

#### OPS Process Improvement, Contract Management & Authorization Threshold

Government Performance & Financial Management Committee

March 24, 2025

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#### **Presentation Overview**



- Purpose
- Background
- Current State of Procurement
- Procurement Strike Team Findings
- Strategic Initiatives
- Next Steps



#### **Purpose**



- Provide a brief overview of the Office of Procurement Services (OPS)
- Describe the current state of procurement, including the procurement process and key metrics
- Review the Strike Team Initiative and approach
- Present the Strike Team findings, including high-impact pain points and test improvements
- Outline OPS's strategic initiatives and identify next steps



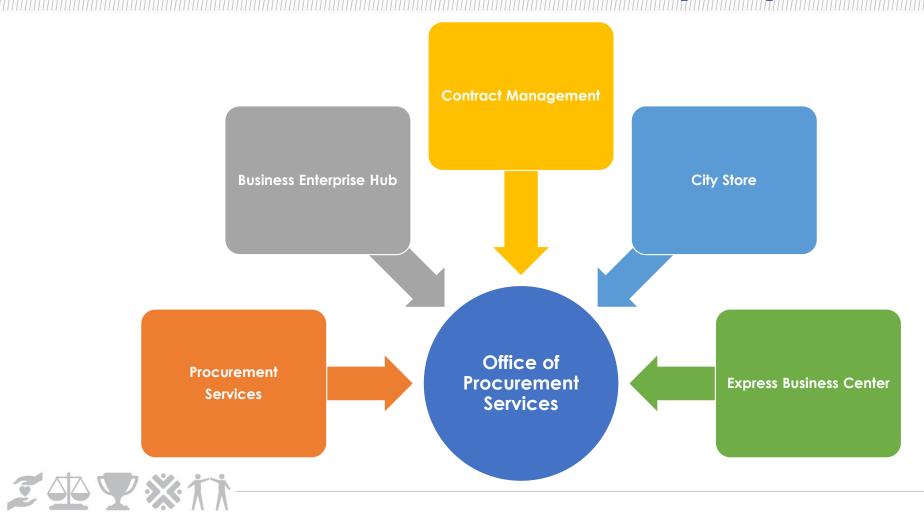


# Background



### Office of Procurement Services (OPS)





#### **Procurement Services**



- Responsible for the procurement of general goods and services for all City departments, except civil works and construction projects
- Conduct all formal solicitations for procurements >\$50,000
- Facilitate the informal solicitation process for procurements <\$50,000</li>
- Issue purchase and delivery orders
- Publish the Quarterly Procurement Plan
- Mange procurement-related policies and directives to ensure compliance with all federal, state, and local regulations
  - AD 4-5 Contracting Standards & Procedures
  - Local Preference
  - Living Wage
  - Sustainable Procurement



#### **Business Enterprise Hub**



- Effective August 1, 2024, M/WBE compliance was realigned to Procurement Services, as an expanded team, the Business Enterprise Hub (BEH)
- BEH supports disadvantaged, local, minority, small, and women-owned business by offering:
  - Educational training
  - M/WBE certification and compliance assistance
  - Access to growth opportunities
- BEH goals include:
  - Ensuring compliance with the City's Business Inclusion and Development (BID) policy
  - Monitoring contract and vendor performance
  - Management of the Dallas Accelerator Program (DAP)



#### Contract Management, EBC, & City Store



- Contract Management division established in May 2019
- Provide citywide contract compliance training (D-COR) to city employees engaged in contract management activities
- Manage contract modifications, including extensions and amendments
- Review all contract ratifications
- Additionally, the contract management division oversees the:
  - **EBC** -provides print, copy, and mailing services
  - **City Store** -manages the sale of City surplus property, including impound vehicles, surplus fleet and equipment, and unclaimed confiscated goods



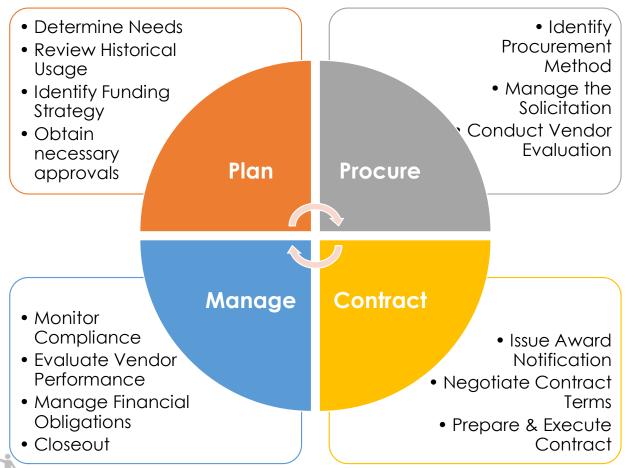


### **Current State of Procurement**



#### **Procurement Cycle**

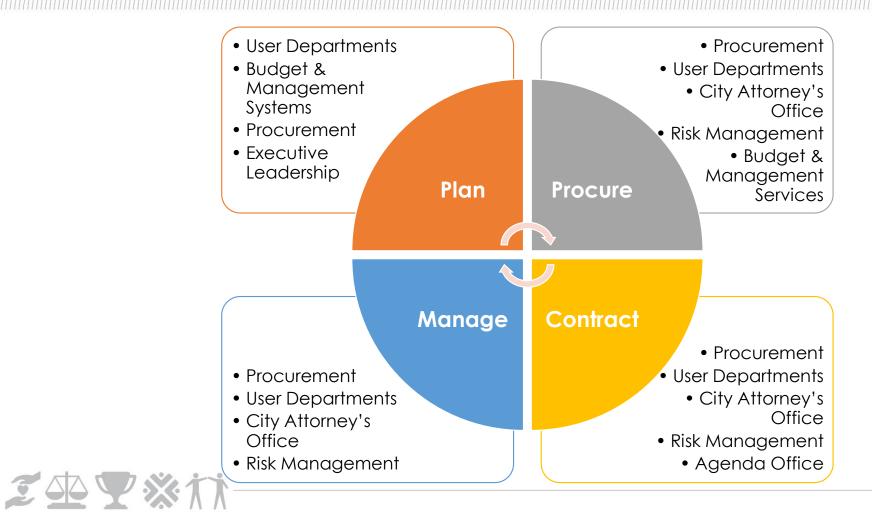






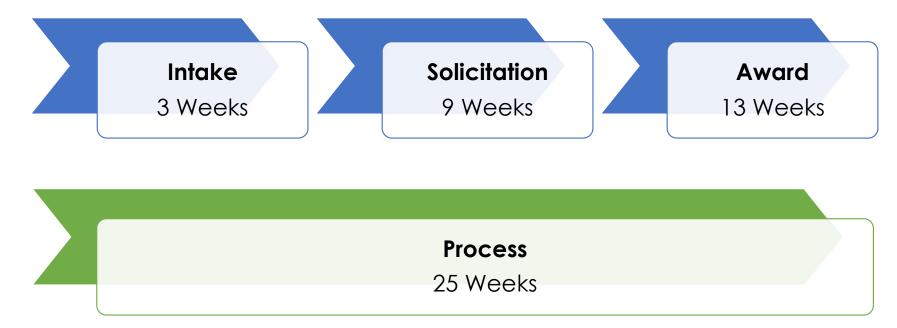
#### **Procurement Participants**





### Procurement Timeline\* (Goods & Services >\$50k)





<sup>\*</sup> The actual timeline for a procurement will depend on several factors, including procurement method, complexity, number of proposals/bids received, evaluation process, contract negotiation, and regulatory compliance.



### **Procurement Services by the Numbers**



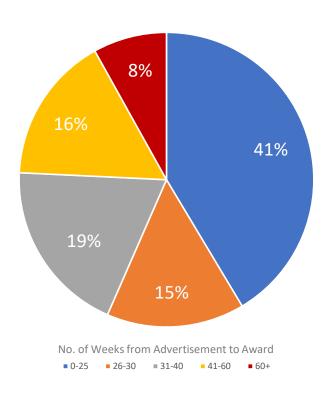
#### **FY 2024**

**279**Formal
Solicitations

453
Informal
Solicitations

\$579M Council Award

#### **Solicitation Completion Rate**





### Contract Management by the Numbers

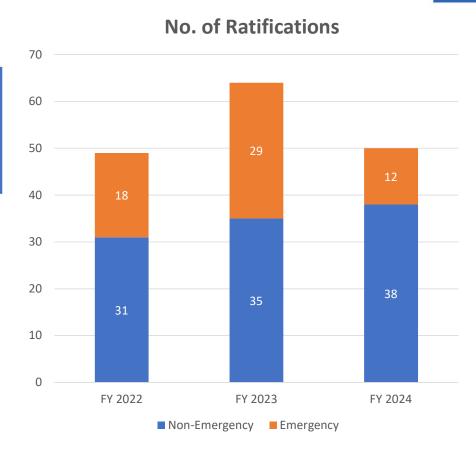




108 contract extensions

**50** Ratifications

48 D-COR Trainings







# Procurement Strike Team Findings



#### **Procurement Strike Team Initiative**



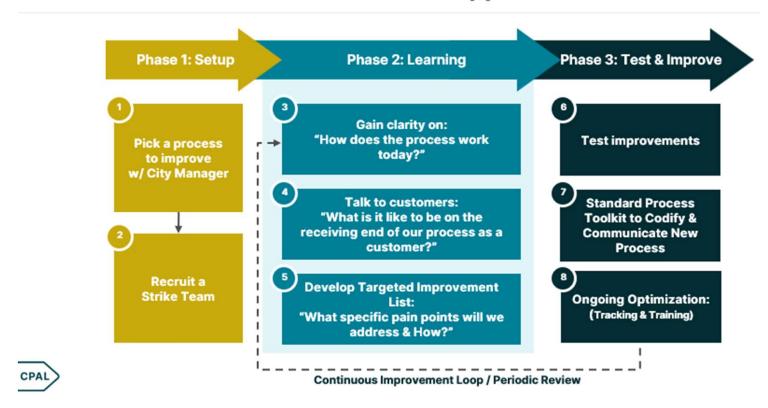
- As part of the City Manager's 100-Day Transition Playbook, Strike Team(s)
  of cross-departmental directors were launched to elevate key topics and
  process improvement areas
- In August 2024, in partnership with Child Poverty Action Lab (CPAL), a
  Procurement Strike Team was created to:
  - Review the current procurement process (formal solicitations >\$50,000)
  - Collect data and Stakeholders and Subject Matter Expert feedback
  - Identify high-impact pain points
  - Develop and test targeted improvements
- The Procurement Strike Team, sponsored by ACMs Donzell Gipson and Dev Rastogi, consisted of Directors from 11 City departments



#### Procurement Strike Team Initiative



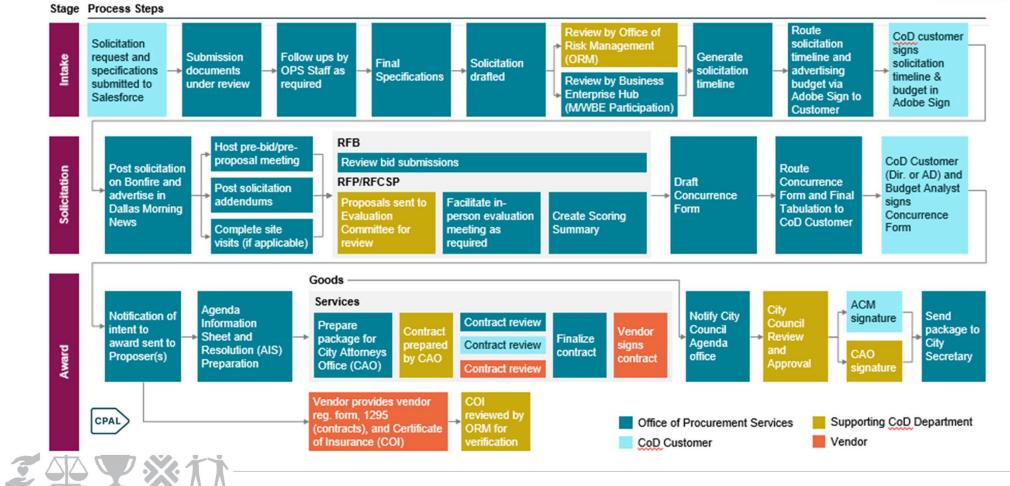
#### **Strike Team Approach**





#### Procurement Process (Goods & Services >\$50k)





### **High-Impact Pain Points**



Through the Learning phase the Strike Team identified the following high-impact pain points in the procurement process and targeted improvements were tested.

#### 1. Visibility

"Departments do not know the status of their procurement request"

#### 2. Customer Service

"Departments no longer have dedicated buyers for questions or customer support"

### 3. Centralized Action

"There is no early warning or accountability on expiring City-wide contracts"

## 4. Council Dependency

"Over 90% of formal procurement requests are going to City Council for approval"

#### Lengthy Policies/ Procedures

"Some internal policies/
procedures add additional time without adding significant value"

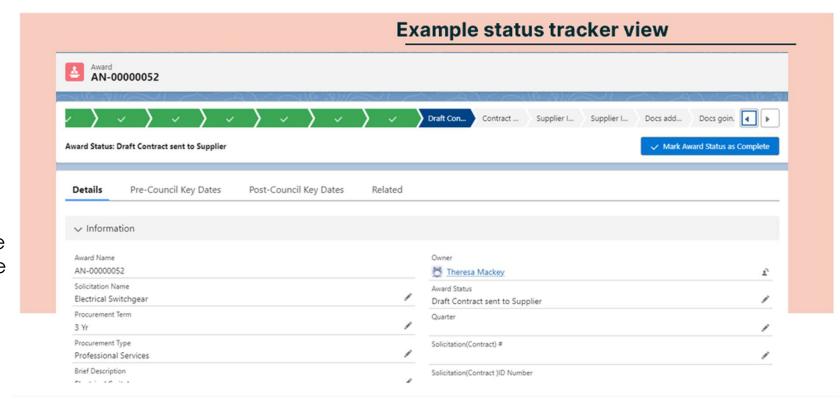
Source: CPAL Procurement Strike Team



### Test Improvements – Visibility



The Strike Team engaged the Office of Procurement Services and Information Technology Services to transition from the current Salesforce Dashboard to a visual status tracker





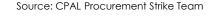


#### Test Improvements – Customer Service



The Strike
Team
examined
the current
OPS structure
and
provided
data on
alternate
structures to
increase
customer
service







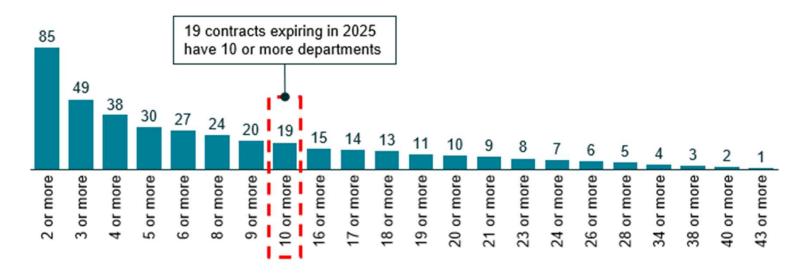
#### Test Improvements – Centralized Action



The Strike Team reviewed existing citywide contracts set to expire and identified a phased transition of citywide procurements from "lead department" to "procurement led"

#### Number of multi-department contracts expiring in 2025 by number of departments

#### Number of contracts



Number of departments





#### Test Improvements - Council Dependency



The Strike Team analyzed council actions to identify potential threshold changes that would **reduce** the process cycle time, while **minimally affecting** the total dollars awarded by City Council

#### Cities by population and Council Review threshold





Sources: San Jose, Ann Harbor, Phoenix, Asheville, Seattle, Minneapolis (Minnesota), Sacramento, Raleigh, Long Beach, Colorado, Indianapolis, Denver, Washington, San Antonio

Non-exhaustive

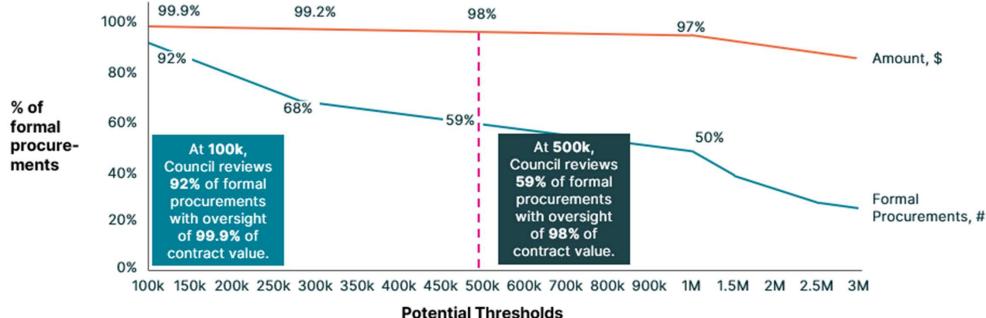


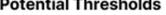


#### Test Improvements - Council Dependency (cont.)



With a higher threshold, the number of procurements reviewed drops, but the dollar amount reviewed remains high.





Source: CPAL Procurement Strike Team



### Test Improvements – Lengthy Policies/Procedures



The Strike Team
provided a summary of
procedures that could
be reviewed and
recommended
Quarterly Review
Meetings to ensure that
Portfolios and OPS are
aligned on the priority
and status of
procurements

	Policy/Procedure	Description	Impact
Forecast	Extension start time	Departments are unable to start an extension request until 6 months prior to expiration	If there is an issue with the extension, it does not allow sufficient time to start a new procurement
	Processing extension requests	Six signatures (vendor, Department Dir., etc.) are required to get an extension entered in AMS	Extension requests require approximately 3 months to complete
	Starting new procurement after renewal	The extension/renewal/escalation of an existing contract is a leading indicator that a new procurement will be required soon	Extensions, etc. are processed without a plan to start the replacement procurement
	Quarterly forecast review	Buyers do not proactively review forecasted procurements with Departments	There is low familiarity with Departments' needs; OPS acts as administrative support rather than strategic partner
Intake	Procurement decision tree	Departments have not seen the OPS decision tree on how procurement pathways are determined	Disagreements arise between OPS and Department without a clear "source of truth"

Source: CPAL Procurement Strike Team





# **Strategic Initiatives**



### **Strategic Initiatives**







#### Leverage Technology





- Explore integration of current systems
  - CGI-Advantage citywide ERP
  - Salesforce Solicitation Intake & Enterprise Contract Management
  - Bonfire e-procurement platform
  - B2GNow M/WBE compliance
- Employ smart city technologies, including:
  - All powered procurement to assist in drafting solicitations
  - E-Procurement marketplace to increase on-contract spend and streamline the procurement process for procurements <\$50k</li>
- Automate review and approval processes to reduce wait times between procurement steps

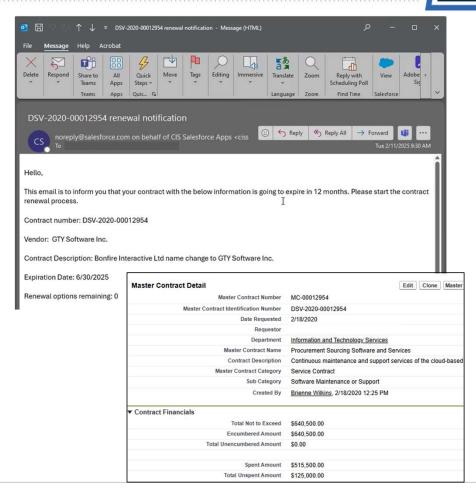


### Leverage Technology (cont.)





- Full implementation of Salesforce Enterprise Contract Management
- Automate contract activities and notifications
- Track contract spend through ERP integration
- Improve reporting capabilities





Leverage

**Technology** 

#### **Focus on Customer Service**





- Review current Procurement Structure to optimize efficiency, enhance governance, and strengthen relationships:
  - Procurement Operations day-to-day procurement activities & strategic sourcing
  - Compliance, Policy & Training focusing on governance, citywide training, reporting, and procurement planning/forecasting
  - Business Enterprise HUB Foster vendor relationships, maximize resources and build capacity
- Align Procurement Managers by City Portfolio to ensure direct engagement with leadership, provide guidance tailored to each department, and establish a direct point of contact
- Provide a centralized resource (SharePoint) with access to documents, training, links to relevant sites, and interactive tools



#### Integrate Procurement Planning





Reinforce

Procurement

Plannina

 Align strategic procurement planning with the City's Program-Based Budgeting initiative

- Redesign current Quarterly Procurement Plan
- Work with departments to identify procurement needs early in the budget cycle to prevent reactive procurement
- Establish a structured and scheduled meeting format to review existing contracts and procurement needs, by Portfolio
- Identify process improvements with partner departments (ORM, BMS, CAO, Agenda Office)



#### Redesign Policies/Procedures





- Continue to map and analyze work flows to identify bottlenecks and redundant steps
- Define clear procurement roles to avoid duplication of responsibilities and increase accountability
- Align procurement policies with organizational goals, compliance requirements, and industry best practices
- Review Chapter 2 and AD 4-5 and identify any required changes to ensure compliance and incorporate process improvements



#### **Foster Competency Development**





- Provide on-demand learning opportunities and reinforce best practices
  - Internal procurement methods, writing solicitations, serving on evaluation committees, etc.
  - External Bonfire, insurance requirements, bonding, and contracting
- Create a Procurement Decision Tree/Matrix for departments to navigate the procurement process
- Standardize templates to streamline documentation, minimize errors and simplify the review process
- Review and refine current DCOR training program to ensure alignment with current policies and processes



### Implementation Plan



#### FY 2025

Q3

- Align Procurement Managers by Portfolio
- Launch New Solicitation Tracker and Report
- Explore and Implement new AI procurement technology

#### FY 2025

**Q4** 

- Begin Annual Procurement Planning for FY 2026
- Promote new OPS SharePoint Site
- Introduce revised templates, forms, and documents

#### FY 2026 Q1

- Host Revised D-COR Training
- Fully Implement Enterprise Contract Management





# **Next Steps**



### **Next Steps**



- Begin implementation of Strategic Initiatives
- Brief City Council on recommended increase to the contract threshold on April 16, 2025
  - Increase threshold from \$100,000 to \$500,000 for contracts requiring City Council approval
  - Last increase in 2021 from \$50,000 to \$100,000
- Identify any required changes to Chapter 2, Article IV of the Dallas City Code and seek City Council approval





# **Questions?**





# Appendix - CPAL Issue Brief

Analyzing the City of Dallas' Procurement Threshold



### CPAL Issue Brief: Analyzing the City of Dallas' Procurement Threshold

#### **Background:**

At the request of the Dallas City Manager, the Child Poverty Action Lab (CPAL) worked with city staff to examine the municipal procurement process and identify potential opportunities for process improvement.

Within a short period of time, many opportunities to improve processes were uncovered that staff is able to pursue within the existing policy environment. However, we also conducted a deeper analysis of the city's procurement threshold, a policy issue that would require careful consideration from City Council.

Dallas, like other cities, faces an inherent tension between two critical priorities when determining a procurement threshold:

- Efficiency The speed at which goods and services can be acquired to meet constituent needs, avoid costly delays, and maintain the city's reputation as a reliable business partner to vendors
- 2. **Oversight** The proper review of expenditures to ensure accountability, prevent corruption, and maintain public trust in government spending

The following will present our findings on the city's procurement threshold. Our goal is to enable data-informed discussion about how Dallas can balance the competing priorities of efficiency and oversight when determining an optimal procurement threshold level.

#### **Council's Oversight Role and Procurement Timelines**

City Council approval is essential for many procurements. The City Council safeguards public trust in government through its oversight role, providing assurance that taxpayer funds are deployed responsibly and ensuring that large expenditures align with broader citywide objectives and constituent priorities. This oversight helps prevent corruption and ensures fair, impartial treatment of all vendors and business partners. The City Council's role in procurement is especially vital when the services are novel, costly, or highly competitive.

Currently, when a City department identifies a need for goods or services over \$50,000, <u>Texas</u> <u>law</u> mandates a formal procurement process, requiring competitive bidding. If the procurement exceeds \$100,000, Dallas City Council approval is required.

This City Council approval process often adds multiple months to the procurement timeline.

According to staff, this delay occurs because:

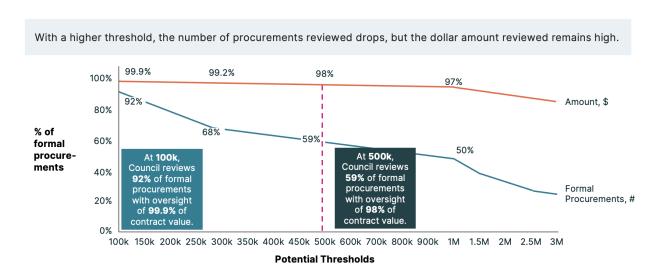
- The agenda must be finalized weeks before the scheduled City Council meeting.
- Any delays in final contracting no matter how minor can push the approval to the next meeting, further extending the timeline.



#### Analysis of Dallas' Procurement Threshold: Impact on Council Workload vs. Oversight Coverage

CPAL conducted an analysis of the City Council approval process across both the total number of procurements, and the contract value of those procurements. The analysis uses the Quarterly Forecast Reports published by the <u>Office of Procurement Services for Q1 2024 to Q4 2024</u>. The reports represent Departments' best estimations of their upcoming procurement needs; and only includes forecasted procurements for Goods and Services, not for architecture, engineering, or construction services.

As shown in the graph below, increasing the procurement approval threshold would significantly reduce the number of procurements that City Council reviews, while minimally affecting the total dollar amount reviewed.



At the current approval threshold of \$100k, the City Council currently reviews 92% of all formal procurements, and 99.9% of all contract value.

Procurements for more than \$500k cover 98% of all contract value, but only 59% of all formal procurements. This means that the <u>City Council could eliminate delays for 33% of contracts</u> while reducing oversight for only 1.9% of total contract value.

#### A look at how Dallas' procurement approval threshold compares with other cities

CPAL conducted a cross-city analysis on the ratio between population and review thresholds. City Council procurement approval thresholds vary widely based on city size, governance structure, and history. Across cities, however, the ratio of Dallas' population to its City Council review threshold is high. Dallas' procurement threshold is comparable to cities 1/10<sup>th</sup> the size, and is substantially lower than many of its peer cities.



The graph below visually demonstrates how Dallas compares to other U.S. cities:



#### **Case Studies: How Other Cities Have Balanced Procurement Efficiency and Oversight**

In recent years, many cities – especially in Texas – have raised their City Council review threshold. By delegating more purchasing authority to city managers or staff, these reforms aim to speed up procurement processes, reduce routine council agenda items, and improve service delivery in areas like infrastructure, public safety, and public health. At the same time, these reforms intentionally preserved the City Council's oversight role for almost all contract value.

The case studies below demonstrate the power of similar reforms, and different cities have approached these challenges.

#### San Antonio, Texas

**Reform**: Earlier this year, <u>San Antonio implemented a major charter change</u> raising the city manager's contract approval authority from \$50,000 to \$1,000,000 for professional services and construction contracts, and up to \$2,500,000 for goods and supplies. This reform was spurred by feedback from businesses and city departments that approval-driven delays were driving service delays (e.g. infrastructure projects, public safety equipment).

**Impact**: The threshold change has <u>removed roughly 240 contracts per year</u> from the City Council Agenda, with little sacrifice to oversight. In terms of City Council workload, the <u>reform reduced</u> the number of formal approvals by 93%, while still providing approval for 86% of all contract <u>value awarded</u>. San Antonio has estimated that the threshold change <u>reduces average contract execution time by an entire month</u>.



#### **Charlotte, North Carolina**

**Reform**: In December 2018, the Charlotte City Council raised the approval threshold from \$100,000 to \$500,000. This reform was spurred by a 2017 internal audit, which found that the \$100,000-\$500,000 routine "consent agenda" contracts were almost always approved unanimously, yet each stretched the council agenda and added 4-6 weeks of delay to the average procurement.

Impact: In the first year of implementation (2019), 184 contracts were awarded in the \$100,000 - \$500,000 range, and were executed under the new procurement process. In practice, this reform removed 49% of all contracts from the City Council's agenda, while only affecting 7% of the total dollar value. On average, City officials estimated that this reform saved 4-6 weeks per contract. This translates to faster execution of projects and services, from road repair to lighting to public safety. The City's internal audit also found that all of these contracts abided by the city's procurement policies, and that controls for manager-approved contracts were effective.

#### Phoenix, Arizona

**Reform**: In June 2023, the Phoenix City Council approved increasing the formal procurement threshold from \$100,000 to \$250,000. The city's goal was to reduce administrative burdens and free up Council time for larger, more strategic spending decisions. The original lower threshold had created barriers for smaller local businesses, giving an advantage to larger firms that were better equipped to navigate bureaucratic requirements.

**Impact**: The city estimates that raising the threshold to \$250,000 will reduce procurement timelines by 2-4 weeks per contract. Additionally, the reform is saving hundreds of annual staff hours spent preparing Council memos, briefings, and approvals.

In parallel, Phoenix implemented random audits of city contracts under \$250,000, ensuring compliance with procurement policies. To date, the audit has not found an impact to fairness, cost-savings, or transparency from the reform.

#### Next steps:

Should staff decide to recommend that City Council explore adjustments to the procurement threshold, we hope that the data and analysis provided in this brief will be helpful in informing the discussion.





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