

MEMORANDUM

April 26, 2022

TO: Government Operations and Fiscal Policy Committee
FROM: Dr. Costis Toregas, Council IT Adviser
Naeem M. Mia, Legislative Analyst
SUBJECT: FY23 Operating Budget for the Office of Procurement

Expected to attend:

Ash Shetty, Director, Office of Procurement
Grace Denno, Office of Procurement
Derrick Harrigan, Fiscal & Policy Analyst, Office of Management and Budget (OMB)

Documents for Committee review:

1. Budget submission detail (©1-6)

Office of Procurement
FY23 COUNTY EXECUTIVE RECOMMENDATION

Office of Procurement	FY22 Approved	FY23 CE Recommended	Change from FY22 Approved
Total Expenditures (General Fund)	\$4,933,283	\$5,004,508	1.4%
Personnel Costs	\$4,570,814 38 FTEs	\$4,612,662 38 FTEs	0.9% 0 FTEs
Operating Costs	\$362,469	\$391,846	8.1%

Introduction

The mission of the Office of Procurement is "... to facilitate the use of public funds in partnership with County departments to effectively procure goods, services, and construction in an inclusive, transparent, and equitable manner that best serves County residents, businesses, and the public interest....".

The total recommended FY23 Operating Budget for the Office of Procurement is **\$5,004,508**, an increase of \$71,225 or 1.4 percent from the FY22 Approved Budget of \$4,933,283. Personnel Costs comprise 92.17 percent of the budget for 38 full-time position(s) and two part-time positions, and a total of 37.9 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 7.8 percent of the FY23 budget. Details of the budget submission are on @1-6.

In order to better understand the activities and changes within the recommended budget, Council staff raised a number of questions in the Policy, Management and Operations domains, and received the following responses from the Executive branch. Council staff has provided comments and suggestions where appropriate. It might be helpful for the Committee to review each answer and provide suggestions and direction during the worksession.

Council staff *recommends the acceptance of the Office of Procurement budget at the level of \$5,004,508* that the County Executive has submitted.

Summary of staff suggestions (details provided in sections below)

- The Committee may want to verify whether these embedded positions will be returned to the originating departments or retained for future use.
- The Committee may want to review plans to improve Office performance metrics in FY23.

Council staff questions, answers from Executive, and (where appropriate), Council staff comments

Policy

1. The department has explicit programs and explicit goals to strengthen specific minority groups; Key programs are the Minority, Female and Disabled Persons-Owned Businesses (MFD) Program, the Local Small Business Reserve Program (LSBRP), and the Local Business Preference Program (LBPP).

In FY21, 27.2% of eligible dollars went to LSBRP vendors, totaling \$129 million. This represents the highest dollar amount awarded to the LSBRP businesses.

In FY21, 26.86% of eligible dollars went to MFD vendors, totaling \$200 million. This stands as the highest percentage awarded to MFD businesses in the past 20 years.

2. Can you discuss succession planning efforts in the department, given the importance of institutional knowledge and recent retirements?

During COVID-19, the Office of Procurement suffered a 25% vacancy rate amidst a hiring freeze. In February 2022, the Director re-organized the office's structure so as to better manage workloads and accommodate any future vacancies. Since February 2022, Procurement has been recruiting for key vacancies. We have filled all of our managers' positions and revamped our new employee training program as six (6) new procurement specialists will be joining the team.

Management

1. Several enhancements made necessary by the pandemic are expected to continue in a post-pandemic era. These include online proposal processes, e-signatures, video conferences, and e-workflows. Are there changes to these delivery mechanisms foreseen in FY23?

Process improvements implemented during the pandemic such as eBidding, eSignatures, virtual meetings, and enhanced workflows have been beneficial in increasing transparency and accessibility to purchasing information. The use of these enhancements will continue and have been updated to include additional features such as virtual contracting and web applications and dashboards to assist departments with contract administration.

Additionally, with the use of e-procurement (a no-cost service provided by BidNet) as well as the use of virtual folders (on SharePoint) the Office of Procurement will continue towards a more paperless environment.

2. A Committee review of performance and accomplishments in the Fall 2021 timeframe was proposed a year ago to include a status report on the center-led procurement strategy that was envisioned for FY21 (and suspended due to COVID). Please update the GO Committee on current status.

The Office of Procurement did conduct recruitment and interviews of candidates for the Center-led procurement. However, besides a small pool of viable candidates, amidst the pandemic, with the majority of the county's staff teleworking it seemed imprudent to hire a novice team of Category Managers who were intended to be fully embedded within county departments.

While current efforts are focused on hiring the immediately necessary 6 Procurement Specialists to the team, as well as an IT Specialist, the Office of Procurement remains committed to recruiting capable Category Managers to further our efforts towards a Center-led procurement model in Montgomery County Government.

Staff comment:

The positions for the embedded analysts were transferred to the Procurement Office from other County departments (TEBS, DoT and DPS). The Committee may want to verify whether these embedded positions will be returned to the originating departments or retained for future use.

3. Please update the following table with FY21 figures

	FY19	FY20	FY21
Procurement \$	\$1,039 million	\$1,072 million	\$1,119 million
Procurement Actions	8,887	9,438	7,607
Contract Modifications	542	729	491
Specialist Portfolio	150 contracts/specialist	200 contracts/specialist	200 contracts/specialist
Time to issue solicitation	84 days	96 days	107 days
Solicitation Timeframe	6 months	9 months	11 months

Staff comment:

The metrics for time to issue solicitation and solicitation timeframe have grown significantly while the number of solicitations has decreased. Doubtless the pandemic has had an impact on efficiency of operations, as has had the staffing challenges. The Committee may want to review plans to improve Office performance metrics in FY23.

Operations

1. A “structural deficit” of \$31,206 for mail, printing, and imaging is referenced. Please elaborate and state whether it is solved permanently in this FY23 budget proposal.

Procurement requested this deficit to accommodate printing/ mailing chargebacks and costs associated with mobile devices and temp services were higher than projected. In the past, due to vacancies, we were able to transfer from personnel to operations to cover; however, we anticipate that we will fill all vacancies. This amount was put into Procurement’s FY23 budget to adequately cover these expenses moving forward.

2. The last “Record of Procurement” report covers the period July 1 2018 to June 30, 2019 (<https://www.montgomerycountymd.gov/PRO/Resources/Files/Reports/FY19RecPRO.pdf>) Please indicate when this important report will be made up to date on the County web site.

Procurement’s website has been updated to include the Record of Procurement for FY20 and FY21.



Procurement

RECOMMENDED FY23 BUDGET

\$5,004,508

FULL TIME EQUIVALENTS

37.90

✻ AVINASH G. SHETTY, DIRECTOR

MISSION STATEMENT

The mission of the Office of Procurement is to facilitate the use of public funds in partnership with County departments to effectively procure goods, services, and construction in an inclusive, transparent, and equitable manner that best serves County residents, businesses, and the public interest.

The Office of Procurement is a cabinet-level department tasked with preserving the public trust and ensuring the integrity of the County's procurement process. The Office of Procurement ensures compliance with all related laws, regulations, and policies. The Office of Procurement focuses on identifying opportunities for improvement of inter-and intra-departmental purchasing processes and implementation of recognized best practices to increase organizational efficacy, promote transparency, improve accountability, and facilitate compliance. In its interactions with all County departments and agencies, external governmental agencies, members of the business community, and the general public, the Office of Procurement serves as a resource for policy and program initiatives involving public contracting.

BUDGET OVERVIEW

The total recommended FY23 Operating Budget for the Office of Procurement is \$5,004,508, an increase of \$71,225 or 1.44 percent from the FY22 Approved Budget of \$4,933,283. Personnel Costs comprise 92.17 percent of the budget for 38 full-time position(s) and two part-time position(s), and a total of 37.90 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 7.83 percent of the FY23 budget.

COUNTY PRIORITY OUTCOMES

While this program area supports all seven of the County Executive's Priority Outcomes, the following are emphasized:

- ❖ **Effective, Sustainable Government**
- ❖ **A Growing Economy**

INITIATIVES

- ★ Provide funds to address a structural deficit related to printing, imaging, and interoffice mail.
- ★ The Montgomery County Office of Procurement won a National Association of Counties (NACo) Achievement Award in the category of Information Technology for the DPO Violation E-Notification and Response System.
- ★ The Department of Procurement was awarded the Achievement of Excellence in Procurement Award (AEP), which is earned by public and non-profit agencies that demonstrate a commitment to procurement excellence. This annual program recognizes procurement organizations that embrace Innovation, Professionalism, Productivity, Leadership, and e-Procurement.

INNOVATIONS AND PRODUCTIVITY IMPROVEMENTS

- ✦ Expanded Minority, Female, and Disabled-Owned Business (MFD) certification to include acceptance of Veteran's Affairs (VA) Service Disabled Veteran-owned Businesses as of October 1, 2021.
- ✦ Coordinated donation of Continuous Positive Airway Pressure (CPAP) machines for nursing homes in partnership with the Office of Emergency Management and Homeland Security and the Department of General Services.
- ✦ Partnered with the Office of the County Attorney and Department of Health and Human Services in development of a County Council Resolution provision to allow process flexibility and agility when implementing contract scope and funding changes resulting from the pandemic.

PROGRAM CONTACTS

Contact Grace Denno of the Office of Procurement at 240.777.9959 or Derrick Harrigan of the Office of Management and Budget at 240.777.2759 for more information regarding this department's operating budget.

PROGRAM PERFORMANCE MEASURES

Performance measures for this department are included below (where applicable), with multi-program measures displayed at the front of this section and program-specific measures shown with the relevant program. The FY22 estimates reflect funding based on the FY22 Approved Budget. The FY23 and FY24 figures are performance targets based on the FY23 Recommended Budget and funding for comparable service levels in FY24.

PROGRAM DESCRIPTIONS

✦ Business Relations and Compliance

The mission of the Division of Business Relations and Compliance (DBRC) is to plan and implement programmatic strategies to expand business opportunities for minority, female, and disabled business owners as well as Montgomery County small businesses. The Office administers the County's Wage Requirements and Prevailing Wage programs for service and construction contracts. The DBRC is responsible for ensuring County government contracting compliance with the socioeconomic laws, programs, and policies of the County.

- **Minority, Female, and Disabled Persons (MFD):** The MFD program objectives focus on ensuring that contracts awarded by the County include equitable participation by certified minority, female, or disabled-owned businesses. 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 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 in identifying 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 to strengthen the local small business sector.
- **Wage Requirements Law (WRL):** The Wage Requirements Law program ensures that County contractors and subcontractors pay employees a "living wage" in compliance with the annually adjusted rate established by the Maryland State Commissioner of Labor and Industry for the Montgomery County region.
- **Prevailing Wage Law (PWL):** The Prevailing Wage Law is patterned after the Federal Davis-Bacon and State of Maryland's prevailing wage laws. It requires the local prevailing wage be paid to workers on County-financed construction contracts. The prevailing wage rate is a rate paid for comparable work in the private sector within the County. The rates are calculated by the State, based on surveys of construction company employers.

Program Performance Measures	Actual FY20	Actual FY21	Estimated FY22	Target FY23	Target FY24
Percent of County contract dollars that are awarded to certified MFD vendors (measured against County goals for each category)	22.9%	26.8%	25.0%	25.0%	25.0%
Business Relations and Compliance: Percent of contract dollars awarded to LSBs	27.8%	27.2%	26.0%	26.0%	26.0%

Program Performance Measures	Actual FY20	Actual FY21	Estimated FY22	Target FY23	Target FY24
Enforcement: Dollars returned to workers as result of enforcement actions taken by Procurement	\$80,920	\$104,780	\$100,000	\$100,000	\$100,000

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	1,447,995	9.50
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	38,424	0.00
FY23 Recommended	1,486,419	9.50

☼ 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 assist 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 educate 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 Specialists develop contract administration procedures, research vendors, review contracts, 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. Staff also participates in and leads recognized professional purchasing organizations at the local, State, and national levels.

The Information Technology (IT) staff provides support to develop and maintain information systems for the department's business operations. This includes purchase and maintenance of IT equipment, service and support for major end-user systems on a Countywide 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's Department of Technology and Enterprise Business Solutions (TEBS).

Program Performance Measures	Actual FY20	Actual FY21	Estimated FY22	Target FY23	Target FY24
Percent of procurements completed in agreed upon time ¹	80%	73%	73%	75%	75%

¹ This figure represents the average for the following: Invitation For Bid - 68%; Request For Proposals - 77%; and Construction - 75% for FY21.

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	3,272,864	24.40
Increase Cost: Structural Deficit	31,206	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.	23,462	0.00
FY23 Recommended	3,327,532	24.40

☼ 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 standards, and provides departmental customer service assistance. Additionally, it centrally coordinates departmental training and tracking including national certifications and re-certifications, expenditure control, escrow management, human resources activities, management of departmental Knowledge Base Articles and MC311 service requests, and coordination of interpreter services for departmental activities or customer needs.

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	212,424	4.00
Decrease Cost: Enterprise Account Licenses	(2,500)	0.00

FY23 Recommended Changes	Expenditures	FTEs
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	(19,367)	0.00
FY23 Recommended	190,557	4.00

BUDGET SUMMARY

	Actual FY21	Budget FY22	Estimate FY22	Recommended FY23	%Chg Bud/Rec
COUNTY GENERAL FUND					
EXPENDITURES					
Salaries and Wages	2,664,702	3,576,423	2,912,451	3,622,776	1.3 %
Employee Benefits	747,992	994,391	845,092	989,886	-0.5 %
County General Fund Personnel Costs	3,412,694	4,570,814	3,757,543	4,612,662	0.9 %
Operating Expenses	459,119	362,469	362,467	391,846	8.1 %
County General Fund Expenditures	3,871,813	4,933,283	4,120,010	5,004,508	1.4 %
PERSONNEL					
Full-Time	38	38	38	38	---
Part-Time	2	2	2	2	---
FTEs	37.90	37.90	37.90	37.90	---
REVENUES					
Miscellaneous Revenues	5,888	0	0	0	---
County General Fund Revenues	5,888	0	0	0	---
GRANT FUND - MCG					
EXPENDITURES					
Salaries and Wages	3,295	0	0	0	---
Employee Benefits	0	0	0	0	---
Grant Fund - MCG Personnel Costs	3,295	0	0	0	---
Operating Expenses	5,835	0	0	0	---
Grant Fund - MCG Expenditures	9,130	0	0	0	---
PERSONNEL					
Full-Time	0	0	0	0	---
Part-Time	0	0	0	0	---
FTEs	0.00	0.00	0.00	0.00	---
REVENUES					
Federal Grants	9,130	0	0	0	%
Grant Fund - MCG Revenues	9,130	0	0	0	---
DEPARTMENT TOTALS					
Total Expenditures	3,880,943	4,933,283	4,120,010	5,004,508	1.4 %
Total Full-Time Positions	38	38	38	38	---
Total Part-Time Positions	2	2	2	2	---
Total FTEs	37.90	37.90	37.90	37.90	---
Total Revenues	15,018	0	0	0	---

FY23 RECOMMENDED CHANGES

	Expenditures	FTEs
COUNTY GENERAL FUND		
FY22 ORIGINAL APPROPRIATION	4,933,283	37.90
Other Adjustments (with no service impacts)		
Increase Cost: Annualization of FY22 Compensation Increases	81,308	0.00
Increase Cost: FY23 Compensation Adjustment	63,007	0.00
Increase Cost: Structural Deficit [Procurement Operations]	31,206	0.00
Increase Cost: Printing and Mail Adjustment	671	0.00
Decrease Cost: Enterprise Account Licenses [Procurement Services]	(2,500)	0.00
Decrease Cost: Retirement Adjustment	(35,176)	0.00

FY23 RECOMMENDED CHANGES

	Expenditures	FTEs
Decrease Cost: Annualization of FY22 Personnel Costs	(67,291)	0.00
FY23 RECOMMENDED	5,004,508	37.90

PROGRAM SUMMARY

Program Name	FY22 APPR Expenditures	FY22 APPR FTEs	FY23 REC Expenditures	FY23 REC FTEs
Business Relations and Compliance	1,447,995	9.50	1,486,419	9.50
Procurement Operations	3,272,864	24.40	3,327,532	24.40
Procurement Services	212,424	4.00	190,557	4.00
Total	4,933,283	37.90	5,004,508	37.90

CHARGES TO OTHER DEPARTMENTS

Charged Department	Charged Fund	FY22 Total\$	FY22 FTEs	FY23 Total\$	FY23 FTEs
COUNTY GENERAL FUND					
Fleet Management Services	Motor Pool	46,528	0.30	48,591	0.30
Parking District Services	Bethesda Parking	5,813	0.05	4,108	0.05
Parking District Services	Silver Spring Parking	5,813	0.05	4,108	0.05
Transit Services	Mass Transit	31,019	0.20	32,394	0.20
Recycling and Resource Management	Solid Waste Disposal	77,547	0.50	80,986	0.50
Total		166,720	1.10	170,187	1.10

FUNDING PARAMETER ITEMS

CE RECOMMENDED (\$000S)

Title	FY23	FY24	FY25	FY26	FY27	FY28
COUNTY GENERAL FUND						
EXPENDITURES						
FY23 Recommended	5,005	5,005	5,005	5,005	5,005	5,005
No inflation or compensation change is included in outyear projections.						
Labor Contracts	0	192	192	192	192	192
These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items.						
Subtotal Expenditures	5,005	5,197	5,197	5,197	5,197	5,197

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