



City of Arts & Innovation

City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: JANUARY 28, 2025**
FROM: FINANCE DEPARTMENT **WARDS: ALL**
SUBJECT: STRATEGIC PURCHASING REFORM UPDATE – AN INITIATIVE AIMED AT ENHANCING PROCUREMENT EFFICIENCY, EQUITY, AND STRATEGIC GOAL ALIGNMENT

ISSUE:

Receive and file the Strategic Purchasing Reform update that provides an overview of the progress and next steps in implementing the initiative aimed at enhancing procurement efficiency, equity, and strategic goal alignment.

RECOMMENDATION:

That the City Council receive and file the Strategic Purchasing Reform update.

LEGISLATIVE HISTORY:

City Charter Section 1105, Centralized Purchasing, and the City's Municipal Code Chapter 3.16, Centralized Purchasing requires the City to have a Centralized Purchasing System. Section 601(d) of the City Charter, Powers and Duties of the City Manager, requires the City Manager to prepare rules and regulations governing contracting/purchases, subject to approval of the City Council.

BACKGROUND:

The Strategic Purchasing Reform initiative is a critical step in the City's ongoing efforts to modernize and enhance its procurement processes. This initiative builds upon a series of historically significant milestones, beginning with the approval of the initial Disadvantaged Business Enterprise (DBE) program, which focused on ensuring equitable opportunities for disadvantaged businesses across various procurement types. In subsequent years, the City expanded its focus to include local economic stimulation, culminating in the introduction of the Local Vendor Preference (LVP) program. This program has undergone continuous refinement to ensure it better serves Riverside's business community and supports broader economic goals.

On February 5, 2024, the City's Purchasing Manager submitted an application to the prestigious Bloomberg Harvard City Leadership Initiative, a program designed to enhance city leaders' capacity to drive systemic change in urban governance. Interviews for the program were

conducted on February 21, 2024, during which City representatives from the Purchasing Division had the opportunity to present valuable information about the City's ongoing procurement reforms and future goals. Shortly thereafter, in early April 2024, the City was notified of its acceptance into the program, and the Purchasing Manager and two Senior Procurement and Contract Specialists were invited to participate. This acceptance was followed by a Procurement Virtual Session, where participants collaborated on a scenario assignment facilitated by Harvard instructors.

From May 13 to May 17, 2024, the City's Purchasing representatives participated in the intensive Bloomberg Harvard City Leadership program. The program offered a range of learning opportunities to enhance the City's procurement framework:

- Monday, May 13: The session titled *Teaming to Innovate* introduced participants to the distinction between technical challenges (where both the problem and solution are known) and adaptive challenges (where both require learning and adaptation).
- Tuesday, May 14: The session *Defining Excellence in Procurement* focused on moving procurement from a compliance-centered function to a strategic role that delivers better outcomes for residents. Additional sessions covered frameworks for overcoming organizational resistance to change and strategies for implementing effective procurement reforms.
- Wednesday, May 15: Topics included strategies for improving procurement efficiency, designing Request for Proposals (RFPs) that prioritize equity, and fostering procurement innovation.
- Thursday, May 16: Participants focused on creating public value propositions for procurement reform and learned strategic negotiation techniques, which were applied in a practical simulation.
- Friday, May 17: Each Team presented and received feedback on their project plans, followed by discussions focused on the Local Infrastructure Hub.

As a result of these sessions, key reform areas emerged, including updating local vendor requirements to simplify procurement processes, expanding community engagement efforts to educate vendors on how to work with the City, and establishing a comprehensive Contract Management Program aimed at mitigating risks and enhancing compliance.

DISCUSSION:

Overview of Leading City Procurement Reform Program

The Leading City Procurement Reform program at Harvard, now in its third year, continues to provide an intensive, hands-on experience for cities working to transform government procurement. This year's program in Cambridge involved 16 cities from across the United States, focusing on leadership challenges and strategies to make procurement more innovative, efficient, and equitable. The program helped participants develop skills to diagnose problems, communicate public value, collaborate across organizational boundaries, and manage resistance to change. With the help of Harvard faculty, the sessions provided valuable insights on improving team performance and negotiation capabilities with both internal stakeholders and vendors.

Riverside's Participation and Key Initiatives

Riverside's involvement in the program plays a crucial role in addressing the City's procurement challenges. By focusing on transparency and trust-building, we aim to align procurement strategies with the City's strategic goals and objectives. Our efforts are geared toward fostering a culture of proactive communication, ensuring coordination, and improving procurement efficiency. A major priority is enhancing opportunities for businesses by providing timely, clear information that can help them prepare for bidding and secure contracts, thereby driving local economic growth.

In alignment with Riverside's Strategic Plan, we are working on key initiatives to improve procurement operations, including integrating the Purchasing Division into early project planning, developing specialized functions for contract management and vendor diversity, and removing barriers for underutilized businesses. Strengthening vendor engagement through mentorship and outreach programs is also a priority. These initiatives aim to ensure that procurement is not only efficient but also equitable and aligned with the broader community and economic goals.

Details of these key initiatives are outlined below:

- **Enhance Collaboration and Break Down Silos** - Proactive integration of the Purchasing Division in the early stages of project planning across departments to foster a more collaborative approach, allowing for better forecasting, communication, and strategic alignment of procurement activities with departmental and city-wide objectives.
- **Create a Contract Management Function** - Specialized unit dedicated to Contract Management to oversee the entire contract lifecycle, ensuring compliance, monitoring performance, and fostering effective communication between departments and vendors.
- **Create a Vendor Diversity and Management Function** - Dedicated Vendor Diversity and Management Function to oversee vendor-related operations and spearhead DBE and preference initiatives. This consolidated approach aligns with the City's commitment to fostering equity, economic opportunities, and a more diverse and resilient vendor pool.
- **Identification and Removal of Barriers to DBE's** - Eliminate barriers for under-utilized businesses by enhancing access to capital, increasing visibility of upcoming procurement opportunities, and providing better access to business support.
- **Expand Vendor Engagement and Community Outreach** - Expand engagement with local vendors and the community through hosting informational sessions on doing business with the City, implementing mentor-protege programs, and enhancing the Local Vendor Preference (LVP) and Disadvantaged Business Enterprise (DBE) policies to promote equitable opportunities.
- **Implement Training and Professional Development** - Comprehensive training program for the Purchasing staff and other departmental personnel involved in procurement activities on strategic procurement practices and compliance with the City's Strategic Plan to instill a shared commitment to procurement excellence and promote a unified approach across City departments.
- **Leverage Technology and Data** - Leverage platforms and data analytics tools like Team Dynamix and the OneSolution Contract Module to enhance transparency, improve procurement services and contract management, and share real time successes in automated/accessible reporting.

- **Partner for Performance Improvement** - Collaborate with external experts, such as the Harvard Kennedy School Government Performance Lab, to provide valuable insights and strategies for improving procurement processes.

Progress and Milestones

By July 2024, the Purchasing team completed an analysis of departmental forecast data, helping to identify procurement challenges and key areas for improvement. The selection of the Procurement Forecasting Pilot departments – Public Works, Housing and Human Services, and Riverside Public Utilities (RPU) – was based on input from executive leadership. These departments will help test and refine the City's contract management program. The upcoming vendor survey, scheduled for January 2025, will gather additional feedback from the local business community to identify pain points and areas for improvement.

Additionally, by March 2025, a Procurement Excellence Steering Committee will be established, which will oversee the development of training programs for staff to enhance forecasting capabilities and project prioritization in alignment with the City's strategic goals. These steps are crucial in ensuring the long-term success of Riverside's procurement transformation.

Overcoming Challenges with Support and Resources

Achieving full implementation of procurement enhancements requires addressing key challenges, including staffing shortages and resource limitations. Adequate support for training, contract management, and vendor engagement is essential, alongside the need to standardize workflow and training processes. These challenges impact a wide range of stakeholders, from executive leadership and project managers to the local business community, who depend on a streamlined procurement system.

Recognizing these obstacles, the City has taken significant steps to ensure success. The City Council approved funding for additional Purchasing positions in the FY 24/25 budget, addressing critical staffing gaps. The Mayor and City Manager have also authorized the recruitment of department liaisons for the Procurement Excellence Steering Committee, with selections currently underway. Additionally, the City continues to collaborate with the Harvard Government Performance Lab, leveraging external expertise to refine and enhance procurement processes. Together, these efforts provide the necessary foundation to sustain the momentum of procurement reform.

Procurement Workload Forecast

The FY 24/25 Department Project Forecast Summary outlines a projected 9,020 hours of procurement activity across seven Buyers. While this accounts for approximately 65%-70% of productive work hours, it is important to contextualize this data within recent staffing challenges. Until three months ago, the Purchasing Division operated with only five Buyers, leaving no additional capacity for initiatives such as stakeholder training or process improvements. With the recent addition of two staff members, the division is now better equipped to address workload distribution, enhance departmental support, and align procurement efforts with the City's priorities.

The forecast provides a comprehensive view of procurement activities across departments, highlighting significant variances in contracts and solicitations. These insights allow stakeholders to identify areas requiring additional support and enable more effective resource management. However, it is critical to note that achieving program success will require active participation and

resource commitments from individual departments. Sustained collaboration is key to bridging resource gaps and ensuring that procurement efforts advance organizational goals.

In addition to workload forecasting, the Purchasing Performance Averages offer valuable metrics, including the number of solicitations, purchase orders (POs), contracts, and items presented to the Council or Board of Public Utilities. While these metrics are essential for identifying trends and evaluating performance, they must be viewed within the context of constrained resources. Both the Purchasing Division and the departments it supports need to ensure sufficient capacity is allocated to meet current demands and accommodate future program expansions. (See Attachment No. 1)

Procurement Forecasting Pilot: Department Point Person Roles and Responsibilities

The Procurement Forecasting Pilot relies on a designated department point person to serve as the primary liaison between Purchasing and their department. This individual will have the oversight and cross-functional familiarity necessary to collect and interpret purchasing information from across their department. Ideally, this role would be filled by an administrative or financial analyst who is well-positioned to coordinate efforts and communicate effectively.

The point person will perform several key responsibilities. First, they will collect or confirm details about anticipated purchases from departmental data or staff and compile this information into a standardized template for Purchasing. This task is expected to take approximately six hours. Next, the point person will attend a forecasting meeting with the Purchasing team to establish timelines, review priorities, and discuss specific departmental needs, with an estimated time commitment of two hours. Lastly, they will serve as the ongoing point of communication for any updates or questions throughout the fiscal year, requiring an additional two to four hours of effort.

By formalizing this role and defining its responsibilities, departments will be better positioned to coordinate procurement activities and support the success of the forecasting initiative. This collaborative approach ensures that resources are effectively allocated and that procurement efforts align with broader organizational objectives.

STRATEGIC PLAN ALIGNMENT:

The Strategic Purchasing Reform Project contributes to Priority 3 – Economic Opportunity and, specifically, Goal 3.4: Collaborate with key partners to implement policies and programs that promote local business growth and ensure equitable opportunities for all; and Strategic Priority 5 – High Performing Government – Provide world class public service that is efficient, accessible and responsive to all and specifically Goal 5.2 – Utilize technology, data, and process improvement strategies to increase efficiencies, guide decision making, and ensure services are accessible and distributed equitably throughout all geographical areas of the City.

The Strategic Purchasing Reform Project aligns with each of the Cross-Cutting Threads as follows:

- 1. Community Trust** – Strengthening the City's procurement processes to create a more inclusive and transparent system is in the public's best interest. These recommendations are grounded in sound policy and reputable data, reinforcing community trust by ensuring decisions are made transparently and in alignment with the greater public good. Presenting this reform to the City Council provides a platform for public engagement, enabling informed decision-making and further fostering trust.

2. **Equity** – The reform promotes equitable access to procurement opportunities by prioritizing fairness and removing barriers that impede participation. By creating a procurement framework that supports all businesses and stakeholders, the City ensures that progress benefits all communities equally. Enhanced process efficiencies allow for strategic resource allocation that promotes equitable distribution across City operations.
3. **Fiscal Responsibility** – Streamlining procurement procedures ensures cost-effectiveness while maintaining high-quality service delivery. These process improvements help the City maximize its resources, supporting departments in achieving their objectives efficiently and responsibly.
4. **Innovation** – The initiative introduces modernized procurement practices that embrace technological advancements and adaptive strategies. By fostering collaboration between City departments and external stakeholders, the reform supports the development of innovative policies and procedures that address emerging challenges, driving progress and continuous improvement.
5. **Sustainability & Resiliency** – Process improvements embedded in the reform promote organizational sustainability by optimizing resource utilization and minimizing waste. A resilient procurement strategy ensures the City remains adaptable to evolving economic and operational conditions, supporting long-term success and sustainability.

FISCAL IMPACT:

There is no immediate fiscal impact associated with the recommendations in this report.

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Attachment:

1. Attachment No. 1
2. Presentation