

# Agenda Report

December 8, 2014

**TO:** Honorable Mayor and City Council

**FROM:** Department of Finance

**SUBJECT: ANNUAL REPORT ON CITY PROCUREMENT – CALENDAR YEAR 2013**

**RECOMMENDATION:**

It is recommended that the City Council receive the annual report on City procurement for calendar year 2013.

**EXECUTIVE SUMMARY:**

The Department of Finance, Purchasing Division is responsible for administering the provisions set forth in the City's Competitive Bidding and Purchasing, and First Source Hiring ordinances. Pursuant to the Pasadena Municipal Code 4.08, a statistical report on City procurement is to be submitted annually to the City Council.

This report includes procurement results for calendar year 2013, and an update on the City's local hiring ordinance. The total procurement spending by City Departments for calendar year 2013 was \$187,975,810. There was a total of \$10,910,330 secured by Pasadena businesses, and \$9,295,665 by women and minority owned business enterprises (WMBE). The totals provided herein exclude purchased power, water and natural gas commodity purchases, attorney services agreements, contracts with other governmental entities, petty cash purchases and other transactions considered to be not procurement related. Based on that review and analysis prepared in a previous procurement report, staff is utilizing a new methodology for reporting the City's local spending. Total spending by the operating companies are reported separately. This report also includes results and activities executed in 2014, as well as activities planned for 2015.

**BACKGROUND:**

The purchasing ordinance stipulates that the report shall include a statistical account of all procurements awarded to minority business enterprises, women

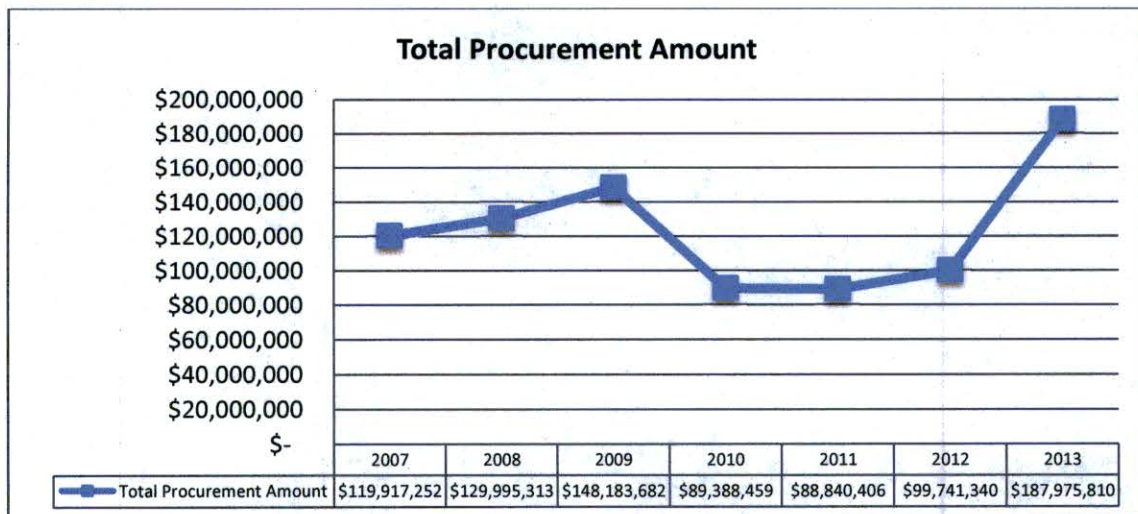
business enterprises, and local businesses. A local business is defined as a business with a fixed place of business located in the City.

On November 5, 1996, California voters passed the *California Civil Rights Initiative*, Proposition 209. Proposition 209 states that, "Neither the State of California or any of its political subdivisions or agents shall use race, sex, color ethnicity or national origin as a criteria for either discrimination against or granting preferential treatment to any individual or group in the operation of the State's system for public employment, public education or public contracting". Since Proposition 209 essentially restricts preference to women and minority owned business enterprises (W/MBE's), information provided in this report relative to W/MBE's is for informational purposes only. However, staff continues to intensify outreach activities to local businesses to expand their competition for City contracts.

In calendar year 2013, there was a total of \$9,295,665 secured by women and/or minority owned businesses, which is 4.9 percent of the total procurement dollars spent in 2013. These M/WBE figures do not include Purchasing Card Program purchases. While W/MBE figures are not measured in the purchasing card transactions, it is believed that the dollar amount has no statistically significant effect on the overall results. Nevertheless, purchasing card spending is included in the local data provided.

Spending Trend

The following chart depicts the overall spending trend for the past seven years. It is important to note that in 2013, the Department of Water & Power made a major purchase for approximately \$60,000,000 to support the Glenarm Repowering Project.



### Reporting Methodology

Reporting the local percentages relative to the grand total dollars spent does not truly represent the City's performance related to local procurement activities. Fluctuations in local purchasing totals will occur in any given year due to one or more large and/or unique purchase. With that, and given that some goods or services are not available in Pasadena, staff has prepared a new reporting methodology to present the local results based on what is available locally.

In the procurement report for calendar year 2012, staff provided an analysis of historical procurement data with the purpose of understanding purchases that are viable local procurement opportunities. The analysis revealed that viable local purchases generally consist of those goods and services that have an ample supplier base in Pasadena and purchases where city staff have the most discretion when selecting a supplier. Below are four categories designed to highlight "viable local purchasing options".

The data used to compose this report was derived from an analysis of purchases made in calendar year 2013 in comparison to historical purchasing trends. Also, for calendar year 2013, due to the limited tracking ability of the current financial system, staff manually reviewed over 4,000 purchasing records and 6,000 business profile records to complete this analysis.

#### GENERAL PURCHASING CATEGORIES:

**Category 1A** – Purchases that can be made within the informal purchasing process (transactions less than \$25,000) but the goods or services are not available in Pasadena.

**Category 1B** – Purchases that can be made within the informal purchasing process and the goods or services are available for purchase in Pasadena.

**Category 2A** – Purchases that must be made within the formal purchasing process (transactions \$25,000 or more) but the goods or services are not available in Pasadena.

**Category 2B** – Purchases that must be made within the formal purchasing process and the goods or services are available for purchase in Pasadena.

Examples of commodities that can be purchased in Pasadena are: automotive shop and repair; building construction services; computer hardware/software; electrical equipment; employment agency; furniture; and office equipment. Many



commodities considered to be “not available in Pasadena” are not strictly based on the commodity type, but also on unique standards, sizes, and/or qualities. Current examples of commodities for which there have been no competition from Pasadena businesses include: transformers; specialized civil construction; helicopters, and helicopter parts; fire engines; medical supplies; fuel; underground utilities; specialized electronic components or supplies; light poles; liquefied gas chlorine cylinders; and specialized chemicals.

Measurement of Viable Local Purchases in 2013

The following charts represent the results of procurement data for calendar year 2013 grouped by the categories described above. The charts below are designed to measure the local purchasing outcome of \$10,910,330 against viable local purchasing opportunities.

Category 1:

Below is an analysis of purchases made through the informal (under \$25,000) bid process. The informal process represents the area of most discretion.

Department	Grand Total	Category 1A		Category 1B	
		Total Not Available In Pasadena	Total Available in Pasadena	Purchased in Pasadena	Percent of Available
City Attorney	\$164,633	\$104,131	\$60,502	\$26,508	43.8%
City Clerk	\$267,466	\$164,279	\$103,187	\$60,061	58.2%
City Council	\$132,422	\$83,853	\$48,569	\$44,651	91.9%
City Manager	\$775,710	\$507,655	\$268,055	\$156,007	58.2%
Department of Finance	\$1,737,140	\$982,924	\$754,216	\$508,558	67.4%
Department of Information Technology	\$1,690,838	\$598,729	\$1,092,109	\$113,531	10.4%
Fire Department	\$1,453,189	\$779,400	\$673,789	\$177,097	26.3%
Health Department	\$1,073,787	\$723,780	\$350,006	\$159,899	45.7%
Housing	\$687,096	\$334,340	\$352,756	\$246,993	70.0%
Human Resources	\$658,370	\$450,230	\$208,140	\$74,260	35.7%
Human Services	\$989,358	\$482,942	\$506,417	\$343,832	67.9%
Library	\$718,016	\$367,002	\$351,014	\$79,776	22.7%
Planning and Development	\$893,973	\$512,555	\$381,418	\$247,785	65.0%
Police Department	\$2,836,906	\$2,135,003	\$701,903	\$210,211	29.9%
Public Works	\$7,906,688	\$4,092,084	\$3,814,605	\$1,520,274	39.9%
Transportation	\$1,394,710	\$784,663	\$610,047	\$180,118	29.5%
Water & Power	\$9,799,684	\$5,582,633	\$4,217,051	\$980,917	23.3%
	\$33,179,987	\$ 18,686,202	\$ 14,493,785	\$ 5,130,478	35.4%

In calendar year 2014, staff began to focus its outreach on local businesses that match goods and services in category 1B (described above), as well as on the departments and divisions that facilitate these particular purchases.



**Category 2:**

Below is an analysis of purchases made through the formal (\$25,000 or more) bid process. Formal bids are awarded to the lowest responsive and responsible bidder.

Department	Grand Total Over Bid Threshold	Category 2A		Category 2B	
		Total Not Available In Pasadena	Total Available in Pasadena	Purchased in Pasadena	Percent of Available
City Attorney	\$ 74,999	\$ -	\$ 74,999	0	0.0%
City Clerk	\$ 641,028	\$ 590,000	\$ 51,028	0	0.0%
City Council	0	0	0	0	0.0%
City Manager	\$ 319,700	\$ 55,200	\$ 264,500	\$ 174,500	66.0%
Department of Finance	\$ 764,700	\$ 660,750	\$ 103,950	\$ -	0.0%
Department of Information Technology	\$ 9,043,063	\$ 7,707,108	\$ 1,335,955	\$ 331,659	24.8%
Fire Department	\$ 241,263	\$ 33,526	\$ 207,737	\$ -	0.0%
Health Department	\$ 1,645,314	\$ 1,353,992	\$ 291,322	\$ 131,323	45.1%
Housing	\$ 767,668	\$ 74,995	\$ 692,673	\$ 630,000	91.0%
Human Resources	\$ 172,000	\$ 52,000	\$ 120,000	\$ 35,000	29.2%
Human Services	\$ 68,000	\$ 43,000	\$ 25,000	\$ 25,000	100.0%
Library	\$ 116,677	\$ 116,677	0	0	0.0%
Planning and Development	\$ 1,549,271	\$ 1,373,414	\$ 175,857	0	0.0%
Police Department	\$ 2,808,069	\$ 2,293,321	\$ 514,748	\$ 104,412	20.3%
Public Works	\$ 16,726,261	\$ 12,509,244	\$ 4,217,017	\$ 155,623	3.7%
Transportation	\$ 5,952,634	\$ 5,422,901	\$ 529,733	\$ 241,303	45.6%
*Water & Power	\$ 113,238,806	\$ 93,990,348	\$ 19,248,458	\$ 3,951,033	20.5%
	\$ 154,129,453	\$ 126,276,476	\$ 27,852,977	\$ 5,779,852	20.8%

\*Included in the total for the Department of Water & Power is a major purchase for approximately \$60,000,000 to support the forthcoming Glenarm Repowering Project in 2013.

City Operating Companies

This section is designed to report the total spending for the City's operating companies including Pasadena Center Operating Company (PCOC); Public Community Access Corporation (PCAC); and the Rose Bowl Operating Company (RBOC). It is important to note that, while the operating companies are bound to the same purchasing procedures as the city, they utilize separate financial systems and reporting methodology. Therefore, their respective reports to the Purchasing Division do not include commodities to determine what is available in Pasadena.

Operating Companies	Total Dollars	Local Dollars	Local %	W/MBE Dollars	W/MBE %
PCOC	\$ 2,019,091	\$ 548,728	27%	\$ 16,128	1%
PCAC	\$ 1,278,821	\$ 876,287	69%	\$ 398,525	31%
*RBOC	\$ 56,694,883	\$ 488,490	1%	\$ 3,340,824	6%

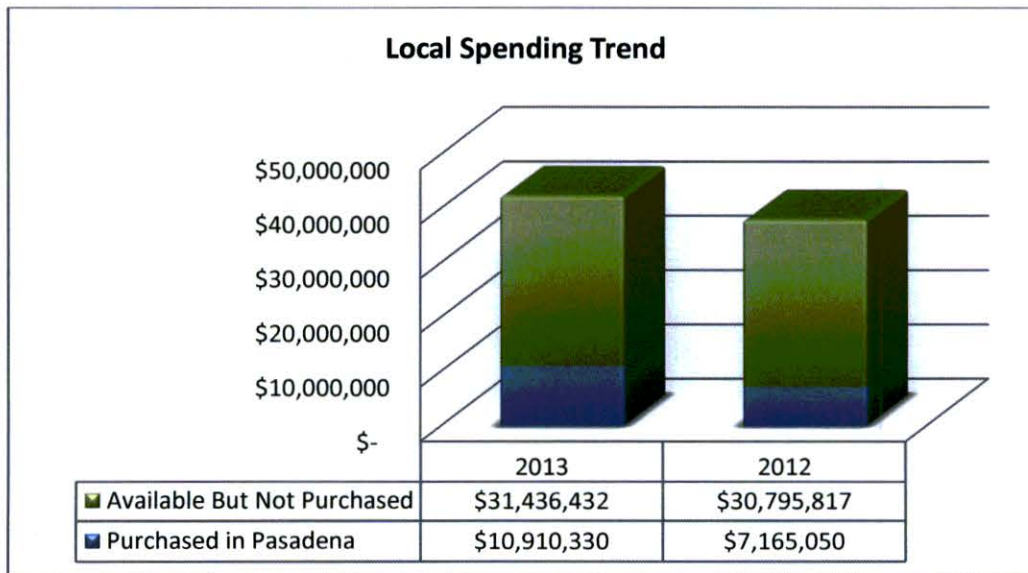
\*Figures include the Rose Renovation and Tenant Improvement Project totals.

Local Spending Trend

The following chart represents the overall local spending trend for the past two years. The following charts reveal an increase in local spending in 2013.

Local Spending Trend for Purchases for the past two Years:

		2013	2012
Informal Bids	Purchased in Pasadena	\$ 5,130,478	\$ 3,582,525
	**Available But Not Purchased	\$ 9,363,307	\$ 8,376,285
Formal Bids	Purchased in Pasadena	\$ 5,779,852	\$ 3,582,525
	Available But Not Purchased	\$ 22,073,125	\$ 22,419,532
Total	Purchased in Pasadena	\$ 10,910,330	\$ 7,165,050
		<b>34.7%</b>	<b>23.3%</b>
	Available But Not Purchased	\$ 31,436,432	\$ 30,795,817



\*\*The purpose of this analysis is to give a detailed report of the growth opportunities for Pasadena businesses that desire to do business with the City. The purchases that represent the largest area of potential for Pasadena businesses are purchases made through the informal bid process. With that, the commodities represented here have become an area of focus for conducting a more strategic local outreach.

In 2015, some of the commodities targeted for outreach to increase competition of Pasadena businesses will include but are not limited to:

- |                                   |                                      |
|-----------------------------------|--------------------------------------|
| 1. Automotive Shop and Repair     | 15. Furniture                        |
| 2. Building Construction Services | 16. Janitorial or Custodial Services |
| 3. Carpet Cleaning                | 17. Landscaping & Irrigation         |
| 4. Computer Hardware/Software     | 18. Lumber Related Products          |
| 5. Construction Services          | 19. Marketing Consulting             |
| 6. Door Installation              | 20. Moving Services                  |
| 7. Electrical Equipment           | 21. Office Equipment                 |
| 8. Employment Agency              | 22. Painting                         |
| 9. Event Planning Services        | 23. Pest Control                     |
| 10. Fencing                       | 24. Plumbing Equipment               |
| 11. Economics Consulting          | 25. Plumbing Maintenance             |
| 12. Financial Services            | 26. Printing Related Services        |
| 13. Fire Protection Equipment     | 27. Roofing                          |
| 14. Flooring Maintenance          |                                      |

Staff continues to work to ensure that purchasing procedures and guidelines are maximizing competition while obtaining the best price and value for purchases made by the City. Reliance on open competition is a fundamental component of the City's procurement process.

Currently, emphasis is placed on helping departments establish relationships with Pasadena businesses. The general points of focus will include the following:

- ❖ Local Purchasing Outreach Efforts in 2014
  - Identifying specific goods or services most likely to be purchased from Pasadena businesses
  - Increase outreach to Pasadena businesses to encourage registration into the City's bid notification system
- ❖ Local Purchasing Outreach Efforts in 2015
  - Conducting outreach to City departments to help increase their consideration of purchasing goods and services locally
  - One-on-one introductions between city departments and Pasadena businesses
  - Increase outreach to Pasadena businesses to encourage registration into the City's bid notification system
- ❖ Local Hiring Outreach Efforts in 2014
  - Utilizing plans to establish local hiring goals on public projects
  - Collaborating with community stakeholders regarding local hiring
  - Offering a web based, certified payroll tracking system to city departments
- ❖ Local Hiring Outreach Efforts in 2015
  - Analysis of regulatory options to improve local hiring

- Conducting outreach to Pasadena residents to encourage registration into the City’s database for construction job referrals

To provide for the widest possible distribution of City bid opportunities, the City utilizes an online web based bid posting system to disseminate bid information via email. The City’s online bid-notification system (Planet Bids) is used to match bids with the profiles of businesses that are registered in the system. The system enables staff to target Pasadena businesses during the solicitation process to bid as a prime contractor, or to help conduct local subcontractor referrals.

Below is a chart that illustrates the number of Pasadena businesses registered over the past four years. There were a total of 730 Pasadena businesses in the City’s bid notification system by the end of calendar year 2013.

Calendar Year End	Total Pasadena Businesses	Difference	Percent Difference
2013	730	50	7.4%
2012	680	59	9.5%
2011	621	75	13.7%
2010	546	58	11.9%
2009	488		

### Estimated Local Impact

Procuring goods and services from local businesses can help to stimulate economic development and inject cash into the local economy. In addition profits from contracts are reinvested in local businesses. Hiring local residents injects cash directly into the local economy.

Economic multipliers are typically used to determine the regional benefit of project expenses. Generally, multipliers capture the aggregate spending total and estimate the “ripple effects” or spin-off economic activities generated by money entering the economy. For example, the chart below uses a multiplier, from the *Regional Output-Input Modeling System (RIMS II)*, designed by the U.S. Department of Commerce, to illustrate the effect of our local spending in our region.

Using the RIMS II model, staff is able to measure the economic impact of the City’s local procurement. The chart below includes the following local procurement activity: \$10,910,330 from City departments.



<b>FORMULA FOR IMPACT OF LOCAL SPENDING</b>	
Initial Spending	\$10,910,330
Total Economic Output	\$24,199,112
Total # of Jobs Created	157
Total Earnings Generated	\$7,806,341

### Pasadena First Buy Local (PFBL)

This outreach effort is facilitated through several distinct functions. Through a City ordinance (MC# 14.80) that incentivizes local hiring on private development projects, and requires local hiring that receive “financial assistance,” through good faith efforts on public projects; through project labor agreements; and through a City ordinance (MC# 4.08) that applies a 1% bid preference for public projects subject to a competitive bid process, and a 5% point preference for purchases that utilize a competitive selection process (RFPs).

Moreover, staff administers Local Participation Plans (Plans) that incorporate various outreach strategies to increase local subcontracting and procurement on projects that utilize good faith efforts. This approach includes, but is not limited to, the intake of Pasadena residents into the PFBL database, directing Pasadena businesses to register in the City’s bid notification system, and the facilitation of “Opportunity Fairs” and “meet and greets.” These and other strategies are designed to foster a network of community partners, service providers, unions, contractors, etc., to enhance procurement and employment opportunities for Pasadena businesses and residents alike.

To increase the vendor pool for greater competition on City bid opportunities, in calendar year 2013, staff participated in outreach efforts which are summarized below.

- Staff also participated in the California Association of Purchasing Professional Officers “vendor expo” (8 vendors referred to Planet Bids)
- 2013 Men Educating Men Event (5 vendors referred to Planet Bids)
- 2013 Business Matchmaking Event (20 vendors referred to Planet Bids)

Staff has used several strategies to increase the number of Pasadena businesses registered in the City’s bid notification system including e-mail notifications, information forums, and one-on-one meetings. There were 113 bids or RFPs posted and due within calendar year 2013.

<b>Calendar Year End</b>	<b>Total Bids/RFPs</b>	<b>Pasadena Businesses Matched and Notified</b>	<b>Contracts Secured by Pasadena Businesses</b>
2013	113	248	28
2012	106	156	27
2011	72	125	31

Advisory Group on Local Participation

To ensure community involvement and provide an element of oversight relative to the outreach activities and referral processes for Projects that utilized Pasadena businesses or residents, in November 2013, staff initiated outreach to several local organizations to gauge their interest in forming an Advisory Group. In March 2014, meetings with the Advisory Group were for Local Participation were initiated. The mission of this Group is to:

*“Provide advice and recommendations on strategies the City can use to maximize local participation of Pasadena residents and businesses for employment and procurement opportunities.”*

The composition of the Group consists of community organizations that share an interest and focus on local subcontracting and procurement, and local hiring.

To support their mission, the Group receives detailed statistical and narrative reports and presentations from staff at their monthly meetings on outreach activities for the projects that participated in the City’s local participation efforts.

Glenarm Repowering Project

After Council approval, staff negotiated a Project Labor Agreement. In October 2013, staff began administering a Local Participation Plan for the Glenarm Repowering Project which calls for 15% local subcontracting and procurement, and 25% local hiring. PFBL staff assisted in negotiating and will be serving in the role of “Labor Coordinator.”

On January 8<sup>th</sup> and January 22<sup>nd</sup> 2014, staff facilitated Opportunity Fairs for over 100 Pasadena businesses. Staff coordinated efforts with the Pasadena Chamber of Commerce, and the Pacific Coast Regional (SBCD). The purpose of these Opportunity Fairs was to give the pre-qualified prime contractors for the project an opportunity to meet Pasadena businesses face to face, exchange information and potentially do business. As a result, at the time of the opening bid, ARB satisfied \$4,883,020 which is over 24% of the total subcontracting and

procurement. It is important to note, that at the time of the bid opening ARB had not completed securing all of their subcontractors for the project.

### Rose Bowl Renovation & Tenant Improvement Project

Staff also facilitated a Local Participation Plan for the Rose Bowl Renovation Project. As of July 1, 2014, there have been 270 Pasadena residents hired by the contractors totaling \$2,529,451 in wages paid to Pasadena residents which is 10% of the total payroll and 81,425 hours to Pasadena residents. Additionally, there has been \$4,076,125 in local procurement and subcontracting reported by the contractors. Separately, Rose Bowl staff has reported a total of \$6,723,066 in direct local business project expenditures. This is a total of \$13,328,642 in local benefit.

The Local Hiring ordinance, administered by the Department of Finance, offers an incentive for private developments that voluntarily participate in local hiring and a requirement of local hiring for private developments that receive “financial assistance” from the City.

Although local hiring efforts are primarily facilitated through private developments, there has been some acceptance on the part of city staff to implement some of the outreach and referral strategies on public projects. Two public projects (Robinson Park Project – Phase I, and the Rose Bowl Project) have successfully utilized some of the City’s local outreach efforts and local hiring strategies. Along with the private developments the grand total wages to Pasadena residents is \$3,738,787 since the adoption of the City’s local hiring ordinance.

Extensive outreach efforts were made to conduct intake of Pasadena residents for construction job referrals. A general breakdown of the Local Hiring Database is as follows: There are currently over 800 people registered in the City’s local hiring database, of which, over 350 were confirmed to be Pasadena residents. Some residents are in multiple construction trades and are requesting referrals for various construction trades. All Pasadena residents have been referred for one or more construction trades on various projects.

### Potential Future Projects

<b>Project</b>	<b>Potential Participation Type</b>
Heritage Square	Required
Mar Vista Union Apartments	Required
Centennial Place Rehabilitation	Required
Robinson Park Recreation Center	Public Project (good faith effort)




**COUNCIL POLICY CONSIDERATION:**

Pursuant to the Pasadena Municipal Code, a statistical report on City procurement is required to be submitted annually to the City Council and this action supports the City's strategic plan goal to maintain fiscal responsibility and stability.

**FISCAL IMPACT:**

There is no fiscal impact as a result of this action nor will it have any indirect or support cost requirements. The anticipated impact to other operational programs or capital projects as a result of this action will be none. However, the benefits from local procurement and local hiring result in additional dollars recirculating in the local economy that generate taxable transactions, employ local citizens and promote economic vitality in the community.

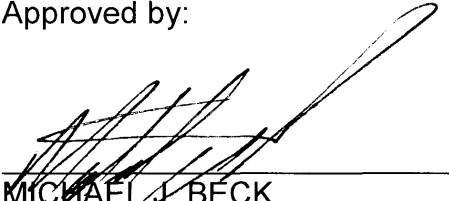
Respectfully submitted,

  
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