 966,238	\$ 255,100	26%	\$ 570,682	59%
DoIT	\$ 2,952,726	\$ 126,804	4%	\$ 25,981	1%
FINANCE	\$ 1,353,446	\$ 239,196	18%	\$ 95,496	7%
FIRE	\$ 1,269,746	\$ 232,379	18%	\$ 141,783	11%
HEALTH	\$ 2,413,711	\$ 324,875	13%	\$ 1,299,135	54%
HOUSING	\$ 204,556	\$ 71,814	35%	\$ 35,419	17%
HUMAN RESOURCES	\$ 442,468	\$ 101,592	23%	\$ 51,092	12%
HUMAN SERVICES	\$ 1,298,790	\$ 403,824	31%	\$ 571,162	44%
LIBRARY	\$ 898,063	\$ 106,260	12%	\$ 82,037	9%
PLANNING	\$ 2,042,313	\$ 211,661	10%	\$ 621,700	30%
POLICE	\$ 4,591,224	\$ 145,447	3%	\$ 383,132	8%
PUBLIC WORKS	\$ 32,706,781	\$ 3,141,361	10%	\$ 2,021,755	6%
TRANSPORTATION	\$ 1,421,839	\$ 196,940	14%	\$ 258,626	18%
W&P	\$ 35,185,174	\$ 4,117,765	12%	\$ 2,457,535	7%
<b>Grand Totals</b>	<b>\$ 89,407,102</b>	<b>\$ 9,777,545</b>	<b>11%</b>	<b>\$ 8,717,168</b>	<b>10%</b>

City Operating Companies

Operating Companies	Total Dollars	W/MBE Dollars	W/MBE %	Local Dollars	Local %
PCOC	\$ 173,160	\$ -	0	\$ 393,447	227%
RBOC	\$ 23,437,538	\$ 2,525,508	11%	\$ 780,801	3%

The table below provides an historical perspective of the percent of procurement dollars successfully secured by WMBE and local businesses for the last five years.

Calendar Year	% secured by W/MBE firms	% secured by local firms
2010	11%	10%
2009	11%	38%*
2008	15%	8%
2007	12%	10%
2006	15%	11%

\*In calendar year 2009, two local businesses successfully secured contracts with the Department of Public Works for the construction of the Water and Power yards office building/warehouse renovation project and with Department of Transportation for the operation of the Pasadena Area Rapid Transit System (ARTS) and Dial-A-Ride services for a total of \$43 million. These contracts, secured by two local businesses, had a significant effect on the local percentages for the respective departments and citywide.

While the percentage of procurement dollars successfully secured by WMBEs and local vendors may fluctuate each year, the City's commitment to equal opportunity and local vendors remains constant. Fluctuations occur in any given year because one or more significant contracts secured by WMBEs or local vendors will influence the overall percentages.

**Estimated Local Impact**

The objective of the following tables is to estimate the local economic impact of the City's local contract and procurement activity. Based on the *U.S. Department of Commerce, Bureau of Economic Analysis, Regional Output-Input Modeling System (RIMS II)*, staff is able to estimate the impact of the City's local purchasing. Based on the local contract and procurement for calendar year 2010, an estimated 125 jobs were sustained or created by local contracting and purchasing.

<b>FORMULA FOR IMPACT OF LOCAL PROFESSIONAL SERVICES SPENDING</b>	
Initial Spending	\$8,700,000
Total Economic Output	\$19,296,600
Total # of Jobs Created	125
Total Earnings Generated	\$6,224,850
Total Tax Revenue Generated	\$964,830

**Estimated Local Jobs Sustained or Created** **125**

**Pasadena First Buy Local (PFBL)**

As part of the City Council's three year goals and strategic objective to "support and promote the local economy," staff was tasked with designing a new and expanded "Pasadena First" program to give Pasadena businesses priority for City business opportunities. PFBL was approved by Council in June 2010 and was designed to address local subcontracting and local hiring for public projects and the use of local vendors for city-purchased goods and services and for projects subject to First Source Local Hiring.

Additionally, PFBL is working to increase communication between Pasadena businesses and City departments. The introduction of the Local Business Directory, under the newly developed Pasadena Virtual Mall, is designed to provide real-time access of the City's business license data to purchasing liaisons throughout the City. With the technical support of the Department of Information Technology and graphic design services from Printing Services, staff launched a web-based search engine with the ability to identify local businesses by trade.

The City utilizes an online bid posting service called Bids Online. The system enables businesses to receive email notifications when formal bid opportunities

are posted. Staff coordinates the upload of bid opportunities with all City departments. Staff has coordinated workshops with Pasadena businesses to increase the awareness of bid opportunities with the City. There were 495 Pasadena businesses registered at the start of January 2010. An additional 58 Pasadena businesses were registered in 2010 which is an increase of 11.7 percent. Today, there are a total of 597 Pasadena businesses registered on Bids Online.

### **Ongoing Local Business Outreach Efforts Established by PFBL**

In June 2010, the City Council received the PFBL initiative to facilitate part of the three-year strategic goal to increase local participation on the City's contract and procurement opportunities. Listed below are ongoing efforts facilitated by staff to increase awareness of upcoming bid opportunities and create relationships between Pasadena businesses and City departments:

- "Net 0" Invoice Payment Terms for Local Businesses: This effort is designed to pay local businesses faster. Invoices are processed immediately as oppose to waiting 30 days.
- New P-card Designed to Include PFBL Logo: This is part of the internal outreach to city purchasing card holders to consider local businesses
- Pasadena Virtual Mall: This is designed as an internal outreach to city departments to provide a customizable business directory
- PFBL Website: This is designed as an external outreach to local businesses which includes the online bidding opportunities for the City of Pasadena and other entities such as the Bob Hope Airport; Pasadena Unified School District; and the Rose Bowl Renovation and Tenant Improvement Project.
- Postcard Bid Notifications: This is an external outreach to local businesses to encourage them to register on the City's bid posting system
- MOU Partnerships: Under this program, several partners have been secured to assist with small business technical needs. Some partners include East West Ban, Pacific Coast Regional, and Valley Economic Development Center.

### **Local Success Stories in 2010**

- Local vendor supplied office furniture to Water and Power building
- Underground Utilities: Through the PFBL's outreach, a local electrical contractor was identified and has provided electrical service connections to local residents.
- Three local businesses served as caterers for the city council in 2010.

The Purchasing Division also facilitates the City's local hiring ordinance. Parke Street apartments, a project under construction in 2010, is a private development project that was subject to the City's First Source Local Hiring ordinance. As required by the ordinance, the developer entered into a local hiring agreement with the City which required 15 percent local hiring. This project achieved 24 percent (\$38,726) local hiring.

Additionally, staff is working on the Rose Bowl Renovation and Tenant Improvement project. Staff is facilitating the Local Participation Plan adopted on February 17, 2011 by the Rose Bowl Operating Company. There was no construction on this project during 2010. It is estimated that the project will hire 75 to 100 Pasadena residents. Since January 2011, contractors working on the project have hired 33 Pasadena residents, and the consultants have hired 21 Pasadena residents.

In 2010, staff participated in the following outreach events:

- The Matchmaking 2010 event held at the Marriot Los Angeles Airport Hotel. This outreach effort hosted by Business Matchmaking was designed to match the services and products we purchase to small businesses.
- The CalCon Expo 2010 event was held at the Pasadena Convention Center. Staff facilitated one-on-one meetings with local businesses interested in doing business with the City of Pasadena.
- 2010 Annual Business Showcase was hosted by the Pasadena Chamber of Commerce.
- City staff facilitated the 2010 City Open House which was attended by over 150 local businesses and included one-on-one meetings between local businesses and City departments.

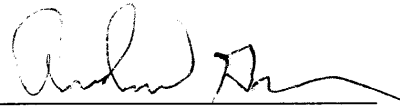
**COUNCIL POLICY CONSIDERATION:**

The City Council's strategic planning goal to support and promote the quality of life and the local economy will be advanced through this action.

**FISCAL IMPACT:**

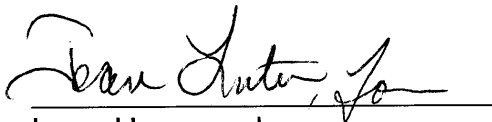
There is no fiscal impact as a result of this action; however, there is an indirect fiscal benefit to the City when it supports local purchasing. There is no anticipated impact to other operational programs or capital projects as a result of this action.

Respectfully submitted,



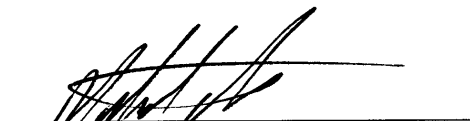
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