

MEMORANDUM

TO: County Council

FROM: Robert H. Drummer, Senior Legislative Attorney 

SUBJECT: **Action:** Expedited Bill 7-15, Reorganization – Executive Branch – Procurement and Reorganization Plan No. 1-15

Government Operations and Fiscal Policy Committee recommendation: approve the Bill as introduced and disapprove Reorganization Plan No. 1-15.

Expedited Bill 7-15, Reorganization – Executive Branch – Procurement, sponsored by the Council President at the request of the County Executive, was introduced on February 3, 2015. A public hearing was held on February 24 and a Government Operations and Fiscal Policy Committee worksession was held on March 9.

Background

Bill 7-15 would establish the Office of Procurement as a principal Office of the Executive Branch and transfer procurement related functions to the Office of Procurement. Prior to July 1, 2008, the Office of Procurement was a principal Office of the Executive Branch. At the request of the Executive, the Council enacted Bill 4-08, Reorganization – Executive Branch, on April 15, 2008, effective July 1, 2008. Part of the reorganization accomplished in Bill 4-08 was to create a new Department of General Services (DGS) and transfer certain functions to the new Department, including Procurement. The Executive is now requesting to pull the Office of Procurement out of DGS and re-establish it as a principal Office of the Executive Branch. The Office would include the procurement function as well as the duties that have been handled by the Office of Business Relations and Compliance, which ensures that contractors meet the wage and minority-owned business provisions of the procurement law. The Executive explained why he requested this reorganization in his transmittal memorandum at ©7.

County Charter §217 provides that the Council “may prescribe by law the organization of the Executive Branch of County government.” Charter §217 also authorizes the Executive to submit a reorganization plan to the Council for approval. If the Council does not disapprove the plan within 90 days after it is presented to the Council, it becomes law. In addition to requesting Bill 7-15, the Executive submitted Reorganization Plan No. 1-15 establishing the Office of Procurement as a principal office of the Executive Branch under Charter §217 on January 22. See ©8-11. The Council does not have the authority to amend the reorganization plan. The Council must approve it, disapprove it, or let it become law without taking action. However, the Council can amend Bill 7-15 and disapprove the reorganization plan.

Public Hearing

Assistant Chief Administrative Officer Fariba Kassiri, representing the Executive, supported the Bill as requested by the Executive. (©17-18) Ms. Kassiri argued that the increased responsibility for both DGS and Procurement since 2008 make it more desirable for the Office of Procurement to become, once again, an independent principal office with a single focus. There were no other speakers.

GO Committee Worksession

Assistant CAO Fariba Kassiri, Assistant CAO Bonnie Kirkland, Pam Jones, DGS, and Grace Denno, DGS, represented the Executive Branch. The Committee discussed the reasons the Office of Procurement was reorganized into the Department of General Services in 2008 and the reasons the Executive requested to reverse this decision. The Executive requested the Council to approve the Bill and disapprove the Reorganization Plan in order to make the change effective as soon as the Executive signs the Expedited Bill into law. The Committee recommended (3-0) to approve the Bill as introduced and disapprove the Reorganization Plan.

Issues

1. What is the fiscal and economic impact of the Bill?

OMB estimated that the Bill would require a recurring expense for the creation of 1 cabinet level position for the Director of the Office of Procurement, salary and benefits are estimated at \$220,000 to \$250,000, and an additional \$30,000 in associated operating expenses, such as database space on servers. The additional staffing for the Office of Procurement would result from a shift of 32 existing positions from DGS to the Office of Procurement.

Finance was unable to estimate the economic impact of the Bill, but opined that an independent Office of Procurement with a single focus would create positive impacts for the County in its procurement of goods and services.

2. Why create an independent Office of Procurement?

The Executive, in his transmittal memorandum, stated that an independent Office of Procurement would be “less susceptible to pressures to defer to other priorities within DGS and will be able to focus on the best interests of the County from an overall procurement perspective.” See ©7. Ms. Kassiri added in her testimony (©17-18) that the obligations placed upon DGS since its creation in 2008 have made it more difficult for DGS to effectively administer the procurement functions. Ms. Kassiri highlighted several recent bills adding to or amending the procurement system as well as the additional requirements placed on DGS in the real property disposition process. Ms. Kassiri stated that DGS spent \$855 million or almost 25% of the \$3.66 billion of County government spending on contracts in FY2014. While there have been no complaints about the independence of the Office of Procurement since it became part of DGS, the Executive is concerned that a “separation of duties” is the best practice. See Executive Branch answers to questions from Council staff at ©19.

3. Which Maryland Counties (and other similar jurisdictions outside of Maryland) have an independent office of procurement?

The Executive identified Howard County, Wicomico County, Fairfax County, City of Chicago, City of Boston and the City of Atlanta as jurisdictions with an independent office of procurement. See ©19.

4. What would the new organization charts look like?

The Executive provided a proposed organization chart for DGS without Procurement at ©20 and a proposed organization chart for an independent Office of Procurement at ©21.

5. Should the Office of Procurement be an independent principal office of the Executive Branch?

There have been no complaints about the independence of the Office of Procurement since it became part of the new Department of General Services. There have been complaints about the procurement process. In fact, the Council recently appointed a citizen task force to review the procurement process and make recommendations for improvement, and the Executive is in the process of hiring a consultant to do the same.¹ This reorganization would not change the procurement process or affect the work of the task force or the Executive's consultant. The reorganization would add one high level position to the Executive Branch. The ongoing fiscal impact is estimated to be \$250,000 to \$280,000 each year.

Yet, an independent Office of Procurement with a cabinet-level director makes sense. The Office of Procurement provides support for all County departments and offices. It is a critical function to the success of County government similar to the Office of Finance and the Office of Management and Budget. While this reorganization would not streamline the government, increase efficiency, or save money, a cabinet level director with a single focus on procurement may result in a better administration of the process over time. The Executive requested the Council to enact the expedited Bill and disapprove the reorganization plan to make the change effective as soon as the Bill is signed into law by the Executive. **Committee recommendation (3-0):** approve the Bill as introduced and disapprove Reorganization Plan No. 1-15.

This packet contains:

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¹ The duplication of effort between the Council's task force and the Executive's consultant raises questions that are beyond the scope of this packet.

Expedited Bill No. 7-15
Concerning: Reorganization – Executive
Branch - Procurement
Revised: January 23, 2015 Draft No. 1
Introduced: February 3, 2015
Expires: August 3, 2016
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: None
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the County Executive

AN EXPEDITED ACT to:

- (1) establish the Office of Procurement as a principal Office of the Executive Branch;
- (2) Transfer procurement related functions to the Office of Procurement; and
- (3) generally amend the law regarding procurement and related functions.

By amending

Montgomery County Code
Chapter 1A, Structure of County Government
Section 1A-201

Chapter 2, Administration
Sections 2-30 and 2-64N

Chapter 11B, Contracts and Procurement
Section 11B-1

Chapter 19, Erosion, Sediment Control and Stormwater Management
Section 19-29A

Boldface	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

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

1 **Sec. 1. Sections 1A-201, 2-30, 2-64N, 11B-1, and 19-29A are amended as**
2 **follows:**

3 **1A-201. Establishing departments and principal offices.**

4 (a) *Executive Branch.*

5 (1) These are the departments and principal offices of the Executive
6 Branch.

7 * * *

8 Procurement [Section 2-64N]

9 * * *

10 **Division 5. DEPARTMENT OF GENERAL SERVICES.**

11 **2-30. Department of General Services - Functions.**

12 The Department of General Services must:

13 [(a) administer, through the Office of Procurement, the procurement system
14 under Chapter 11B;]

15 [(b)] (a) acquire and dispose of real property, except real property used
16 (or intended to be used) for right-of-way governed under Chapter 49,
17 including roads, streets, highways, bridges, culverts, storm drainage
18 systems, pedestrian and bicycle pathways and walkway systems;

19 [(c)] (b) design and build County buildings, including public parking
20 facilities under Chapter 60;

21 [(d)] (c) maintain County vehicles, including heavy and light equipment
22 and transit equipment;

23 [(e)] (d) remodel and renovate County buildings, except public parking
24 facilities under Chapter 60, which remain open during the remodeling
25 or renovation;

26 [(f)] (e) repair and maintain County buildings, except public parking
27 facilities under Chapter 60;

28 [(g)] (f) manage County property and identify and acquire real property
29 needed for the operation of County government;

30 [(h)] (g) plan and implement the use of space in County buildings; and

31 [(i)] (h) operate mail, printing, duplication, and archiving services.

32 **Division 20. OFFICE OF PROCUREMENT.**

33 **2-64N. Functions.**

34 [The Office of Procurement is part of the Department of General Services.]

35 The Office of Procurement must:

36 * * *

37 **11B-1. Definitions**

38 * * *

39 *Director* means the Director of the Office of Procurement [Department of
40 General Services] or the Director's designee.

41 * * *

42 **19-29A. Watershed restoration grants program.**

43 * * *

44 (b) To identify non-profit organizations to perform water quality protection
45 or improvement activities, the Director of the [Department of General
46 Services] Office of Procurement may issue a competitive solicitation
47 under Chapter 11B that is limited to non-profit organizations.

48 * * *

49 **Sec. 2. Transition.** Any regulation in effect when this Act takes effect that
50 implements a function transferred to the Office of Procurement by this Act continues
51 in effect, but any reference in any regulation to the Department of General Services,
52 from which the function was transferred, must be treated as referring to the Office
53 of Procurement, to which the function is transferred. The transfer of a function under

54 this Act does not affect any right of a party to any legal proceeding begun before this
55 Act took effect.

56 Any responsibility or right granted by law, ordinance, regulation, delegation
57 of authority, contract, or other document to the Department General Services in
58 connection with the Procurement Law and Regulations is transferred to the Office
59 of Procurement.

60 **Sec. 3. Expedited Effective Date.** The Council declares that this legislation
61 is necessary for the immediate protection of the public interest. This Act takes effect
62 on the date it becomes law.

63 *Approved:*

64

George Leventhal, President, County Council

Date

65 *Approved:*

66

Isiah Leggett, County Executive

Date

67 *This is a correct copy of Council action.*

68

Linda Lauer, CMC, Clerk of the Council

Date

LEGISLATIVE REQUEST REPORT

Expedited Bill 7-15

Reorganization – Executive Branch - Procurement

DESCRIPTION: Bill 7-15 would create the Office of Procurement as a principal office within the Executive Branch of the County, rather than as a division within the Department of General Services (DGS).

PROBLEM: The inclusion of the procurement function within a department that itself procures major goods, services, and construction has raised perceived issues regarding the independence of the procurement function. For example, in FY2014, DGS spent \$855 million on procurement matters of the County's total \$3.66 billion, which amounts to 25% of the County's procurement expenditures. Moreover, DGS engages in some of the County's most complex and sophisticated procurements that involve construction of buildings and fleet management. In addition, several obligations have been placed on DGS since 2007 that increase the complexity of keeping the procurement function within DGS, namely, the expansion of the small business reserve program in 2009, the expansion of the prevailing wage law in 2009, and the whistleblowers statute in 2010. During the same period, DGS acquired responsibility for a more complex real property disposition process in 2012.

GOALS AND OBJECTIVES: As an independent principal office, the Office of Procurement will be less susceptible to pressures to defer to other priorities within the department, and can focus on the best interests of the County from an overall procurement perspective. By having the status of a cabinet level department, the separation of duties would remain intact without the blurred lines of authority that have occurred during the tenure of procurement as a division within DGS. The Office would include the procurement function as well as the duties that have been handled by the Office of Business Relations and Compliance, which ensures that contractors meet the wage and minority-owned business provisions of the procurement law.

COORDINATION: Department of General Services
Office of the County Attorney

FISCAL IMPACT: To be provided

ECONOMIC IMPACT: To be provided

EVALUATION: n/a

EXPERIENCE ELSEWHERE: Other large municipalities house their procurement functions in an independent office of procurement.

SOURCE OF INFORMATION: David E. Dise, Director, DGS
Marc P. Hansen, County Attorney

APPLICATION WITHIN MUNICIPALITIES: n/a

PENALTIES: n/a

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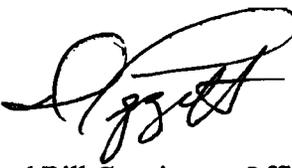
OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

January 22, 2015

TO: George Leventhal, President
County Council

FROM: Isiah Leggett, County Executive 

SUBJECT: Reorganization Plan and Expedited Bill Creating an Office of Procurement within
County Government

I am attaching for Council consideration Reorganization Plan No. 1-15 in accordance with Section 217 of the Montgomery County Charter. This Plan will create an Office of Procurement within County government, separate and apart from the Department of General Services (DGS). Because Section 217 contemplates an up or down vote on the Plan as submitted, I am also attaching an Expedited Bill to do the same in the event that Council wishes to make changes to the Plan.

The purpose of the Reorganization Plan is to establish as an independent principal office the Office of Procurement. As such, the Office will be less susceptible to pressures to defer to other priorities within DGS and will be able to focus on the best interests of the County from an overall procurement perspective. The Office will be able to focus on the various contracting needs generated across County government, and ensure compliance of all departments with best practices and laws, regulations and policies related to contracting.

Executive staff is available to assist the Council in its consideration of this Plan. Your assistance is appreciated.

Attachments

Reorganization Plan No. 1-15
Concerning: Office of Procurement -
Creation
Submitted to Council: January 22, 2015
Council: _____
Effective: _____
Sunset Date: None
Ch. _____, Laws of Mont. Co. _____

COUNTY EXECUTIVE FOR MONTGOMERY COUNTY, MARYLAND

Charter Section 217 Plan of Reorganization

AN ACT to:

- (1) establish the Office of Procurement as a principal Office of the Executive Branch;
- (2) transfer procurement related functions to the Office of Procurement; and
- (3) provide for the orderly transfer of procurement related functions to the Office of Procurement.

By amending

Montgomery County Code
Chapter 1A, Structure of County Government
Section 1A-201

Chapter 2, Administration
Sections 2-30 and 2-64N

Chapter 11B, Contracts and Procurement
Section 11B-1

Chapter 19, Erosion, Sediment Control and Stormwater Management
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[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

The County Executive for Montgomery County, Maryland approves the following Act:

1 **Sec. 1. Sections 1A-201, 2-30, 2-64N, 11B-1, and 19-29A are amended as**
2 **follows:**

3 **1A-201. Establishing departments and principal offices.**

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6 Branch.

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8 Procurement [Section 2-64N]

9 * * *

10 **Division 5. DEPARTMENT OF GENERAL SERVICES.**

11 **2-30. Department of General Services - Functions.**

12 The Department of General Services must:

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16 (or intended to be used) for right-of-way governed under Chapter 49,
17 including roads, streets, highways, bridges, culverts, storm drainage
18 systems, pedestrian and bicycle pathways and walkway systems;

19 [(c)] (b) design and build County buildings, including public parking
20 facilities under Chapter 60;

21 [(d)] (c) maintain County vehicles, including heavy and light equipment
22 and transit equipment;

23 [(e)] (d) remodel and renovate County buildings, except public parking
24 facilities under Chapter 60, which remain open during the remodeling
25 or renovation;

26 [(f)] (e) repair and maintain County buildings, except public parking
27 facilities under Chapter 60;

- 28 [(g)] (f) manage County property and identify and acquire real property
- 29 needed for the operation of County government;
- 30 [(h)] (g) plan and implement the use of space in County buildings; and
- 31 [(i)] (h) operate mail, printing, duplication, and archiving services.

Division 20. OFFICE OF PROCUREMENT.

2-64N. Functions.

34 [The Office of Procurement is part of the Department of General Services.]

35 The Office of Procurement must:

* * *

11B-1. Definitions

* * *

39 *Director* means the Director of the Office of Procurement [Department of

40 General Services] or the Director's designee.

* * *

19-29A. Watershed restoration grants program.

* * *

44 (b) To identify non-profit organizations to perform water quality protection

45 or improvement activities, the Director of the [Department of General

46 Services] Office of Procurement may issue a competitive solicitation

47 under Chapter 11B that is limited to non-profit organizations.

* * *

49 **Sec. 2. Transition.** Any regulation in effect when this Act takes effect that

50 implements a function transferred to the Office of Procurement by this Act continues

51 in effect, but any reference in any regulation to the Department of General Services,

52 from which the function was transferred, must be treated as referring to the Office

53 of Procurement, to which the function is transferred. The transfer of a function under

54 this Act does not affect any right of a party to any legal proceeding begun before this
55 Act took effect.

56 Any responsibility or right granted by law, ordinance, regulation, delegation
57 of authority, contract, or other document to the Department General Services in
58 connection with the Procurement Law and Regulations is transferred to the Office
59 of Procurement.

60

61 *Approved:*

62

Isiah Leggett, County Executive

Date

B 7-15



BD
CC
JAF
LL

ROCKVILLE, MARYLAND

MEMORANDUM

February 10, 2015

TO: George Leventhal, President, County Council

FROM: Jennifer A. Hughes, Director, Office of Management and Budget
Joseph F. Beach, Director, Department of Finance

SUBJECT: FEIS for Council Bill 7-15E, Reorganization – Executive Branch - Procurement

Please find attached the fiscal and economic impact statements for the above-referenced legislation.

JAH:fz

cc: Bonnie Kirkland, Assistant Chief Administrative Officer
 Lisa Austin, Offices of the County Executive
 Joy Nurmi, Special Assistant to the County Executive
 Patrick Lacefield, Director, Public Information Office
 Joseph F. Beach, Director, Department of Finance
 David Platt, Department of Finance
 David Dise, Director, Department of General Services
 Erika Lopez-Finn, Office of Management and Budget
 Naeem Mia, Office of Management and Budget

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**Fiscal Impact Statement
Council Bill 7-15E & Creation of the Office of Procurement**

1. Legislative Summary.

The proposed legislation establishes the Office of Procurement as a principal Office of the Executive Branch, transfers procurement related functions to the Office of Procurement, and generally amends the law regarding procurement and related functions.

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 County revenues. The proposed legislation would increase County expenditures by the total personnel cost of creating one FTE for the Director position for the Office of Procurement and \$30,000 for associated operating expenses of the Office of Procurement, such as database space on servers.

The bulk of the costs of creating the Office of Procurement are covered through shifts of resources from the Department of General Services. DGS will shift personnel and operating costs from the Division of Procurement (26.0 FTEs), the Office of Business Relations and Compliance (OBRC) (5.0 FTEs), and a Management and Budget Specialist III (1.0 FTE) to the Office of Procurement.

Shift from DGS to Office of Procurement				
	FTEs	PC costs	Associated OE costs	Total
Division of Procurement	26.0	\$2,743,301	\$140,070	\$2,883,371
Office of Business Relations and Compliance	5.0	\$531,738	\$285,000	\$816,738
Management and Budget Specialist	1.0	\$160,987		\$160,987
Total	32.0	\$3,436,026	\$425,070	\$3,861,096

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

Revenues are not impacted. Expenditures for the next six fiscal years are assumed to be flat.

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.
IT and ERP systems are already in place for the establishment of the Office of Procurement. No anticipated increase in expenditures will be associated with the creation of the new Office. Any staff work involved is to be absorbed within the cost of current year budgets.
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 staff needed to implement the new Office of Procurement is from OMB, DGS, ERP, and CountyStat. An estimate of the time to implement the Office of Procurement is seventy hours.
8. An explanation of how the addition of new staff responsibilities would affect other duties.
The proposed legislation does not mandate new staff responsibilities.
9. An estimate of costs when an additional appropriation is needed.
An additional appropriation of the total personnel costs of a Director's position and administrative operating expenses such as server costs for databases (\$30,000).
10. A description of any variable that could affect revenue and cost estimates.
None.
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.
None.
14. The following contributed to and concurred with this analysis:

Michele Crane, Department of General Services
Grace Denno, Department of General Services
Angela Dizelos, Department of General Services
Beryl Feinberg, Department of General Services
Rose Glavinic, Office of Management and Budget
Pam Jones, Department of General Services
Erika Lopez-Finn, Office of Management and Budget



Jennifer A. Hughes, Director
Office of Management and Budget

2/10/15
Date

Economic Impact Statement
Bill 7-15E, Reorganization – Executive Branch - Procurement

Background:

This legislation would create the Office of Procurement (Office) as a principal office within the Executive Branch of the County, rather than as a division within the Department of General Services (DGS). The office will have the status of a cabinet level department within the Executive Branch.

1. The sources of information, assumptions, and methodologies used.

Sources of information: The Department of General Services (DGS).

The Office will continue to follow standard County procurement laws, policies and procedures, as well as applicable state and federal laws. The Office includes the procurement function and the compliance programs under the Office of Business Relations and Compliance.

2. A description of any variable that could affect the economic impact estimates.

There are no variables anticipated to affect the economic impact.

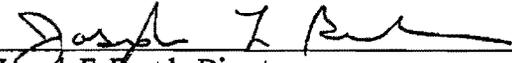
3. The Bill's positive or negative effect, if any on employment, spending, saving, investment, incomes, and property values in the County.

The Office will be elevated to a cabinet level department making it more independent with a direct line to the Executive. An independent office makes it less susceptible to pressures to defer to other priorities within a larger department, and allows focus on the best interests of the County from an overall procurement perspective. As such, the separation of duties will remain intact and eliminate the blurred lines of authority while procurement was in the Department of General Services. Therefore, there will be positive economic benefits for the County with respect to obtaining goods, construction, and services.

4. If a Bill is likely to have no economic impact, why is that the case?

The positive economic impact cannot be estimated with any degree of specificity at this time

5. The following contributed to or concurred with this analysis: David Platt, Mary Casciotti, and Rob Hagedoorn, Finance; Beryl Feinberg, Pam Jones, and Grace Denno, Department of General Services.



Joseph F. Beach, Director
Department of Finance

2/9/15

Date

TESTIMONY ON BEHALF OF COUNTY EXECUTIVE ISIAH LEGGETT
BILL 7-15, Reorganization - Executive Branch - Procurement

February 24, 2015

Good afternoon Council President Leventhal and Councilmembers. I am Fariba Kassiri, Assistant Chief Administrative Officer and I am here to testify on behalf of County Executive Isiah Leggett in support of Bill 7-15, which would elevate our Office of Procurement in County Government to a separate department. County procurement of goods and services is a major and important function in serving our residents effectively and efficiently. In such a large organization like Montgomery County, procurement is a high risk function that benefits from having a single focus. Having procurement function as an Executive-level Principal County Department is a best practice recognized by the National Institute of Governmental Purchasing and a model followed by many large municipalities, including Fairfax County and the City of Chicago.

Since the creation of the Department of General Services (DGS) in 2008, the obligations placed on this department have significantly increased, making it more difficult to effectively administer the procurement functions assigned to it. For example, the Council enacted Bill 3-09 expanding the small business reserve program, Bill 21-08 imposing prevailing wage requirements in construction contracts, Bill 45-09 expanding the prevailing wage law, and Bill 2-10 imposing on County contractors a prohibition against retaliating against whistleblowers. At the same time, DGS has been tasked with implementing a more complex real property disposition process.

While the existing model created seven years ago in Montgomery County has ensured separation of duties and accountability and avoided conflicts of interest, the Executive's proposed reorganization recognizes the ever-growing complexity and scope of the procurement process, and the necessity of creating a department with a single focus. Having the procurement function in a department that is itself a major procurer of goods and services raises perceived and real questions regarding the independence of this critical function. For example, of the \$3.66 billion that the County government spent in FY 2014, DGS spent \$855 million or almost 25%. DGS engages in some of the County's most complex and sophisticated procurements, involving building and construction and fleet management.

As a direct, cabinet-level function, procurement will cease to be just one of many other functions of a larger department. As an independent principal office with a single focus, it will have a clear mission and be less susceptible to placing the larger department's needs ahead of a smaller internal division of that department. Being a distinct department also ensures a separation of duties without risk of blurred lines of authority.

As a cabinet-level department, the Office of Procurement will be able to perform a key role, ensuring compliance by all departments with procurement-related laws, regulations, policies and recognized best practices. It will be able to deal on an equal footing with all county departments and outside agencies conducting public contracting. As an independent department, the Office of Procurement will be able to focus on the varying contracting needs generated across the government. Its new strategic role in County government will mean that internally, other departments will see it as a policy implementing entity, giving direction, guidance and assistance

to departments in achieving Executive contracting goals. Externally, businesses and other organizations will observe the priority placed on this function for both accountability and accessibility to government contracting.

Finally, as the Fiscal Impact Statement indicates, the County will incur minimal increase in staff and costs as a result of this change.

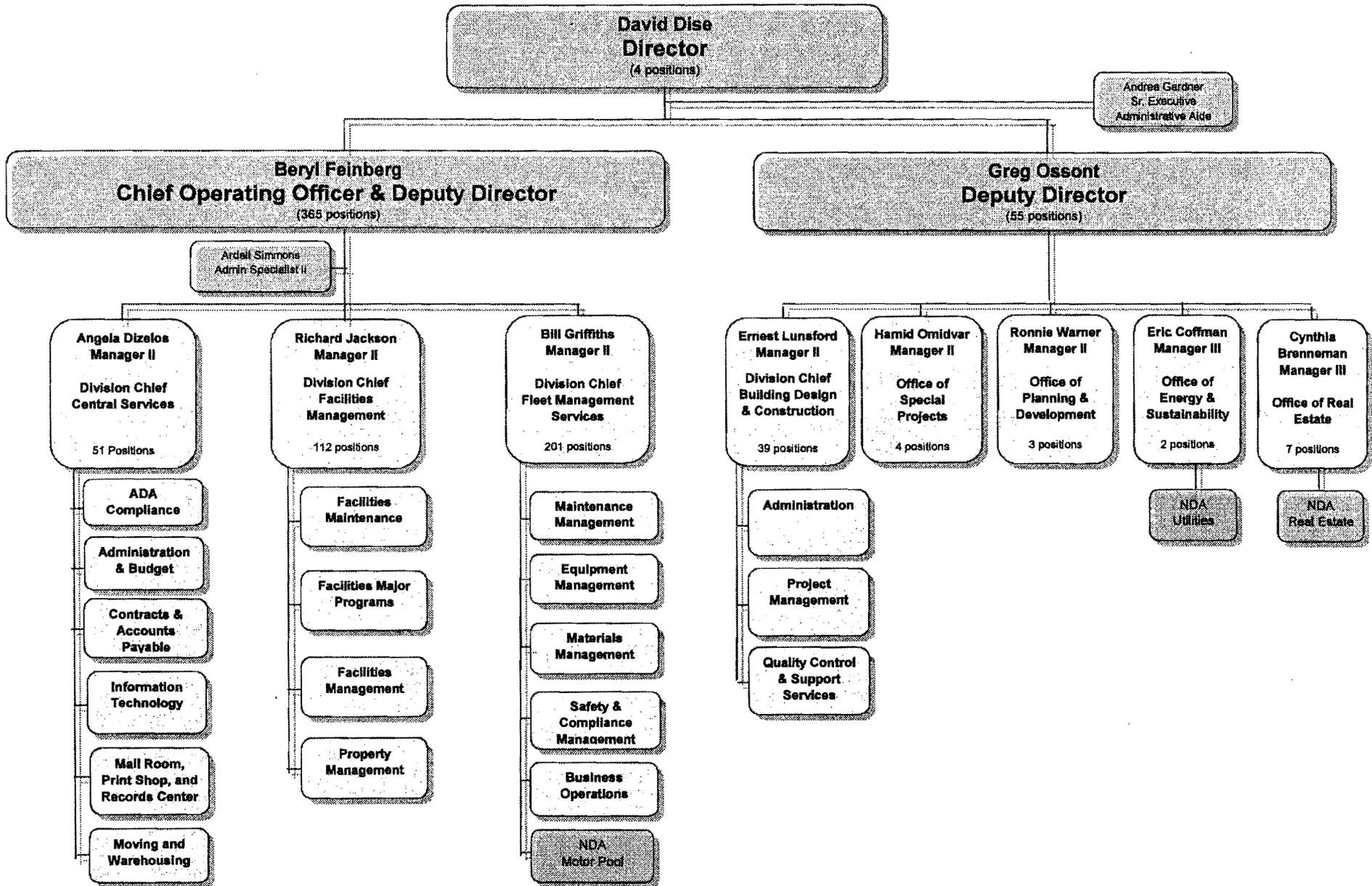
Thank you for the opportunity to testify in support of Bill 7-15.

GO Committee Worksession
Bill 7-15: Reorganization – Office of Procurement
March 5, 2015

1. Who plans to attend the GO worksession for the Executive Branch?
Fariba Kassiri, Pam Jones and Grace Denno.
2. What was the rationale for moving the Office of Procurement into DGS in 2008?
The issue of a separate department or departmental division was discussed seven years ago. At the time, the Executive elected to follow the General Services model employed by some states (including the State of Maryland) and counties under which Procurement is a division of General Services.
3. What changes have occurred since 2008 that make the Executive believe that Procurement should be made an independent office again?
After seven years it is the Executive's view that while controls set in place have been effective and no breach of these controls has occurred, administering this effort has been challenging and that a "separation of duties" best practice warrants the revisiting of the 2008 decision.
4. Have there been any complaints about the independence of the Office since it became part of DGS? If so, what were the complaints?
To the best of my knowledge there have been no such complaints.
5. How many employees would be moved from DGS to the new Office of Procurement?
The Department of General Services will shift staff from the Division of Procurement (26.0 FTEs which includes one IT Specialist III); the Office of Business Relations and Compliance (OBRC) (5.0 FTEs); and a Management and Budget Specialist III (1.0 FTE), for a total of 32FTEs to the Office of Procurement.
6. What functions would the new Office of Procurement be responsible for?
All those detailed on the Procurement and OBRC websites:
 - The Office of Business Relations and Compliance is responsible for managing programs and strategies that expand contracting opportunities for Minority, Female and Disabled Owned Businesses (MFD) and Local Small Business Reserve Program (LSBRP) vendors in Montgomery County. The OBRC administers the County's Equal Benefits Law, Wage Requirements (Living Wage) Law and Prevailing Wage Law to ensure that the County's contractors provide equitable benefits and a livable wage for contracted workers.
 - The Office of Procurement is responsible for the efficient and effective procurement of goods, services, and construction in accordance with federal, state and county regulations and identified best practices; resulting in the highest value for County government and its residents. Procurement also works with OBRC in implementing the compliance requirements into the process.
7. Please provide a proposed organization chart for the new Office of Procurement and the remaining Department of General Services?
See attached.
8. Which Maryland Counties (and other similar jurisdictions outside of Maryland) have an independent office of procurement?
The following public entities have an independent Office of Procurement that we were able to confirm: Howard County, Wicomico County, Fairfax County, City of Chicago, City of Boston and City of Atlanta.
9. We understand that the Executive is in the process of hiring a consultant to review the procurement process and recommend changes? Do you expect the consultant to recommend organizational changes for the new Office?
The focus of the services to be performed is to identify opportunities for process efficiencies that can result in reduced lead times, increased accessibility, and improved compliance and accountability by County departments.

FY16 DEPARTMENT OF GENERAL SERVICES

FY16 Proposed = 424 positions



Office of Procurement

(33 Positions)

