


GO COMMITTEE #2
April 28, 2015

MEMORANDUM

April 24, 2015

TO: Government Operations and Fiscal Policy (GO) Committee

FROM: Linda Price,  Legislative Analyst

SUBJECT: FY16 Operating Budget: Office of Procurement

Those expected to attend this worksession include:

- Fariba Kassiri, Acting Director, Office of Procurement
- Pam Jones, Division Chief, Procurement, Office of Procurement
- Grace Denno, Business Relations and Compliance, Office of Procurement
- Elyse Greenwald, Office of Management and Budget

Relevant pages from the FY16 Recommended Operating Budget are attached on © 1 - 6.

Budget Summary:

- The Executive's recommended budget for Procurement is \$4,080,281. This includes a shift of \$3,861,096 from the Department of General Services, and other adjustments totaling \$219,185.

Council Staff Recommendation:

- Council staff recommends approval of the FY16 operating budget for the Office of Procurement.
- Council staff recommends adding items to the Reconciliation List to fund recently enacted legislation.

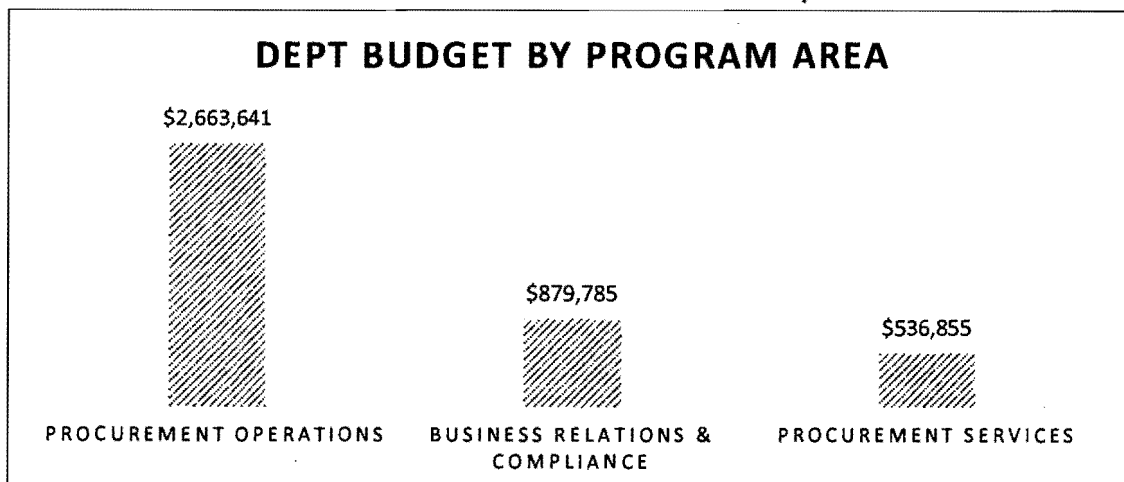
OVERVIEW

The mission of the Office of Procurement is to preserve the public trust and ensure the integrity of the County's procurement process through the efficiency and effectiveness of the procurement of goods, services, and construction in accordance with best practices, resulting in the highest value for County government and its residents. Over the course of the last year, the Council and Executive have taken action to strengthen and improve the County's procurement process, as well as programs geared towards enhancing utilization and improving access to contracting opportunities for local small and minority, female and disabled-owned businesses.

On October 28, 2014 the Council adopted resolutions 17-1253 and 17-1254 to create the Minority Owned and Local Small Business Task Force (see © 8 - 9) and Procurement Policies and Regulations Task Force (see © 10 - 11). Both Task Forces are charged with submitting recommendations to the Council to reform the County procurement system. Task Force members were appointed on January 20, 2015. Both groups will transmit their recommendations no later than September 15, 2015.

On March 17, 2015 the Council approved the Executive's legislation, Bill 7-15, Reorganization - Executive Branch - Procurement. This Bill shifted procurement functions from the Department of General Services (DGS) into a standalone department. The Executive has also initiated the Procurement Innovation Project (PIP). PIP will take a comprehensive look at procurement processes and the optimal organization structure for the new Office of Procurement. The Chief Innovation Officer is expected to report recommendations to the Executive this summer.

The Executive's recommended budget for Procurement is \$4,080,281. This includes a shift of \$3,861,096 and 32 FTEs from the Department of General Services, with additional adjustments totaling \$219,185. Personnel Costs total \$3,663,387 and account for 89.8 percent of the Office of Procurement budget. Operating Expenses total \$416,894 and comprise the remaining 10.2 percent of the recommended budget. The new Department includes Procurement Operations, Procurement Services and Business Relations and Compliance. An updated organization chart for the Office of Procurement is attached at © 7. The following chart illustrates recommended FY16 funding by program for the Office of Procurement budget.



FY16 EXPENDITURE ISSUES

The Executive is recommending the following expenditure changes to the FY16 Office of Procurement budget.

1. Multi-program Adjustments

The table below summarizes multi-program adjustments to the Office of Procurement. Executive staff estimate that these same-service adjustments will not impact the Department.

<i>Item</i>	<i>Amount</i>	<i>FTEs</i>
<i>Shift Procurement/OBRC from DGS</i>	3,861,096	32.0
<i>FY16 Compensation Adjustment</i>	97,574	0.0
<i>Retirement Adjustment</i>	25,392	0.0
<i>Group Insurance Adjustment</i>	9,619	0.0
<i>Printing and Mail Adjustment</i>	-3,176	0.0
<i>Annualization of FY15 Personnel Costs</i>	-26,274	0.0
<i>Total Adjustments</i>	3,964,231	32.0

2. Procurement Operations and Procurement Services

The DGS Office of Procurement budget included procurement operations and services. The FY15 approved funding level for procurement was \$2,742,924. In addition to the approved level, procurement related operating expenses and personnel costs were located under the DGS Automation, Administration and Facilities programs. These positions included an Information Technology Specialist III and a Management and Budget Specialist III. Also included were charges for Facilities Management focused procurement work. The following table displays funding levels for Procurement under DGS and provides further program breakout in FY16 for the Office of Procurement.

Procurement Operations and Procurement Services					<i>Changes from Shift</i>	
General Fund	FY14 Act.	FY15 Approved	Shift from DGS	FY16 Rec.	\$	%
Procurement (DGS)	2,501,210	2,742,924	3,044,358	0	-3,044,358	
Procurement Operations	0	0	0	2,663,641	2,663,641	
Procurement Services	0	0	0	536,855	538,855	
Program Total	2,501,210	2,742,924	3,044,358	3,200,496	156,138	5.1
<i>Personnel Costs</i>	2,402,758	2,602,854	2,904,288	2,977,734	73,446	2.5
<i>Operating Expenses</i>	98,452	140,070	140,070	222,761	82,691	59.0
<i>FTEs</i>	26.3	23.9	27.0	28.0		3.7

The Procurement Services program provides for departmental direction, oversight and support for the Contract Review Committee, analysis, budget preparation and monitoring. The FY16 recommended budget for Procurement Services is \$536,855, which represents 13% of the overall

Department budget. The Management and Budget Specialist shifted from DGS, as well as two Office Services Coordinators, and two Administrative Aides support this program.

Procurement Operations is responsible for purchasing goods, services, and construction required by County departments in the most timely and cost-effective manner possible. The FY16 recommended budget for Procurement Operations is \$2,663,641, which represents 65% of the overall Department budget. In addition to the shift from DGS and multi-program adjustments, the Executive recommended the following changes to Procurement Operations.

<i>Item</i>	<i>Amount</i>	<i>FTEs</i>
<i>Director, Office of Procurement</i>	244,400	1.0
<i>Computer Rentals</i>	-5,000	0.0
<i>Turnover Savings from Retirement and Under-filling positions</i>	-123,350	0.0

Executive staff report that the Department Director recruitment process is coming to an end. The Executive is in the process of finalizing a decision on a candidate and will soon be transmitting the appointment to the Council.

The other notable change is a decrease of \$123,350 due to turnover savings from retirements and under-filling positions. The retirement of a Manager III position accounts for \$71,049 of those savings. The remaining \$52,301 in savings is attributable to the under-filling of two positions. During a recent Procurement Policies and Regulations Task Force meeting, it was noted that the under-filling of positions has had a somewhat detrimental impact on the services provided by Procurement to using departments. This is due to the lengthier training process associated with hiring staff with less experience and turnover.

Council staff requested additional information on the hiring of Public Administration Interns, now classified as Public Administration Associates, and staff turnover rates. Additional information was requested regarding efforts to attract and retain qualified staff. Council staff received the following information.

Currently, we have one Public Administration Associate; a second one was recently promoted to a Procurement Specialist I. We are undergoing interviews to underfill two vacancies with Public Administration Associates; hiring exemption approved.

The turnover rate was calculated based on the approved personnel positions for the entire Division each fiscal year compared to the vacancies for each fiscal year. There is fluidity in the numbers as positions may have been filled within a fiscal year where a vacancy occurred: FY12: 3.8%, FY13: 18.3% FY14: 3.8%

Procurement worked with the Office of Human Resources in 2012 to review and update the procurement specialist classification. In 2013, Procurement issued several Ads to hire or re-hire specialists into the positions under the newly establish classification. National procurement certification was established as a requirement beginning with a Procurement Specialist II. The procurement specialist series was revised to allow for a career path and

support retention of specialists, which maximizes training investment and continuity of services to customers.

Council staff recognizes the recent efforts on the part of the Department to address staff retention. The Department will need to continue efforts to retain staff and ensure continuity. It was noted during a Task Force meeting that it can take many years to fully train a Procurement Specialist. Having experienced staff is critical to the procurement process and stakeholders. The Committee may wish to continue to monitor turnover within the Department in the coming years.

3. Business Relations and Compliance

The following table displays funding levels for OBRC from FY14 - FY16.

Business Relations and Compliance					Changes from Shift	
	FY14 Act.	FY15 Appr.	FY15 Shift	FY16 Rec.	\$	%
Program Total	482,318	487,370	816,738	879,785	63,047	7.7
<i>Personnel Costs</i>	443,548	487,370	531,738	594,785	63,047	11.9
<i>Operating Expenses</i>	38,770	0	285,000	285,000	0	0
<i>FTEs</i>	4.0	5.0	5.0	5.0	0	0

The mission of OBRC is to plan and implement programmatic strategies to expand business opportunities for minority, female and disabled business owners and Montgomery County small businesses. OBRC administers the Minority, Female and Disabled Persons (MFD) Program and Local Small Business Reserve Program (LSBRP). Additionally, they administer the Living Wage, Prevailing Wage, and Domestic Partner Benefits programs.

The FY16 recommended budget for OBRC totals \$879,785, which represents 22% of the overall Department budget. This includes \$63,047 in multi-program adjustments. As an office within DGS, the FY15 approved funding level for OBRC was \$487,370. Not reflected in that total was \$285,000 of operating expenses under the DGS Administration Program.

The Council approved \$60,000 to enhance the FY15 OBRC budget. This enhancement created a new Marketing Program Manager to support the MFD program. The position was filled at the beginning of 2015. However, the new-hire recently resigned due to family reasons. OBRC reports that a new candidate will start on May 17.

OTHER ISSUES

4. Related legislative initiatives

The GO and Health & Human Services (HHS) Committees and full Council have considered numerous bills recently that have fiscal impacts for the Office of Procurement in FY16. The FY16 budget does not include funding to implement these bills. The following table includes updated cost estimates provided by Executive staff of the funding needed for the enacted and pending legislation. In some cases, the FTEs, personnel costs, and operating expenses vary from the estimates provided in the attached Fiscal Impact Statements. The data in the following table is the most current information.

Bill	Name	FTEs OBRC	FTEs Proc.	Personnel Costs	Operating Expenses	Enacted	Fiscal Impact Stmt
Bill 14-14	Contracts and Procurement - Wage Requirements - Health Insurance - Amendments	1	0.5	\$246,468	Contracts: Unknown	4/14/15	© 15 - 17
Bill 29-14	Contracts and Procurement - Wage Requirements - Reporting	0.5	0.5	\$101,468	0	4/14/15	© 18 - 19
Bill 48-14	Purchases from Minority Owned Businesses - Procedures - Request for Proposals	0	0	0	0	4/14/15	© 23 - 25
Bill 49-14	Contracts and Procurement - Formal Solicitation - Reciprocal Local Preference	1	0	\$85, 626	Contracts: Unknown	4/14/15	© 26 - 28
Enacted OBRC FTE/Funding Subtotal		2.5					
Enacted Procurement FTE/Funding Subtotal		1.0					
Enacted Funding Subtotal		\$433,562		\$0	\$433,562		
Bill 40-14	Contracts and Procurement - Prevailing Wage Requirements - Apprenticeship Training	0	0	0	Between \$47,000 - \$130,000	Pending	© 20 - 22
Bill 61-14	Contracts and Procurement - Local Business Subcontracting Program	0.5	0.5	\$79,220	Contracts: Unknown	Pending	© 29 - 31
Bill 5- 15	Contracts and Procurement - Health Insurance Preference	0.5	0.5	\$85,946	Contracts: Unknown	Pending	© 32 - 34
Pending OBRC FTE/Funding Subtotal		1.0					
Pending Procurement FTE/Funding Subtotal		1.0					
Pending Funding Subtotal		\$165,166		\$130,000	\$295,166		

The Committee should add \$433,562 to the Reconciliation List for the Bills enacted on April 14, these include Bills 14-14, 29-14, 48-14 and 49-14. Council staff will continue to work with Executive Branch staff to refine the personnel costs and operating expenses for Procurement and OBRC for each Bill. Additionally, the Committee may wish to consider placing funding for pending legislation on the Reconciliation List.

Council staff recommends approval of the FY16 operating budget for the Office of Procurement with items added to the Reconciliation List to fund recently enacted legislation.

This Packet contains:

Recommended FY16 Office of Procurement Operating Budget	©
Organization Chart	1 - 6
Minority Owned & Local Small Business Task Force	7
Procurement Policies and Regulations Task Force	8 - 9
Responses to Council Staff Questions	10 - 11
Fiscal Impact Statement Bill 14-14	12 - 14
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Fiscal Impact Statement Bill 5-15	32 - 34

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Office of Procurement

MISSION STATEMENT

The mission of the Office of Procurement is to preserve the public trust and ensure the integrity of the County's procurement process through the efficiency and effectiveness of the procurement of goods, services, and construction in accordance with best practices, resulting in the highest value for County government and its residents.

As a cabinet-level department, the Office of Procurement will ensure compliance by all departments with procurement-related laws, regulations, policies and recognized best practices. The Office of Procurement will focus on identifying opportunities for process efficiencies that can result in reduced lead times, increased accessibility, and improved compliance and accountability by County departments. It will liaise with all county departments and outside agencies conducting public contracting and provide policy implementation guidance and assistance regarding Executive contracting goals. Externally, businesses and other organizations will observe the priority placed on this function for both accountability and accessibility to government contracting.

County Government Reorganization

In December 2014, the County Executive announced a Six Point Economic Development Plan which includes the creation of the Office of Procurement in order to improve effectiveness, customer service, accessibility, and efficiency. As part of this plan, the Office of Procurement was created to provide more emphasis on procurement programs and better focus its efforts on improving the inclusion of currently underserved sectors of the business community. The new Office of Procurement will include Procurement Services, Procurement Operations, and Business Relations and Compliance which were previously housed in the Department of General Services.

BUDGET OVERVIEW

The total recommended FY16 Operating Budget for the Office of Procurement is \$4,080,281, an increase of \$4,080,281 from the FY15 Approved Budget of \$0. Personnel Costs comprise 89.8 percent of the budget for 33 full-time positions, and a total of 33.00 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 10.2 percent of the FY16 budget.

LINKAGE TO COUNTY RESULT AREAS

While this program area supports all eight of the County Result Areas, the following are emphasized:

- ❖ **A Responsive, Accountable County Government**
- ❖ **Strong and Vibrant Economy**

DEPARTMENT PERFORMANCE MEASURES

Performance measures for this department are included below, with multi-program measures displayed at the front of this section and program-specific measures shown with the relevant program. The FY15 estimates reflect funding based on the FY15 approved budget. The FY16 and FY17 figures are performance targets based on the FY16 recommended budget and funding for comparable service levels in FY17.

ACCOMPLISHMENTS AND INITIATIVES

- ❖ - **Awarded 2014 National Procurement Institute's Achievement of Excellence in Procurement award.**

Contract Administrator Resources

- **The Office of Procurement hosted Contract Administrator Forums for knowledge enrichment and contract administrator enhancement through discussions, lectures, problem-solving exercises, and practical interactive sessions. Sessions included Navigating the Contract Committee Review (CRC) Process.**
- **Developed CRC guidelines and checklists for contract administrators.**
 - **Conducted several Contract Administrator Overview modules sessions in partnership with the Office of the County Attorney.**

❖ **Conferences/Outreach**

- **Organized and served as Moderator for the govConNet Montgomery County Government Panel, which provided businesses with an overview of the County's sustainable practices and initiatives.**
- **Promote environmentally preferable purchasing at Maryland Green Purchasing Legislative Day.**
- **Participated in the Maryland Public Purchasing Association, Inc.'s Regional Public Purchasing Conference and Products Exposition.**
- **Participated in the Department of Economic Development's Women's Power Conference, "What You Need to Know About the Procurement Process".**
- **Collaborated with the Department of Economic Development and the Office of Business Relations and Compliance on other outreach events and conducted one-to-one vendor meetings to navigate the procurement process.**

❖ **Multi Departmental Initiatives**

- **Coordinated contracting efforts and resource sharing among departments in need of medical/dental supplies, pharmaceuticals, and medical equipment to benefit from better volume pricing.**
- **Member of the Rewarding Excellence Technical Advisory Panel which is responsible for reviewing cost savings proposals by employee teams.**

❖ **Business Relations and Compliance**

- **Contracted \$147 million to Minority, Female, and Disabled Owned Business Program vendors, 20% of eligible spending in FY14.**
- **Contracted \$97 million to Local Small Business Reserve Program vendors, 24.6% of eligible spending in FY14.**
- **Hosted and participated in 20 outreach events in FY14 to promote the Minority, Female, and Disabled Owned Business and Local Small Business Reserve Programs.**
- **Work with chambers of commerce and vendor councils to provide technical assistance.**
- **Offer one-on-one consulting (15 vendors/month) for local, small or minority businesses on capacity building, contract compliance, procurement processes, proposal writing, etc.**
- **Monitored 104 Construction Projects for Prevailing Wage Compliance in FY14, and monitored a total of 1.5 million work hours on construction job sites.**
- **Continue to improve the Central Vendor Registration System (CVRS) to be the one stop portal for vendors to register/get certified, search, connect and browse solicitation lists on all County agencies.**

PROGRAM CONTACTS

Contact Pam Jones of the Office of Procurement at 240.777.9911 or Erika Lopez-Finn of the Office of Management and Budget at 240.777.2771 for more information regarding this department's operating budget.

PROGRAM DESCRIPTIONS

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 assists 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 educates 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 works collaboratively with the Office of Business Relations and Compliance, the Office of Community Partnerships and other departments to build relationships with Montgomery County. Procurement Specialists develop contract administration procedures and research, review, 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. Also, staff participates in and leads recognized professional purchasing organizations at the local, state, and national levels.

The information technology staff provides material and support to develop and maintain information systems in support of the Department's business operations. This includes purchase and maintenance of information technology (IT) equipment, service and support for major end use systems on a County-wide 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 Department of Technology

Services.

Program Performance Measures	Actual FY13	Actual FY14	Estimated FY15	Target FY16	Target FY17
Percent of Procurements Completed in Agreed Upon Time ¹	81.0	84.0	79.0	79.0	79.0

¹ This figure represents the average for the following: Invitation for Bid - 73%; Request for Proposals - 84%; and Construction: 96% for FY14.

FY16 Recommended Changes	Expenditures	FTEs
FY15 Approved	0	0.00
Shift: Division of Procurement from the Department of General Services	2,883,371	26.00
Increase Cost: Director, Office of Procurement	244,400	1.00
Decrease Cost: Computer Rentals	-5,000	0.00
Decrease Cost: Turnover Savings from Retirements and Under-filling Positions	-123,350	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.	-335,780	-4.00
FY16 CE Recommended	2,663,641	23.00

Notes: Under DGS the 4 FTEs and \$335,780 personnel costs were previously housed under Procurement. With Procurement as its own entity, Procurement Services and Procurement Operations were created as separate programs which shifted 4 FTEs from Procurement Operations to Procurement Services.

Business Relations and Compliance

The mission of the Office of Business Relations and Compliance (OBRC) is to plan and implement programmatic strategies to expand business opportunities for minority, female and disabled business owners and Montgomery County small businesses. The office administers the County's Living and Prevailing Wage programs as well as the Domestic Partner Benefits Law for service and construction contracts. The OBRC is solely responsible for ensuring County government contracting compliance with the socio-economic laws, programs, and policies of the County.

- Minority, Female and Disabled Persons (MFD): The MFD program objectives focus on ensuring that contracts awarded by Montgomery County include equitable participation by certified minority, female, or disabled-owned businesses. In addition, 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 issued 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 to identify 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 strengthening in the local small business sector.
- Living Wage: The Living Wage Law program ensures that County contractors and subcontractors pay employees a "living wage" in compliance with the annually adjusted rate established by the Montgomery County Wage Requirements Law.
- Prevailing Wage: The Prevailing Wage program ensures that contractors and subcontractors performing construction services over \$500,000 pay prevailing wages, as established by the Maryland State Commissioner of Labor and Industry for the Montgomery County region.
- Domestic Partner Benefits: The Domestic Partner Benefits program ensures the County's contractors or subcontractors, as employers, provide the same benefits to an employee with a domestic partner as provided to an employee with a spouse.

Program Performance Measures	Actual FY13	Actual FY14	Estimated FY15	Target FY16	Target FY17
Business Relations and Compliance: small, local business percentage of contract dollars	25	25	25	25	25
Percent of Contract Dollars Awarded to Minority/Female/Disabled owned businesses	20	20	20	20	20
Value of County contracts awarded to local small businesses (\$000)	96,750	96,271	70,000	70,000	70,000

FY16 Recommended Changes	Expenditures	FTEs
FY15 Approved	0	0.00
Shift: Business Relations and Compliance from the Department of General Services	816,738	5.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	63,047	0.00
FY16 CE Recommended	879,785	5.00

Notes: This figure also includes approximately \$285,000 in operating expenses that shifted from the Department of General Services.

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/retrieval of procurement related actions and in compliance with archiving standards, provides departmental customer service assistance, and manages the development of Contract Administrator Forums. 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 311 service requests, and coordination of interpreter services for departmental activities or customer needs.

FY16 Recommended Changes	Expenditures	FTEs
FY15 Approved	0	0.00
Shift: Management and Budget Specialist III from Department of General Services	160,987	1.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	375,868	4.00
FY16 CE Recommended	536,855	5.00

Notes: Procurement Services received 4 FTEs and \$335,780 in personnel costs from Procurement Operations and one Management and Budget Specialist from the Department of General Services. The program also includes associated operating expenses.

BUDGET SUMMARY

	Actual FY14	Budget FY15	Estimated FY15	Recommended FY16	% Chg Bud/Rec
COUNTY GENERAL FUND					
EXPENDITURES					
Salaries and Wages	0	0	0	2,601,005	—
Employee Benefits	0	0	0	1,062,382	—
County General Fund Personnel Costs	0	0	0	3,663,387	—
Operating Expenses	0	0	0	416,894	—
Capital Outlay	0	0	0	0	—
County General Fund Expenditures	0	0	0	4,080,281	—
PERSONNEL					
Full-Time	0	0	0	33	—
Part-Time	0	0	0	0	—
FTEs	0.00	0.00	0.00	33.00	—

FY16 RECOMMENDED CHANGES

	Expenditures	FTEs
COUNTY GENERAL FUND		
Other Adjustments (with no service impacts)		
Shift: Division of Procurement from the Department of General Services [Procurement Operations]	2,883,371	26.00
Shift: Business Relations and Compliance from the Department of General Services [Business Relations and Compliance]	816,738	5.00
Increase Cost: Director, Office of Procurement [Procurement Operations]	244,400	1.00
Shift: Management and Budget Specialist III from Department of General Services [Procurement Services]	160,987	1.00
Increase Cost: FY16 Compensation Adjustment	97,574	0.00
Increase Cost: Retirement Adjustment	25,392	0.00
Increase Cost: Group Insurance Adjustment	9,619	0.00
Decrease Cost: Printing and Mail Adjustment	-3,176	0.00
Decrease Cost: Computer Rentals [Procurement Operations]	-5,000	0.00
Decrease Cost: Annualization of FY15 Personnel Costs	-26,274	0.00
Decrease Cost: Turnover Savings from Retirements and Under-filling Positions [Procurement Operations]	-123,350	0.00
FY16 RECOMMENDED:	4,080,281	33.00

PROGRAM SUMMARY

Program Name	FY15 Approved		FY16 Recommended	
	Expenditures	FTEs	Expenditures	FTEs
Procurement Operations	0	0.00	2,663,641	23.00
Business Relations and Compliance	0	0.00	879,785	5.00
Procurement Services	0	0.00	536,855	5.00
Total	0	0.00	4,080,281	33.00

CHARGES TO OTHER DEPARTMENTS

Charged Department	Charged Fund	FY15		FY16	
		Totals	FTEs	Totals	FTEs
COUNTY GENERAL FUND					
Fleet Management Services	Motor Pool Internal Service Fund	0	0.00	37,375	0.30
Parking District Services	Bethesda Parking District	0	0.00	6,387	0.05
Parking District Services	Silver Spring Parking District	0	0.00	6,387	0.05
Solid Waste Services	Solid Waste Disposal	0	0.00	62,292	0.50
Transit Services	Mass Transit	0	0.00	24,917	0.20
Total		0	0.00	137,358	1.10

FUTURE FISCAL IMPACTS

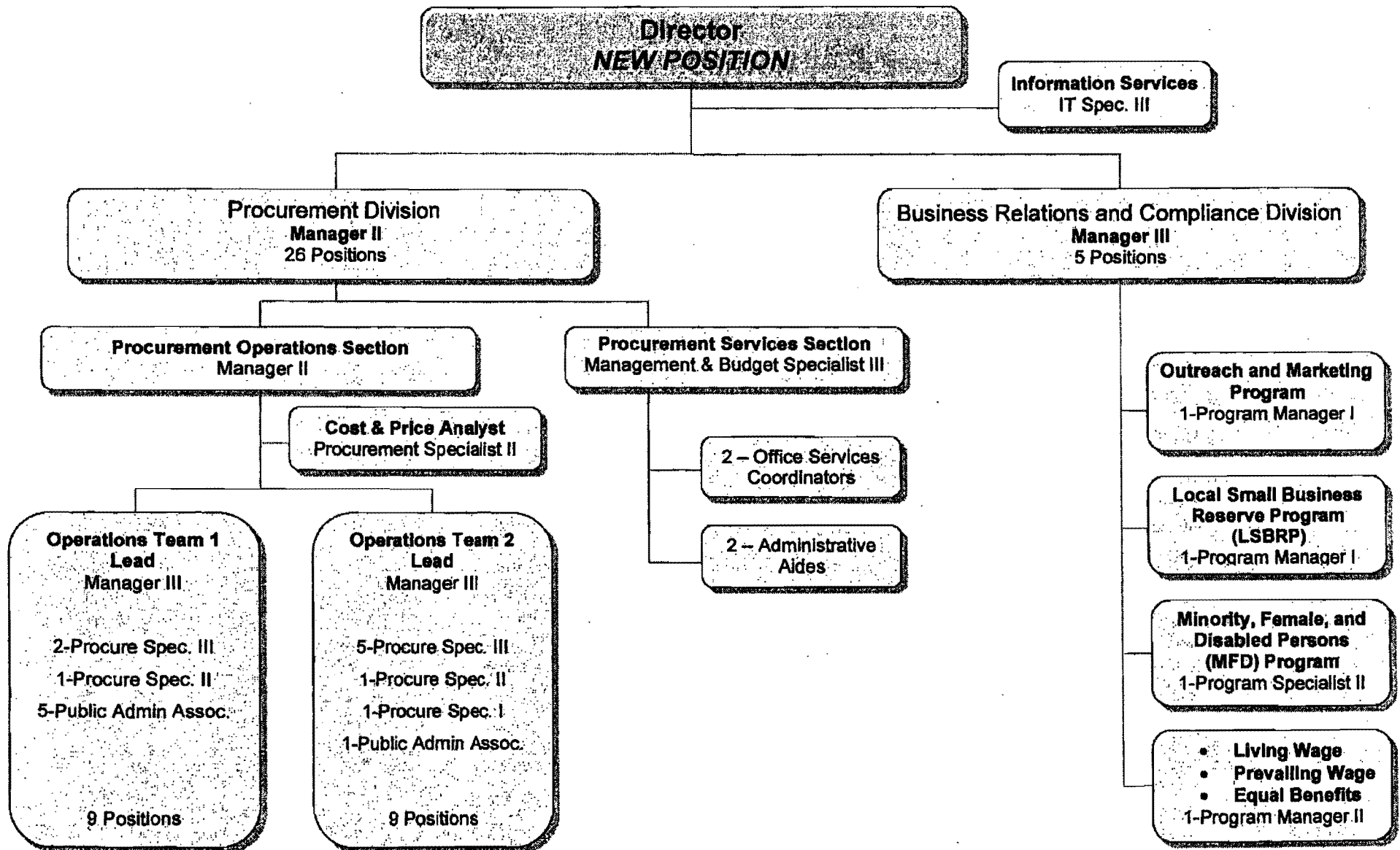
Title	CE REC.			(S000's)		
	FY16	FY17	FY18	FY19	FY20	FY21
This table is intended to present significant future fiscal impacts of the department's programs.						
COUNTY GENERAL FUND						
Expenditures						
FY16 Recommended	4,080	4,080	4,080	4,080	4,080	4,080
Labor Contracts	0	12	12	12	12	12
Subtotal Expenditures	4,080	4,092	4,092	4,092	4,092	4,092

ANNUALIZATION OF PERSONNEL COSTS AND FTES

	FY16 Recommended		FY17 Annualized	
	Expenditures	FTEs	Expenditures	FTEs
Decrease Cost: Annualization of FY15 Personnel Costs	-26,274	0.00	-41,995	0.00
Total	-26,274	0.00	-41,995	0.00

Office of Procurement

(33 Positions)



Resolution No.:	17-1253
Introduced:	October 28, 2014
Adopted:	October 28, 2014

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: Councilmembers Navarro, Branson, Riemer, and Council President Rice

SUBJECT: Minority Owned and Local Small Business Task Force

Background

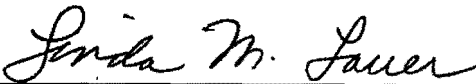
1. The County's current procurement laws and regulations are complex and difficult to navigate for both using departments and vendors.
2. County procurement contracts should be awarded competitively and provide the County with high quality goods and services at reasonable prices.
3. The County procurement process must be open and inviting to all vendors without regard to race, gender, national origin, disability, or size. The County must eliminate the effects of discrimination in the market place on the award of County procurement contracts.
4. The County retained Griffin & Strong, PC (GSPC) to conduct a quantitative analysis of the County's contracting history between July 1, 2007 and June 30, 2012. Within each relevant market, GSPC compared the percentage of firms in each race, ethnicity, gender, and disability group that are qualified, willing and able to perform services used by the County with the percentage of dollars spent by the County on firms in each MFD group. GSPC used this analysis to determine if each MFD group was underutilized or overutilized in each relevant market. GSPC further analyzed the results to determine if the underutilization observed was statistically significant and if the underutilization could be attributed to the MFD status of the firms through both a regression analysis that controlled for other possible explanations, such as business size or experience, and anecdotal evidence.
5. GSPC found a statistically significant underutilization due to the MFD status of the owner for some MFD groups in each procurement category.
6. The County procurement laws have had a preference for minority owned businesses for more than 30 years and a preference for small, local businesses since 2005.
7. To provide options for reform of the County programs for minority owned businesses and local, small businesses, the County Council should create and empower a Montgomery County Minority Owned and Local Small Business Task Force whose recommendations must be presented to the Council.

Action

The County Council for Montgomery County, Maryland approves the following resolution:

1. The County Council must create a Minority Owned and Local Small Business Task Force not later than January 20, 2015. The Council must appoint 9 members and designate one member as Chair of the Task Force.
2. The Task Force must be composed of persons who are experienced in government, business, or non-profit service delivery, or who otherwise have experience and expertise in government contracting. A person appointed to the Task Force must not be employed by County government or any County-funded agency. At least 7 of the members must be County residents at the time of appointment.
3. The Task Force must solicit suggestions for potential reforms of the County procurement system from: elected officials; County residents; business and community leaders; County and agency employees; and other stakeholders. Council staff must provide support to the Task Force.
4. The Task Force must submit its final report to the Council not later than September 15, 2015. The report must contain the Task Force's recommendations to reform the County procurement system. For each recommendation, the Task Force's report must include the rationale.

This is a correct copy of Council action.


Linda M. Lauer, Clerk of the Council

Resolution No.:	17-1254
Introduced:	October 28, 2014
Adopted:	October 28, 2014

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: Councilmembers Navarro, Branson, Riemer, and Council President Rice

SUBJECT: Procurement Policies and Regulations Task Force

Background

1. The County's current procurement laws and regulations are complex and difficult to navigate for both using departments and vendors.
2. County procurement contracts should be awarded competitively and provide the County with high quality goods and services at reasonable prices.
3. Simplifying the County procurement process would increase the number of vendors who seek to do business with the County and result in better value and lower prices.
4. To provide options for the needed reform of the County procurement system, the County Council should create and empower a Montgomery County Procurement Policies and Regulations Task Force whose recommendations must be presented to the Council.


Action

The County Council for Montgomery County, Maryland approves the following resolution:

1. The County Council must create a Montgomery County Procurement Policies and Regulations Task Force not later than January 20, 2015. The Council must appoint 9 members and designate one member as Chair of the Task Force.
2. The Task Force must be composed of persons who are experienced in government, business, or non-profit service delivery, or who otherwise have experience and expertise in government contracting. A person appointed to the Task Force must not be employed by County government or any County-funded agency. At least 7 of the members must be County residents at the time of appointment.

3. The Task Force must solicit suggestions for potential reforms of the County procurement system from: elected officials; County residents; business and community leaders; County and agency employees; and other stakeholders. Council staff must provide support to the Task Force.
4. The Task Force must submit its final report to the Council not later than September 15, 2015. The report must contain the Task Force's recommendations to reform the County procurement system. For each recommendation, the Task Force's report must include the rationale.

This is a correct copy of Council action.



Linda M. Lauer, Clerk of the Council

**Council Staff Questions
Office of Procurement
FY16 Operating Budget**

1. For the following Bills, please update the chart with the FTEs, Personnel Costs and Operating Expenses?

Bill	FTEs	Personnel Costs	Operating Expenses	Council Final Action Scheduled
Bill 14-14	1.0 Bus. Rel. Compliance 0.5 Proc.	\$246,468	Contracts: Unknown	Passed
Bill 29-14	0.5 Bus. Rel. Compliance 0.5 Proc.	\$101,468	0	Passed
Bill 40-14	0	0	\$47,000 - \$130,000 (contract increase)	
Bill 48-14	0	0	0	Passed
Bill 49-14	1.0 Bus. Rel. Compliance	\$85, 626	Contracts: Unknown	Passed
Bill 61-14	0.5 Bus. Rel. Compliance 0.5 Proc.	\$79,220	Contracts: Unknown	
Bill 5-15	0.5 Bus. Rel. Compliance 0.5 Proc.	\$85,946	Contracts: Unknown	

Response: Please see chart above which summarizes information from the FISs.

2. Database and software solutions were mentioned as potential staff time savings during the GO Committee worksessions for Bill 29-14 and Bill 49-14. Are there any estimates of the potential savings for these?

Response: For Bill 29-14, we intend to modify the current Living Wage Report Form to require contractors to include race and gender information, so the information required for analysis is contained in one document. For Bill 49-14, the effective date was moved to January 2016, recognizing the need to research and develop jurisdictional reciprocity data. At this time, we are beginning initial queries to see what's out there, so specific numbers are not available at this time.

3. Please provide additional information on the turnover savings from Retirements and Under-filling positions amount totaling \$123,350. It was mentioned during a recent Procurement Policies and Regulations Task Force meeting that many of the new hires have been under-filled as Public Administration Interns. How many PAI's are currently in your staff complement?

Response: The breakdown for turnover savings is: \$71,049-retirement savings from MIII and \$52,301-underfill of two Procurement Specialists as Public Administration Associates (total \$123,350). PAIs were re-classified by the Office of Human Resources as Public

Administration Associates. Currently, we have one Public Administration Associate; a second one was recently promoted to a Procurement Specialist I. We are undergoing interviews to underfill two vacancies with Public Administration Associates; hiring exemption approved.

4. Please confirm if the recently filled Marketing Program Manager position in OBRC is now vacant. Please provide information on whether this position will be immediately filled. Are there any other vacancies?

Response: The Marketing Program Manager previously hired moved out of State due to family reasons. An offer has been made to another candidate from the eligible list with a start date of May 17th; OBRC does not have any other vacancies.

5. It was noted at a recent Task Force meeting that Procurement has faced an issue with turnover. Please provide data on turnover for the last 3 fiscal years? What work is being done to attract and retain Office of Procurement staff?

Response: The turnover rate was calculated based on the approved personnel positions for the entire Division each fiscal year compared to the vacancies for each fiscal year. There is fluidity in the numbers as positions may have been filled within a fiscal year where a vacancy occurred:

FY12: 3.8%, FY13: 18.3% FY14: 3.8%

Procurement worked with the Office of Human Resources in 2012 to review and update the procurement specialist classification. In 2013, Procurement issued several Ads to hire or re-hire specialists into the positions under the newly establish classification. National procurement certification was established as a requirement beginning with a Procurement Specialist II. The procurement specialist series was revised to allow for a career path and support retention of specialists, which maximizes training investment and continuity of services to customers.

6. Please provide an update on the status of the Director, Office of Procurement recruitment.

Response: The County Executive is in the process of finalizing his decision and forwarding the appointment paperwork to County Council shortly.

7. Please provide information regarding the charges to other departments:
 - a. Motor Pool
 - b. Bethesda and Silver Spring Parking Districts
 - c. Solid Waste Disposal

d. Mass Transit

Response:

OFFICE OF PROCUREMENT CHARGES TO OTHER DEPARTMENTS	PRO NET/GROSS FY 16
Bethesda Parking District	\$ 6,264.00
Silver Spring Parking District	\$ 6,264.00
Motor Pool	\$ 36,308.00
Solid Waste Disposal	\$ 60,513.00
Mass Transit	\$ 24,205.00
TOTAL	\$ 133,554.00

These positions perform contract services for the funds listed above, since the departments utilize funds other than the General Fund.

**Fiscal Impact Statement
Council Bill 14-14 & Contracts and Procurement –
Wage Requirements- Health Insurance**

1. Legislative Summary.

The legislation requires certain County contractors or subcontractors to provide health insurance or cash equivalent for certain employees, limits the employee's share of the health insurance premium for certain employees working on a County contract, and eliminates the credit against the wage requirements for the employer's share of health insurance.

2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.

No revenues are affected.

There are a number of issues which could influence expenditures. For example, there is a potential for Bidders or Offerors to build increased rates into their bids or proposals to the County resulting from use of subcontractors into their costs. However, the exact increased percentage of cost to the County is hard to estimate.

Also, the new Health Insurance Requirements will increase the cost of audits, when an issue is discovered. The current audits only target Payroll records, and each audit is estimated at \$80,000. (OMB in 2004 recommended 3 FTE for managing the program and estimated an average of \$75,000 for each audit). When one includes the Health Insurance Requirements in the audit scope, the audit cost can increase 50%, to up to \$120,000 due to an increase in the amount of information to review and sensitivity of information present (This figure is based on recent audit costs, as well as estimate from Office of Internal Audit.).

Lastly, section 2(b) of the Bill also allows contractors to request up to \$4,000 per employee per year from the County as reimbursement. The county has 400+ contracts that are covered by the Living Wage Law with each contractor having anywhere between one to thousands of employees. The 4 audits OBRC recently conducted in 2013 showed an average of 80 employees on the County contracts. The \$4,000 per employee per year County compensation creates an incentive for vendors to use County resources to subsidize health insurance costs. In a worst case scenario, if all 400 contractors request the compensation, it will cost the County \$128 million per year to cover the reimbursement. This cost is not budgeted in departments' funds.

Another scenario assumes that 10% of contracts (40 contracts instead of 400) for non-skilled workers would be affected by the Living Wage rate. DGS estimates that the affected companies would have on average 45 employees. If compensation is requested by only the 10% of the wage-subject contracts the cost impact of the compensation provision could annually be \$7,200,000 (40 contracts x \$4,000 per employee x 45 employees). However, this provision of the bill is not limited to employees receiving wages on the lower end of the pay scale. This amount is significantly less than the \$128 million which is also present in the FIS, but this is due to the fact that it assumes only 10% of those companies participating request compensation.

3. Revenue and expenditure estimates covering at least the next 6 fiscal years.
See the answer to item 2.
4. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.
The legislation does not affect retiree pension or group insurance costs.
5. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.
The legislation does not authorize future spending.
6. An estimate of the staff time needed to implement the bill.
One FTE with Health Insurance and Auditing background is needed to respond to complaints, investigate issues, initiates and monitor audits, process memos and reports, outreach and educate vendors and Contract Administrator, etc.
One FTE Procurement Specialist is needed to analyze bid and proposal submissions as it relates to the area of health insurance and applicability in the process. It will require a review of each solicitation and award action; legal determinations of variances in law; and central management of procurement actions and issues to minimize delays.
The staff time required in the 100% scenario and the 10% scenario are identical since all submissions must be analyzed.
7. An explanation of how the addition of new staff responsibilities would affect other duties.
The current Living Wage Law is managed by 1/3 of one FTE, who also manages the County's Prevailing Wage Law and the Equal Benefits Law. This new task requires extra resources (one FTE) to manage the updated Living Wage Law.
The current procurement staff complement in operations remains steady; however, this workload does not take into account the ever increasing layers of legislation incorporated into the Procurement process; thereby, increasing delays and complexity with each procurement analysis.
The new staff responsibilities in the 100% and 10% scenario are identical.
8. An estimate of costs when an additional appropriation is needed.
 - a. One FTE program manager with financial background, including computer, office space, office supply, etc.
 - b. One FTE Procurement Specialist, including computer, office space, office supply, etc.

c. Complaints or issues during compliance validation may trigger investigations and possible audits. An estimate each audit may cost around \$80,000-\$120,000.

9. A description of any variable that could affect revenue and cost estimates.

The number of workers under each contract can affect cost to the County.

10. Ranges of revenue or expenditures that are uncertain or difficult to project.

See the answer to item 2.

11. If a bill is likely to have no fiscal impact, why that is the case.

Not applicable.

12. Other fiscal impacts or comments.

Complaints or issues during compliance validation may trigger investigations and possible audits. Estimate each audit may cost around \$80,000-\$120,000.


This addition to the Living Wage Law may increase the procurement process by up to 30 days.

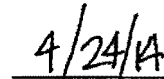
13. The following contributed to and concurred with this analysis:

Grace Denno, Manager, Office of Business Relations and Compliance, DGS

Pam Jones, Chief, Office of Procurement, DGS

Erika Lopez-Finn, OMB


Jennifer A. Hughes, Director
Office of Management and Budget


Date

Fiscal Impact Statement
Council Bill 29-14 & Contracts and Procurement –
Wage Requirements - Pay Equity, Wage Reporting

1. Legislative Summary.

The legislation requires a County contractor subject to the Wage Requirements law report to summarize wage data, including data by gender and race, paid to their employees who work on County contracts. It would also prohibit a County contractor from retaliating against an employee who discloses salary information to another person or employee under certain circumstances.

2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.

No revenues are affected by this legislation.

In order to comply with the legislation, vendors may need to hire extra administrative support to manually input gender and race information which is not standard on payroll reports. In order to offset this increased cost, there is the potential for bidders or offerors to increase their bid or rate proposals to the County as a result of adding specific information, such as gender and race, into their payroll report. The exact cost percentage increase to the County is hard to estimate.

3. Revenue and expenditure estimates covering at least the next 6 fiscal years.

See the answer to item 2.

4. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.

The legislation does not affect retiree pension or group insurance costs.

5. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.

The legislation does not authorize future spending.

6. An estimate of the staff time needed to implement the bill.

One FTE (Program Manager II grade 25) with a financial and auditing background is needed to respond to complaints, investigate issues, initiate and monitor audits, process memos and reports, provide outreach, and educate vendors and contract administrators.

One FTE (Procurement Specialist grade 27) is needed to analyze bid and proposal submissions as it relates to financial responsibility and qualifications, cost and price,

of adequate resources for the MFD program. Adding the requirements of Bill 29-14 to this position would negatively impact the functions of the MFD program.

8. An estimate of costs when an additional appropriation is needed.

DGS would need one FTE Program Manager II (grade 25), with financial, accounting and auditing background. DGS estimates total personnel costs at \$90,000 and \$2,734 of associated operating expenses (desktop, furniture, phone) in the first year of implementation.

DGS would require one FTE Procurement Specialist (grade 27) and estimates total personnel costs at \$102,000 and \$2,734 of associated operating expenses (desktop, furniture, phone) in the first year of implementation.

Complaints or issues during compliance validation may trigger investigations and possible audits. Each audit is estimated at \$40,000-\$80,000 based on recent actual audit costs, and estimates from the Office of Internal Audit.

9. A description of any variable that could affect revenue and cost estimates.

The number of workers under each contract can affect the cost to the County since costs to vendors would likely be included in bid proposals.

10. Ranges of revenue or expenditures that are uncertain or difficult to project.

See the answer to item 2. Direct costs to vendors are difficult to estimate.

11. If a bill is likely to have no fiscal impact, why that is the case.

Not applicable.

12. Other fiscal impacts or comments.


None.

13. The following contributed to and concurred with this analysis:

Pam Jones, Chief, Office of Procurement, DGS

Grace Demo, Office of Business Relations and Compliance, DGS

Erika Lopez-Finn, Office of Management and Budget


Jennifer A. Hughes, Director
Office of Management and Budget

5/27/14
Date

Fiscal Impact Statement

Council Bill 40-14

Contracts and Procurement - Prevailing Wage Requirements - Apprenticeship Training

1. Legislative Summary.

The bill requires a contractor or subcontractor on certain County-financed construction contracts to provide apprenticeship training directly to or by making payments to support apprenticeship training programs operated by third-party organizations. The legislation allows for contractors and subcontractors to make payments to Montgomery College's Building and Construction Technology Program in lieu of providing apprenticeship training. The legislation also allows for contractor or subcontractor payments to be deducted from the prevailing wage rate pay to the employee for the cost of apprenticeship training programs.

2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.

No County revenues are affected; however Montgomery College may experience a change in its revenue.

The compliance monitoring requirement under the proposed bill is currently not in the scope of the contract with the County's Prevailing Wage compliance monitoring contractor. To add this responsibility, DGS estimates an additional cost between \$47,000 and \$130,000 (8% to 24% cost increase) annually based on its discussions with the contractor. The contractor estimates a cost of \$25 - \$50 per contractor/subcontractor per month which it would bill on an hourly basis to the County. The contractor noted that the additional cost would be driven by how the apprenticeship contribution information is tracked and whether this information will be able to be verified quickly with online access or a more cumbersome process.

3. Revenue and expenditure estimates covering at least the next 6 fiscal years.

The proposed legislation does not affect County revenues. County expenditure estimates for the next six years range from \$282,000 to \$780,000.

According to Montgomery College, the bill would have a fiscal impact on their operations; however, the specific impact cannot yet be quantified because there are multiple variables in the legislation the College does not have the capacity to calculate such as the number of contracts that might be subject to the legislation and the number of individuals employed by such contractors.

Additionally, the legislation appears to allow revenues to flow to different entities, again impacting the ability to calculate the fiscal impact. The College is committed to "learn and earn" opportunities and currently supports approximately 900 individuals in apprenticeships. It is likely a marginal increase to that number would not create a fiscal challenge. A significant increase would likely mean the need for increased staff and faculty to manage and teach the appropriate courses.

4. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.

The proposed bill does not affect retiree pension or group insurance costs.

5. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.

The proposed bill does not authorize future spending.

6. An estimate of the staff time needed to implement the bill.

Assuming that the primary monitoring responsibilities will be included as an added requirement in the County's existing compliance monitoring contract County staff time for monitoring would be minimal. However, once a noncompliance issue is identified by the contractor, DGS staff will need to follow up, investigate, and decide what actions the County needs to take. A low end workload scenario assumes an additional 3 hours per week of staff time would be needed to implement the bill.

7. An explanation of how the addition of new staff responsibilities would affect other duties.

The additional staff responsibilities would be a part of the responsibility of the Prevailing Wage Program manager. DGS currently has 1/3 FTE working in the Prevailing Wage Program.

8. An estimate of costs when an additional appropriation is needed.

If CCMI is tasked with monitoring this requirement, CCMI will increase their rate to the County by \$47,000 to \$130,000 annually.

9. A description of any variable that could affect revenue and cost estimates.

There is a potential for Bidders or Offerors to build increased rates into their bids or proposals to the County resulting from the apprenticeship training requirements.

The number of workers and their work hours under each construction contract can affect the cost to the County.

10. Ranges of revenue or expenditures that are uncertain or difficult to project.

No revenue is expected to be generated for Montgomery County Government. The revenue range for Montgomery College is difficult to predict. Please see response to item 2 on expenditure estimates.

11. If a bill is likely to have no fiscal impact, why that is the case.

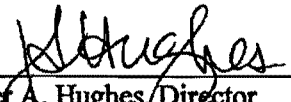
Not Applicable.

12. Other fiscal impacts or comments.

DGS notes that this requirement may also reduce competition by qualified construction contractors as companies who would not choose to make payments would not participate in the bidding process.

13. The following contributed to and concurred with this analysis:

Pam Jones, Office of Procurement, Department of General Services
Grace Denno, Office of Procurement, Department of General Services
Beryl Feinberg, Department of General Services
Angela Dizelos, Department of General Services
Susan Madden, Montgomery College
Linda Hickey, Montgomery College
Erika Lopez-Finn, Office of Management and Budget



Jennifer A. Hughes, Director
Office of Management and Budget

10/13/14
Date

Fiscal Impact Statement
Council Bill 48-14, Purchases from Minority Owned Businesses
Procedures -Request for Proposals

1. Legislative Summary.

The legislation establishes an evaluation factor in a request for proposals (RPFs) to increase participation of minority owned firms in certain procurement contracts and adds additional tools, such as an evaluation factor of at least 10% but no more than 20% of total available points to requests for proposals for increasing the participation of minority owned firms in certain procurement contracts.

2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.

The proposed legislation will not impact revenues and expenditures.

3. Revenue and expenditure estimates covering at least the next 6 fiscal years.

The proposed legislation will not impact revenues. Expenditures will only be affected if contract prices are affected.

4. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.

The proposed legislation will not affect retiree pension or group insurance costs.

5. An estimate of expenditures related to County's information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.

The proposed legislation will not impact expenditures related to IT systems

6. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.

The proposed legislation does not authorize future spending.

7. An estimate of the staff time needed to implement the bill.

The Minority Female Disabled (MFD) program manager will develop baseline instructions on how to rate the MFD participation in the evaluation criteria for the department Qualifications and Selection Committee (QSCs). DGS anticipates that at the beginning of rolling out this requirement, the department QSCs will consult with the MFD program manager on each solicitation.

DGS received 143 proposals responding to RFPs in FY14. Assuming an average of 3 proposals per week, the MDF program manager expects to spend 2 hours per proposal (or six hours per week) in reviewing RFPs.

8. An explanation of how the addition of new staff responsibilities would affect other duties.
The availability of existing staff for these additional procurement related efforts would entail a lengthier process and delays of other types of procurement actions while these are being researched and resolved.

9. An estimate of costs when an additional appropriation is needed.
Not applicable.

10. A description of any variable that could affect revenue and cost estimates.
Not applicable.

11. Ranges of revenue or expenditures that are uncertain or difficult to project.
Not applicable.

12. If a bill is likely to have no fiscal impact, why that is the case.
This bill results in increased staff time which can be absorbed.

13. Other fiscal impacts or comments.

Currently, offerors submit MFD plans by the time the contract is signed. The proposed legislation would require offerors to submit their MFD plans when they submit their proposals. Submitting MFD proposals earlier may limit the vendors' ability to obtain more competitive pricing compared to later submitting in the procurement process. This may increase the upfront cost for the vendors, which may be passed on to the County in the form of higher bid prices.

Procurement and OBRC will need to further investigate whether a vendor was evaluated and assigned points for later changes during negotiations or before the award. There may be changes to the subcontractors' availability and costs, but the County's flexibility would be limited since availability and costs would have to be finalized prior to submissions since evaluations are at stake.

14. The following contributed to and concurred with this analysis:

Grace Denno, Department of General Services
Angela Dizelos, Department of General Services
Beryl Feinberg, Department of General Services

Pam Jones, Department of General Services
Erika Lopez-Finn, Office of Management and Budget

Jennifer A. Hughes
Jennifer A. Hughes, Director
Office of Management and Budget

11/18/14
Date

Fiscal Impact Statement
Council Bill 49-14, Contracts Procurement -
Formal Solicitation Reciprocal Local Preference

1. Legislative Summary.

The proposed legislation establishes a reciprocal preference for a County-based bidder in certain contracts awarded by competitive sealed bidding. A reciprocal preference in this case must be identical to the preference that the other state or political subdivision gives to its residents.¹ On competitive sealed biddings, the Director must give a preference to a County-based bidder if: (1) a non-County-based bidder is the lowest responsible and responsive bidder; (2) the non-County-based bidder has its principal place of business in a jurisdiction where a preference is given to local residents; and (3) the preference does not conflict with federal law or a grant affecting the purchase of the contract.

2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.

The proposed legislation does not impact County revenues.

The proposed bill may consistently impact expenditures when the County gives preference to a County-based bidder and does not make an award to the lowest bidder. The price percentage increase can vary and depends on the price of the lowest bids. See response for items 3 and 7.

3. Revenue and expenditure estimates covering at least the next 6 fiscal years.

The proposed bill does not impact County revenues.

County expenditures may increase on bid awards. However, the exact amount is difficult to estimate; it is possible the amount on any given award could be 1%, 5%, 10%, or higher than the lowest bidder. A key factor in expenditure increases is how the preference programs are established for the non County-based vendors in their home jurisdiction as calculations these preference programs use will serve as the same calculations Montgomery County's OBRC would apply to bids it receives.

4. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.

The proposed legislation does not affect any retiree pension or group insurance costs.

¹ An in-state (local) preference is an advantage given to County-resident bidders/proposers in response to a solicitation for products or services which may be granted based on pre-established criteria. For the proposed legislation, the reciprocal preference (if any) would apply the local preference of the non-County bidder's home jurisdiction on that bidder's proposal. For example, if County X applied a 10% price increase to bidder's from Montgomery County, Montgomery County would apply a 10% mark up on bids from County X.

5. An estimate of expenditures related to County's information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.

Not applicable.

6. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.

The proposed legislation does not authorize future spending.

7. An estimate of the staff time needed to implement the bill.

DGS estimates that 1.0 FTE for a Program Manager I (Grade 23) for the Office of Business Relations and Compliance (OBRC) to implement work associated with the proposed legislation. DGS estimates personnel costs at \$ 85,626 and associated operating expenses at \$2,734 (desktop, phone, and furniture).

For the proposed legislation, significant staff time will be spent on researching price preference programs in the non County-based bidders' home jurisdictions, applying the calculations to the County-based bidder, adding the associated procurement procedures, and recalculating possible award determinations. DGS receives bids nationally and some bidders' home city, county, or state may have layers of preference programs which DGS would need to investigate. DGS estimates 8.5 to 10 hours of investigation per bid and estimates 164 bids per year (based on the number of bids in FY14), which yields 1,394 to 1,640 staff hours or 1.0 FTE.

8. An explanation of how the addition of new staff responsibilities would affect other duties.

Many jurisdictions, such as City of Chicago, City of Los Angeles, City of Portland, and Prince George's County have their own preference programs with unique applications and implementation frameworks.

For example, Prince George's County has a pricing preference for County based vendors at 5%, 10%, 15% increments depending on the vendors' certifications. The City of Chicago has a credit system where the vendor gets a \$1 dollar credit for every \$3 dollars they spend with minority or local vendors. Because of these variations, the calculation would be different for each bidder, and the final result on who is the actual low bidder will depend on different calculations based on the applicants' home jurisdictions.

The staff would have to study each of the low bidder's home jurisdiction preference programs and how to best apply that reciprocal calculation in OBRC and Procurement. This will require significant staff time for each bid to identify, research, contact and discuss with the home jurisdiction's compliance officer.

This will significantly delay contract award time for invitations for bids (IFBs), and the proposed legislation would create opportunities for the apparent low bidders to challenge the results, protest bid awards, and potentially bring legal actions against the County.

9. An estimate of costs when an additional appropriation is needed.

DGS estimates personnel costs for the 1.0 Grade 23 Program Manager I FTE at \$85,626 and associated operating expenses at \$2,734.

The increase in bid costs is more difficult to estimate. Assuming DGS receives ten bids and the County-based firm is the highest bidder, DGS would need to investigate all nine other bidders' home jurisdiction preference programs. Using FY14 as a proxy where DGS received 164 bids, DGS estimates 1,394 to 1,640 staff hours for OBRC to identify, research, investigate, correspond with other jurisdictions. Procurement would need to calculate; re-determine; develop written justification for changes to awards, coordination, consultations; and provide technical assistance provided to the using departments.

10. A description of any variable that could affect revenue and cost estimates.

See item #9.

11. Ranges of revenue or expenditures that are uncertain or difficult to project.

See item #2.

12. If a bill is likely to have no fiscal impact, why that is the case.

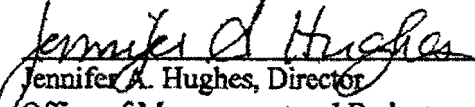
Not applicable.

13. Other fiscal impacts or comments.

None

14. The following contributed to and concurred with this analysis:

Grace Denno, Department of General Services
Angela Dizelos, Department of General Services
Beryl L. Feinberg, Department of General Services
Pam Jones, Department of General Services
Erika Lopez-Finn, Office of Management and Budget


Jennifer A. Hughes, Director
Office of Management and Budget

12/1/14
Date

Fiscal Impact Statement
Council Bill 61-14, Local Contracts and Procurement – Local Business
Subcontracting Program

1. Legislative Summary

Contracts valued at over \$10 million are currently exempt from the existing Local Small Business Reserve Program (LSBRP).

The proposed legislation establishes a goal for a Contractor to subcontract with local businesses in an initial contract award that is valued over \$10 million and for the local business to receive compensation of at least 10% of the value of the contract award.

There are approximately 85 contracts with each over \$10 million in value. The total current value of all contracts over \$10 million dollars is \$2.4 billion. The legislation stipulates that 10% of the dollars related to an initial procurement contract award that is valued above \$10 million should go to Local Businesses.

2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.

No revenues are expected from the proposed legislation.

Expenditures related to the proposed legislation are difficult to estimate. There is a potential for bidders or offerors to build their increased costs resulting from use of local subcontractors into their rates or prices offered to the County. The cost increase to the County cannot be estimated at this time.

3. Revenue and expenditure estimates covering at least the next 6 fiscal years.
See item #2.

4. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.

The proposed legislation does not affect retiree pension or group insurance costs.

5. An estimate of expenditures related to County's information technology (IT systems), including Enterprise Resource Planning (ERP) systems.

The proposed legislation's expenditures will not affect ERP systems.

6. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.

The proposed legislation does not authorize future spending.

7. An estimate of the staff time needed to implement the bill.

DGS estimates that one (1.0) FTE is necessary to implement this legislation for a total annual cost of \$79,220 per year¹ plus associated expenses of \$5,468, for a total first-year cost of approximately \$84,688.

One half (0.5) FTE is for a Local Business Program Manager (Grade 23) with a financial background is needed to review vendors' eligibility, conduct site visits, validate compliance, compile reports, and conduct outreach at \$42,813 per year. DGS estimates associated operating expenses for the position at \$2,734.²

One half (0.5) FTE for a Procurement Specialist (under-filled at Grade 16) to analyze bid and proposal submissions related to additional solicitation and contract compliance requirements, coordinate with the Office of Business Relations and Compliance (OBRC) and Contract Administrators (CA) related to local business eligibility and applicability, to issue, approve and track legally required determination and finding recommendations under the Procurement process, to report, as needed or required and CA training at \$30,940 per year. DGS estimates associated operating expenses for the position \$2,734.

8. An explanation of how the addition of new staff responsibilities would affect other duties.

The Program Manager is needed for OBRC to manage this new program to review vendors' eligibility, conduct site visits, validate compliance, review reports, conduct outreach; and provide training.

The Procurement Specialist (Expeditor) will solely focus on minimizing delays that the new program may cause. The existing Procurement resources will not be able to cover the new additional tasks for this program, including: review bid/proposal submissions, determine for variances in application of law, track and report, and train Contract Administrators.

9. An estimate of costs when an additional appropriation is needed.

An appropriation of \$79,220 is needed in the first year of the proposed bill's implementation. On-going personnel would require an appropriation of \$79,220 for the 1.0 combined FTE.

10. A description of any variable that could affect revenue and cost estimates.

¹ Assumes compensation (salary and benefits of 25%) at the mid-point of grade.

² Assumes a desktop computer with MS Office (\$1,074 one-time), phone expenses (\$660 per year), and initial furniture (\$1,000 one-time).

Fiscal Impact Statement
Council Bill 5-15 & Contracts and Procurement,
Health Insurance Preference

1. Legislative Summary.

The proposed legislation creates a preference in the procurement of services by the County for a business that provides health insurance for its employees; requires the County Executive to adopt a regulation implementing the preference for a business that provides health insurance for its employees; and generally amends the law governing the County's procurement of services.

2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.

The proposed legislation does not affect revenues. The proposed legislation would not impact expenditures for the Department of Health and Human Services.

The proposed legislation would impact the Office of Procurement. Based on FY14 procurements, the Office of Business Relations and Compliance (OBRC) and the Procurement Division processed 145 bidders/offers that responded to solicitations subject to the Living Wage. The Office of Procurement estimates that it will continue to process 145 bidders/offers responses each year, requiring an additional 7.5 hours to review each response for compliance with the OBRC program, and 7 hours to review each response for compliance with the Procurement program; see below for a summary. Assuming a grade 23 Program Manager I or Procurement Specialist II, this workload equates to an estimated cost of \$85,946 annually.

	Grade	FTEs	PC Cost	Hours of Work per Bidder Response	Number of Bidder Responses	Total Number of Staff Hours
OBRC	23	0.5	\$42,973	7.5	145	1088
Procurement	23	0.5	\$42,973	7	145	1015
Total		1	\$85,946	14.5	290	2103

3. Revenue and expenditure estimates covering at least the next 6 fiscal years.

Over six years, the workload equates to an estimated cost of \$515,676.

4. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.

The proposed legislation does not affect retiree pension or group insurance costs.

5. An estimate of expenditures related to County's information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.

Not applicable.

6. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.

The proposed legislation does not affect future spending.

7. An estimate of the staff time needed to implement the bill.

To implement the bill, HHS staff will need to develop a set of criteria based on the proposed regulations to evaluate and certify whether the health insurance provided by a contractor meets the requirements of law. The staff time dedicated to the development of the criteria and review process will be absorbed within existing resources.

Please see #2 for the proposed legislation's impact on the Office of Procurement.

8. An explanation of how the addition of new staff responsibilities would affect other duties.

Please see #2 for the proposed legislation's impact on the Office of Procurement. Other duties would be impacted by this additional workload.

9. An estimate of costs when an additional appropriation is needed.

The bill does not require an appropriation, but if the workload cannot be absorbed within existing staff, an additional \$85,946 and the equivalent of one FTE would be needed.

10. A description of any variable that could affect revenue and cost estimates.

Not applicable.

11. Ranges of revenue or expenditures that are uncertain or difficult to project.

Not applicable.

12. If a bill is likely to have no fiscal impact, why that is the case.

Not applicable.

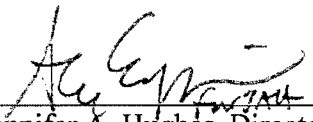
13. Other fiscal impacts or comments.

There could be an increased cost that is passed through to the County in the form of higher labor rates and administrative costs offered by a firm offering health insurance compared to those firms that do not.

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14. The following contributed to and concurred with this analysis:

Beryl Feinberg, Department of General Services
Grace Denno, Business Relations and Compliance, Office of Procurement
Pam Jones, Office of Procurement
Erika Lopez-Finn, Office of Management and Budget
Pofen Salem, Office of Management and Budget
Taman Morris, Department of Health and Human Services



Jennifer A. Hughes, Director
Office of Management and Budget

3/17/2015
Date