

Agenda Report

TO: CITY COUNCIL **DATE:** MARCH 6, 2000
FROM: CITY MANAGER
SUBJECT: AFFIRMATIVE ACTION IN CONTRACTING ANNUAL REPORT –
CALENDAR YEAR 1999

RECOMMENDATION

The following annual report is for information only. Staff is not recommending any changes to the Affirmative Action in Contracting Ordinance at this time and the City Attorney's Office has advised that none are required.

BACKGROUND

Pursuant to the Affirmative Action in Contracting Ordinance, Chapter 4.09 of the Pasadena Municipal Code, a report highlighting the accomplishments of the City's Affirmative Action in Contracting Program is to be submitted to the City Council annually.

Reporting Period

This report covers procurement transactions that occurred during the 1999 calendar year. In prior years staff has reported on a fiscal year basis, as called for in the Affirmative Action in Contracting Ordinance. Nevertheless, there are several reasons why this report is being presented in a calendar year fashion.

The last affirmative action in contracting annual report was presented to City Council in January 1998. That report covered the period July 1, 1996 to June 30, 1997 (Fiscal Year 1997). Rather than bring forward a report for the time period ending June 30, 1998 and/or June 30, 1999 at this time, it is staff's belief that Council would prefer more timely information, i.e., the period ending December 31, 1999.

Moreover, much of the information that is compiled in this report is taken from records maintained by the City Clerk's Office. Those records are kept on a calendar year basis. To reduce the margin of error when preparing this report, staff feels it is advisable to use a calendar year approach. Nevertheless, staff is prepared to report to City Council on a calendar year, fiscal year or any other basis Council may so desire. Were the City to adopt a calendar year approach, an ordinance change would be required.

Overall Procurement with Women and/or Minority Owned Firms

The following table illustrates the total percentage of procurement dollars awarded to women/minority owned businesses as well as the percentage of procurement dollars awarded to local Pasadena firms over the past several years. As has been the historical practice, these figures do not include utilities, wholesale power, water and fuel purchases as well as contracts with other governmental entities.

Additionally, only the figures for local procurement include purchases made by way of the City's purchasing card program. Presently, information regarding vendor ownership is not available through the purchasing card management software. Staff will continue to pursue ways in which to identify women/minority vendors in the purchasing card database and include that information in subsequent annual reports. Nevertheless, the absence of purchasing card data in the statistics regarding women/minority business procurement is not likely to have a significant impact on the overall picture, given purchasing cards account for only about 7% of all procurement dollars.

Year	% of procurement dollars awarded to women/minority owned firms	% of procurement dollars awarded to local firms*
Calendar 1999	20	16
Calendar 1998	23	19
Fiscal 96-97	27	15
Fiscal 95-96	31	15
Fiscal 94-95	28	21
Fiscal 93-94	25	19

*includes purchasing card charges

The following is a breakdown of calendar year 1999 activity by City department:

Department	total purchases \$	total purchases with women/minority businesses \$ / %	
Affirmative Action & Diversity	9,500	0	0%
City Attorney	42,230	7,910	19%
City Clerk	127,372	10,000	8%
City Council	35,333	208	1%
City Manager includes – ITSD	2,908,058	598,808	21%
City Prosecutor	32,675	8,797	27%
Finance	1,499,652	373,482	25%
Fire	698,007	201,299	29%
Health	2,243,946	729,840	33%
Housing & Development	2,580,405	473,890	18%
Human Resources	232,153	42,663	18%
Human Services	1,805,631	1,048,173	58%
Information Services	486,515	218,991	45%
Planning & Permitting	3,036,049	264,342	9%
Police	2,128,732	156,640	7%
Public Works & Trans	32,838,450	6,399,525	19%
Water & Power	14,227,747	2,374,059	17%
Rose Bowl*	313,713	72,039	23%
*thru 6/30/99			
Total	\$65,246,168	\$12,980,666	20%

Assessing Effectiveness of the Affirmative Action in Contracting Program

Using the total percentage of procurement dollars awarded to women/minority owned businesses as a means of assessing the effectiveness of the City's Affirmative Action in Contracting Program can be somewhat misleading for several reasons. A large portion of City procurement is subject to competitive bidding, where the award of contracts is based solely on price. Despite significant outreach efforts, the marketplace for many of the City's purchases remain limited in their availability of women/minority owned businesses. And, in any given year, a few large dollar contracts can have a significant affect on the overall outcome.

Whether a purchase is subject to formal competitive bidding, as defined in Chapter 4.08 of the Municipal Code, the request for proposal process or the informal quotation process as outlined in the Affirmative Action in Contracting Ordinance, is a function of the dollar amount of the transaction. Purchases less than \$3,000 require only a single quote, thus staff has full discretion in selecting a vendor. Transactions in excess of \$3,000 but less than \$25,000 require multiple informal price quotations. And purchases in excess of \$25,000 are subject to either formal competitive bidding or the request for proposal process.

The following table indicates the percentage of procurement dollars awarded to women/minority owned businesses within these various dollar ranges.

Transaction Amount	Total Dollar Volume*	% awarded to women and/or minority owned firms
Below \$3,000	\$4,463,214	32%
\$3,000 to \$25,000	\$15,953,538	31%
\$25,000 and more	\$44,829,416	15%

*excludes purchasing card charges

As illustrated by the table, women/minority owned businesses have had greater success competing for informal purchases.

In calendar year 1999 there were a number of high dollar purchases including the purchase of seventeen (17) Crown Victoria Police vehicles (\$400,000) and twelve (12) Refuse Packers (\$1.95 million) to non-women/minority owned firms. Purchases of this size significantly impact the overall percentage of procurement dollars award to women/minority owned businesses. Of note is the recent change in ownership of one of the local car dealerships, Robert Loud Ford, which incidentally is where the seventeen Police vehicles were purchased. Robert Loud Ford is now Miracle Ford, and is African-American owned. It is expected that this change will help increase overall women/minority owned business procurement.

Another factor impacting the City's program has been the suspension of the Water and Power Department's underground conduit program. The Water and Power Department has over the years, been relocating overhead power distribution lines to underground conduits both to improve service quality and

aesthetics. These projects are completed by use of contract labor. Traditionally a significant number if not the majority, of contracts have been won by women/minority owned businesses. The awarding of these high dollar contracts to women/minority owned businesses had much to do with the higher participation rates over the past few years and consequently, the lack of these opportunities has contributed to the reduction.

Additional Initiatives Promoting Equal Opportunity Contracting

The Affirmative Action in Contracting Program focuses mainly on outreach as a means to increase the amount of City business with woman and minority owned firms. Moreover, as a result of the California Civil Rights Initiative (Proposition 209) non-race/gender conscious outreach has become the main focus of the effort. Staff has been and will continue to pursue a variety of initiatives aimed at expanding outreach.

Established in 1995, the City's bid and contract opportunities webpage www.ci.pasadena.ca.us/purchasing, located on the City's Internet website has proven an excellent means of conducting outreach. Prior to the website, staff would rely on mailing lists as a means of notifying contractors, community and business associations of contract opportunities. By posting contract opportunities on the Internet, the City can be assured of providing the most extensive notification in the most cost-effective and timely fashion possible.

Since its implementation, the bid and contract opportunities webpage has been enhanced to include on-line vendor registration and most recently, an on-line version of the *How To Do Business With the City of Pasadena* publication.

While the webpage remains one of the most popular places on the City's website, it too has limits. Given that the City undertakes thousands of individual purchasing transactions each year coupled with the decentralized nature of purchases less than \$25,000, it simply is not feasible to advertise each opportunity on the webpage. As a result, the webpage has generally been reserved for transactions in excess of \$25,000 that are subject to formal procurement processes.

Nevertheless, staff recognizes that the greatest opportunity to increase the participation of woman/minority owned businesses is in the range of informal purchasing transactions, those purchases under \$25,000. While these informal transactions represent relatively small dollar amounts, given the volume they represent a significant amount of potential business; over \$20 million in calendar year 1999, \$25 million when purchasing card purchases are included.

Presently, when undertaking the informal purchasing process staff solicits price quotations from vendors typically via telephone and/or facsimile. Beyond the practical limits of contacting large numbers of vendors for relatively small dollar purchases, which are often time sensitive, there is currently no guarantee that vendors who have registered on the City's vendor list will be notified of the opportunity.

Fortunately, computer technology now exists to overcome these obstacles and dramatically expand outreach and opportunity. This past January, staff invested in software that once interfaced with the PeopleSoft financial system's Purchasing module will provide Internet e-mail-based vendor solicitation. The system is fairly straightforward. Each vendor on the City's vendor list is currently coded to identify the type(s) of good(s)/service(s) it provides. When seeking price quotes for a particular good/service, the system identifies the potential bidders, based on their classification and sends a solicitation e-mail to each one simultaneously. The solicitation has all information necessary to submit a quote, which is also done via e-mail.

In addition to maximizing outreach, the enhanced competition is expected to reduce costs and promote greater consolidation of purchases across departments. It is anticipated that the system will be operational by late summer.

Another effort under development is the staging of a conference aimed at establishing purchasing relationships between local small and emerging businesses and large organizations within the City. The idea for the conference came about as a suggestion to the Mayor by representatives of Latinos for Economic Awareness and Development (LEAD) and is consistent with staff's desire to hold a business outreach event.

The one-day conference is expected to occur the week of June 12th and will be held on the Cal Tech campus. A steering committee which includes representation from various community groups as well as prominent businesses is currently being assembled to plan the event.

FISCAL IMPACT

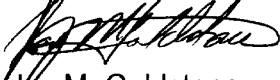
This report is for information only. As such there is no recommendation and consequently no fiscal impact.

Respectfully submitted,



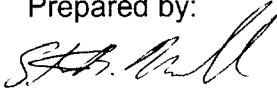
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