

Agenda Report

October 22, 2012

TO: Honorable Mayor and City Council
FROM: Department of Finance
SUBJECT: ANNUAL REPORT ON CITY PROCUREMENT – CALENDAR YEAR 2011

RECOMMENDATION:

It is recommended that the City Council receive the annual report on City procurement for calendar year 2011.

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 2011, the City made purchases of \$88,840,406 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.

Also in 2011, the Department of Finance implemented the Pasadena First Buy Local (PFBL) program to enhance, where possible, contracting 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 initiated 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. PFBL also assisted the Rose Bowl project team with local hiring and procurement associated with the Rose Bowl Renovation Project.

The purchasing card program has been a success in terms of expediting the purchasing process and allowing for more cost-effective procurement. The data provided for these transactions from the merchant banks, however, is limited to the business location. As a result, the statistical data provided in this report includes total local procurement for purchasing card transactions.

The following tables provide a breakdown of total procurement dollars by department and, statistical data is provided for contracts successfully secured by local businesses and women/minority owned business enterprises (W/MBE) for calendar year 2011.

City Departments

Departments	Totals with Purchasing Cards			Totals without Purchasing Cards		
	Total Dollars	Local Dollars	Local %	Total Dollars	W/MBE Dollars	W/MBE %
CITY ATTORNEY/PROSECUTOR	\$ 271,751	\$ 33,091	12%	\$ 230,966	\$ 26,083	11%
CITY CLERK	\$ 972,272	\$ 60,788	6%	\$ 897,106	\$ 18,275	2%
CITY COUNCIL	\$ 45,812	\$ 27,339	60%	\$ 11,842	\$ -	0%
CITY MANAGER	\$ 725,639	\$ 268,703	37%	\$ 615,309	\$ 144,856	24%
DoIT	\$ 2,864,319	\$ 75,406	3%	\$ 2,358,612	\$ 250,411	11%
FINANCE	\$ 3,315,041	\$ 588,818	18%	\$ 3,226,557	\$ 237,585	7%
FIRE	\$ 1,403,866	\$ 217,471	15%	\$ 1,091,233	\$ 108,604	10%
HEALTH	\$ 1,242,885	\$ 189,329	15%	\$ 1,074,295	\$ 240,199	22%
HOUSING	\$ 457,066	\$ 88,195	19%	\$ 325,568	\$ 62,554	19%
HUMAN RESOURCES	\$ 575,595	\$ 47,307	8%	\$ 546,029	\$ 39,999	7%
HUMAN SERVICES	\$ 1,163,513	\$ 413,252	36%	\$ 955,954	\$ 284,744	30%
LIBRARY	\$ 1,022,941	\$ 87,369	9%	\$ 848,361	\$ 200,120	24%
PLANNING	\$ 1,069,347	\$ 256,360	24%	\$ 965,922	\$ 108,594	11%
POLICE	\$ 7,458,374	\$ 384,572	5%	\$ 6,936,362	\$ 295,721	4%
PUBLIC WORKS	\$ 21,761,866	\$3,069,544	14%	\$ 20,170,560	\$ 3,825,030	19%
TRANSPORTATION	\$ 1,444,931	\$ 152,321	11%	\$ 1,342,014	\$ 310,074	23%
W&P	\$ 43,045,188	\$2,970,970	7%	\$ 41,680,954	\$ 3,623,781	9%
Grand Totals	\$ 88,840,406	\$ 8,930,835	11%	\$ 83,277,644	\$ 9,776,630	12%

City Operating Companies

Operating Companies	Total Dollars	Local Dollars	Local %	W/MBE Dollars	W/MBE %
PCOC	\$ 1,755,527	\$ 311,587	18%	\$ -	0%
*RBOC	\$ 12,615,215	\$ 484,171	3%	\$ 539,765	4%

*Does not include the local contracting and procurement spending for the Rose Bowl Renovation Project.

The table below provides a historical perspective of the percent of procurement dollars successfully secured by W/MBE and local businesses for the last five years.

Calendar Year	% secured by W/MBE firms	% secured by local firms
2011	12%	11%
2010	11%	10%
2009	11%	*38%
2008	15%	8%
2007	12%	10%

*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. In 2011, the 1% increase between year's 2010 and 2011 represented an additional \$800,000 in spending with local Pasadena based businesses.

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 enhance opportunities for local business to do business with the City. PFBL was approved by Council in June 2010 and was designed to enhance local subcontracting and hiring for public projects and the use of local vendors for city-purchased goods and services; including private development projects subject to the city's First Source Local Hiring ordinance.

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.

Local Purchasing

Currently, the City of Pasadena uses a decentralized purchasing process. Meaning, for purchases under \$25,000, city departments use informal purchasing procedures. In an effort to assist departments in increasing their local participation, the new Implementation Plan was designed to help facilitate relationships with city departments and local businesses. Major elements of the plan include:

- Pasadena Virtual Mall: an internal search engine (for Departments) to identify Pasadena businesses
- Pasadena Open House: one-on-one meetings between Pasadena businesses and City Departments
- Continued Marketing of the City's Online Bid System: notifications sent to Pasadena businesses that matched online bid opportunities.
- Strategic Partnerships Identified: support services identified that provide technical assistance to Pasadena businesses and residents.

Ongoing Local Business Outreach Efforts Established by PFBL

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 Project.
- Postcard Bid Notifications: This is an external outreach to local businesses to encourage them to register on the City's bid posting system

In 2011, staff participated in and/or facilitated a number of major outreach events. Some of which are summarized below:

- The CalCon Expo 2011 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.
- 2011 Annual Business Showcase was hosted by the Pasadena Chamber of Commerce.
- Staff facilitated outreach efforts for Diamond Contract Services (DCS) to identify staff for the Rose Bowl Soccer game. During this outreach effort, DCS hired 40 Pasadena residents.
- City staff facilitated an Opportunity Fair for the Rose Bowl Project which was attended by approximately 75 local businesses, and 100 Pasadena residents. It included one-on-one meetings between local businesses and contractors working on the Rose Bowl project; one-on-one meetings between Pasadena residents and contractors working on the Rose Bowl project; and a workshop which covered the entire Rose Bowl boiler plate bid document for local businesses interested in bidding on the Rose Bowl Project.

The City utilizes an online bid posting service called Bids Online. The system enables businesses to receive email notifications for formal bid opportunities 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. At the conclusion of 2011, there were a total of 597 Pasadena businesses registered on the City's vendor data base. This represents an increase of over 20%.

To illustrate the significant contributions made by local businesses that have provided products and services to the City, the following examples are provided.

Alta/Pasa Community Improvement Center

Alta/Pasa Community Improvement Center (Alta/Pasa) is a non-profit multi-purpose organization that recruits skilled and unskilled labor for the construction industry in primarily the Pasadena and Altadena areas. Following the major windstorm that impacted Pasadena in late November/early December of 2011, there were 325 miles of streets affected by storm debris-falling trees, tree limbs, utility poles and wires. There were 34 traffic signals and 23 street lights reported for repair. The high winds that started November 30th, damaged thousands of

trees, downed power poles, displaced scores of residents and left many Pasadena residents without power. As a result of the need for a rapid clean-up response, the City contracted with Alta/Pasa for assistance. Consequently, 62 Pasadena residents were hired to assist in the cleaning and removal of storm debris from the city.

Axia Merchant Service Provider

Axia is a local Pasadena merchant service provider that offered to perform a cost-free analysis for the City of Pasadena of the current merchant fees being charged for credit card purchases for City services. The representatives from Axia reviewed the merchant fee statements from the various city departments and provided a cost analysis of the merchant fees. The analysis provided by Axia concluded that there were inconsistencies in processing charges employed by the various service providers for many of City's credit card transactions.

Upon determining that there was a potential cost saving, the City converted the processing of all its merchant accounts to Axia. Beginning in May 2011, Axia instituted new payment processing programs and solutions that increased efficiencies and lowered processing fees. Axia staff updated software and hardware, which included current equipment applications. They also provided training to City staff and provided transparent and easy to read reports. Axia improved service and support, while significantly lowering the City's overall processing fees. As a result, the City saved approximately \$340,200 in merchant fees in 2011.

Prana Office

Prana Office was introduced to the City during the initial construction phase of the seismic retrofit of the City Hall in 2006. The owner of the company had established her new business in Pasadena only a few months before the City Hall Project had begun. Prana is a woman owned minority local business that provided some of the furniture for the newly renovated City Hall. The owner served on the PFBL advisory team and quickly became familiar with the City's procurement policies and procedures. Since that time, Prana Office has supplied furnishing throughout City offices, including the training room in the basement of City Hall and the entire Water & Power building, at the City Yards, that was completed in 2011. Prana Office continues to serve as an important partner with the City on many other subsequent projects including the current relocation of over 100 city employees from leased space into City owned space.

Pasadena First Buy Local – Rose Bowl Renovation Project

In February 2011, it was recommended by Rose Bowl Operating Company (RBOC) that the City assist the Project Team for the Rose Bowl Renovation Project with local participation which included local subcontracting, local procurement and local hiring. A Local Participation Plan (Plan) was created as an operational extension of the City's Pasadena First Buy Local (PFBL) function.

All deliverables called for in the Plan were established/facilitated by staff within the first six months. The Plan included the general task items below. Several ongoing tasks are facilitated in support of the Plan.

Deliverables:

- Establish Local Subcontractor Outreach, and Referral Process
- Establish process for Promoting pre bid meetings
- Staff Local Hiring Advisory Group for the General Manager of the Rose Bowl
- Labor and Contract Compliance Monitoring Systems (LCP Tracker and B2GNow)
- Participate in Weekly Meetings with Contractors
- Pre Award Meetings with Selected Contractors
- Conduct Outreach to Local Organizations and Community Centers
- Conduct Outreach to All Union Building Trades
- Facilitate An Opportunity Fair for Local Businesses and Residents

In summary, during 2011, there were 82 Pasadena residents hired by the contractors totaling \$356,792 in wages paid to Pasadena residents. Using past large city projects similar in scope and size, i.e., City Hall and the Pasadena Convention Center, it was estimated that the Rose Bowl Project would generate between 75 and 100 jobs for Pasadena residents. Additionally, there has been \$3,019,161 in local subcontracting work and \$3,410,485 in local procurement. This represents a grand total of \$6,786,438 in local benefit.

Estimated Local Impact for All Local Contracting & Procurement Activity

The objective of the following table is to estimate the local economic impact of the City's local contract and procurement activity. Using the *U.S. Department of Commerce, Bureau of Economic Analysis, Regional Output-Input Modeling System (RIMS II)*, staff is able to measure the economic impact of the City's local contracting and purchasing activity. The RIMS II chart below includes the following local subcontracting and procurement activity: \$6,429,646 from the Rose Bowl Renovation and Tenant Project; \$8,930,835 from the City departments; and \$795,758 from the operating companies (PCOC, and RBOC).

FORMULA FOR IMPACT OF LOCAL SPENDING	
Initial Spending	\$16,156,239
Total Economic Output	\$35,834,538
Total # of Jobs Created	232
Total Earnings Generated	\$11,559,789

First Source Local Hiring

Below are upcoming projects, as well as some projects under construction which are participating in the City's Local Hiring ordinance:

Ambassador West Project:

The attached contract for the Offsite/Onsite Improvements for the Ambassador West Project is to execute a voluntary local hiring agreement under the city's First Source ordinance (14.80). This agreement would enable the developer (Pasadena Lots-70, LLC) to receive up to 75% of their construction tax in a rebate for hiring Pasadena residents. Based on the construction tax paid to date (\$57,199.37) for this phase of the project, the maximum rebate is currently \$42,899.53. This project has started construction, based on the plan presented by the developer, referrals of Pasadena residents should begin on or before September-2012.

The Developer is proceeding with the development of the former Ambassador West College Campus which will include a variety of off-site and on-site improvements at the project perimeter and internally on the property. Generally, these off-site and on-site improvements will include wet and dry underground utilities and street improvements, both public and private, the plans for which have been or will be approved by the City. The perimeter location of these improvements will be along Del Mar Blvd, Orange Grove Blvd and Green Street.

Hudson Oaks:

A Local Hiring Agreement was signed with Adobe Communities for this project. As the bulk of the construction was completed in calendar year 2011, the project culminated in 2012 and exceeded the 15% local hiring requirement by achieving 15.8% (of certified payroll) local hiring.

Below are projects that are subject to the Local Hiring ordinance, but have not yet executed a local hiring agreement. Staff is working closely with the lead department to monitor and execute local hiring agreements at the appropriate time. None of the following developments are under construction:

- Heritage Square
- Parke Street Apartments Phase II
- Mar Vista

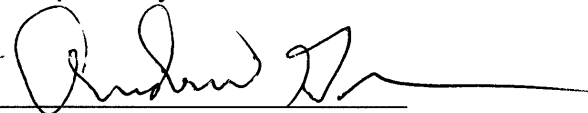
COUNCIL POLICY CONSIDERATION:

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 and it will not 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.

Respectfully submitted,



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