



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER

File #: 18-913

Board Meeting Date: 10/2/2018

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors
From: John L. Maltbie, County Manager
Subject: Board of Supervisors' Response to the 2017-2018 Civil Grand Jury Report,
"Cooperative Purchasing - A Roadmap to More Effective City Procurement"

RECOMMENDATION:

Approve the Board of Supervisors' response to the 2017-2018 Grand Jury Report, "Cooperative Purchasing - A Roadmap to More Effective City Procurement."

BACKGROUND:

On July 19, 2018, the 2017-2018 San Mateo County Civil Grand Jury issued a report titled "Cooperative Purchasing - A Roadmap to More Effective City Procurement." The Board of Supervisors is required to submit comments on the findings and recommendations pertaining to the matters over which it has some decision making authority within 90 days. The Board's response to the report is due to the Honorable V. Raymond Swope no later than October 17, 2018.

DISCUSSION:

The Grand Jury made thirteen findings and six recommendations in its report. The Board responses follow each finding and the six recommendations that the Grand Jury requested that the Board respond to within 90 days.

FINDINGS

Finding 1:

All 20 of the cities in the County purchase goods and services through decentralized purchasing systems.

Finding 2:

Decentralized purchasing systems successfully allow the Cities to procure goods and services at fair market prices while minimizing labor costs.

Finding 3:

The creation of a centralized purchasing department to provide the organization with advanced procurement services and guidance can be cost prohibitive.

Finding 4:

While city employees receive training on municipal purchasing guidelines and policies, many employees who conduct purchasing operations as a secondary responsibility are not trained or instructed to negotiate optimum prices by leveraging market power.

Finding 5:

City employees who conduct purchasing operations as a secondary responsibility often do not identify commonly purchased goods that other departments also purchase and so miss the opportunity to negotiate lower costs which could be obtained by purchasing the items in bulk for multiple departments.

Finding 6:

Cooperative purchasing practices allow multiple public entities to collaboratively purchase goods and services, thereby gaining economies of scale that they would otherwise not have.

Finding 7:

Cooperative purchasing practices are compatible with decentralized purchasing systems and can allow the Cities to leverage their collective market power, without changing existing purchasing systems.

Finding 8:

Adoption of cooperative purchasing practices, including piggyback agreements and cooperative purchasing agreements, can enable all Cities to obtain lower prices on goods and services.

Responses to Findings 1-9:

Partially Agree. However, the County's Procurement Division has not studied/reviewed the Cities procurement processes and systems. The Division has limited or no knowledge of the structure, training, experience, or capabilities of the individual purchasing departments.

The Procurement Division supports cooperative purchasing but has not had an opportunity to adequately review what the necessary business requirements would be to determine feasibility of success for this shared endeavor.

Finding 10:

The County of San Mateo's Procurement Division is the only remaining public centralized purchasing department at the City and County level within San Mateo County.

Response:

Partially Agree. The County handles all purchases of goods that exceed \$5,000, while departments handle purchases below this amount. Department heads also have the authority to contract for services up to \$100,000, subject to procurement guidelines.

Finding 11:

Collaboration between the Cities and the Procurement Division through cooperative purchasing practices could achieve significant cost savings for both the Cities and the County.

Response:

Partially Agree. There would be savings generated through the use of shared agreements. Although, most co-optable, or piggyback contracts have set pricing determined by the vendor and the sponsoring agency who conducted the bid. Those prices are typically expressed as a percentage of retail and are not based on volume.

The State of California has many contracts that the County and other public agencies use to purchase commodities. The State also offers training on the use of co-optable or piggyback contracts for any public entity. The County currently utilizes cooperative agreements, so the projected savings may be lower than stated.

Finding 12:

The Procurement Division presently lacks the operational capacity to fully collaborate with the Cities.

Response:

Agree. The Procurement Division currently does not have the capacity to fully collaborate with the Cities. The Division has various initiatives underway, including the County-wide rollout of the Contracts Management System. In order to provide services to the Cities, various projects would need to be completed, and resources and system capabilities would need to be evaluated to fully collaborate with the Cities.

Finding 13:

There are no formal channels for communication between the County and the Cities regarding procurement cooperation opportunities.

Response:

Agree. Information about procurement cooperation opportunities have not been addressed.

RECOMMENDATIONS

Recommendation 1:

Increase the use of cooperative purchasing practices, including piggyback contracts and joint procurement agreements.

Response:

Agree. The County's Procurement Division will explore opportunities to collaborate with Cities to meet purchasing needs. This will be initiated once major key initiatives to enhance services in the Division have been completed and Checkpoints on the Pathway towards City-County Procurement Cooperation (Recommendation 6) has been developed. Such initiatives could include the County hosting a State of California training on how to access and use State contracts.

Recommendation 2:

Share with other Cities and the County Procurement Division their procurement needs in order to identify opportunities for cooperative procurements between the Cities and the County.

Response:

Agree. The County's Procurement Division will explore opportunities to collaborate with Cities to meet purchasing needs. This will be initiated once major key initiatives to enhance services in the Division have been completed and Checkpoints on the Pathway towards City-County

Procurement Cooperation (Recommendation 6) has been developed.

Recommendation 3:

Increase the use of cooperative purchasing practices, including the development and insertion of piggyback language into County contracts, with the Cities.

Response:

Agree. The County's Procurement Division will explore opportunities to collaborate with Cities to meet purchasing needs. This will be initiated once major key initiatives to enhance services in the Division have been completed and Checkpoints on the Pathway towards City-County Procurement Cooperation (Recommendation 6) has been developed. Utilizing existing cooperative contracts is a current practice for the County.

Recommendation 4:

Share with the Cities the County's procurement needs to identify opportunities for further cooperative purchasing.

Response:

Agree. The County's Procurement Division will explore opportunities to collaborate with Cities to meet purchasing needs. This will be initiated once major key initiatives to enhance services in the Division have been completed and Checkpoints on the Pathway towards City-County Procurement Cooperation (Recommendation 6) has been developed.

Recommendation 5:

Relocate the County's Procurement Division into an appropriate reporting structure, such that the Procurement Division shall report directly to the County Manager.

Response:

Partially Disagree. Several years ago, the Procurement Division was under the County Manager's Office, however it was moved to the Human Resources Department as this is an operational department that supports all County departments. As a follow-up to this recommendation, the Procurement Division will discuss the reporting structure with the County Manager's Office to determine if any organizational changes are anticipated.

Recommendation 6:

Develop and study a plan to achieve the Checkpoints on the Pathway towards City-County Procurement Cooperation within current plans to improve the Purchasing Division, including:

- a. Hire experienced buyers.
- b. Create and distribute to the Cities a register of open contracts.
- c. Ensure the County's purchasing software can track key indicators.
- d. Ensure the County's purchasing software can accommodate city purchases.
- e. Identify, in conjunction with the Cities, the goods and services with the highest potential savings.
- f. Negotiate discounted contracts for those goods and services.
- g. Distribute and report discounts to the Cities on a consistent basis.

Response:

Agree. The Procurement Division will develop a plan to review items a through g as noted above. It is believed there are opportunities to collaborate and provide services. However, one

area that may be challenging is the implementation of one purchasing system to track and accommodate County and city purchases, which may not be feasible given that each agency has their own budget and accounting practices. There should be a cost sharing agreement among agencies who participate as the cost are likely to be substantial. Given current initiatives, the review is anticipated to begin in FY 2019-20.

Acceptance of the report contributes to the Shared Vision 2025 outcome of a Collaborative Community by ensuring that all Grand Jury findings and recommendations are thoroughly reviewed by the appropriate County departments and that, when appropriate, process improvements are made to improve the quality and efficiency of services provided to the public and other agencies.

FISCAL IMPACT:

There is no Net County Cost associated with accepting this report.