

V.5 DRAFT Purchasing Committee Report

(Updated 03/06/06)(V.5.B 03/30/06)

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V.5.1 Members The Purchasing Committee Members were:

- **Douglas Kelly** – Chairman
- **Jim Kallinger** – Member
- **Cesar Calvet** – Member
- **Don Ammerman** – Member
- **Jimmy Goff** - Member

V.5.2 Meeting Schedule and Presenters

The Purchasing Committee held its first meeting on August 29, 2005 and concluded its deliberations on February 6th, 2006. The Committee meeting dates, presenters, and formal presentations given to the Committee are shown in Appendix V.5.A.

V.5.3 Executive Summary

(To be written after final decisions on recommendations)

V.5.4 Side-By-Side Comparison The Purchasing Entities Side-By-Side Comparison is found at Appendix V.5.B. The Side-By-Side presents data the Committee thought relevant to their deliberations and conclusions.

V.5.5 Findings

The Committee finds that:

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V.5.5.1 The Committee was impressed ~~and surprised at~~ with the extent current level of cooperation and collaboration that exists between the two governments.

V.5.5.2 Orange County's Purchasing and Contracts Division and the City of Orlando's Purchasing and Materials Management Division enjoy a long and productive partnership in practically all common areas of purchasing and contracting. While there are differences in the mission of each organization, there are many common areas in which cooperation abounds to the benefit of both entities. This ranges from the sharing of sources and contract clauses to the actual use of the other entity's contracts.

V.5.5.3 During the course of this study, each entity provided a detailed documentation of their purchasing contracts. Both the City and County each have approximately 700 term contracts for a wide array of goods, services and construction. The purchases covered by these contracts range from the delivery of bottled water to major highway repair work. The costs of orders under such contracts may be as little as \$2,500 or up to \$500,000 for highway repair work. Practically all of these contracts can be "piggybacked on" or used by other entities. Piggybacking involves one entity using the terms and price given to another entity for a specific product. Sample savings from the City of Orlando cooperative purchasing are depicted in Figure V.5.1. The City of Orlando's Purchasing Department used "contract shopping" among the governmental entity contracts available and picked the contracts with the lowest cost to achieve the 12.8% total savings against the list cost shown in Figure V.5.1. ~~(NOTE: The table was only meant to illustrate the savings produced by "contract shopping" per the Committee's request for some results to show the public. The savings are being measured against the most expensive cost as opposed to being measured against some other contact cost that would probably not be as expensive as the list cost and would therefore result in lower savings. Also, please note that a three-year and a five-year contract are included. Figure V.5.1 was not intended to mislead in any way, but to provide examples of the benefits of these contracts being made available by the procuring entity for use by other entities. The Committee thanks the City of Orlando for providing the data.)~~ The use of each entity's contracts by the other is a very common occurrence with the result being cost savings due to high volume purchasing, timelier support to customers and reduced administrative costs to the entities. (Source: City of Orlando)

V.5.5.4 ~~This~~ The Piggybacking concept is formalized with additional entities through the Shared Interest Cooperative Purchasing Group (SICOP). ~~This organization~~ SICOP currently includes purchasing representatives from Orange, Seminole, Osceola, Lake, Volusia and Brevard counties as well as a number of cities within these counties, including the City of Orlando. The primary focus of the organization is to analyze common procurements to determine if economic benefit may be gained by combining each entity's requirements into a cooperative purchasing effort. To this end, an entity is designated the lead responsible for the solicitation and award of a contract which will be used by all other members. Currently, ~~the organization~~ SICOP has four contracts in effect:

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herbicides, chlorine cylinders, rental of work uniforms, and ~~for~~ supply of gasoline and diesel fuel. ~~All have been very successful.~~

~~The~~ SICOP has recently asked both Orange County and the City of Orlando to ~~take over~~ spearhead the SICOP committee that ~~finds~~ identifies and pursues new potential contracts that SICOP should establish.

CITY OF ORLANDO SAVINGS FROM COOPERATIVE PURCHASING FROM RANDOM PURCHASES (FY 2004/2005)				
PURCHASE	PROCURING ENTITY (that has lead on contract)	GOVERNMENT RETAIL LIST PRICE	AMOUNT OF PURCHASE(S)	AMOUNT OF SAVINGS
Fuel (3 year contract)	Orange County	\$6,825,500	\$6,205,000	\$620,500
Disaster Clean – up	Orange County	\$24,123,478	\$21,841,318	\$2,282,160
Agricultural Chemicals (5 year contract)	SICOP	\$758,520	\$632,100	\$126,420
Various	GSA	\$816,206	\$543,086	\$273,120
Various	Orange County	\$1,014,726	\$844,305	\$170,421
Various	ATF	\$91,649	\$82,484	\$9,165
Various	Florida Sheriffs Association	\$121,968	\$60,984	\$60,984
Various	Orange County Schools	\$6,684,265	\$5,485,325	\$1,198,940
Various	State of Florida	\$2,837,494	\$2,141,185	\$696,309
Various	OUC	\$310,641	\$164,640	\$146,001
TOTAL		\$43,584,447	\$38,000,427	\$5,584,020
SAVINGS PERCENTAGE AGAINST LIST COST				12.8%

Figure V.5.1

V.5.5.5 Equally important as the cost savings ~~however,~~ is the networking and information sharing among SICOP members at meetings and through other communications that promote continued cooperation. Information on matters such as contractor performance, pricing, product availability, etc., is routinely shared ~~to for~~ the benefit of all members. ~~Briefings from subject matter experts on various types of contracts and legislative issues that impact contracting are a few of the benefits that contribute to the overall improvement in the proficiency of the group.~~

V.5.5.6 ~~Moreover,~~ ~~t~~The level of cooperation between the city and the county is bolstered by the fact that both belong to and are active participants in the major national and state professional purchasing associations. The preeminent statewide professional purchasing organization is the Florida Association of Public Purchasing Officers (FAPPO). With more than 1,000 members, FAPPO and the National Institute of Governmental Purchasing with more than 10,000 members worldwide share a common mission to foster the professional development and certification of purchasing personnel. Consequently, both organizations sponsor various training classes and seminars to maintain proficiency and to prepare for certification testing. Training and certification are two key indicators of the capability of a professional contracting staff. Both

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purchasing organizations place a high premium on maintaining a highly professional workforce. A testament to this commitment is the fact that 82% of the county's, and the 80% of city's purchasing workforce are is certified. ~~To reach this level of certification, a dedicated workforce and strong support from the highest levels of the organization is critical to, at a minimum, ensure that adequate funds are available to maintain and improve this achievement.~~

V.5.5.7 The city and the county's purchasing operations enjoy not only a strong and cooperative working relationship but also are active participants in regional, state and national purchasing alliances and organizations that contribute significantly to the overall effectiveness of their ability to accomplish their respective missions.

V.5.5.8 In the interest of continuous process improvement, both Orange County and the City of Orlando seek feedback from suppliers as to how the suppliers view government purchasing processes and how they would suggest that the processes be improved. Orange County surveys its suppliers every three to five years. The County has just finished completed a survey that consisted of individual interviews with 30 Architecture and Engineer (A&E) firms; ~~T~~the A&E firms reported that they were 90% satisfied with the County's contracting process. The City of Orlando has a protest process and an open door policy for suppliers. Although the County and the City pay within the allowed payment periods, the biggest complaint that suppliers have with both entities is the lack of what they many suppliers feel is prompt payment.

V.5.5.9 Process improvement is accomplished by both ~~P~~Ppurchasing ~~D~~Departments mainly by involvement in professional organizations and the process of applying for professional association awards. Through involvement in professional organizations and attendance at conferences, participants get feedback concerning their processes, stay on the cutting edge of their profession, and learn of best practices in purchasing and contracting. By going through the intricate process of preparing an award application, the ~~D~~Departments make improvements to their policies and processes gleaned from the award criteria. Both entities have received agency accreditation for the past five (5) years from the National Purchasing Institute (NPI) and the National Institute of Governmental Purchasing (NIGP). Orange County and the City of Orlando have also implemented performance measures, such as measuring and tracking "length of time" each designated action takes.

V.5.5.10 The role of the Orange County Comptroller, an independent and elected constitutional officer, presents both functional and legal impediments to any discussion of consolidation.

- The main issues revolve around the Comptroller's responsibilities relating to Finance, which include the auditing of County purchases before

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payments are made as well as providing accounting services for the County. These functions are performed with the assistance of the Comptroller's financial software package that integrates the purchasing function within into the budgeting, accounting, and fixed asset inventory functions. These functions are intertwined in the entire budgetary process for all Orange County departments and provide continuing checks and balances throughout the entire system. ~~The following overview of the functions provided demonstrates the permeation of the Comptroller's Financial System.~~

- ~~Initial budgets are uploaded from the Orange County Office of Management and Budget (OMB) into the accounting system. These budgets are used to ensure purchases are not made in excess of budgetary authority.~~
- ~~Throughout the year budget transfers are entered directly into the system by County departments and electronic approvals are obtained from OMB and the Comptroller's Office.~~
- ~~Requisitions are entered into the system by the County departments. The system verifies that sufficient budget is still available for the purchase before the requisition is electronically routed to the Orange County Purchasing and Contracting Department.~~
- ~~From requisitions, the Purchasing and Contracting Department creates purchase orders. Again budgets are electronically verified for budget sufficiency.~~
- ~~Once the goods or services are received, receiving documents are entered into the system by the County departments and forwarded to the Comptroller.~~
- ~~The Comptroller does a final pre-audit of the purchase using the system to, verifying the receiver, the purchase order, and the vendor's invoice are in agreement and that there is still budget sufficiency as well as public purpose. From this the system is used to create a check to the vendor.~~
- ~~If a purchase is for a fixed asset, the system is used to keep track of it.~~
- ~~With each step above, the accounting records are updated and at year-end the financial statements are generated using this information.~~
- This does not take into account any implications consolidation would have on payroll or records management, both of which are

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~~functions of the Comptroller's Office. The committee did not delve into these issues since there were no apparent efficiencies to be achieved with consolidation of this function.~~

V.5.5.11 Orange County and the City of Orlando provide direct purchases of materials for large construction, thereby saving the taxpayers the sales tax amount. If the contractor purchased the items and then received reimbursement by the County or City, an additional 6% of the material expenditures would have been added to the invoice.

V.5.5.12 All City and County contracts are available to the public on line for review.

V.5.5.13 The City of Orlando's contract broadcast of Requests For Proposals (RFP) to advertise a new RFP costs the City nothing, as a business must subscribe to the service (\$30.00 fee), ~~and the broadcast service works well.~~

V.5.6 Conclusions

Upon conclusion of deliberations the Committee unanimously determined:

V.5.6.1 There is a significant amount of ongoing cooperation between the two jurisdictions (e.g. bulk purchasing) that has provided impressive savings for both jurisdictions. We found no indication of any significant additional fiscal savings ~~that~~ which might be achieved through consolidation.

V.5.6.2 Both jurisdictions have made significant investments in their financial management systems. These systems are not compatible, and it would require a major financial investment to create an interface between the two systems. In addition, such an interface would have to be updated with all modifications and/or upgrades done by each department or division within the County and City. Additionally, the financial systems of each jurisdiction are deeply intertwined with their unique cross-departmental internal operations, making it extraordinarily expensive to extricate those interfaces in an effort to consolidate.

V.5.6.3 The role of the office of County Comptroller is embedded in the state constitution. As the chief financial officer for the eCounty, it appears that the functions provided by this office on behalf of the eCounty cannot be consolidated with functions performed by the eCity's financial office without both state legislation and County charter amendments.

V.5.6.4 The salary, benefits and retirement plans of the two organizations are substantially different. Combining the two would require re-negotiation of union contracts resulting in additional costs to both jurisdictions. It is difficult to ascertain if or when there would be any fiscal or services efficiencies realized.

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V.5.6.5 The MWBE offices have a small staff (four for the eCity, nine for the eCounty), charged with certification processing, contract administration and enforcement. (The County has 3 staff members dedicated solely to field inspections). The committee determined that consolidation of these departments would not provide any efficiency of costs or services. Each operates under different ordinances and board oversight. However, a coordinated certification process is deemed to be both possible and positive for both organizations.

V.5.6.6 There is no value added to the purchasing process by the current procedure for review of proposed purchases above \$100,000 by Orange County Commissioners or a review of proposed purchases above \$50,000 by the City of Orlando Council. The vast majority of these proposed purchases are approved by consent agenda. Raising the purchasing authority to a higher dollar level would simplify the purchasing process for the vast majority of purchases now reviewed and speed up the purchasing process.

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V.5.7 Recommendations

Consolidation of the Orange County and City of Orlando Purchasing Departments was studied for efficiencies in service delivery, economies of scale, opportunities for enhanced intergovernmental cooperation, and other related issues. The Committee recommends:

V.5.7.1 That because the Committee found that neither efficiencies in service delivery nor economies of scale would result from the consolidation of services, and because bigger is not necessarily better, neither the Purchasing Departments of Orange County and City of Orlando nor their services should be consolidated.

V.5.7.2 That Orange County and the City of Orlando develop a “One-Stop” application process for Minority/Women Business Enterprise (M/WBE) businesses where technology would allow the County and the City to access and share application data. Applicants could apply 24 hours a day, seven days a week over the Internet. The City and the County have agreed to do this.

V.5.7.3 That Orange County adopt a pro-active method such as the City of Orlando’s contract broadcast of Requests For Proposals (RFP) to advertise RFPs.

V.5.7.4 That Orange County and the City of Orlando develop potential expansion opportunities for SICOP to benefit both entities.

V.5.7.5 That Orange County and the City of Orlando authorize the delegation of purchase authority at a higher dollar level, more in line with the cost of goods and services purchased, to speed and simplify the purchasing process.

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APPENDIXES

APPENDIX V.5.A, MEETING SCHEDULE AND PRESENTERS

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APPENDIX V.5.B, PURCHASING ENTITIES SIDE-BY-SIDE COMPARISON

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APPENDIX V.5.A, MEETING SCHEDULE AND PRESENTERS

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PURCHASING COMMITTEE MEETING DATE	PRESENTER(S)	FORMAL PRESENTATION(S)
August 29, 2005	Johnny Richardson - Manager, Orange County Purchasing; Jon Mead - City of Orlando Purchasing Director; Kevin Walsh - MBE Officer/City of Orlando Assistant Purchasing Director	Orange County Purchasing and Contracts Division Presentation; City of Orlando Division of Purchasing and Materials Management Presentation
September 19, 2005	Alan Oyler - City of Orlando Public Works Director	City of Orlando Public Works Procurement Presentation
October 4, 2005	Warren Geltch – Orange County Administrative Services Director, Johnny Richardson – Orange County Purchasing Manager, Jon Mead – City of Orlando Purchasing Director, Kevin Walsh – City of Orlando Assistant Purchasing Director	Orange County Comments on obstacle to consolidation of City and County purchasing departments; City of Orlando Comments on impediments to consolidation of purchasing offices
October 18, 2005	Warren Geltch – Orange County Administrative Services Director, Jon Mead – City of Orlando Purchasing Director, Kevin Walsh – City of Orlando Assistant Purchasing Director	
December 7, 2005	Johnny Richardson – Orange County Purchasing Manager, Fitz Long – Orange County Business Development Manager, Jon Mead – City of Orlando Purchasing Director, Kevin Walsh – City of Orlando Assistant Purchasing Director	
January 4, 2006	Committee Discussion	
February 6, 2006	Committee Discussion	