



Staff: Dr. Costis Toregas
Purpose: Review – straw vote expected
Keywords: Procurement

AGENDA ITEM #19
 April 28, 2020
Worksession

SUBJECT

FY21 Operating Budget: Procurement

EXPECTED ATTENDEES

Ash Shetty, Director, Office of Procurement
 Jane Mukira, Management and Budget Specialist, OMB

EXECUTIVE RECOMMENDATION

FY21 Executive Recommendation	\$4,876,335	37.9 FTE
Increase (Decrease) from FY20	\$410,718 9.20%	3.0 FTE 8.6%

COUNCIL STAFF RECOMMENDATION – CONTINUITY OF SERVICES BUDGET

FY21 Council Staff Recommendation	\$4,808,909	37.9 FTE
Increase (Decrease) from FY20	\$343,292 7.7%	3.0 FTE 8.6%
Increase (Decrease) from CE FY21 Rec	(\$67,426) (1.4%)	3.0 FTE 0%

EXECUTIVE RECOMMENDED ITEMS NOT INCLUDED IN CONTINUITY OF SERVICES

- FY21 Compensation adjustments (\$67,426)

CONTINUITY OF SERVICES FROM FY20

- This budget as submitted is a continuity of services budget with no changes in FTEs or programs.
- The three additional positions come from other departments to implement Center-led procurement program and thus have a zero net impact.

PROPOSED REDUCTIONS DUE TO SOCIAL DISTANCING RESTRICTIONS

None

POTENTIAL ITEMS RELATED TO COVID-19

- No specific items identified yet by the Executive. Increases in costs to speed up procurement or source new suppliers related to Covid-19 should be identified and tracked.

This report contains:

Executive’s recommended FY21 budget

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Procurement

RECOMMENDED FY21 BUDGET

\$4,876,335

FULL TIME EQUIVALENTS

37.90

 **AVINASH G. SHETTY**, DIRECTOR

MISSION STATEMENT

The mission of the Office of Procurement is to facilitate the use of public funds in partnership with the County departments to effectively procure goods, services, and construction in an inclusive, transparent, and equitable manner that best serves County residents, businesses, and the public interest.

The Office of Procurement is a cabinet-level department tasked with preserving the public trust and ensuring the integrity of the County's procurement process. The Office of Procurement ensures compliance with all related laws, regulations, and policies. The Office of Procurement focuses on identifying opportunities for improvement of inter-and intra-departmental purchasing processes and implementation of recognized best practices to increase organizational efficacy, promote transparency, improve accountability, and facilitate compliance. In its interactions with all County departments and agencies, external governmental agencies, members of the business community, and the general public, the Office of Procurement serves as a resource for policy and program initiatives involving public contracting.

BUDGET OVERVIEW

The total FY21 Recommended Operating Budget for the Office of Procurement is \$4,876,335, an increase of \$410,718 or 9.20 percent from the FY20 Approved Budget of \$4,465,617. Personnel Costs comprise 92.98 percent of the budget for 38 full-time position(s) and two part-time position(s), and a total of 37.90 FTEs. Total FTEs may include seasonal or temporary positions and may also reflect workforce charged to or from other departments or funds. Operating Expenses account for the remaining 7.02 percent of the FY21 budget.

In February 2020, the County Executive announced ongoing efforts to identify no cost/low-cost reorganization efforts that will strengthen the delivery of priority outcomes, realign resources with policy objectives, and improve the efficiency and effectiveness of County government. As part of this plan, the Office of Procurement will launch a center-led initiative to streamline processes and centralize strategic procurement decision-making.

COUNTY PRIORITY OUTCOMES

While this program area supports all seven of the County Executive's Priority Outcomes, the following are emphasized:

 **Effective, Sustainable Government**

INITIATIVES

- ★ Establish a "Center-led" procurement model to centrally coordinate strategic procurement decisions for the County's construction, transportation, and information technology (IT) activities and acquisitions. This model will create flexible decision-making processes, share best practices with County departments, and develop category strategists with the subject-matter expertise to deliver improved customer services.
- ★ Implemented a new monthly Open House for the business community to increase accessibility to County staff, encourage participation in the process and improve competition pool.
- ★ Developed, in partnership with the Department of Technology Services (DTS), the Procurement Solicitation Tracker for increased transparency and vendor self service for access to solicitation status.
- ★ Implemented one-click scope view for solicitations for increased visibility, synthesized requirements in a shortened view and streamlined access to opportunities.
- ★ Developed expanded business access to the Procurement pocketguide on how to do business with the County by making it accessible in Chinese and Spanish, in addition to English.

INNOVATIONS AND PRODUCTIVITY IMPROVEMENTS

- ★ Procurement received two distinguished awards for the 2019 Public Sector Award from Women President's Educational Organization and from the National Procurement Institute for Excellence in Public Procurement.
- ★ Implemented a "rate my service" survey to emphasize customer service and also disseminated contract administrator survey at the conclusion of each solicitation. Both surveys resulted in scores exceeding 90 percent.
- ★ Implementation of monthly Kanban Boards to Department Directors that convey solicitation status reports electronically to increase transparency and accountability. This tool aligns with quarterly meetings with key departments to discuss improvements and actionable items.
- ★ Developed and published compliance matrix to provide a user-friendly view for stakeholders to determine compliance applicability in the procurement process, as well as Request For Proposal (RFP) and Invitation For Bid (IFB) process maps as a visual representation for businesses and departments to navigate the process.
- ★ Development and implementation of 24 innovation projects resulting from Procurement staff Innovation Accelerator participation.
- ★ Procurement has developed and implemented several internal and external outreach events, including The Big Deal quarterly newsletter, using department Director presentations at staff meetings, site visits to client department operations, using department "spend a day" at procurement visits and hosting of international delegations to improve understanding and awareness. Delegations include the Kenya Global Procurement Orientation visit and the Brazilian State and Local Level Public Procurement Officials visit.

PROGRAM CONTACTS

Contact Pam Jones of the Office of Procurement at 240.777.9911 or Jane Mukira of the Office of Management and Budget at 240.777.2754 for more information regarding this department's operating budget.

PROGRAM PERFORMANCE MEASURES

Performance measures for this department are included below (where applicable), with multi-program measures displayed at the front of this section and program-specific measures shown with the relevant program. The FY20 estimates reflect funding based on the FY20 Approved Budget. The FY21 and FY22 figures are performance targets based on the FY21 Recommended Budget and funding for comparable service levels in FY22.

PROGRAM DESCRIPTIONS

Business Relations and Compliance

The mission of the Division of Business Relations and Compliance (DBRC) is to plan and implement programmatic strategies to expand business opportunities for minority, female, and disabled business owners as well as Montgomery County small businesses. The office administers the County's Wage Requirements and Prevailing Wage programs for service and construction contracts. The DBRC is responsible for ensuring County government contracting compliance with the socioeconomic laws, programs, and policies of the County.

- **Minority, Female, and Disabled Persons (MFD):** The MFD program objectives focus on ensuring that contracts awarded by the County include equitable participation by certified minority, female, or disabled-owned businesses. The program identifies MFD firms, encourages and coordinates their participation in the procurement process through community outreach and internal seminars, and monitors contracts subject to MFD participation to ensure compliance.
- **Local Small Business Reserve Program (LSBRP):** The Local Small Business Reserve Program ensures that County departments award a minimum of 20 percent of total eligible contract dollars for goods, services, or construction to registered local small businesses. The program certifies local small businesses that meet the requirements set by law, assists County departments in identifying contracting opportunities and solicitations appropriate for LSBRP competition, and provides training and networking to help local small businesses compete with businesses of similar size and resources for County contracts to strengthen the local small business sector.
- **Wage Requirements Law (WRL):** The Wage Requirements Law program ensures that County contractors and subcontractors pay employees a "living wage" in compliance with the annually adjusted rate established by the Maryland State Commissioner of Labor and Industry for the Montgomery County region.
- **Prevailing Wage Law (PWL):** The Prevailing Wage Law is patterned after the Federal Davis-Bacon and State of Maryland's prevailing wage laws. It requires the local prevailing wage be paid to workers on County financed construction contracts. The prevailing wage rate is a rate paid for comparable work in the private sector within the County. The rates are calculated by the State, based on surveys of construction company employers.

Program Performance Measures	Actual FY18	Actual FY19	Estimated FY20	Target FY21	Target FY22
Percent of County contract dollars that are awarded to certified MFD vendors (measured against County goals for each category)	23.5%	24.4%	24.5%	25.0%	25.0%
Business Relations and Compliance: Percent of contract dollars awarded to LSBs	26.8%	27.4%	28.0%	28.0%	28.0%

Program Performance Measures	Actual FY18	Actual FY19	Estimated FY20	Target FY21	Target FY22
Enforcement: Dollars returned to workers as result of enforcement actions taken by Procurement	\$27,334	\$68,619	\$50,000	\$50,000	\$50,000

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	1,101,275	6.50
Re-align: Center-led Procurement Initiative	273,722	3.00
Decrease Cost: Enterprise Account Licenses	(2,500)	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	71,208	0.00
FY21 Recommended	1,443,705	9.50

Procurement Operations

The core components of this program are to purchase goods, services, and construction required by County departments in the most timely and cost-effective manner possible. Program staff assist departments in the development of procurement strategies and documents to ensure a competitive, transparent, and fair procurement process in accordance with the County Code and the Procurement Regulations. Program staff also educate vendors about the County's procurement process and procedures.

Procurement staff also provides County departments with training, assistance, and guidance of department contract administrators. Procurement Specialists develop contract administration procedures, research vendors, review contracts, and recommend revisions to County procurement policies and regulations to streamline the procurement process. In addition, testimony and other evidence regarding claims and contract disputes with contractors are reviewed to resolve issues.

Procurement staff participates with local, State, and national procurement purchasing associations to promote and teach continuing procurement education and learning credits, latest industry trends, latest source selection methods, and cooperative purchases. Staff also participates in and leads recognized professional purchasing organizations at the local, State, and national levels.

The Information Technology (IT) staff provides support to develop and maintain information systems for the department's business operations. This includes purchase and maintenance of IT equipment, service and support for major end-use systems on a Countywide basis. IT management of applications, databases, systems, and department website design and maintenance is included in this program as well as coordination with the County's Department of Technology Services.

Program Performance Measures	Actual FY18	Actual FY19	Estimated FY20	Target FY21	Target FY22
Percent of procurements completed in agreed upon time ¹	82%	87%	87%	88%	88%

¹ This figure represents the average for the following: Invitation For Bid - 90%; Request For Proposals - 88%; and Construction - 85% for FY19.

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	3,201,316	24.40
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	24,834	0.00
FY21 Recommended	3,226,150	24.40

Procurement Services

The Procurement Services section provides for departmental direction, oversight, and support for the Contract Review Committee, analysis, budget preparation, and monitoring. This section also manages contract scanning activities for documents, contracts, and subsequent contract actions, manages archiving standards, and provides departmental customer service assistance. Additionally, it centrally coordinates departmental training and tracking including national certifications and re-certification, expenditure control, escrow management, human resources activities, management of departmental knowledge based articles and MC311 service requests, and coordination of interpreter services for departmental activities or customer needs.

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	163,026	4.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	43,454	0.00
FY21 Recommended	206,480	4.00

BUDGET SUMMARY

	Actual FY19	Budget FY20	Estimate FY20	Recommended FY21	%Chg Bud/Rec
COUNTY GENERAL FUND					
EXPENDITURES					
Salaries and Wages	3,012,349	3,007,640	2,834,087	3,537,507	17.6 %
Employee Benefits	1,018,653	1,117,675	1,013,552	996,748	-10.8 %
County General Fund Personnel Costs	4,031,002	4,125,315	3,847,639	4,534,255	9.9 %
Operating Expenses	348,586	340,302	471,619	342,080	0.5 %
Capital Outlay	145	0	0	0	—
County General Fund Expenditures	4,379,733	4,465,617	4,319,258	4,876,335	9.2 %
PERSONNEL					
Full-Time	35	35	35	38	8.6 %
Part-Time	2	2	2	2	—
FTEs	34.90	34.90	34.90	37.90	8.6 %
REVENUES					
Other Charges and Fees	(748)	0	0	0	—
Other Fines & Forfeitures	160,262	0	0	0	—
County General Fund Revenues	159,514	0	0	0	—

FY21 RECOMMENDED CHANGES

	Expenditures	FTEs
COUNTY GENERAL FUND		
FY20 ORIGINAL APPROPRIATION	4,465,617	34.90
Other Adjustments (with no service impacts)		
Re-align: Center-led Procurement Initiative [Business Relations and Compliance]	273,722	3.00

FY21 RECOMMENDED CHANGES

	Expenditures	FTEs
Increase Cost: Annualization of FY20 Personnel Costs	73,872	0.00
Increase Cost: FY21 Compensation Adjustment	67,426	0.00
Increase Cost: Annualization of FY20 Compensation Increases	33,017	0.00
Increase Cost: MLS Pay for Performance (Increase to Base Pay)	10,663	0.00
Increase Cost: Print and Mail Adjustment	278	0.00
Decrease Cost: Enterprise Account Licenses [Business Relations and Compliance]	(2,500)	0.00
Decrease Cost: Retirement Adjustment	(45,760)	0.00
FY21 RECOMMENDED	4,876,335	37.90

PROGRAM SUMMARY

Program Name	FY20 APPR Expenditures	FY20 APPR FTEs	FY21 REC Expenditures	FY21 REC FTEs
Business Relations and Compliance	1,101,275	6.50	1,443,705	9.50
Procurement Operations	3,201,316	24.40	3,226,150	24.40
Procurement Services	163,026	4.00	206,480	4.00
Total	4,465,617	34.90	4,876,335	37.90

CHARGES TO OTHER DEPARTMENTS

Charged Department	Charged Fund	FY20 Total\$	FY20 FTEs	FY21 Total\$	FY21 FTEs
COUNTY GENERAL FUND					
Fleet Management Services	Motor Pool	41,716	0.30	42,976	0.30
Parking District Services	Bethesda Parking	7,002	0.05	5,765	0.05
Parking District Services	Silver Spring Parking	7,002	0.05	5,765	0.05
Transit Services	Mass Transit	27,810	0.20	28,650	0.20
Recycling and Resource Management	Solid Waste Disposal	69,526	0.50	71,626	0.50
Total		153,056	1.10	154,782	1.10

FUNDING PARAMETER ITEMS

CE RECOMMENDED (\$000S)

Title	FY21	FY22	FY23	FY24	FY25	FY26
COUNTY GENERAL FUND						
EXPENDITURES						
FY21 Recommended	4,876	4,876	4,876	4,876	4,876	4,876
No inflation or compensation change is included in outyear projections.						
Elimination of One-Time Items Recommended in FY21	0	(2)	(2)	(2)	(2)	(2)

FUNDING PARAMETER ITEMS

CE RECOMMENDED (\$000S)

Title	FY21	FY22	FY23	FY24	FY25	FY26
Items recommended for one-time funding in FY21, including enterprise licenses and one-time operating expenses for the Center-led initiative, will be eliminated from the base in the outyears.						
Labor Contracts	0	10	10	10	10	10
These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items.						
Subtotal Expenditures	4,876	4,884	4,884	4,884	4,884	4,884