



# Agenda Report

August 31, 2015

**TO:** Honorable Mayor and City Council

**FROM:** Department of Finance

**SUBJECT: ANNUAL REPORT ON CITY PROCUREMENT – CALENDAR YEAR 2014**

**RECOMMENDATION:**

It is recommended that the City Council receive the annual report on City procurement for calendar year 2014.

**EXECUTIVE SUMMARY:**

The Department of Finance, Purchasing Division is responsible for administering the provisions set forth in the City's Competitive Bidding and Purchasing, Salvage, Living Wage, and First Source Local 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 2014, an update on the City's Salvage, the Living Wage, and local hiring ordinances respectively.

The total procurement spending by City Departments for calendar year 2014 was \$223,407,342. There was a total of \$41,270,361 secured by Pasadena businesses, and \$19,646,614 secured 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 an analysis prepared in a previous procurement report, staff is continuing the new methodology for reporting the City's local spending which is designed to measure the local spending of \$41,270,361 against viable local purchasing opportunities. Total spending by the operating companies are reported separately, but are included in this report. This report also includes local outreach activities and statistical information on local participation results.

**BACKGROUND:**

The purchasing ordinance stipulates that this annual report shall include a statistical account of all procurements secured by 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.

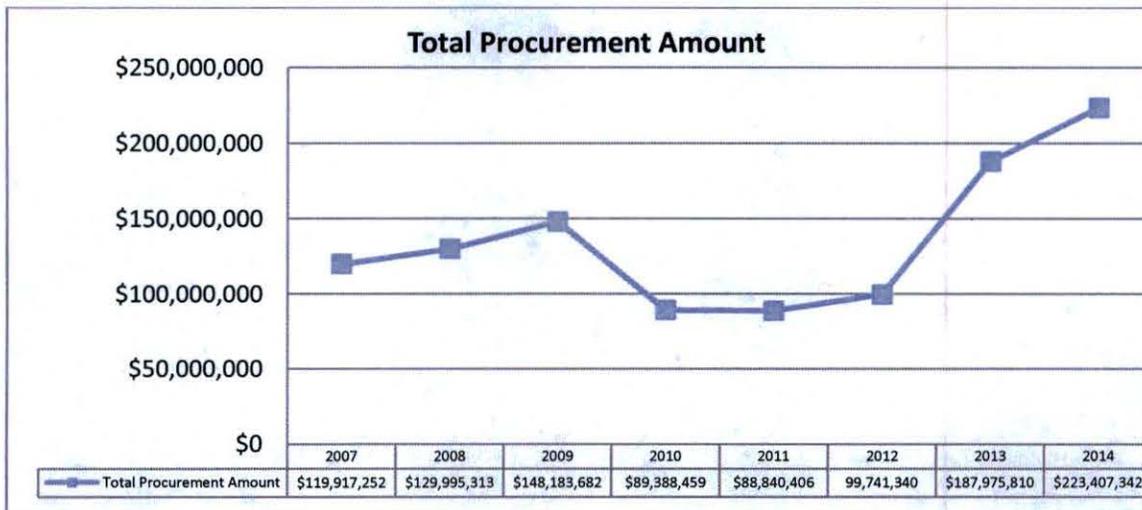
On November 5, 1996, California voters passed the *California Civil Rights Initiative*, Proposition 209. Proposition 209 states that, “Neither the State of California or any of its political subdivisions or agents shall use race, sex, color ethnicity or national origin as a criteria for either discrimination 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 WMBE’s is for informational purposes only. However, staff continues to intensify outreach activities to local businesses to maximize competition for City contracts.

There was a total of \$41,270,361 secured by Pasadena businesses in calendar year 2014. Many of the local results are maximized through the outreach efforts of Pasadena First Buy Local (PFBL). PFBL is an investment in the City’s economic infrastructure. As Pasadena businesses seek economic opportunities with the City of Pasadena, PFBL is designed to foster relationships that are currently tracked and reported in terms of “direct” local benefits.

In calendar year 2014, there was a total of \$19,646,614 secured by women and/or minority owned businesses, which is 9.2 percent of the total procurement dollars spent in 2014. These M/WBE figures do not include Purchasing Card Program purchases. The system that provides the statistical results of our credit card usage does not collect demographic data on its vendors.

Spending Trend

The following chart depicts the overall spending trend for the past eight years. It is important to note that, to support the Glenarm Repowering Project, the Department of Water & Power made major purchases in 2013 and 2014 for approximately \$60,000,000 and \$55,000,000 respectively.



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 and competitive supplier base in Pasadena. Additionally, include purchases that are made below the bid threshold (under \$25,000) where city staff has the most discretion when selecting a vendor. Below are four categories designed to highlight "viable local purchasing options."

## 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.

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

### Measurement of Viable Local Purchases in 2014

The following charts represent the results of procurement data for calendar year 2014 grouped by the categories described above (General Purchasing Categories). These charts are designed to measure the local purchasing outcome of \$41,270,361 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 Under Bid Threshold	Category 1A		Category 1B	
		Total Not Available In Pasadena	Total Available in Pasadena	Purchased in Pasadena	Percent of Available
City Attorney	\$ 125,099	\$ 35,600	\$ 89,499	\$ 21,500	24.0%
City Clerk	\$ 122,866	\$ 72,713	\$ 50,153	\$ 17,999	35.9%
City Council	\$ 66,626	\$ 32,726	\$ 33,900	\$ 33,900	100.0%
City Manager	\$ 605,719	\$ 361,189	\$ 244,530	\$ 190,316	77.8%
Department of Finance	\$ 1,162,272	\$ 515,253	\$ 647,019	\$ 418,253	64.6%
Department of Information Technology	\$ 1,230,787	\$ 365,997	\$ 864,790	\$ 7,000	0.8%
Fire Department	\$ 705,526	\$ 500,889	\$ 204,638	\$ 43,501	21.3%
Health Department	\$ 642,268	\$ 378,557	\$ 263,711	\$ 137,423	52.1%
Housing	\$ 501,686	\$ 225,908	\$ 275,778	\$ 183,514	66.5%
Human Resources	\$ 435,296	\$ 260,062	\$ 175,234	\$ 76,118	43.4%
Human Services	\$ 625,357	\$ 219,644	\$ 405,714	\$ 215,671	53.2%
Library	\$ 432,524	\$ 306,157	\$ 126,367	\$ 55,416	43.9%
Planning and Development	\$ 555,601	\$ 294,757	\$ 260,844	\$ 181,270	69.5%
Police Department	\$ 2,211,790	\$ 1,397,403	\$ 814,387	\$ 185,868	22.8%
Public Works	\$ 5,190,056	\$ 2,369,216	\$ 2,820,839	\$ 1,126,487	39.9%
Transportation	\$ 895,517	\$ 428,815	\$ 466,703	\$ 83,495	17.9%
Water & Power	\$ 4,963,952	\$ 2,443,300	\$ 2,520,653	\$ 819,306	32.5%
	<b>\$ 20,472,943</b>	<b>\$ 10,208,184</b>	<b>\$ 10,264,758</b>	<b>\$ 3,797,037</b>	<b>37.0%</b>

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 purchases. Outreach information is detailed in the section named "Pasadena First Buy Local."

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	\$ 3,874,999	\$ 3,724,999	\$ 150,000	\$ 150,000	100.0%
City Clerk	\$ 1,046,028	\$ 601,028	\$ 445,000	\$ -	0.0%
City Council	\$ 675,000	\$ -	\$ 675,000		0.0%
City Manager	\$ 707,745	\$ 286,845	\$ 420,900	\$ 395,900	94.1%
Department of Finance	\$ 6,772,169	\$ 3,788,541	\$ 2,983,628	\$ 2,693,628	90.3%
Department of Information Technology	\$ 5,225,960	\$ 3,157,644	\$ 2,068,316	\$ -	0.0%
Fire Department	\$ 577,707	\$ 317,177	\$ 260,530	\$ 210,540	80.8%
Health Department	\$ 10,635,781	\$ 10,207,619	\$ 428,162	\$ 228,164	53.3%
Housing	\$ 4,498,646	\$ 2,377,409	\$ 2,121,237	\$ 789,832	37.2%
Human Resources	\$ 413,700	\$ 264,500	\$ 149,200	\$ 50,000	33.5%
Human Services	\$ 948,771	\$ 133,750	\$ 815,021	\$ 815,021	100.0%
Library	\$ 49,500	\$ 49,500	\$ -	\$ -	
Planning and Development	\$ 1,580,390	\$ 426,730	\$ 1,153,660	\$ 1,100,000	95.3%
Police Department	\$ 2,165,329	\$ 1,507,153	\$ 658,176	\$ 435,199	66.1%
Public Works	\$ 30,299,580	\$ 21,680,914	\$ 8,618,666	\$ 1,733,555	20.1%
**Transportation	\$ 29,232,025	\$ 1,355,672	\$ 27,876,353	\$ 27,595,485	99.0%
*Water & Power	\$ 85,700,940	\$ 68,425,146	\$ 17,275,794	\$ 1,276,000	7.4%
	<b>\$ 184,404,269</b>	<b>\$ 118,304,626</b>	<b>\$ 66,099,643</b>	<b>\$ 37,473,324</b>	<b>56.7%</b>

\*Included in the total for the Department of Water & Power is a major purchase for approximately \$55,000,000 to support the Glenarm Repowering Project.

\*\*Included in the total for the Department of Transportation is a purchase of \$26,632,712 from a company that provides transit services to the City. This company operates the City's transit services out of a property they lease in Pasadena as a result of a previous contract award and has maintained their presence in Pasadena based on this current contract award.

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 the operating companies utilize separate financial systems and reporting methodology. Therefore, their respective reports to the Purchasing Division do not include detailed commodity information.

Operating Companies	Total Dollars	Local Dollars	Local %	W/MBE Dollars	W/MBE %
PCOC	\$ 2,890,873	\$ 583,143.64	20.2%	\$ 6,691	0.2%
PCAC	\$ 1,278,821	\$ 876,287	68.5%	\$ 398,525	31.2%
*RBOC	\$ 52,090,600	\$ 5,149,119	9.9%	\$ 4,162,447	8.0%

\*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 three years. It includes the total local spending based on the local purchasing opportunity that was available in Pasadena. The following chart reveals an increase in local spending in 2014. Local Spending Trend for Purchases for the past three Years:

		2012	2013	2014
Informal Bids	Purchased in Pasadena	\$ 3,582,525	\$ 5,130,478	\$3,797,037
	*Available But Not Purchased	\$ 8,376,285	\$ 9,363,307	\$10,264,758
Formal Bids	Purchased in Pasadena	\$2,989,098	\$ 5,779,852	\$37,473,324
	Available But Not Purchased	\$ 22,419,532	\$ 22,073,125	\$66,099,643

Total	Purchased in Pasadena	<b>\$ 6,571,623</b>	<b>\$ 10,910,330</b>	<b>\$ 41,270,361</b>
		<b>17.6%</b>	<b>25.8%</b>	<b>35.1%</b>
	Total Purchased	\$ 37,367,440	\$ 42,346,762	\$ 117,634,762

*\*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.*

Going forward, 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              | 17. Hardware and related Items       |
| 2. Building Construction Services          | 18. Janitorial or Custodial Services |
| 3. Carpet Cleaning                         | 19. Landscaping & Irrigation         |
| 4. Computer Hardware/Software              | 20. Lumber Related Products          |
| 5. Construction Services                   | 21. Marketing Consulting             |
| 6. Door Installation                       | 22. Metal Work                       |
| 7. Electrical Equipment                    | 23. Moving Services                  |
| 8. Employment Agency (Temporary Personnel) | 24. Office Equipment                 |
| 9. Event Planning Services                 | 25. Painting                         |
| 10. Fencing                                | 26. Pest Control                     |
| 11. Economics Consulting                   | 27. Plumbing Equipment               |
| 12. Financial Services                     | 28. Plumbing Maintenance             |
| 13. Fire Protection Equipment              | 29. Printing Related Services        |
| 14. Flooring Maintenance                   | 30. Publications (Audio Visual)      |
| 15. Furniture                              | 31. Roofing                          |
| 16. Glass and Glazing Supplies             | 32. Tree Trimming                    |
|  | 33. Window Washing Services          |

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 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

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 777 Pasadena businesses in the City's bid notification system by the end of calendar year 2014.

Calendar Year End	Total Pasadena Businesses	Difference	Percent Difference from Prior Year
2014	777	47	6.4%
2013	730	50	7.4%
2012	680	59	9.5%
2011	621	75	13.7%
2010	546	58	11.9%
2009	488		

### Purchasing Card Program

Below is a breakdown of purchases made through the purchasing card program. It is important to note that Purchasing card transactions are tracked separately from the city's current financial system. Therefore, demographic data from the vendors as well as other specific information used for analysis is not available.

Department	Grand Total	Purchased in Pasadena	Percent
City Attorney	\$ 43,738.20	\$ 5,124.81	11.7%
City Clerk	\$ 63,237.58	\$ 33,792.01	53.4%
City Council	\$ 22,895.18	\$ 6,662.87	29.1%
City Manager	\$ 247,946.13	\$ 36,610.26	14.8%
Department of Finance	\$ 1,943,357.09	\$ 32,875.35	1.7%
Department of Information Technology	\$ 741,094.10	\$ 36,934.69	5.0%
Fire Department	\$ 526,714.91	\$ 114,853.75	21.8%
Health Department	\$ 322,570.47	\$ 37,588.16	11.7%
Housing	\$ 101,620.70	\$ 23,505.15	23.1%
Human Resources	\$ 362,982.71	\$ 84,753.14	23.3%
Human Services	\$ 269,643.38	\$ 120,290.41	44.6%
Library	\$ 346,853.59	\$ 25,908.61	7.5%
Planning And Development	\$ 137,473.64	\$ 28,411.94	20.7%
Police Department	\$ 643,879.70	\$ 108,346.17	16.8%
Public Works	\$ 1,910,857.96	\$ 332,098.46	17.4%
Rose Bowl	\$ 259,540.69	\$ 76,738.68	29.6%
Transportation	\$ 181,669.89	\$ 17,055.06	9.4%
Water & Power	\$ 1,138,988.60	\$ 88,542.04	7.8%
	<b>\$ 9,265,064.52</b>	<b>\$ 1,210,091.56</b>	<b>13.1%</b>

### Living Wage

The Living Wage Ordinance (M.C. 4.11), administered by the Department of Finance, requires "Service Contractors" that enter into a contract directly with the City in excess of \$25,000 to pay their employees a wage no less than the City's living wage. For calendar year 2014, there were no reports of negative effects regarding workforce composition, productivity, or service quality due to the City's living ordinance. Staff is working to increase its ability to track and report statistical data by using the same system that it uses to track local hiring results.

### Salvage

The Disposition of Salvage and Scrap Property Ordinance (M.C. 4.04), administered by the Department of Finance, provides procedures for approved "salvage." For Calendar year 2014, all approved salvage auctioned by the City was monitored and facilitated through two auction companies "Property Room" and "Ken Porter."

### Pasadena First Buy Local (PFBL)

This outreach effort is designed to be facilitated through several distinct functions. One method is through a City ordinance (MC# 14.80) that incentivizes local hiring on private development projects, and requires local hiring on private development projects that receive "financial assistance;" through good faith efforts on public projects; through project labor agreements; and finally, through a City ordinance (MC# 4.08) that applies a one percent bid preference for public projects subject to a competitive bid process, and a five percent preference for purchases that utilize a competitive selection process (RFPs).

Moreover, staff administers Local Participation Plans that encompasses 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 strategies along with others 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.

The accumulative results for PFBL are:

- Over 375 construction jobs filled by Pasadena Residents
- \$1,209,336 in Private Development Projects (30.8% Local Hiring)
- \$2,529,451 in Public Projects

- \$18,211,662 in subcontracting and procurement to Pasadena Businesses

#### Glenarm Repowering Project (Project)

After Council approval, staff negotiated a Project Labor Agreement. In October 2014, staff began administering a Local Participation Plan (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, as of August 5, 2015, the Project has achieved 26.9% in local contracting and procurement which is \$1,226,196 to Pasadena businesses. Additionally, the Project has achieved 33.7% in local hiring which is \$891,353 in wages paid to 44 Pasadena residents. These unprecedented results were primarily accomplished due to having access to the project team 12 months prior to the start of construction, and having a Project Labor Agreement with the Los Angeles/Orange County Building and Construction Trades.

In calendar year 2014, PFBL conducted several targeted outreach efforts in support of the Local Participation Plan for the Glenarm Project.

To increase the vendor pool for greater competition on City bid opportunities, in calendar year 2014, 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)
- Opportunity Fairs for Pasadena Businesses (10 vendors referred to Planet Bids)
- 2014 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 116 bids, RFPs, and RFQs advertised in the City's bid notification system in calendar year 2014. The chart below is designed to report the overall activity in the bid notification system.

Calendar Year End	Total Bids/RFPs/RFQs	Total Businesses that Downloaded Bids, RFPs, or RFQs	Pasadena Businesses that Downloaded Bids, RFPs, or RFQs	Contracts Secured by Pasadena Businesses
2014	116	3,492	286	53
2013	114	3,328	248	28
2012	106	1,747	156	27
2011	72	1,230	125	31

Pasadena “Open House”

On March 13, 2015 in the basement of City Hall, City staff of Finance, Water & Power, Public Works, and Information Technology met face to face with Pasadena businesses. At this meeting, Pasadena businesses were introduced to the City processes, and resources (technical assistance) to enhance their competitiveness. In addition, they had the opportunity to introduce their company to multiple buyers from five different agencies.

The goal of this outreach effort was to help departments increase their local procurement numbers. Partners in this effort which include the Small Business Development Center, Planet Bids, JPL, and the County of Los Angeles. Along with Purchasing, these partners conducted workshops to prepare Pasadena businesses for doing business with their respective agencies.

Rose Bowl Renovation & Tenant Improvement Project

Staff also facilitated a Local Participation Plan for the Rose Bowl Renovation Project. As of February 28, 2015, there have been 274 Pasadena residents hired by the contractors totaling \$2,552,837 in wages paid to Pasadena residents which is 10% of the total payroll and 82,161 hours to Pasadena residents. Additionally, there has been \$4,390,152 in local procurement and subcontracting reported by the contractors. Separately, Rose Bowl staff has reported a total of \$6,933,841 in direct local business project expenditures. This is a total of \$13,876,830 in local benefit.

Future Projects

<b>Project</b>	<b>Participation Type</b>	<b>Outreach Status</b>
Glenarm Repowering Project (GT5)	Project Labor Agreement	Active
Heritage Square	Required by Ordinance	Active
Mar Vista Union Apartments	Required by Ordinance	Active
Rose Bowl Renovation & Tenant Improvement Project	Good Faith Effort	Active
Centennial Place Rehabilitation	Required by Ordinance	Pending

**COUNCIL POLICY CONSIDERATION:**

Pursuant to the Pasadena Municipal Code, a statistical report on City procurement, living wage, and salvage are 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.

Respectfully submitted,



JULIE A. GUTIERREZ  
Interim Director of Finance

Prepared by:



Antonio Watson  
Project Manager

Approved by:



for MICHAEL J. BECK  
City Manager