



The Beverly Hills City Council Liaison / Audit and Finance Committee will conduct a Special Meeting, at the following time and place, and will address the agenda listed below:

CITY HALL  
455 North Rexford Drive  
Beverly Hills, CA 90210

**Telephonic/Video Conference Meeting**

**Beverly Hills Liaison Meeting**  
<https://www.gotomeet.me/BHLiaison>

You can also dial in by phone:

United States (Toll Free): 1-866-899-4679 or United States: 1-646-749-3117  
Access Code: 660-810-077

**Monday, November 2, 2020  
5:00 PM**

Pursuant to Executive Order N-25-20 members of the Beverly Hills City Council and staff may participate in this meeting via a teleconference. In the interest of maintaining appropriate social distancing, members of the public can participate in the teleconference/video conference by using this link: <https://www.gotomeet.me/BHLiaison> or by phone at 1-866-899-4679 or 1-646-749-3117, Access Code: 660-810-077. Written comments may be emailed to [mayorandcitycouncil@beverlyhills.org](mailto:mayorandcitycouncil@beverlyhills.org) and will be read at the meeting.

**AGENDA**

- 1) Public Comment  
Members of the public will be given the opportunity to directly address the Committee on any item listed on the agenda.
- 2) Citywide Procurement Review and Proposed Updates to the Procurement Section of the Municipal Code
- 3) Adjournment

A handwritten signature in black ink, appearing to read "George Chavez".

**George Chavez, City Manager**

**Posted: October 29, 2020**

**A DETAILED LIAISON AGENDA PACKET IS AVAILABLE FOR REVIEW AT  
[WWW.BEVERLYHILLS.ORG](http://WWW.BEVERLYHILLS.ORG)**



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## STAFF REPORT

**Meeting Date:** November 2, 2020

**To:** Audit and Finance Committee

**From:** Jeff S. Muir, Director of Finance  
Tatiana Szerwinski, Assistant Director of Finance

**Subject:** Citywide Procurement Review and Proposed Updates to the Procurement Section of the Municipal Code

**Attachments:**

1. Management Partners Report - *Optimizing the City's Purchasing Processes*
2. Beverly Hills Purchasing Function Assessment – Current and Proposed Workflow Processes

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### **INTRODUCTION**

In the summer of 2019, staff engaged Management Partners (referred to subsequently as MP) to conduct a review of citywide procurement, which is largely decentralized. Initial interviews were held with representatives from each departments' executive level staff to assess the current challenges of the City's procurement processes to understand and propose value added recommendations. Roundtable meetings were held with each respective departments' staff with procurement duties to obtain additional feedback. A peer review was also conducted comparing the City of Beverly Hills to six other similarly sized municipalities. Meetings were also held with the Finance department's procurement team and management. Lastly, process mapping meetings were held with many City stakeholders to assess the current time and processes in place for executing a request for proposal, vendor selection, contract preparation, including taking the item to Council for approval, docketing, and entry into the City's financial system, Munis. All of this information was compiled, reviewed against industry benchmarks, and City management was presented with a report of recommendations to improve citywide procurement.

## **FISCAL IMPACT**

There are direct fiscal impacts and no staff additions proposed as part of the recommendations. The recommendation to add a Purchasing Manager to the Finance Department's Purchasing Division were financed using an existing Finance vacancy and permanent downgrade of a second position to achieve the salary savings necessary to fund this position at no additional cost.

## **DISCUSSION**

After having collected information on the City's procurement processes from a wide variety of stakeholders from executive management to staff with procurement responsibilities, Management Partners prepared a report which included five major observations and 34 recommendations.

The five major observations include:

1. The City utilizes a decentralized purchasing model through which all tasks for bidding and sourcing procurements are performed by staff within operating departments.
2. The Finance Department's current purchasing staffing levels are insufficient to offer core purchasing services.
3. Best procurement management practices are not being used.
4. Operating department staff who perform purchasing functions rely on past practices (largely "oral history") within their departments or what staff in other departments tell them are the purchasing procedures.
5. Thresholds requiring Council approval on contracts are low compared with peer jurisdictions, and those contracts take longer to process.

Based on these summary observations, MP presented the City with 34 recommendations, which staff then grouped into nine major and three minor categories, summarized below. The recommendation numbers below correspond to those numbered in the MP report (Attachment 1).

Major Categories	Recommendation Numbers
Municipal Code/Resolution Updates	21,22,23,24
"Purchasing Partnership"	1,2,4,5
Staffing	3
Accountability and Performance	12,13,14
Contracts	25,26,27,30
Insurance Reviews	31,32,33
Trainings, Meetings, Manual	6,8,10,11,15
Purchase Card Policy & Practices	16,17,18,19
RFP, RFQ, Bid Consistency	20,34

Minor Categories	Recommendation Numbers
Survey and Needs Assessment	7,9
Munis Workflows	29
Docketing	28

### Municipal Code/Resolution Updates

There are four recommendations pertaining to Municipal Code/Resolution updates. The first (Recommendation 21) is to amend the purchasing resolution to increase the purchasing approval thresholds. The current and proposed levels are listed in the chart below:

Levels	Contracting Officer Position	Current Limit	<i>Proposed Limit</i>	Current Bid Requirements	<i>Proposed Bid Requirements</i>
1	Department Head	Up to \$7,500	Up to \$10,000	No bids required	No bids required
2	Director of Finance	Up to \$25,000	Up to \$50,000	Informal oral quotes/bids	Informal written quotes/bids
3	City Manager	Up to \$50,000	Up to \$100,000	Formal written bids	Formal written, sealed bids
4	City Council	Over \$50,000	Over \$100,000	Formal written, sealed bids	Formal written, sealed bids

Approval levels in Beverly Hills were last increased fourteen years ago in 2006. The relatively low current City Council threshold results in additional agenda items for many routine contracts or purchases, requiring significant staff and City Council time. Beverly Hills has a well-deserved reputation for providing outstanding and responsive services and additional administrative authority for the City Manager will allow operating departments to respond and react more nimbly. As part of MP's review, approval thresholds were obtained for six comparable municipalities, including Burbank, Culver City, Fremont, Mountain View, Santa Monica, and Sunnyvale. Of these, five have substantially higher City Manager thresholds when compared to Beverly Hills. See the chart below (Table 5 from the report) summarizing contract award authority:

*Table 5. Peer Agency Comparison of Contract Award Authority*

Peers	Contract Award Authority <sup>1</sup>	
	City Manager	City Council
Beverly Hills	\$50,000	Greater than \$50,000
Burbank*	\$100,000	Greater than \$100,000
Culver City*	to \$50,000	Greater than \$50,000
Fremont	\$100,000	Greater than \$100,000
Mountain View*	Greater than \$100,000	Greater than \$100,000
Santa Monica*	\$250,000	Greater than \$250,000
Sunnyvale*	\$100,000	Greater than \$100,000

The MP report found that periodic adjustments are necessary to keep pace with Consumer Price Index (CPI) increases and to allow for procurement and workload efficiency. Additionally establishing the Level 1 threshold at \$10,000 sets it equal to the limit at which competitive bidding can be dispensed when making purchases with federal grant funds.

Additionally, written bids are currently required at Level 3 (currently \$25,000) and written sealed bids disseminated to at least three prospective bidders is currently required at Level 4 (currently \$50,000). With the proposed change to the limits, MP recommended that bidding requirements remain set at the same dollar levels in spite of the increase to the purchasing thresholds. This necessitates a change to the bidding referenced in the code, requiring written, sealed bids at both new Level 3 (proposed \$50,000) and Level 4 (proposed \$100,000). This would maintain the current requirements and expectations for ensuring the City is obtaining the best value for spending taxpayer funds.

The second recommendation (Recommendation 22), suggests that the Municipal Code should clarify whether or not the City Manager has the authority to delegate purchasing approval. Language has been proposed to include the ability to provide for a designee.

The third recommendation in this category (Recommendation 23) states that the City should amend the code to require that all informal bids be obtained in writing. The current code indicates that informal oral bids/quotes are acceptable for Level 2 purchases (between \$7,500.01 and \$25,000). While the City's Procurement Manual/Administrative Regulation does require that informal bids be obtained in writing, it is suggested to update the Municipal Code as well, which is considered a best practice and allows the City to best substantiate informal bids/quotes received to compare and award based on the lowest prices offered. Staff has proposed language edits to effectuate this recommendation.

The fourth recommendation (Recommendation 24) indicates that the City should amend the Municipal Code to clarify the intent and use of competitive bidding exceptions. The current language states that the bidding requirements of the code "shall not be required in the following circumstances" and lists the nine general areas for bidding exceptions. Rather than amend the Municipal Code, staff recommends that the purchasing administrative regulation be updated to include recommendations for evaluating professional services and other exceptions as there may be instances where it is in the best interest of the City to pursue requests for qualifications, proposals, or formal quotes to ensure the City is receiving the best value and pricing for the goods or services it procures.

#### Staff Municipal Code recommendations

In addition to the above, staff is also recommending additional edits to the Municipal Code including changes to the multiyear contracts clause, updates for information technology specific purchases and litigation legal services, and other changes detailed below.

#### *Multiyear contracts*

The current multiyear contracts clause of the municipal code states that "the appropriate contracting officer may approve a multiyear contract, provided that the annual value of the multiyear contract does not exceed the contracting officer's purchasing authority." This means that if department head, currently with Level 1 purchasing authority up to \$7,500, could not enter into a multiyear agreement for five years for \$2,000 per year, as the combined contract value needs to be evaluated against the purchasing authority. In this example, the contract would become a Level 2 contract, valued at \$10,000 (5 years \* \$2,000), which would require the approval of the Director of Finance. The same general example could be made which would apply to the Level 2, assuming a five year contract at \$11,000 annually (\$55,000 aggregate value – requiring City Manager approval) or for Level 3, assuming a five year contract at \$15,000 annually (\$75,000 aggregate value – requiring Council approval). This ultimately results in many annual contracts for relatively small amounts requiring City Council approval, resulting in significant staff effort and time. It is being recommended that the annual value of a contract be considered when applying the purchasing authority limits.

In a City where demands are high for new projects and services, this would assist departments in being able to enter into these contracts more quickly, but with the same level of compliance required on an annual basis for obtaining quotes/formal bids, respectively based on the annual purchasing thresholds. Also within this section of the code, staff has recommended adding additional language requiring the appropriate contracting officer to conduct the applicable bidding procedures in the event the same vendor has been utilized for a period of five consecutive years.

#### *Technology contracts*

Staff recommends including a provision authorizing the Director of Information Technology to authorize the purchase of computer software, hardware and related equipment, licenses and subscriptions ("computer software/hardware") the following criteria are met:

- a. The annual cost of the purchase, installation, and maintenance of the computer software/hardware is less than the Level 4 purchase limit,
- b. The contract contains an automatic renewal,
- c. The terms of the contract are provided to the City by the selected contractor, and
- d. The City cannot negotiate the terms of the contract.

These specific types of maintenance, licensing, subscription agreements often accompany software/hardware purchases and are not subject to negotiation and to ease the ongoing administration of these service agreements, it is being recommended that this provision be added into the Municipal Code.

#### *Litigation services*

Staff also recommends that an additional provision be added such that legal litigation services contracts may be exempted from the requirement to issue a purchase order due to the confidential nature of the fees anticipated. This would allow for the purchase order requirement to be waived and litigation services paid from a Council approved legal services contract, provided the responsible department does so within its appropriated budget. If additional funding should be required, an appropriation request will be brought before the City Council.

#### *Additional proposals*

There are some additional changes proposed including the following:

1. Change Level 3 and 4 from disseminating bids to three bidders to requiring open solicitation of bids. This helps ensure the City seeks additional and new bidders and does not just obtain bids from past competitors.
2. Added definition for change purchase order.
3. Added language to allow for a department head designee.
4. Remove reference to Director of Emergency Services and replace with Assistant City Manager or designee (3-3-303).
5. The change from quarterly to annual reporting of level 2 and 3 awarded purchases and contracts at the conclusion of the fiscal year.
6. Changes to the exception section 3-3-113 to include:
  - a. In exception A, where competition does not exist, added additional examples (utility or communications services; insurance, postage, freight and courier service; education and training expenses; subscriptions).
  - b. Added exception when the needed equipment, supplies or services are proprietary items of original equipment manufacturers and/or their authorized exclusive distributors.
  - c. Added exception when the equipment is a component for equipment or a system of equipment previously acquired by the City, and is necessary to repair, maintain or improve the City's current utilization of the equipment.

- d. Added additional clause for entire section. "Nothing in this Section prohibits the purchasing agent, or relevant contracting officer from requiring more stringent bidding requirements for a purchase that falls under one of the exceptions listed above."
- e. Sole source section moved from 3-3-108 to exception section 3-3-113 as it is an exception and makes sense to move the definition into the exception itself. This section was also changed from City Manager approving all sole source vendors to the purchasing agent (i.e. Director of Finance).

*Additional Management Partners Recommendations*

In addition to the municipal code recommendations from MP and staff detailed above, there are an additional 30 recommendations included in the report, falling into eight additional major categories and three minor categories, which are summarized below:

Major Categories	Summary of Recommendations	Comments
Purchasing Partnership	Four recommendations summarize the need for Finance to play a larger role in citywide procurements, including moving toward more of a partnership approach, moving Finance involvement/reviews to the start of the process (rather than at the end where things currently reside), allowing Finance procurement team members to help evaluate strategic procurement opportunities and as needed procurement functions.	Per request and currently on a limited basis, Finance provides additional procurement support using existing resources. To reevaluate and plan after recruitment of Purchasing Manager position.
Staffing	Recommendation to hire a Purchasing Manager position to allow for greater purchasing involvement and partnerships with other departments. Finance has salary savings to fund this position and has worked with HR to develop the new job classification and salary, which has been approved by Council.	Job classification created and salary approved by Council, pending opening of recruitment.
Accountability and Performance	Three recommendations including evaluating cycle times, establishing performance measures and benchmark cycle times for the procurement process, and implementing accountability and training measures.	Cycle times to be evaluated/proposed upon hiring of Purchasing Manager. Training to continue annually at department levels, with a formal program to be developed.

Contracts	Ensure templates are updated, maximize the use of electronic signatures, establish a dollar threshold for written agreements for services, and reevaluate the necessity for multiple contract signatories.	City will continue to require all service agreements to have contracts regardless of threshold (CAO) and maintain contract signatories. Electronic signatures now used for all agreements (COVID development). Contract templates most recently updated to include required Federal procurement language. Will establish annual review process and ensure all go to new source documents.
Insurance Reviews	Establishing insurance tracking as a risk management function, create example scenarios or list of vendors detailing insurance requirements to help expedite the contract process, establish review by exception in conjunction with other workflow approvals.	Will continue to be evaluated by the Risk Management division of HR in conjunction with the Purchasing division.
Training, Meetings, Manuals	Departments to designate purchasing liaisons, purchasing to establish solution based meetings/schedule, conduct citywide and department specific trainings for purchasing and Finance division roles to increase understanding of other functions, seek input for updating the purchasing policy/materials.	In progress pending recruitment of Purchasing Manager. Purchasing trainings occur at department level currently and input meetings are held for the annual blanket purchase order process to review citywide deadlines and questions regarding the process.
Purchase Card Policy and Practices	Evaluate opportunities to maximize value of purchase card program, accountability and control mechanisms to evaluate purchase card program, establish guidelines identifying when purchase orders are not needed and when purchase cards can be used. Increase purchase card monitoring and periodic audits.	Will be revising the Purchase Card Administrative Regulation. Will conduct a comprehensive review of purchase card use and make recommendations to Department Heads regarding their use and number of cards issued. Will develop regular reviews of citywide purchase card activity.



RFP, RFQ, Bid Consistency	Establish a consistent approach for conducting and evaluating RFP/RFQ responses, include the use of a conflict of interest form, and evaluate current bid protest practices.	Pending hiring of Purchasing Manager for full development. Standardized RFP/RFQ format in development by purchasing specialists.
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Minor Categories	Summary of Recommendations	Comments
Survey and Needs Assessment	Conduct periodic internal customer service surveys, utilize feedback, and conduct needs assessment for procurement training.	Pending hiring of Purchasing Manager to oversee.
Munis Workflows	Explore opportunities to reduce workflow approvals in the Munis system.	Subject to Department preference with Finance input.
Docketing	Reevaluate the docketing requirements to increase efficiency in contract approval routing by establishing service level expectations and working toward achieving targeted goals.	Subject to City Clerk's office review.

The implementation of the above recommendations is contingent upon additional staffing added to the purchasing division (i.e. the recruitment of the Purchasing Manager position). Upon the hiring of a Purchasing Manager, the recommendations will be evaluated again along with the development of a formal timeline.

### **RECOMMENDATION**

The Finance Department plans to bring the aforementioned procurement review and Municipal Code change recommendations to the full City Council in December/January 2020. Staff seeks the direction and confirmation of the Audit and Finance Committee to move forward with recommendations to add/edit the following in the City's procurement section of the Municipal Code:

1. Update the purchasing limits:

Levels	Contracting Officer Position	<i>Proposed Limit</i>	<i>Proposed Bid Requirements</i>
1	Department Head	Up to \$10,000	No bids required
2	Director of Finance	Up to \$50,000	Informal written quotes/bids
3	City Manager	Up to \$100,000	Formal written, <u>sealed</u> bids
4	City Council	Over \$100,000	Formal written, <u>sealed</u> bids

2. Clarify that quotes must be submitted in writing, including for public contracts.
3. Clarify the authority of the City Manager to delegate purchasing approval authority.
4. Remove multiyear provision and allow contracting officers the ability to enter into multiyear agreements where the annual amount does not exceed their purchasing authority and include the requirement for bidding to occur after a vendor has been used for five consecutive years.

5. Include additional purchasing authority for the Director of Information Technology if all of the following criteria are met:
  - a. The annual cost of the purchase, installation, and maintenance of the computer software/hardware is less than the Level 4 purchase limit,
  - b. The contract contains an automatic renewal,
  - c. The terms of the contract are provided to the City by the selected contractor, and
  - d. The City cannot negotiate the terms of the contract.
6. Include additional legal litigation services clause exempting them from the requirement to issue a purchase order provided the spending does not exceed the respective department's appropriated budget.
7. Change Level 3 and 4 from disseminating bids to three bidders to requiring open solicitation of bids. This helps ensure the City seeks additional and new bidders and does not just obtain bids from past competitors.
8. Added definition for change purchase order.
9. Added language to allow for a department head designee.
10. Remove reference to Director of Emergency Services and replace with Assistant City Manager or designee.
11. The change from quarterly to annual reporting of level 2 and 3 awarded purchases and contracts at the conclusion of the fiscal year.
12. Changes to the exception section 3-3-113 to include:
  - a. In exception A, where competition does not exist, added additional examples (utility or communications services; insurance, postage, freight and courier service; education and training expenses; subscriptions).
  - b. Added exception when the needed equipment, supplies or services are proprietary items of original equipment manufacturers and/or their authorized exclusive distributors.
  - c. Added exception when the equipment is a component for equipment or a system of equipment previously acquired by the City, and is necessary to repair, maintain or improve the City's current utilization of the equipment.
  - d. Added additional clause for entire section. "Nothing in this Section prohibits the purchasing agent, or relevant contracting officer from requiring more stringent bidding requirements for a purchase that falls under one of the exceptions listed above."
  - e. Sole source section moved from 3-3-108 to exception section 3-3-113 as it is an exception and makes sense to move the definition into the exception itself and approval authority changed from City Manager to Director of Finance.

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Tatiana Szerwinski  
Approved By

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Jeff S. Muir  
Approved By

# **City of Beverly Hills, California**

## **Optimizing the City's Purchasing Processes**

**December 2019**

**Management  
Partners**







December 30, 2019

Mr. Jeff Muir  
Finance Director  
City of Beverly Hills  
455 North Rexford  
Beverly Hills, CA 90210

Dear Mr. Muir:

Management Partners is pleased to transmit this report containing recommendations for optimizing the City of Beverly Hills' purchasing processes. We were engaged to review the level of decentralization and identify ways to improve processes, staffing and organization structure, as well as policies and procedures.

We are proposing a partnership approach to purchasing that engages Finance purchasing staff in new ways along with operating departments. We believe that the recommendations will improve the procurement experience for staff and meet policy objectives pertaining to purchasing.

As part of our review, we conducted interviews with City staff throughout the organization, gathered comparative information on peer cities, reviewed City policies and procedures, and created process maps. We have provided 34 recommendations that include increasing Purchasing Division staffing to enhance customer service and assistance, streamlining steps in the purchasing process, and changing a variety of practices that will result in a more efficient process.

Thank you for the opportunity to be of assistance to the City of Beverly Hills.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jerry Newfarmer', written in a cursive style.

Jerry Newfarmer  
President and CEO



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## Executive Summary

Management Partners was engaged to review the City's decentralized purchasing system and provide recommendations to improve processes, staffing and organization structure, policies and procedures, and identify opportunities to employ modern purchasing tools and practices.

The objective was to improve the overall efficiency of the procurement process, identify ways that the City can ensure compliance with purchasing policies and other regulatory procedures while ensuring that operations department staff have the goods and services needed to deliver valued services.

City leaders identified several issues as the impetus for this project:

- Purchasing processes frequently take too long to complete, (especially formal competitive bidding) and the manual execution of written agreements causes delays.
- The purchasing card program may not be operating optimally.
- Management oversight of purchasing functions throughout the decentralized system may not be commensurate with the level of purchasing activity.
- The procurement function may not be appropriately staffed.
- Federal laws have recently changed regarding purchases that utilize grant funding.

Through our analysis we found that the role of Finance purchasing staff is a "back-end" compliance work unit rather than as an internal service partner that can assist operating departments in achieving their objectives of obtaining goods and services in a timely manner, while complying with various laws, policies and ethical practices.

A partnership approach between operating departments and Finance purchasing staff that maximizes procurement expertise and increases procurement facilitation options would reflect best practices in public procurement and enhance accountability and foster interdepartmental collaboration. The recommendations in this report are all focused on creating a meaningful partnership between operating departments and

Finance purchasing staff to carry out important service delivery objectives of the City.

## **Major Observations**

The following are major observations that informed this report and the recommendations.

- *The City utilizes a decentralized purchasing model through which all tasks for bidding and sourcing procurements are performed by staff within operating departments.* There is essentially no involvement of Finance Department purchasing staff until the very end of a procurement, when Finance must determine whether the operating department has complied with City policies. Putting Finance at the end of the process has naturally led to frustrations on the part of operating departments and is an inefficient use of professional purchasing staff.
- *The Finance Department's current purchasing staffing levels are insufficient to offer core purchasing services.* Services should include providing helpful customer service and procurement process facilitation to departments, conducting competitive bidding and negotiating, and ensuring compliance with City policies and procedures.
- *Best procurement management practices are not being used.* Incorporating new practices would support timely, customer-oriented or strategic processes that would also ensure the best overall value for public funds spent.
- *Operating department staff who perform purchasing functions rely on past practices (largely "oral history") within their departments or what staff in other departments tell them are the purchasing procedures.* They do this rather than consult with Finance Purchasing Division staff or read the City's purchasing policy manual (which is lengthy and regarded as not easy to use).
- *Thresholds requiring Council approval on contracts are low compared with peer jurisdictions, and those contracts take longer to process.* Thresholds have not been increased since 2006 and our process mapping shows the delays involved in processing contracts above the City Manager level.

## ***Recommendations***

We have identified 34 recommendations to improve and streamline the purchasing function. A full list of recommendations is provided in Attachment A. The process maps are provided in Attachment B, and benchmarking/peer cities' comparison information is provided in Attachment C.

***Major Recommendations.*** Major recommendations follow:

- Move from the current decentralized system to a partnership purchasing system that maximizes and effectively utilizes procurement expertise throughout the organization. The focus should be on a combination of customer service, efficiency, and compliance with City policies.
- Augment and restructure staffing in the Purchasing Division to add a full-time purchasing services manager. Consider either upgrading, retitling or amending job duties of existing positions to ensure functions of buying, customer service and related purchasing duties are included.
- Formally designate one or more purchasing liaisons in each operating department to carry out purchasing activities with full knowledge of City purchasing policies and procedures. These liaisons will serve as an extension of purchasing, which will help ensure policy compliance and enhance interdepartmental collaboration.
- Reorganize and revise the purchasing manual so it is easier to use as a key tool for purchasing liaisons and Finance staff.
- Amend the purchasing resolution to increase the purchasing approval thresholds for the City Manager, Finance Director and department heads to \$100,000, \$50,000 and \$10,000, respectively, and provide updated training on the new thresholds.

***Implementation.*** Implementing the recommendations contained in this report will require collaboration between the operating departments, Finance Department managers and the City Manager's Office, and an effective strategy to facilitate changes in a measured way to maximize value and ensure success.

## ***Compliance with Uniform Guidance Requirements***

As the project progressed, it became apparent that policies had not been revised to reflect updated requirements for making purchases with federal grant funding. These new Uniform Guidance requirements are established in the Code of Federal Regulations ([2CFR 200.318 to 200.326](#)). Additional sections impacting local governments include audit

requirements, cost principles, financial management, internal controls and performance measurement.

The requirements became law in 2015 but the deadline for local government compliance was extended to June 30, 2018. Finance management staff have been working with the City Attorney's office and Human Resources staff to finalize required policy updates.

### ***Organization of the Report***

This report is divided into the following areas:

- Background and Project Approach
- Existing and Proposed Purchasing Models
- Purchasing Policies and Procedures
- Other Business System Considerations
- Conclusion

## Background and Project Approach

Beverly Hills is a full service, general law city in Los Angeles County with a residential population of approximately 35,000 and a land area of nearly six square miles. The FY 2019-20 operating budget is approximately \$439.7 million (with a General Fund of \$246.2 million). The organization consists of 12 departments and 825 full-time employees, as well as more than 200 part-time employees.

In FY 2019-20 the City budgeted approximately \$18 million for materials and supplies and \$77 million for contractual services. Purchasing is a significant undertaking for the City of Beverly Hills. As such, it needs to meet policy and legal guidelines for local governments and be organized in a way that is efficient for operating departments that need goods and services.

Finance Department purchasing staff consist of 2.5 full-time equivalent employees (FTE). These are two full-time purchasing specialist positions (2.0 FTE) with oversight and management by both the assistant director (0.2 FTE) and accounting manager (0.3 FTE).

### ***Summary of Approach***

The project began with a meeting with the Assistant City Manager and Finance Director where components of the review were discussed, a draft schedule was provided, and questions were answered. Following this, Management Partners' team members conducted interviews, reviewed relevant documents, facilitated one focus group, gathered comparative information about peer cities, and developed two purchasing process maps. The analysis, general observations and recommendations presented in this project report were informed by the information gathered as part of these activities.

### ***Interviews***

Following the kickoff meeting and during the next few weeks, Management Partners conducted interviews with Beverly Hills' staff in the Finance Department and department heads. The purpose of the interviews was to learn about the City's purchasing system and processes

as well as what is working well and what could be improved. In addition to the initial interviews, we conducted many follow-up discussions throughout the project. Individual and group interviews were conducted with the following staff:

*Table 1. City Staff Interviewed by Management Partners*

Interviewees	
• City Manager	• Assistant Director of Public Works (2)
• Assistant City Manager	• Library Services Manager
• City Auditor	• Assistant Director of Community Services
• City Attorney	• Interim Director of Community Services
• Director of Finance	• Chief of Police
• Assistant Director of Finance	• Assistant Chief of Police
• Accounting Manager	• Lieutenant
• Budget and Revenue Officer	• City Clerk
• Purchasing Specialist (2)	• Fire Chief
• Executive Assistant, Finance	• Assistant Fire Chief
• Finance Planning and Research Analyst	• Fire Administrator
• Director of Human Resources	• Chief Information Officer
• Director of Community Development	• Assistant Chief Information Officer
• Director of Public Works	

## Major Interview Themes

The interview process provided an opportunity for City staff to share candid thoughts about policies, procedures, workflows and interpersonal interactions to help Management Partners' team members assess what is working well and where processes can be improved.

Interviewees expressed the following themes:

- Getting things done quickly is highly valued in the organization which can mean that policy compliance and competitive procurement processes are viewed as secondary priorities.
- Interviewees largely regard the purchasing function as a roadblock to completing purchases rather than a collaborative process.
- Interviewees see the purchasing function within the Finance Department as a payment facilitation task.
- City staff regard purchasing approval thresholds as low.
- Interviewees said that their staff "learn purchasing by doing" when someone is assigned purchasing tasks, rather than through formalized training.
- Interviewees perceive that customer needs are not always considered when policy and procedure changes are made and that



the Finance Department could improve its customer service orientation.

- Most interviewees indicated that some procurement centralization is needed but are unsure if positive change will result.

## ***Focus Group***

After the kickoff meeting and preliminary interviews, we held a focus group with management analysts and other employees from each department to understand more detail about some of the issues that surfaced during the interviews. Twelve employees including both finance staff and purchasing liaisons from various departments participated in a facilitated session.

The focus group included management analysts and/or support staff from each department responsible for the purchasing function who interact directly with the finance department on procurement. The participants provided insights on what is working well and where processes can be improved.

## **Focus Group Themes**

The major themes that emerged from the staffs' comments in the focus group include:

- Some department staff expressed a strong interest in improving communication with Finance staff to increase understanding and improve outcomes, and noted mutual efforts to do so.
- The purchasing manual is seen as too long and cumbersome and not user friendly. Also, focus group participants perceive that updates to the manual are not always adequately communicated to department staff.<sup>1</sup>
- Department staff tend to rely on past practices in departments or ask employees in other departments rather than reviewing the policy manual or consulting with Finance purchasing staff.
- The Tyler Technologies Munis Financial System (Munis) process and workflows are seen as time consuming and are not intuitive.

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<sup>1</sup> Finance Department management staff noted that updates to administrative policies are emailed to all employees by the City Clerk's Office and the latest purchasing policy updates were emailed to department staff involved in purchasing processes in December 2017. However, training on procedural changes was not conducted when the policy updates were sent out.

Additional training on how to effectively use the software is desired by staff, as expressed by focus group participants.

- Staff expressed strong interest in training about specific purchasing policies and procedures for department and Finance staff (where appropriate), especially during the onboarding process.
- Focus group participants from operating departments expressed uncertainty about where they can get procurement-related questions answered, as they believe there is no purchasing “expert” in Finance. As noted above, users consider the purchasing manual confusing, and rather than consulting either the manual or Finance staff, staff in operating departments typically go to their colleagues who have institutional knowledge to find out how to handle purchases.
- Focus group participants from operating departments said they are confused about the use of purchasing cards and want more clarity. They suggested that improvements can be made through greater collaboration between Finance staff and high-volume purchasers.

## ***Comparative Information***

Management Partners worked with Finance Department staff to identify peer agencies for comparison purposes. In addition to cities with comparable services and staffing levels, Management Partners included cities that have received the National Procurement Institute’s Achievement of Excellence in Procurement (AEP) award to ensure the identification of best practices.

The six cities identified as comparative agencies are Burbank, Culver City, Fremont, Mountain View, Santa Monica, and Sunnyvale. A summary of the peer information is provided later in this report.

Additionally, Management Partners utilized two national local government purchasing benchmarking studies to provide context and data for comparison purposes.

- **NIGP: The Institute for Public Procurement’s<sup>2</sup> 2017 Public Procurement Benchmark Survey Report** is a report on the results

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<sup>2</sup>In 2011, the National Institute of Governmental Purchasing (NIGP) rebranded as “NIGP: The Institute for Public Procurement.” NIGP continues to be the acronym most often associated with the organization. The “National Institute of Governmental Purchasing” is the legal name of the entity but is reserved principally for legal documents and formal business communications.

of a standardized survey that gathered public sector procurement data. The survey focused on specific operating practices and processes and is used in this project report to help provide benchmarks and context for Beverly Hills' purchasing function.

- **RPMG Research Corporation's 2017 Purchasing Card Benchmark Survey** provides purchasing card benchmark data for local agencies across the U.S. and Canada based on 3,500 surveyed governments.

## ***Document Review***

Management Partners' team reviewed a variety of relevant documents, including budget documents, organization charts, administrative policies and procedures, procurement card usage data, list of cooperative purchasing agreements, and other related information.

## ***Process Mapping***

Management Partners worked with City staff to identify two processes to map that document step-by-step details and staff roles. The two processes selected for mapping are:

- The formal request for proposals (RFP) process for purchases greater than \$50,000, and
- The process by which contracts are prepared, approved and executed.

The maps include the estimated timeframes for the current processes and identified improvements.

To develop the maps, Management Partners conducted two half-day mapping workshops with staff who are involved in the various processes. This group included management analysts and other department employees involved in RFPs and contract processing, as well as the purchasing team. The step-by-step mapping of interdepartmental workflow processes is an important project component to:

- Validate information shared during the interviews,
- Gain a complete understanding of existing practices,
- Discuss process inconsistencies and pain/pinch points, and
- Identify opportunities for improvement.

## ***Key Observations***

The mapping sessions were critical in helping Management Partners understand the actual processes used by department staff and by Finance

purchasing staff to complete the procurement cycle from bidding to purchase order issuance. Key observations include:

- Beverly Hills currently utilizes a *completely* decentralized purchasing model through which department end-users are responsible for conducting their own procurement processes; and the role provided by purchasing/finance staff is to review completed process steps for policy compliance.
- Purchasing staff within the Finance Department do not perform any core purchasing process functions and review the formal bidding and approval processes following department completion of five main stages (RFP scoping, competitive bidding, evaluating, negotiating, and awarding a contract). *This lack of procurement facilitation/involvement is neither typical for cities nor a best practice.*
- Finance purchasing staffs' sole function is to conduct compliance checks that often result in "holds" on purchase order approvals and cause frustration for staff anticipating a quick turnaround. (Final approvals in the financial system workflow consist of Finance, Purchasing and the City Manager's Office.) Having the professional purchasing staff involved at this late point understandably creates friction and works against good customer service.
- The processes used by departments to conduct RFPs and obtain contract approval appear to take substantially longer than best practice standards. We note that staff are not currently measuring cycle times so timeframes for process phases were estimated based on a "moderately complex RFP."

### **Process Maps Created**

The initial planned deliverables for our engagement included two maps based on the desired state for each process. The sessions revealed considerable overlap between the two processes and several areas where inefficiencies are occurring, as well as opportunities for improvement through strategic purchasing assistance or automation.

Therefore, the following process maps were created:

- A consolidated map highlighting the inefficiencies of each process and noting opportunity areas for improvement, and
- An updated version with recommended process changes and associated time savings.

Portraying the maps in this fashion is more effective in understanding the changes needed for meaningful improvements.

Each version of the process map is provided in Attachment B.

## Existing and Proposed Purchasing Models

This section provides Management Partners' observations and recommendations in the following areas:

- Centralized and Decentralized Purchasing Systems,
- Beverly Hills Decentralized Purchasing Model,
- Purchasing Resource Allocation and Utilization,
- Communication, Collaboration and Training,
- Lengthy Bidding Processes, and
- After-the-Fact Approvals.

### ***Centralized and Decentralized Purchasing Systems***

Depending on several factors such as governance structure, organizational culture and risk tolerance, cities' purchasing operations are either centralized, decentralized or a combination of both.

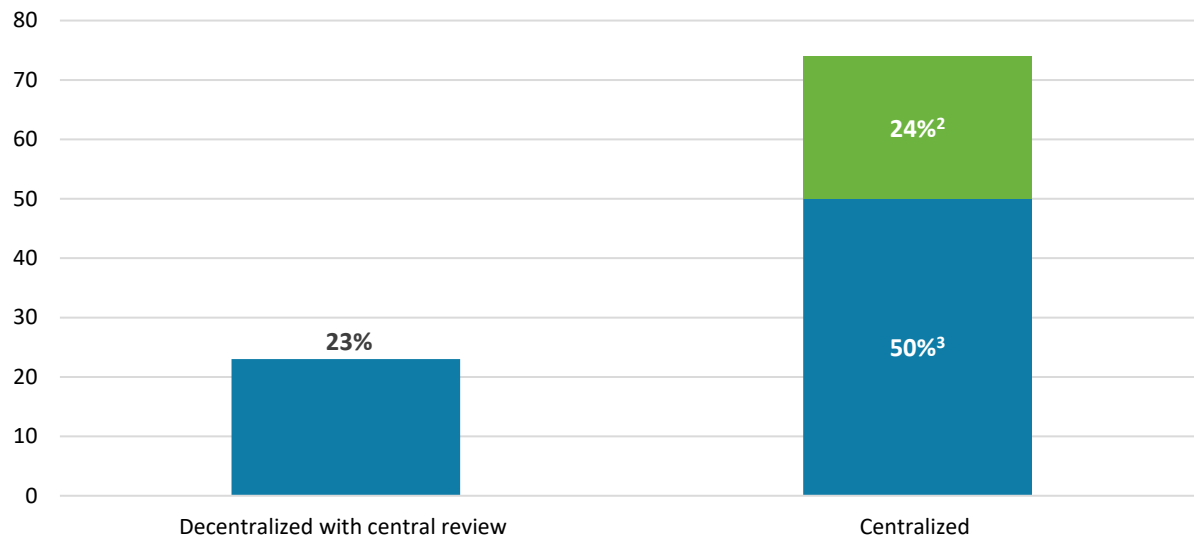
- A ***centralized system*** is one in which the policy basis and responsibility for conducting all procurement processes and obtaining appropriate approvals resides with finance purchasing staff.
- A ***decentralized system*** is where the responsibility for purchasing (regardless of whether it is based in policy), resides with the user department. In decentralized environments, finance/purchasing staff are responsible for verifying user department compliance with policies and procedures and approving purchase orders (generally viewed as perfunctory roles by user departments).
- A ***combination*** of both is where the policy basis/responsibility is typically centralized but varying levels of procurement authority are delegated to user departments for operational reasons.

### **National Trends**

According to the NIGP: The Institute for Public Procurement's 2017 *Public Procurement Benchmark Survey Report* (2017 NIGP survey report), 74% of respondents indicated that their agencies use some form of centralized purchasing, with 50% responding that they use a centralized purchasing system with delegated authority and 24% indicating that purchasing

authority rests with a centralized procurement division (see Figure 1). As the figure shows, nearly three-fourths of respondents utilize a form of centralized purchasing as opposed to using a decentralized system (23%).

Figure 1. Breakdown of Most Common Purchasing Organization Structures<sup>1</sup>



Source: NIGP 2017 Public Procurement Benchmark Survey Report.

<sup>1</sup>The breakdown is based on 125 survey respondents as follows: 29 agencies reported a decentralized system; 30 agencies reported a centralized system; and 62 entities reported a centralized system with some delegated authority (the remaining 4 respondents indicated "other" as explained in the note below).

<sup>2</sup>Almost all procurement is performed through a central procurement function.

<sup>3</sup>Most procurement is performed through a central procurement function, with some procurement delegated to departments.

Note: The final 3% of survey participants selected "Other," indicating either that their procurement department did not fall within the two categories or that they were unsure how to answer the question.

Additionally, five of the six peer agencies have some form of centralized purchasing (Burbank, Culver City, Mountain View, Santa Monica and Sunnyvale), while the City of Fremont utilizes a decentralized system.

Based on the relatively low number of survey respondents from Figure 1 (and available benchmarking data), it is challenging to scale the distribution of centralized or decentralized entities according to agency size. That said, NIGP includes this best practice statement in its 2014 position paper on procurement authority in public entities:

*To achieve a procurement process that delivers the most strategic, effective, ethical and economical expenditure of public funds, it is important to establish an independent professional procurement function led by a Chief Procurement Officer who is granted procurement authority and is allowed to delegate responsibilities to trained procurement staff within a centralized purchasing division. This approach maintains the benefits of best procurement practices conducted*

*in a professional manner and thereby preserves the transparency and accountability of practice necessary for effective organizational management and thereby affirms the public's trust.*

*By contrast, a decentralized procurement process, under the supervision of many people independently exercising divided procurement authority (especially by those who are not procurement professionals), is less likely to achieve the strategic procurement objectives of the organization while increasing its exposure to financial, legal and reputational risks.<sup>3</sup>*

### ***Beverly Hills Decentralized Purchasing Model***

In Beverly Hills, the purchasing function was completely decentralized at least 20 years ago, with staff in operating departments functioning as their own purchasing agents and purchasing staff in the Finance Department performing policy compliance checks and approving purchase orders. Within the decentralized system the processes for bidding and sourcing procurements are performed by department staff with virtually no involvement of Finance purchasing staff.

City leaders are interested in evaluating the operational effectiveness of the existing decentralized model to ensure that:

- All procurements are conducted efficiently and are policy compliant,
- The procurement function is appropriately resourced,
- Management oversight throughout the system is commensurate with the level of purchasing activity.

***Finance Purchasing Staff Members' Role.*** As mentioned previously, the primary role of Finance purchasing staff is to perform back-end "compliance checks" of documentation provided by end-user departments. This does not position them to work collaboratively with department staff since they are coming into the process when users just want to issue a purchase order. In addition to Finance management/purchasing and City Manager's Office, staff also have a role in the compliance checks.

The compliance checks often result in questions by Finance purchasing (or other approving) staff regarding missing, incorrect or incomplete

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<sup>3</sup> [Procurement Authority in Public Entities: A position paper from NIGP: The Institute for Public Procurement on the Meaning of Procurement Authority and the Importance of its Effective Delegation and Use](#), 2014.



documentation (e.g., insurance compliance not verified, insufficient documentation to justify selection, incorrect contract values, etc.). This frustrates Finance purchasing staff because of the perceived indifference to policy requirements (a concern shared by City leaders), as well as requesting departments because of delays in approving purchase orders (sometimes incorrectly attributed to Finance purchasing staff).

***Partnership System Needed.*** Reframing the purpose of the Finance purchasing function from a back-end compliance work unit to an internal service partner that approaches procurements from a critical path perspective to reduce total cycle time would improve the relationship with department staff as well as achieve better outcomes. The focus would be on a combination of customer service, efficiency and compliance with City policies.

**Recommendation 1. Transition the current decentralized purchasing system to a partnership system that maximizes and effectively utilizes procurement expertise early in the procurement process.**

**Recommendation 2. Provide opportunities for Finance purchasing staff to be engaged in all procurement phases.** Departments can opt to conduct their own procurements but would have additional flexibility to request assistance from Finance purchasing staff as needed or necessary.

### ***Purchasing Resource Allocation and Utilization***

With fundamentally decentralized systems, it is important and necessary to effectively allocate and utilize purchasing expertise throughout the organization so policies are consistently followed and efficiencies maximized. The City's current model of "back-end" purchasing compliance is unbalanced and does not meet this standard.

#### **Current Finance Department Purchasing Function**

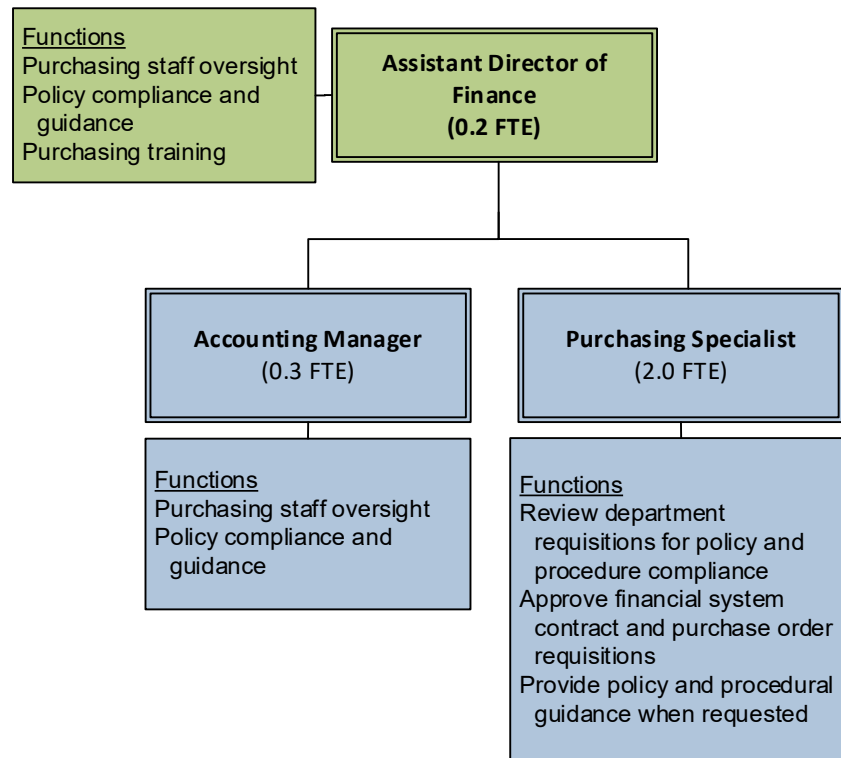
The FY 2018-19 Adopted Budget includes a 2.5 FTE allocation for the purchasing function within the Finance Department as follows:

- 0.2 FTE allocated to the assistant finance director,
- 0.3 FTE allocated to the accounting manager,
- 1.0 FTE for a purchasing analyst, and
- 1.0 FTE for a budget/financial analyst.

The allocation of 2.5 FTE associated with purchasing represents the addition of 1.0 FTE over historical levels as Finance has begun shifting priorities to dedicate more resources to procurement.

The analyst positions are included in the FY 2019-20 Operating Budget but have been underfilled with two new purchasing specialists following the departure of two purchasing analysts through retirement and relocation. The analyst positions were underfilled to grow the purchasing team and provide promotional opportunities within the purchasing division for longer term business continuity. Underfilling these positions was augmented by adding management analysts to some departments to cover purchasing duties in the decentralized system. The current resource allocation<sup>4</sup> of the purchasing function in the Finance Department is shown in Figure 2.

Figure 2. Organization Chart for the Current Finance Department Purchasing Function



<sup>4</sup>The list of functions included in Figure 2 is based on descriptions provided by Finance management and purchasing staff.

As Figure 2 illustrates, purchasing oversight is distributed to two management positions, the Assistant Director of Finance and Accounting Manager. They devote a small portion of their time to procurement given their responsibilities managing the other core finance functions of accounting, accounts payable and receivable and treasury management.

We have the following observations:

- The purchasing specialists do not perform core or typical procurement functions such as conducting/facilitating competitive bidding or competitive negotiation processes or evaluating best value opportunities. Their principal role is to ensure “after-the-fact” compliance with the City’s Municipal Code and purchasing rules/policies, and assist departments with monitoring functions, but do not engage in purchasing/buying for City departments.
- The absence of a full time, hands-on purchasing manager, combined with not fully leveraging existing purchasing staff within the Finance Department, impedes the City’s ability to perform the core governmental purchasing function, to assist City departments in meeting their purchasing needs, and to collaborate with line departments in complex purchasing matters.
- It is difficult for the City to verify that it is obtaining best value for its dollars or if current practices leave the City vulnerable to procurement risk due to the lack of coordinated oversight, the current distributed supervisory role within Finance, and various levels of purchasing focus and oversight throughout departments.

In summary, this means there is not an overall or coordinated focus on procurement management led by a purchasing professional, which is unusual for a city the size of Beverly Hills.

### **Peer Agency Staffing Comparisons**

Our analysis of peer agency staffing resulted in the following observations:

- All jurisdictions dedicate more resources to the procurement function than Beverly Hills and have at least one full-time professional buyer.
- All peer agencies except Mountain View have full-time purchasing managers and four of the agencies have procurement analysts on staff.
- It is also noteworthy that Beverly Hills has more authorized full-time equivalent employees than four of its peers but has the lowest number of procurement staff. A summary of this

information is provided in Table 2 and with more detailed comparative information in Attachment C.

*Table 2. Peer City Staffing and Expenditures*

Peers	Authorized Full-Time Equivalent Employees (FTE) <sup>1</sup>	Purchasing Division Authorized Full-Time Positions	Purchasing Division Positions
<b>Beverly Hills</b>	1,034	2.5	Purchasing Specialist (2), Assistant Director (0.2), Accounting Manager (0.3)
<b>Burbank</b>	1,430	6.0	Purchasing Manager (1), Buyer I (2), Buyer II (1), Clerk (2)
<b>Culver City</b>	717	8.0	Associate Analyst (1), Buyer (1), Procurement and Financial Services Manager (1), Warehouse Manager (1), Warehouse Worker/Stores Specialists (4)
<b>Fremont</b>	953	3.0	Purchasing Services Manager (1), Buyer (2)
<b>Mountain View</b>	648	6.0 <sup>2</sup>	Purchasing and Support Services Manager (0.5), Senior Management Analyst (2), Supervising Buyer (1), Assistant Buyer/Buyer (2), Warehouse Worker (0.5)
<b>Santa Monica</b>	2,298	7.0	Procurement Manager (1), Senior Procurement Analyst (1), Senior Buyer (2), Contracts Coordinator (1), Buyer (1), Staff Assistant III (1)
<b>Sunnyvale</b>	921	9.0 <sup>2</sup>	Purchasing Officer (1), Management Analyst (1), Principal Buyer (1), Senior Buyer (2), Buyer I/II (1), Storekeeper/Buyer (1), Storekeeper I/II (2)

Source: City budgets FY 2019-20; includes other functions such as central warehousing for some jurisdictions.

<sup>1</sup>Includes both full-time and part-time FTEs.

<sup>2</sup>One additional purchasing FTE proposed for FY 2019-20; two positions (a senior buyer and buyer I/II) are term-limited to backfill for staff supporting implementation of a new financial system.

## Proposed Finance Department Purchasing Function

Restructuring the purchasing function within the Finance Department around the delivery of core procurement services and allocating resources appropriately can:

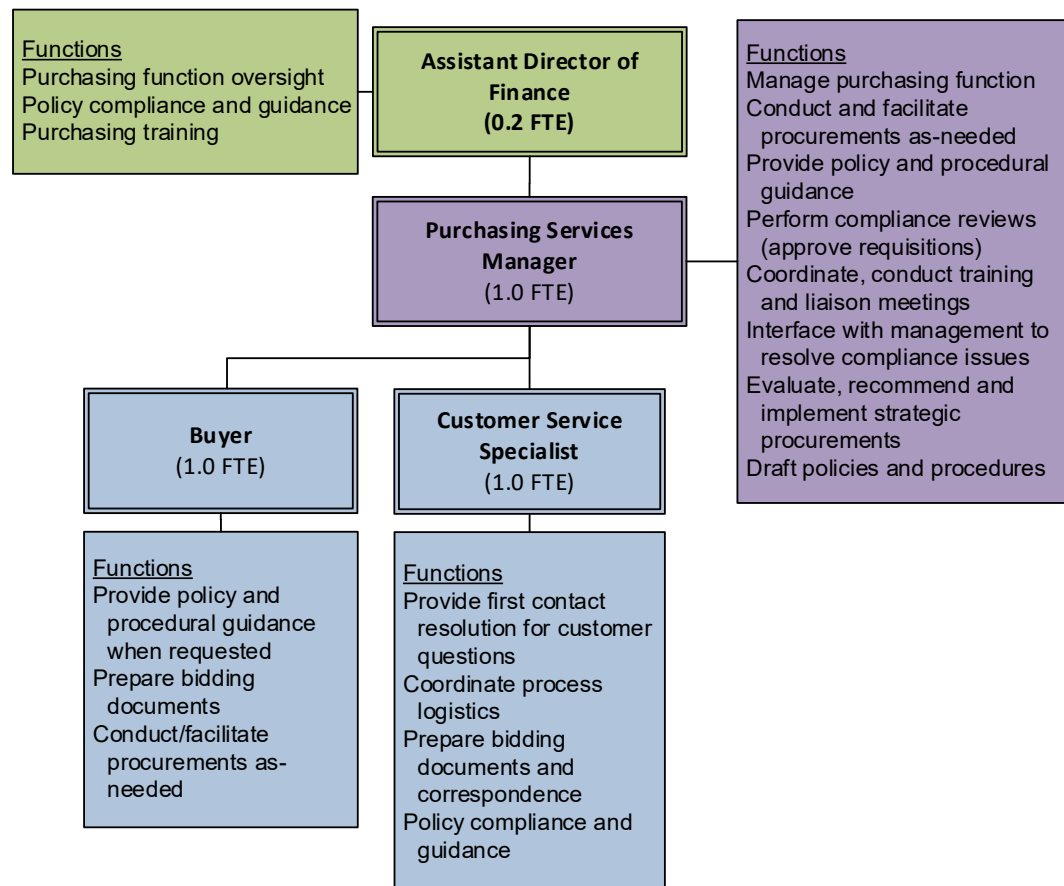
- Build capacity to conduct procurements more efficiently,
- Facilitate a greater level of procurement oversight throughout the organization,
- Foster interdepartmental collaboration, and
- Improve customer focus.

A proposed structure is shown in Figure 3 and consists of the following:

- Adding a purchasing services manager (essentially a “working manager” position that can provide more oversight than currently provided, and conduct procurements and perform other core procurement functions); and

- Consider either upgrading, retitling or amending job duties of existing positions to endure functions of buying, customer service and related purchasing duties are included.

Figure 3. Proposed Finance Department Functional Organization Chart



### Benefits of Proposed Purchasing Restructuring

High-performing agencies view the procurement function from a **strategic management perspective**. This is done to achieve several objectives, including:

- Ensuring best value,
- Maximizing the use of cooperative purchasing programs and other procurement tools,
- Establishing master on-call agreements for ready use by staff, and
- Conducting spending and supplier analyses to identify savings opportunities and align policy goals.

Structuring the purchasing division as a partnership arrangement with a combination of a more robust Finance purchasing role, combined with continued responsibilities at the operating department level, will help ensure a needed strategic focus within the City. It will enable concerns expressed by City leaders to be addressed, facilitate efficient and effective procurement, and improve customer focus by:

- Establishing a front-line presence with a customer service orientation to focus on “first contact resolution” for questions and provide procurement facilitation support,
- Adding professional public purchasing capacity to conduct or facilitate procurements and approach citywide procurement from a strategic management perspective,
- Eliminating the current need for management oversight by both the assistant director and accounting manager,
- Increasing procurement knowledge of staff who perform purchasing functions in City departments.

*This recommended structure is intended to augment, but not replace, the current decentralized system.*

- The recommended structure will provide greater procurement flexibility and choice for department staff who may need assistance completing their procurements.
- It will also enhance communication and collaboration throughout the various procurement cycle phases to minimize delays occurring at the end during compliance reviews.

**Recommendation 3. Augment and restructure staffing in the Purchasing Division to add a full-time purchasing services manager, and consider either upgrading, retitling or amending job duties of existing positions to ensure function of buying, customer services and related purchasing duties are included.**

**Recommendation 4. Provide opportunities for the purchasing specialists to perform core procurement functions on a request or as-needed basis.** Purchasing involvement in facilitating competitive bids will ensure “front-end” compliance and significantly reduce the need to delay completion of a procurement after it is awarded.

**Recommendation 5. Task Finance purchasing staff with evaluating strategic procurement opportunities to maximize value and help achieve policy goals.**

## Departmental Purchasing Functions

Within City departments, purchasing functions are distributed and managed to varying degrees among project managers, analysts and support staff. We have the following observations:

- Departments with higher levels of purchasing activity such as Community Services, Public Works and Fire tend to dedicate more resources to procurement than other departments.
- Department staff who perform purchasing functions also “wear many hats” and must balance procurements with core business tasks. Some department directors expressed concerns that time spent on procurement is impacting operational effectiveness.
- The lack of a cohesive procurement focus by some departments results in process inconsistencies and inefficiencies.

Whether in a centralized or decentralized purchasing environment, efficiency and cohesion is typically obtained by assigning as many procurement tasks as practical through single coordination points within departments or divisions.

Formally assigning staff in departments to coordinate procurements (and providing ongoing training to ensure their effectiveness) is a best practice and can be especially helpful for decentralized purchasing environments. The Community Services Department has established central, dedicated resources to facilitate procurements that can serve as a model for other departments.

**Recommendation 6. Formally designate one or more purchasing liaisons in each department to fulfill purchasing duties and responsibilities.** The liaisons would be trained by Finance, City Attorney and Risk Management staff and meet periodically as a group to discuss process improvements and troubleshoot issues. With knowledge of and ongoing training in City purchasing policies and procedures, the liaisons should help ensure policy compliance and enhance interdepartmental collaboration.

## ***Communication, Collaboration and Training***

Two key themes emerged during interviews with department staff that relate to communication, collaboration and training.

- The culture of the organizations tends toward “learning by doing” rather than formalized training when assigning purchasing tasks for new hires and for staff performing new purchasing related roles. This concern was also expressed in relation to training on functionality of the new financial system.
- The Finance Department could continue improving its customer service orientation and interdepartmental collaboration, especially with respect to changes in policies and procedures.

As a best practice, conducting regular formal and informal training sessions is essential for increasing awareness of policies and procedures, informing staff about policy changes and ensuring consistent communication.

Equally important is offering all staff performing purchasing tasks regular avenues for providing feedback, i.e., an opportunity to be heard.

**Recommendation 7. Conduct periodic internal customer service surveys and utilize the feedback to address areas of concern.** This should include training to develop communication/customer service skills.

**Recommendation 8. Establish a schedule for periodic, solutions-based meetings with purchasing liaisons to discuss and resolve issues and identify opportunities and improvements to purchasing processes.** This task should initially be performed by purchasing specialists and then subsequently taken over by the procurement services manager (if hired).

**Recommendation 9. Conduct a needs assessment to determine and prioritize procurement-related training requirements.** This assessment can be coordinated in collaboration with the purchasing liaisons and should be periodically reevaluated.

**Recommendation 10. Conduct citywide and department-specific training sessions on a regular basis to review purchasing policies and discuss roles and responsibilities.**



Overall, user departments believe they are doing too much of “Finance’s work” relative to buying and paying for needed goods and services. This is coupled with frustration when purchasing or other Finance staff question purchasing practices at the end of the procurement process or when payments are requested. This disconnect appears to stem from the following:

- The recent financial system conversion to the Munis system solution changed business processes that require more data entry and approval workflows on the part of user departments.
- Confusion or unclear delineation of compliance roles performed by purchasing, accounts payable and administration.

**Recommendation 11. Incorporate Finance Division roles into annual purchasing training to increase awareness of and explain differences between purchasing and accounts payable.**

### ***Lengthy Bidding Processes***

During the process mapping session for formal competitive bidding, department staff were asked to estimate the average duration of successive procurement phases including:

- Preparing the scope of work,
- Conducting the competitive bid process (a moderately complex request for proposals [RFP]),
- Evaluating RFP responses,
- Conducting interviews,
- Negotiating a contract,
- Awarding the contract,
- Executing the contract, and
- Obtaining appropriate contract and purchase order approvals in the Munis financial system.

Estimated times for RFP processes (as estimated by City staff) are:

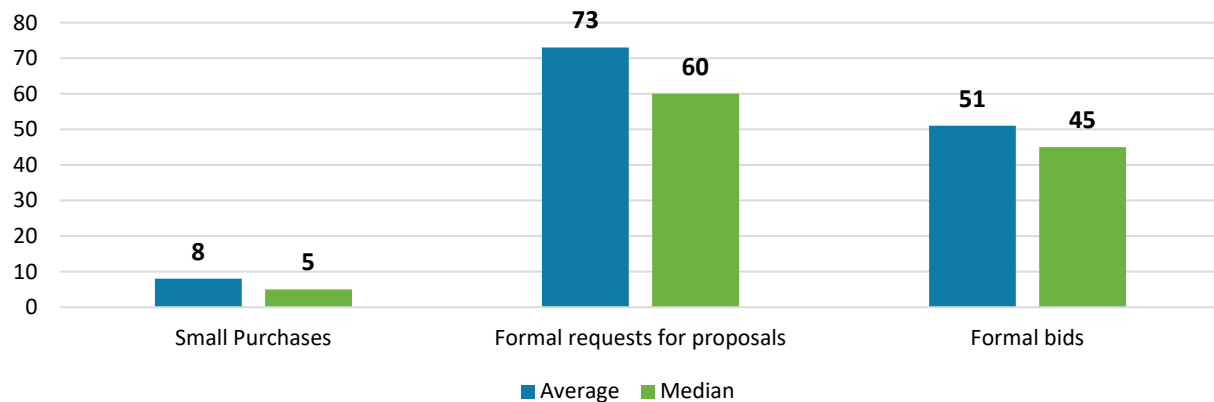
- Preparing the scope of work for a moderately complex RFP takes departments approximately 3.5 months on average.
- The estimated time taken to conduct the RFP process through purchase order approval averages more than seven months.

The timeframes to scope the work and complete the RFP process were estimated because the cycle times are not being measured, which is inconsistent with best practices.

As Figure 4 shows, the national benchmark average for completing a request for proposal is 73 days.

**Without cycle time data from City departments it is difficult to draw direct comparisons. However, based on the information learned during the process mapping sessions, it is apparent that Beverly Hills takes substantially longer on average to complete an RFP.**

*Figure 4. Cycle Times for Small Purchases and Competitive Bids/Proposals*



*Source: National Institute of Governmental Purchasing 2017 Public Procurement Benchmark Survey Report.*

**As discussed throughout this report, involvement of Finance purchasing staff does not occur until the final phase of obtaining appropriate financial system contract and purchase order approvals.**

As discussed previously in this report, Finance purchasing staffs' compliance reviews do result in delays approving purchase orders and contracts in the Munis System, but in many cases documentation from operating departments that are handling the procurements is incomplete or missing, causing the compliance component to be delayed.

***Contract/Purchase Order Process Timeframe.*** The contract/purchase order approval process through Munis, for which actual data are available, takes nearly 26 days on average.

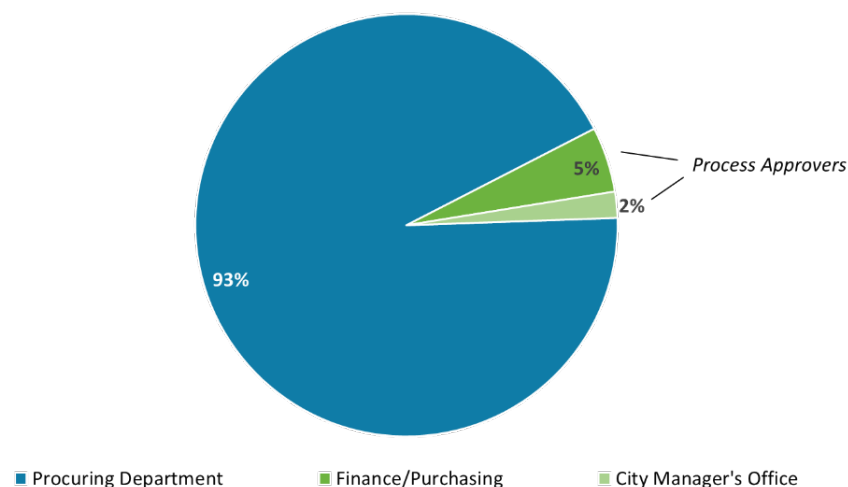
- Of that time, approximately 11 days are attributable to workflow approvals on the department side;
- Nearly four days are taken by the City Manager's Office; and
- The purchasing/finance approval portion takes approximately 11 days, which often includes a holding period of one week when notes and supporting documentation are incomplete and can be updated by department staff without rejecting the transaction (which would require a new approval workflow by the department).

***Understanding the Timeframes.*** Approximately seven months or 210 days is the estimated time required to cycle through a moderately complex RFP process (not including scoping). Of this:

- Department involvement occurs over 195 days (about 93%), and
- Compliance reviews by the “process approvers” (including Purchasing, Finance and the City Manager’s Office) occur over 15 days (7%).

These percentages are portrayed in Figure 5.

*Figure 5. Request for Proposals: Involvement by Procuring Department and Process Approvers*



*Source: Beverly Hills Purchasing Function Assessment – Current/Proposed Workflow Processes (Attachment B)*

**The perception by most departments is that time delays are occurring during the compliance review process performed by Finance purchasing staff. The data indicate this is not the case, although improvements can be made with the changes in roles we are proposing.**

Many of the staff in operating departments who perform purchasing-related functions have other duties, which stretches individual staffing capacity and limits the time they can devote to procurement.

After conducting a lengthy process and obtaining approvals, department staff are understandably confused and frustrated when Finance purchasing staff, other Finance or City Manager’s Office staff ask clarifying questions during the purchase order approval process. **Nonetheless, such questions are necessary for fiduciary purposes.**

As noted previously, moving to a partnership-based purchasing system will reduce the frustration that is occurring by allowing purchasing involvement and visibility at earlier stages in the procurement cycle.

### **Lack of Established Turnaround Times or Systematic Tracking**

During our data gathering, concerns were expressed by virtually all interviewees and focus group participants that procurements are taking more time than necessary and impacting operational service delivery. As with other processes, the City could establish turnaround (cycle) times for various purchasing process phases based on national benchmarking standards. This would require determining the expected cycle times for each procurement phase.

The process maps in Attachment B indicate what the process flow should be to improve efficiency and effectiveness. Current and proposed cycle times associated with the major RFP process phases (included in the process maps) are shown in Table 3. A significant reduction in average RFP cycle time is possible, but this would require tracking to determine whether the established turnaround times are being met.

*Table 3. Current and Proposed Cycle Times for RFP Process Phases*

RFP Process Phase	Current Cycle Time <sup>1</sup>	Target Cycle Time <sup>2</sup>
Competitive bidding	4 weeks	4 weeks
Evaluation of submittals and vendor selection	4 weeks	2 weeks
Contract negotiation	10 weeks	3 weeks
City Council approval and contract review	6 weeks	3 weeks
Contract execution and purchase order approval	4 to 6 weeks	2 weeks
<b>Total Cycle Time</b>	<b>28 to 30 weeks or 7 to 7.5 months</b>	<b>14 weeks or 3.5 months</b>

*Source: Beverly Hills Purchasing Function Assessment – Current/Proposed Workflow Processes (Attachment B)*

<sup>1</sup>Current average cycle times for a moderately complex RFP as estimated by City staff.

<sup>2</sup>Proposed cycle time targets based on best practices using a critical path management approach.

**Recommendation 12. Establish performance measures for formal and informal procurement cycle times to work toward best practice benchmarks.**

**Recommendation 13. Evaluate cycle times for formal procurement process phases to determine where the most significant delays are occurring.** Insight will help allocate resources effectively and reduce cycle times.

### ***After-the-Fact Approvals***

A key interview theme shared by staff is that the City's organizational culture places a high value on moving things along and getting things done. While this is understandable when departments have services to deliver in a timely manner, real or perceived delays in the purchasing process can be used by staff as a justification for non-compliance with purchasing policies and can sometimes result in purchases that are not authorized pursuant to Municipal Code requirements.

The City's municipal code makes it unlawful for an employee to commit the City to a purchase in violation of purchasing policies and explicitly states that such a purchase is not legally binding. However, the policy provisions are not always enforced.

When an unauthorized purchase occurs, department staff are required to obtain price quotes or provide memoranda to explain sourcing methods "after the fact" so that suitable justification documentation for the procurement is kept on file.

**Recommendation 14. Implement accountability and training measures to reduce purchases not in full compliance with purchasing policies and procedures.**

Accountability measures must be consistent with existing personnel policies.

## Purchasing Policies and Procedures

This section provides Management Partners' observations and recommendations in the following areas:

- Internal Policies and Procedures,
- Municipal Code and Purchasing Approval Levels,
- Streamlining Written Agreements, and
- Risk Management and Tolerance.

### ***Internal Policies and Procedures***

The Finance Department has prepared a detailed purchasing policy manual which can be accessed via the City's intranet. It also includes visual aids such as flowcharts, links to the Municipal Code, screenshots of financial system approvals, procurement process checklists, and reference material.

However, based on interviews and focus group feedback, the document appears to be used infrequently. Rather, operating department staff who perform purchasing functions reportedly rely on "oral history" or past practice (even if it is wrong) from each other as to how to procure goods or services, rather than consulting with Finance purchasing staff or reviewing the purchasing policy manual.

The result of this approach is that it reinforces perceptions that Finance purchasing staff are not there to assist, and that purchasing policies and procedures are difficult. Additionally, the City's purchasing policy manual is a 173-page document in total with considerable detail, which is not considered user-friendly by line staff. The underlying policy provisions are contained in 40 pages, with detailed reference materials making up the difference, creating the perception that the document is too long and detailed, and hard to follow.

However, efforts to include more detail in the policy document were related to feedback received by Finance from departments about needing more policy clarity. Finance purchasing staff can collaborate with the purchasing liaisons (see Recommendation 6) to discuss and recommend

ways to structure the policy document and associated reference materials for maximum benefit.

**Recommendation 15. Conduct collaborative problem-solving meetings with purchasing liaison meetings to determine the most helpful approach to organizing purchasing policy and procedural materials.**

Recommendations can be jointly presented to upper management by purchasing staff and liaisons to enhance the collaborative process.

**Purchasing Card Program**

Like many local agencies, Beverly Hills has established a purchasing card program. The Government Finance Officers Association (GFOA) and other leading finance/procurement entities consider purchasing card programs to be a best practice *when they are optimally balanced between efficiency and control and used in strategic context with other procurement best practices.*

In 2018, the Finance Department implemented a policy change regarding purchasing card use that has resulted in confusion and frustration by staff. The change was meant to enforce a provision in the Municipal Code that requires a purchase order to be in place before goods or services are provided by vendors.<sup>5</sup> The change required that purchasing cards only be used in conjunction with purchase orders, with Finance staff clarifying that purchasing cards were an “alternate payment method” and not an “alternate procurement method.”

Current practice does allow exceptions for making certain purchases such as postage, memberships, training, travel, etc., with purchasing cards without the necessity of a purchase order.

The changes have not been well received by staff and are viewed by user departments as confusing and inefficient.

Management Partners notes this is not typical in government agencies with purchasing card programs. The typical practice is for cards to be

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<sup>5</sup> Article 1, Section 3-3-103 of the Municipal Code requires the issuance of purchase orders for goods and services purchases and specifically states that “any vendor or contracting party” is not authorized to perform work or supply goods without first receiving a purchase order. However, this section also includes flexibility for the City Manager to approve alternative administrative regulations.

utilized for buying commonly used goods so that purchase orders need not be established. In Beverly Hills, however, concerns about accountability and internal control preclude this application. City leaders must evaluate the desired need for efficiency by user departments in context with concerns about accountability and control before the current policy and practice are modified.

**Recommendation 16. Evaluate current accountability and control mechanisms to determine if there are opportunities to expand the use of purchasing cards as an efficient alternative to issuing purchase orders.**

**Recommendation 17. Establish guidelines that identify specific instances where purchase orders are not needed and allow the use of purchasing cards in those instances.**

***Beverly Hills is Under-utilizing its Purchasing Cards.*** In researching national information on local government purchasing card usage, recent survey data suggest that the City is underutilizing its purchasing card program. For example, as shown in Table 4, according to the 2017 RPMG survey report, Beverly Hills was *lower* than the benchmarks in the following areas:

- Average monthly total purchasing card spending,
- Monthly spending per purchasing card,
- Monthly spending per purchasing card transaction,
- Monthly transaction per purchasing card, and
- Percentage of active cards in a typical month.<sup>6</sup>

*Table 4. Purchasing Card Program Benchmark Statistics*

	Small <sup>1</sup>	Mid-Size <sup>2</sup>	Large-Size <sup>3</sup>	Beverly Hills
<b>Organizational Statistics</b>				
Number of Employees	78	484	3,665	<b>995.9</b>
<b>Program Performance Measures</b>				
Number of Plastic Purchasing Cards	24	146	475	<b>182</b>
Card-to-Employee Ratio	31.50%	30.10%	12.80%	<b>18.27%</b>

<sup>6</sup>Benchmark agencies are cities and counties categorized as small, mid-size or large as determined by operating budget and number of employees. Beverly Hills fits the category of large-size in terms of its operating budget, but mid-size relative to the number of employees.



	Small <sup>1</sup>	Mid-Size <sup>2</sup>	Large-Size <sup>3</sup>	Beverly Hills
Average Monthly P-Card Spending	\$20,586	\$216,505	\$888,166	<b>\$205,461</b>
Median Monthly P-Card Spending	\$12,000	\$135,000	\$560,000	<b>\$199,859</b>
Monthly Spending per Employee	\$265	\$447	\$242	<b>\$206</b>
<b>Cardholder Activity Measures</b>				
Monthly Spending per Card	\$840	\$1,484	\$1,890	<b>\$1,129</b>
Monthly Transactions per Card	3.92	4.40	5.30	<b>3.56</b>
Spending per Transaction	\$215	\$337	\$357	<b>\$318</b>
Percentage of Active Cards in a Typical Month	71%	72%	75%	<b>48.6%</b>

Sources: RPMG 2017 Purchasing Card Benchmark Survey Results; P-Card spending data for July 2018 through June 2019 provided by the City of Beverly Hills.

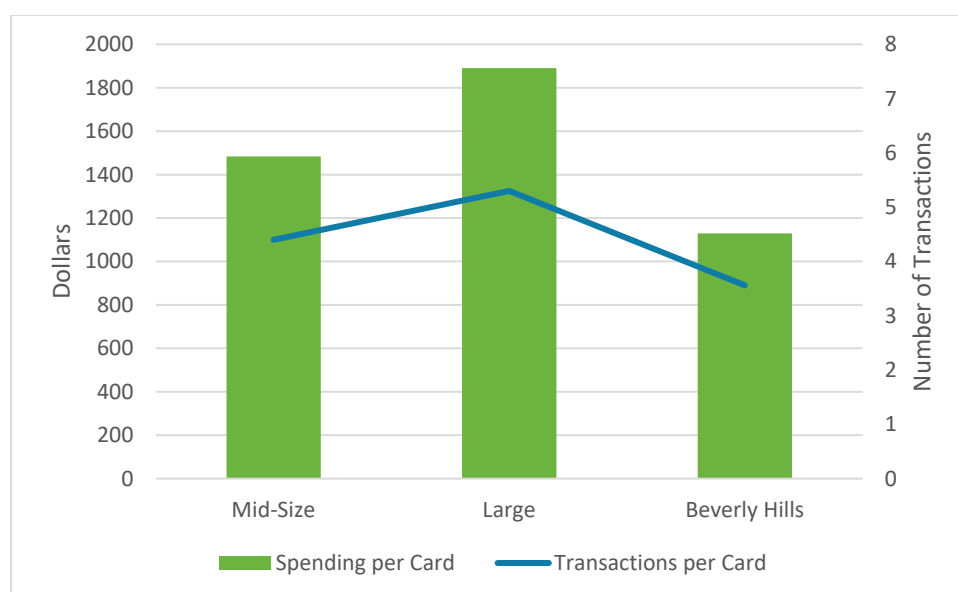
<sup>1</sup>Small-size cities and counties are defined as those with annual budgets below \$25 million.

<sup>2</sup>Mid-size cities and counties are defined as those with annual budgets over \$25 million with fewer than 1,000 employees.

<sup>3</sup>Large-size cities and counties are defined as those with annual budgets over \$25 million with more than 1,000 employees.

Figure 6 compares Beverly Hills to mid-size and large agencies in terms of average monthly spending per purchasing card and average monthly transactions per card. Beverly Hills lags benchmark agencies in both areas. In addition, as Table 4 shows, Beverly Hills staff use their card less frequently than their benchmark counterparts (49% utilization rate as opposed to 72% and 75% for mid-size and large cities), i.e., half of all employees who have cards are not using them.

Figure 6. Comparison of Monthly Purchasing Card Spending and Number of Transactions



Source: RPMG 2017 Purchasing Card Benchmark Survey Results

The benchmark agencies also take advantage of card-less electronic accounts payable (EAP) methods that the City does not currently utilize due to fraud concerns. Use of electronic methods, appropriately controlled, is recommended to reduce paper invoicing and increase automation.

**Recommendation 18. Evaluate opportunities to maximize the value of the purchasing card program.** One example includes the use of purchasing cards by the Accounts Payable division to pay for global purchases associated with citywide card-less accounts.

Although purchasing cards can be an efficient procurement method, effective internal controls must be in place to ensure appropriate usage. Recommended best practices include monthly statement monitoring by Finance staff independent of purchasing to maintain separation of duties *and* periodic third-party auditing.

**Recommendation 19. Monitor purchasing card statements on a monthly basis and engage a third party to conduct periodic audits.**

### **Inconsistent RFP/RFQ Processes**

During the interviews and process mapping sessions, it became apparent that departments use different approaches to evaluate request for proposal and request for qualification (RFQ) responses. To ensure process integrity, a consistent approach to conducting and evaluating submittals should be developed with the assistance of Finance purchasing staff to be used throughout the organization. As a best practice, such an approach should include the use of a conflict of interest disclosure form and a confidentiality agreement.

**Recommendation 20. Establish a consistent approach for conducting and evaluating RFP/RFQ responses and include the use of a confidentiality/conflict of interest form.**

### ***Municipal Code and Purchasing Approval Levels***

Input from interviews indicated that managers are interested in increasing the thresholds for city manager, finance director and department director approval to streamline processes and increase efficiency. Approval limits in Beverly Hills were last increased in 2006.

As part of the peer comparisons, Management Partners obtained information on approval thresholds, which confirmed that Beverly Hills has low thresholds.

- Five of the six peer agencies have substantially higher city manager contract award authority thresholds than the Beverly Hills level of \$50,000 (Table 5).
- Only Culver City has a similar amount to Beverly Hills.

It is a prudent and accepted best practice to periodically adjust purchasing approval limits (for the city manager and designated staff) to account for changes in economic conditions and maintain efficiency.

*Table 5. Peer Agency Comparison of Contract Award Authority*

Peers	Contract Award Authority <sup>1</sup>	
	City Manager	City Council
<b>Beverly Hills</b>	\$50,000	Greater than \$50,000
<b>Burbank*</b>	\$100,000	Greater than \$100,000
<b>Culver City*</b>	to \$50,000	Greater than \$50,000
<b>Fremont</b>	\$100,000	Greater than \$100,000
<b>Mountain View*</b>	Greater than \$100,000	Greater than \$100,000
<b>Santa Monica*</b>	\$250,000	Greater than \$250,000
<b>Sunnyvale*</b>	\$100,000	Greater than \$100,000

Sources: City budgets FY 2019-20, municipal codes, city charters, and city websites.

\*Indicates Charter cities.

<sup>1</sup> For goods and general services; approvals may include professional services and/or public works projects but some jurisdictions have varied limits for these categories. The full comparison is contained in Attachment C.

The City has four purchasing approval levels, established by resolution as follows:

- Department heads – Level 1, up to \$7,500;
- Finance director – Level 2, up to \$25,000;
- City manager or finance director – Level 3, up to \$50,000; and
- City council – Level 4, greater than \$50,000.

Level 1 purchases do not require a competitive bid process.

Periodic adjustments are necessary to keep pace with increases in the Consumer Price Index (CPI) and ensure procurement/workload efficiency. Additionally, it is unclear whether the Municipal Code allows the City Manager to delegate purchasing authority.

**Recommendation 21. Amend the purchasing resolution to increase the purchasing approval thresholds for the**

**city manager, finance director and department heads to \$100,000, \$50,000 and \$10,000, respectively.** It is also recommended that the Purchasing Administrative Regulations be updated to increase the Level 1 threshold requirement for competitive bidding to \$10,000<sup>7</sup>.

**Recommendation 22. Clarify the authority of the city manager to delegate purchasing approval authority.**

Recommendations 21 and 22 would not impact the \$50,000 threshold to solicit formal sealed bids or the quarterly council reporting requirements for Level 2 and 3 purchases.

The Municipal Code requires the solicitation of oral bids for Level 2 purchases and allows oral bids to be received without articulating whether written bids must be received, which is not a best practice. On the other hand, bids associated with Levels 3 and 4 must be submitted in writing. The allowance of verbal bids without requiring written documentation provided by a vendor increases confusion and invites disagreements on pricing. Additionally, the absence of written documentation from a vendor to substantiate verbally communicated bid pricing would result in a deficiency finding if audited.

**Recommendation 23. Amend the Municipal Code to clarify that quotes can be requested by phone but must be submitted in writing.**

### **Professional Services Procurements**

The Beverly Hills Municipal Code states that competitive bidding requirements shall not apply to the procurement of professional services, and it is not uncommon for local governments to exempt professional or highly specialized services from competitive bidding requirements. However, a best practice is to conduct qualifications-based competitive processes whenever possible. Additionally, some state laws and federal regulations require competitive processes for professional services, and

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<sup>7</sup> During the interview process, several departments commented on the need to substantially increase the department head approval threshold. Given current accountability/compliance concerns and the decentralized nature of the City's purchasing system, \$10,000 is recommended. This threshold is also equal to the limit at which competitive bidding can be dispensed when making purchases with federal grant funds. The limit can be revisited as system improvements are made and accountability concerns addressed.

some City departments do conduct competitive processes for such services.

As a best practice, competitive selection processes should be undertaken when possible and the use of bidding exceptions minimized to the extent possible. For professional services such as civil engineers, broad-based request for qualifications (RFQ) processes can be periodically conducted to establish prequalified lists of consultants and/or on-call contracts in different service categories.

To help ensure consistency with other government requirements and to emphasize the importance of fair/open procurements, the Municipal Code can be modified to state that such purchases *may be exempt* from bidding and that bidding *should be conducted whenever possible*.

**Recommendation 24. Amend the Municipal Code to clarify the intent and use of competitive bidding exceptions.**

### ***Streamlining Written Agreements***

It is a best practice to use written, duly executed agreements for procuring services, but this requirement can and should be balanced with factors such as dollar value, efficiency and procurement risk, i.e., procurements can be completed using a purchase order with standard terms and conditions.

Currently, written agreements are required for services of *any* amount. This is inefficient and adds unnecessary layers and time delays to contracts for services. These agreements are signed by multiple staff members including subject matter experts, project managers, department heads, the risk manager, finance director, city attorney and city manager. Additionally, the current practice requires multiple staff members to sign service agreements, which is an unnecessary requirement that leads to time delays.

**Recommendation 25. Establish a dollar threshold at which written agreements are required for services.**

Lower value service contracts can be issued on purchase orders with terms and conditions unless the level of risk dictates the use of a written agreement.

***Use of DocuSign.*** The City implemented a contract electronic signature solution (DocuSign), which is a best practice, but is only utilizing the system for contracts up to \$50,000. Electronic signature systems are much more efficient and customer-friendly than pen and ink signatures, have

been broadly used in the private sector for many years, and are becoming mainstream for local governments.

***City Clerk Docketing System.*** Whether pen/ink or electronic signatures are employed, after all signature approvals are obtained, the city clerk must docket the contract and upload it to a central database before it is provided to staff, who then must complete two steps in the financial system (one for the contract and one for a purchase order). The manual nature and timing of the docketing process, and the number of workflow approvals (and associated delays) are inefficient and can be evaluated to reduce routing times and eliminate redundancies.

The process maps in Attachment B identify opportunities for reducing time delays.

**Recommendation 26. Maximize the use of electronic signatures for written agreements.**

**Recommendation 27. Reevaluate the necessity for multiple contract signatories.** Contracts need only be signed by the city attorney, who approves the form, and the city manager or designee, i.e., the person who is authorized to legally bind the City.

**Recommendation 28. Reevaluate the docketing requirements to increase efficiency in contract approval routing by establishing service level expectations and working toward achieving targeted goals.**

**Recommendation 29. Explore opportunities to reduce workflow approvals in the Munis system.**

***Contract Templates.*** City staff do not always use the most current contract templates accessed from the shared intranet website, which results in delays and the need to redo contracts. Often, contracts that were used in previous procurements are reused to prepare new agreements. Since contract templates are updated to reflect changes in the law or to enhance protection from liability, it is essential that up-to-date templates be used.

**Recommendation 30. Ensure that the most current contract templates are used for all procurements that require written agreements.** This requirement also applies to standard terms and conditions used with purchase orders.

## ***Risk Management and Tolerance***

Current practice requires the risk manager or designee to review *every* required Certificate of Insurance (COI) to determine whether the insurance requirements have been met. This is not typical and is unnecessary if purchasing staff members (including purchasing liaisons) are sufficiently trained to review the COIs to ensure that all requirements are met.

***Best Practice.*** A more typical arrangement is to request risk management clarification or review on an as-needed basis during the procurement life cycle, *if there is a question about insurance compliance*. Basic review of submitted COIs for insurance compliance can be performed by Finance purchasing staff or purchasing liaisons.

Additionally, all staff involved in purchasing and risk management processes can be trained to conduct risk assessments in accordance with a standard risk tolerance matrix that evaluates procurement risk in terms of the “likelihood of occurrence” and “seriousness of impact” (Figure 7).

As indicated in Figure 7, there are only a few instances that represent areas of high risk, i.e., where a high likelihood of occurrence intersects with an occurrence that could have a significant impact. Procurements can be evaluated with this concept in mind to assess risk levels and help determine when risk management review is needed.

This approach would not impact the waiver or coverage modification requests that must be considered by risk management. The matrix will be useful in evaluating these considerations as well.<sup>8</sup>

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<sup>8</sup> Any risk assessment presumes at the outset of a procurement process that contractors must comply with city insurance requirements as a basic contracting requirement. Inquiries by staff or contractors regarding coverage modifications during any point of procurement processes must be reviewed and approved by designated risk management staff unless otherwise delegated to staff performing purchasing functions.

Figure 7. Standard Risk Tolerance Matrix

Likelihood of Occurrence	Very Likely	Acceptable Risk Medium	Unacceptable Risk High	Unacceptable Risk High
	Likely	Acceptable Risk Low	Acceptable Risk Medium	Unacceptable Risk High
	Unlikely	Acceptable Risk Low	Acceptable Risk Low	Acceptable Risk Medium
		Minor	Moderate	Major
		Seriousness of Impact		

**Recommendation 31. Establish the practice of risk management review of Certificates of Insurance by exception in conjunction with contract execution and/or purchase order approval workflows.** This can be accomplished by having the risk manager train additional risk staff, purchasing staff, including liaisons, on evaluating the submitted COIs for compliance, as well as the importance of minimizing liability.

It is also helpful to enumerate what circumstances absolutely require insurance coverage at or beyond the limits established, when limits can be modified, instances where insurance coverage can be reduced or waived, and situations where insurance is not required. Examples include:

- Material and supply purchases and offsite services (insurance not required);
- Onsite trainers, presenters or performers (depending on duration and other risk factors (like artists who perform for or work with children or seniors), insurance can be reduced or waived); and
- Large projects or work with a high consequence of error (increased insurance coverage required).



**Recommendation 32. Create example scenarios and/or lists of vendors for which insurance must be provided, can be modified/waived, or is unnecessary.**

A centralized approach to ensuring that COIs are current and compliant is not used. One challenge for managing insurance compliance is that any given contract term or duration rarely coincides with insurance coverage timeframes, which requires focused attention to monitor renewal periods. Many cities choose to contract with third-party compliance administrators or establish a monitoring function in-house that is conducted independently from contract renewals.

**Recommendation 33. Establish insurance certificate tracking as a risk management compliance function that focuses on expiring insurance coverage.**

## Other Business System Considerations

This section includes other areas that require further research based on our initial observations. The focus of our study was on the decentralized purchasing function, staffing levels and system oversight. However, throughout the project we became aware of other considerations that impact operational effectiveness or represent areas of potential risk.

### ***Bid Protest Procedures***

During the interviews and process mapping sessions, staff members were unclear about whether there was a formal bid protest policy or established procedures for handling protests. Establishing formal protest procedures is a best practice and provides important due process steps for prospective bidders.

**Recommendation 34. Evaluate current bid protest practices and establish formal procedures as necessary.**

### ***Areas Noted for Further Review***

During the interviews and process mapping sessions, the following areas were noted that warrant further review:

- Inventory management,
- Determination of Form 700 filer status for consultants, and
- Council agenda/report management.

#### **Inventory Management**

It was noted during the interviews that the City does not have an inventory management system. Public Works staff are in the process of implementing a work order system and are evaluating its inventory tracking capabilities.

#### **Form 700 Filer Status**

State law requires that consulting contracts be evaluated in conjunction with a jurisdiction's conflict of interest code to determine whether consultants must file the Form 700 statement of economic interests. This responsibility current resides with the City Clerk, but several staff

members indicated throughout the course of the project that the required test to determine filing status is not being consistently applied. In some centralized purchasing agencies, this review is performed by the chief procurement official.

### **Council Agenda/Report Management**

As part of the process mapping, inefficiencies were noted regarding the review of procurement contracts that require Council approval, including:

- Council reports are routed via email, with or without draft contracts attached, and the approval process takes one and a half months on average.
- The draft contracts are not consistently reviewed prior to Council approval, and on occasion inconsistencies in contracts are discovered after Council approval that require corrective action.
- The executive staff members reviewing the Council reports must also review the contracts when they are submitted for signature approval (another process that takes several weeks to complete on average).

Improvements associated with this area have been incorporated into the process map (Attachment B), and the city clerk is evaluating options for a streamlined agenda management system.

## Conclusion

The City of Beverly Hills' decentralized purchasing system, while providing considerable latitude and flexibility for departments to conduct their own procurements, has resulted in inconsistent practices and policy application, significant procurement delays, and the underutilization of purchasing staff and oversight within the Finance Department and throughout the City organization. Additionally, the back-end compliance approach currently employed by the Finance Department causes confusion and frustration, limits information flow and does not foster interdepartmental collaboration.

Using a partnership approach by engaging Finance purchasing staff on the front end and focusing on customer service as well as compliance, the procurement experience will be improved. A more focused and strategic approach to procurement, including improved efforts by the Finance Department and its purchasing staff to educate staff on procurement policies and procedures, will maximize best overall value, reduce risk, and increase interdepartmental cooperation.

Formalizing the roles and responsibilities of department purchasing liaisons in close collaboration with Finance purchasing staff will be a vital step to maximize operational improvements to the decentralized system. We are pleased to be part of this important effort and trust that City leaders will guide and support staff in making meaningful improvements.

## Attachment A – List of Recommendations

Recommendation 1. Transition the current decentralized purchasing system to a partnership system that maximizes and effectively utilizes procurement expertise early in the procurement process.

Recommendation 2. Provide opportunities for Finance purchasing staff to be engaged in all procurement phases.

Recommendation 3. Augment and restructure staffing in the Purchasing Division to add a full-time purchasing services manager, and consider either upgrading, retitling or amending job duties of existing positions to ensure function of buying, customer services and related purchasing duties are included.

Recommendation 4. Provide opportunities for the purchasing specialists to perform core procurement functions on a request or as-needed basis.

Recommendation 5. Task Finance purchasing staff with evaluating strategic procurement opportunities to maximize value and help achieve policy goals.

Recommendation 6. Formally designate one or more purchasing liaisons in each department to fulfill purchasing duties and responsibilities.

Recommendation 7. Conduct periodic internal customer service surveys and utilize the feedback to address areas of concern.

Recommendation 8. Establish a schedule for periodic, solutions-based meetings with purchasing liaisons to discuss and resolve issues and identify opportunities and improvements to purchasing processes.

Recommendation 9. Conduct a needs assessment to determine and prioritize procurement-related training requirements.

Recommendation 10. Conduct citywide and department-specific training sessions on a regular basis to review purchasing policies and discuss roles and responsibilities.

Recommendation 11. Incorporate Finance Division roles into annual purchasing training to increase awareness of and explain differences between purchasing and accounts payable.

Recommendation 12. Establish performance measures for formal and informal procurement cycle times to work toward best practice benchmarks.

Recommendation 13. Evaluate cycle times for formal procurement process phases to determine where the most significant delays are occurring.

Recommendation 14. Implement accountability and training measures to reduce purchases not in full compliance with purchasing policies and procedures.

Recommendation 15. Conduct collaborative problem-solving meetings with purchasing liaison meetings to determine the most helpful approach to organizing purchasing policy and procedural materials.

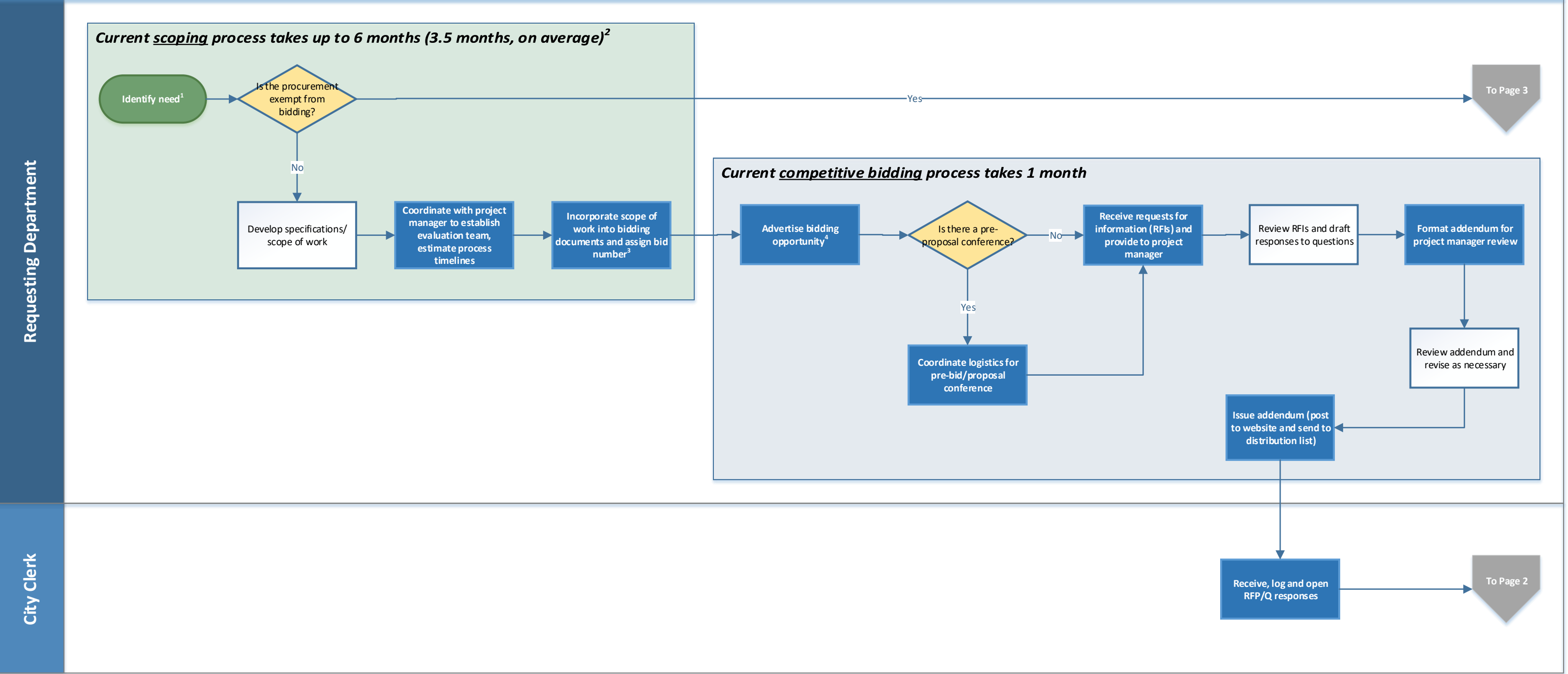
Recommendation 16. Evaluate current accountability and control mechanisms to determine if there are opportunities to expand the use of purchasing cards as an efficient alternative to issuing purchase orders.

- Recommendation 17. Establish guidelines that identify specific instances where purchase orders are not needed and allow the use of purchasing cards in those instances.
- Recommendation 18. Evaluate opportunities to maximize the value of the purchasing card program.
- Recommendation 19. Monitor purchasing card statements on a monthly basis and engage a third party to conduct periodic audits.
- Recommendation 20. Establish a consistent approach for conducting and evaluating RFP/RFQ responses and include the use of a confidentiality/conflict of interest form.
- Recommendation 21. Amend the purchasing resolution to increase the purchasing approval thresholds for the city manager, finance director and department heads to \$100,000, \$50,000 and \$10,000, respectively.
- Recommendation 22. Clarify the authority of the city manager to delegate purchasing approval authority.
- Recommendation 23. Amend the Municipal Code to clarify that quotes can be requested by phone but must be submitted in writing.
- Recommendation 24. Amend the Municipal Code to clarify the intent and use of competitive bidding exceptions.
- Recommendation 25. Establish a dollar threshold at which written agreements are required for services.
- Recommendation 26. Maximize the use of electronic signatures for written agreements.
- Recommendation 27. Reevaluate the necessity for multiple contract signatories.
- Recommendation 28. Reevaluate the docketing requirements to increase efficiency in contract approval routing by establishing service level expectations and working toward achieving targeted goals.
- Recommendation 29. Explore opportunities to reduce workflow approvals in the Munis system.
- Recommendation 30. Ensure that the most current contract templates are used for all procurements that require written agreements.
- Recommendation 31. Establish the practice of risk management review of Certificates of Insurance by exception in conjunction with contract execution and/or purchase order approval workflows.
- Recommendation 32. Create example scenarios and/or lists of vendors for which insurance must be provided, can be modified/waived, or is unnecessary.
- Recommendation 33. Establish insurance certificate tracking as a risk management compliance function that focuses on expiring insurance coverage.
- Recommendation 34. Evaluate current bid protest practices and establish formal procedures as necessary.

## Attachment B – Formal Competitive Request for Proposals Process Maps

Formal Competitive Request for Proposals (Greater than \$50,000) (Page 1 of 4)

Bidding Document Preparation and Posting



**Notes**

<sup>1</sup>Process starts following department approval to move forward with a request for proposals (RFP) process.

<sup>2</sup>During this phase, departments coordinate with the City Attorney’s Office and risk management as necessary. Process timeframes are based on staff estimates to conduct a moderately complex RFP.

<sup>3</sup>The current process of assigning bid numbers results in different naming conventions and can be centralized for uniformity and ease of tracking.

<sup>4</sup>RFPs are posted to PlanetBids, City website, and other subject-matter specific websites, i.e., American Planning Association (APA) but posting practices by departments are inconsistent.

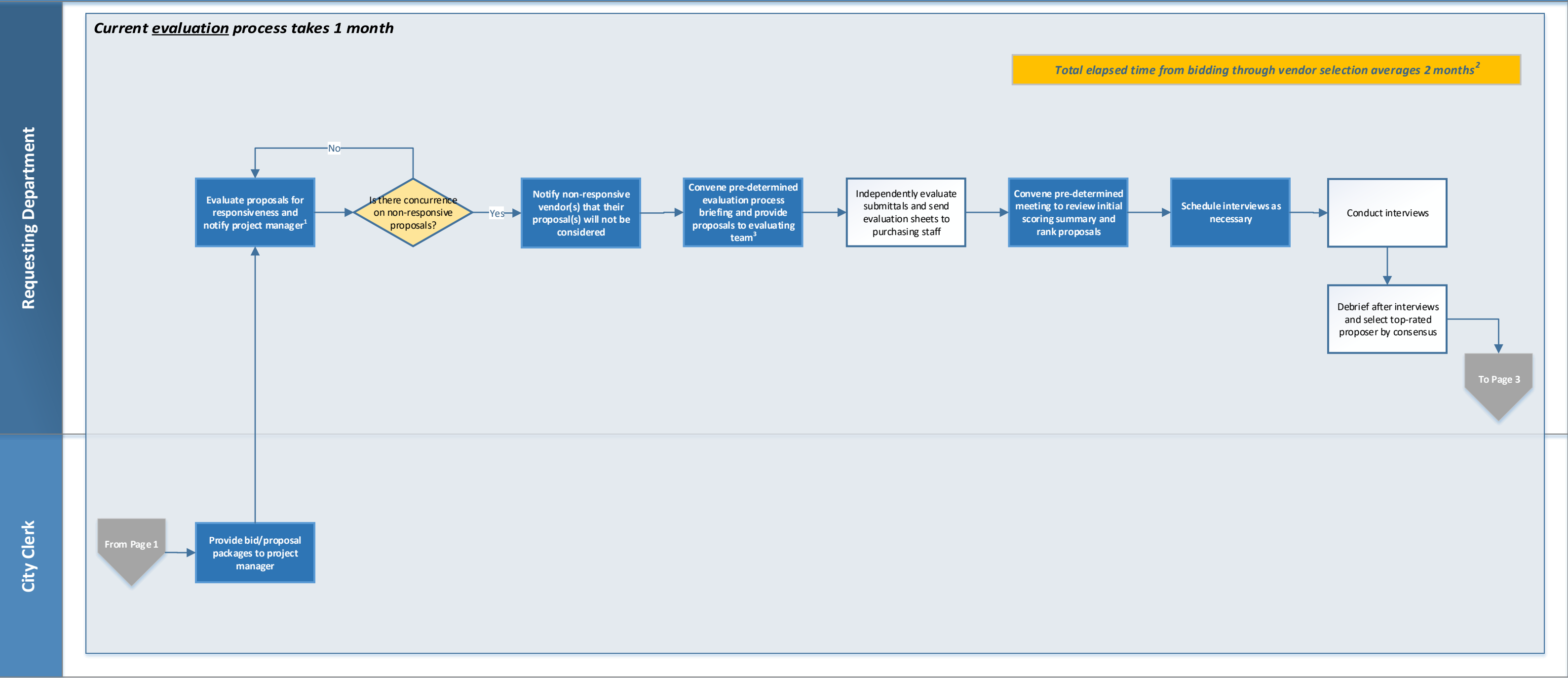
**Legend**

- Blue Boxes indicate process steps currently being conducted by departments that can be facilitated by purchasing staff or purchasing liaisons as determined by department head or as requested/required.
- Green Container indicates process to prepare specifications, requirements or scope of work.
- Gray Containers indicate segments of the competitive bidding process occurring without purchasing involvement.
- Orange Containers indicate estimated elapsed time to complete the competitive bidding process (not including scoping).
- Purple Containers indicate purchasing staff’s entry into the procurement process.



Formal Competitive Request for Proposals (Greater than \$50,000) (Page 2 of 4)

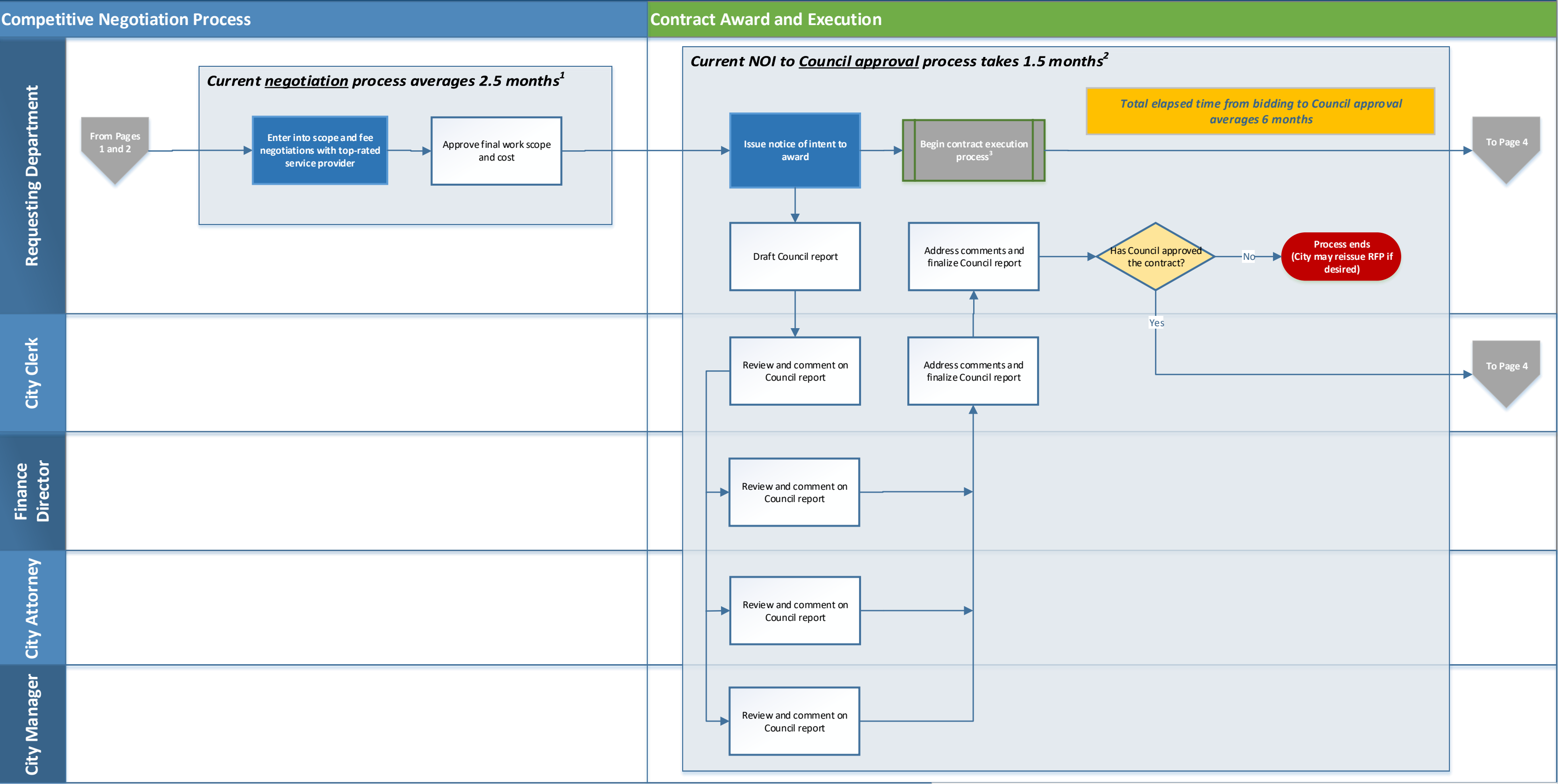
Evaluation of Submittals and Vendor Selection Phases



**Notes**  
<sup>1</sup>Purchasing Division staff or purchasing liaisons can perform the responsiveness check and consult with the City Attorney’s Office and department management as necessary for concurrence on non-responsive proposals.  
<sup>2</sup>Elapsed times are estimates provided by staff; cycle times are not currently tracked/reported.  
<sup>3</sup>Evaluation processes are inconsistent across departments. Consistency can be achieved by centralizing the coordination/facilitation of RFP evaluations through Finance purchasing staff and/or liaisons.

- Legend**
- **Blue Boxes** indicate process steps currently being conducted by departments that can be facilitated by purchasing staff or purchasing liaisons as determined by department head or as requested/required.
  - **Green Container** indicates process to prepare specifications, requirements or scope of work.
  - **Gray Containers** indicate segments of the competitive bidding process occurring without purchasing involvement.
  - **Orange Containers** indicate estimated elapsed time to complete the competitive bidding process (not including scoping).
  - **Purple Containers** indicate purchasing staff’s entry into the procurement process.

Formal Competitive Request for Proposals (Greater than \$50,000) (Page 3 of 4)

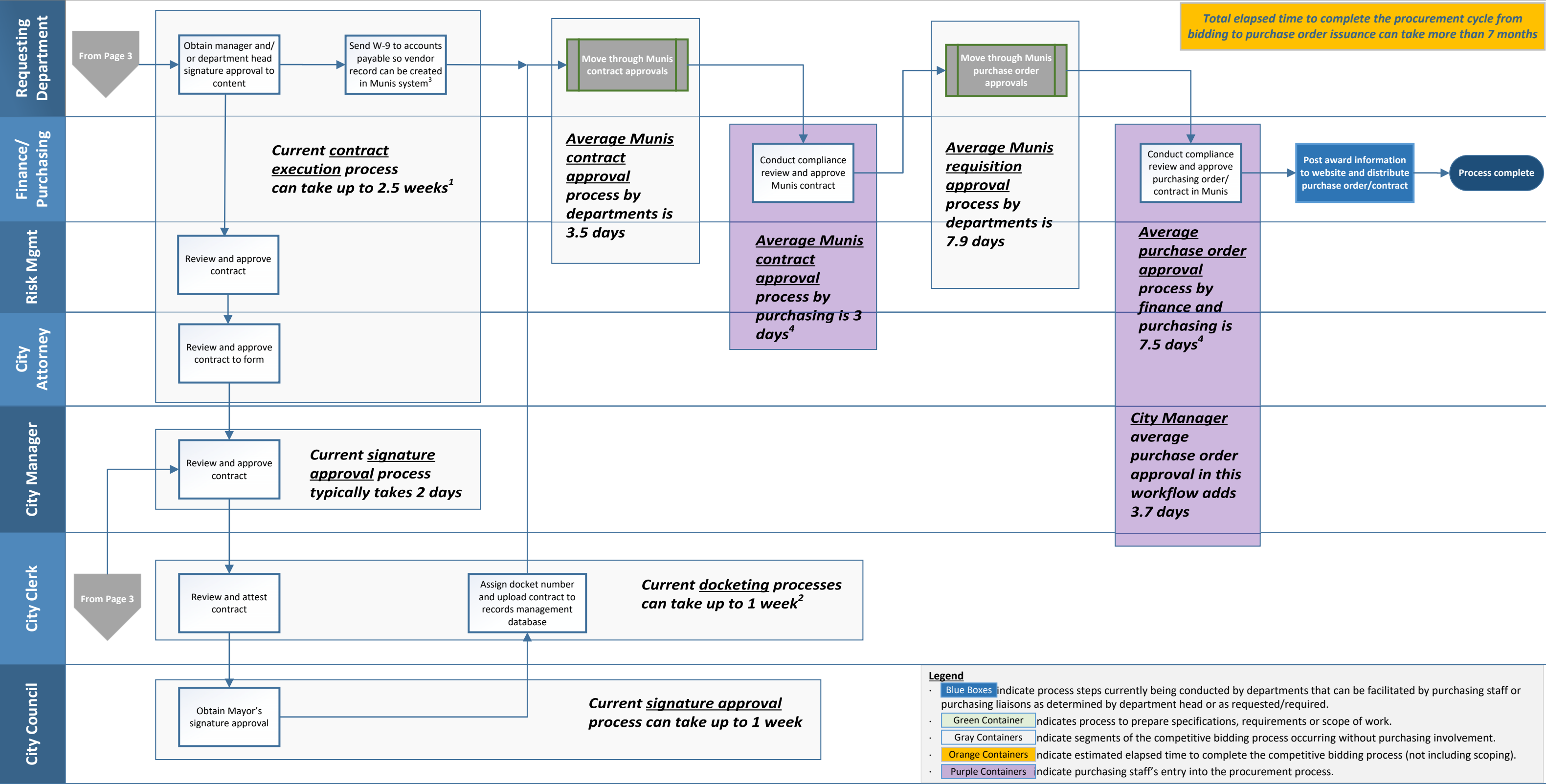


**Notes**  
<sup>1</sup>During this phase, selected evaluation team members consult with the City Manager's Office, City Attorney's Office and risk management to ensure to ensure contract terms are acceptable and requirements met.  
<sup>2</sup>Current process to review/approve Council reports is conducted via simultaneous and/or sequential emails with or without associated attachments and should be evaluated for efficiency improvements.  
<sup>3</sup>Contract execution begins by emailing contracts to vendor for signature and waiting for return via U.S. mail/courier; contracts \$50,000 or less are handled more efficiently via electronic signature through DocuSign. At this point in the process, required information such as insurance certificates/appropriate endorsements, W-9 form, etc. should be consistently requested by staff.

- Legend**
- Blue Boxes indicate process steps currently being conducted by departments that can be facilitated by purchasing staff or purchasing liaisons as determined by department head or as requested/required.
  - Green Container indicates process to prepare specifications, requirements or scope of work.
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  - Purple Containers indicate purchasing staff's entry into the procurement process.

Formal Competitive Request for Proposals (Page 4 of 4)

Contract Execution and Financial System Approvals



**Notes**

<sup>1</sup>If vendor-signed contract has been returned, approvals within this container begin during the Council report phase on page 3; review is not sequential between risk and the City Attorney and is based on availability; Risk Manager will approve whether or not insurance has been verified; Finance Director does not approve at this stage.

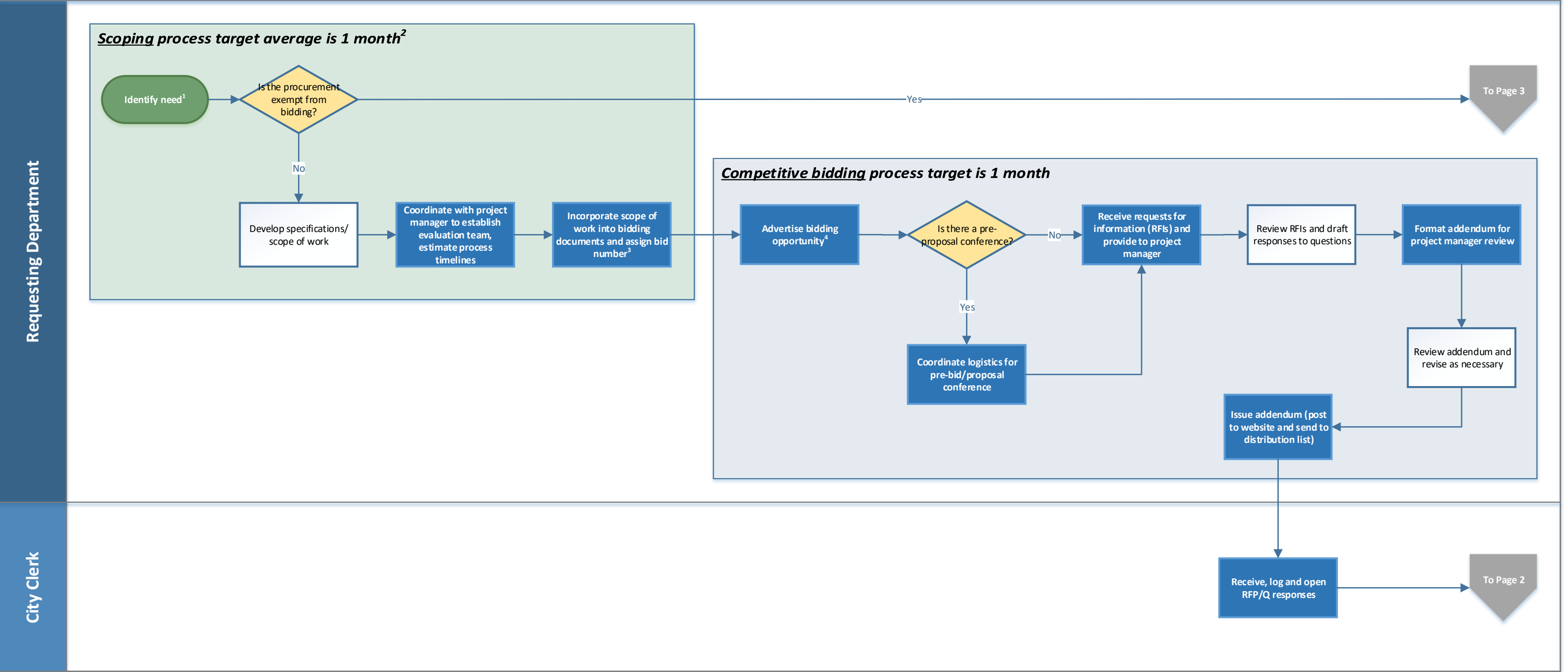
<sup>2</sup>Assigning a docket number can happen earlier in the workflow so that approval workflow in Munis can commence once Council approves the contract.

<sup>3</sup>This step can happen earlier in the process if document has been provided by vendor. This step can also include uploading the insurance certificate.

<sup>4</sup>Finance and purchasing will place items on hold from approximately 1 week if clarification is required, documentation is missing or insurance requirements are not met. Including purchasing earlier in the process will reduce average approval time. Requisitions are held rather than rejected to preclude the need to restart department workflow approvals.

Formal Competitive Request for Proposals (Greater than \$50,000) (Page 1 of 4)

Bidding Document Preparation and Posting



Notes

<sup>1</sup>Process starts following department approval to move forward with a request for proposals (RFP) process.

<sup>2</sup>During this phase, departments coordinate with the City Attorney’s Office and risk management as necessary. Process timeframe is based on reasonable target average to scope a moderately complex RFP.

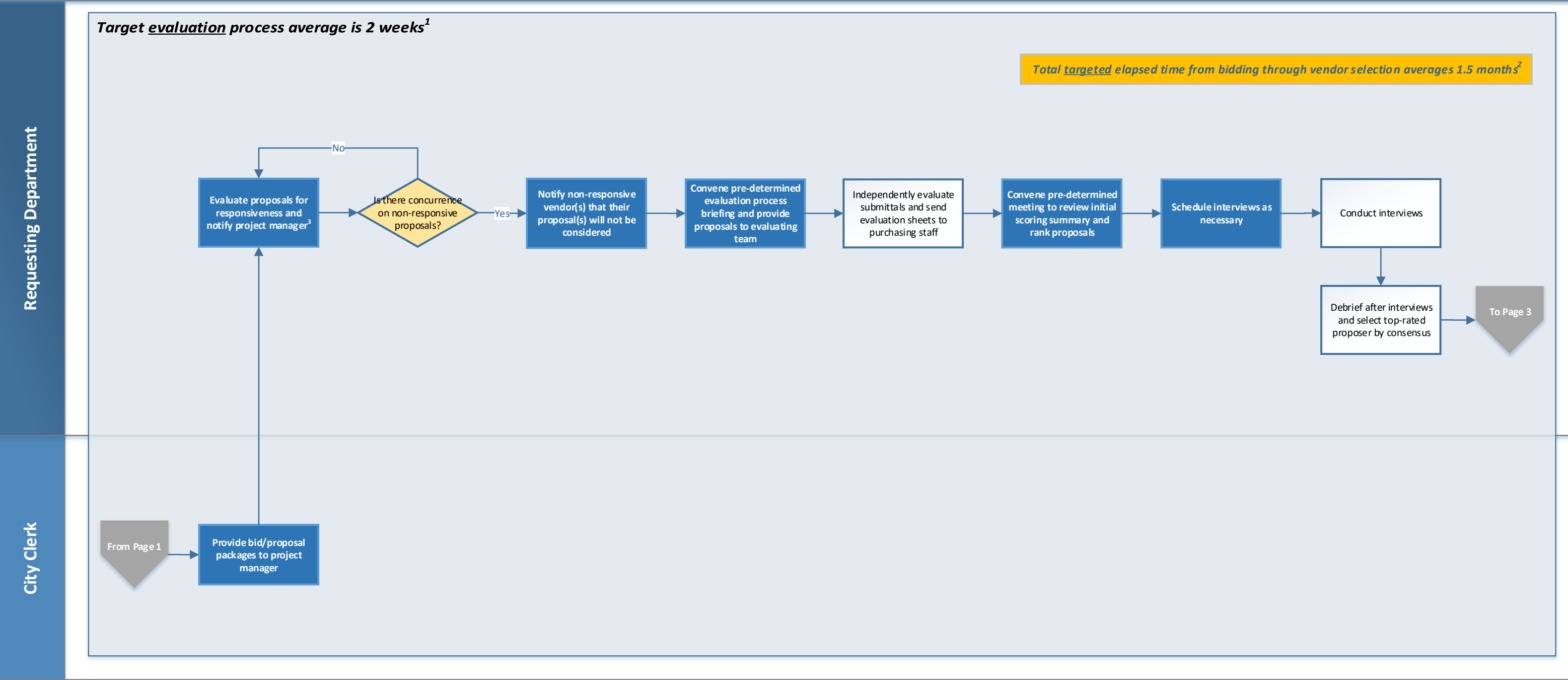
<sup>3</sup>This step should include the assigning of bid numbers with a consistent naming conventions for uniformity and ease of tracking.

<sup>4</sup>RFPs are posted to PlanetBids, City website, and other subject-matter specific websites, i.e., American Planning Association (APA) and should be evaluated for consistency.

- Legend**
- Blue Boxes indicate process steps that can be facilitated by purchasing staff or purchasing liaisons as determined by department head or as requested/required.
  - Green Container indicates process to prepare specifications, requirements or scope of work.
  - Gray Containers indicate areas of focus to reduce competitive bidding process cycle times.
  - Orange Containers indicate targeted timeframes to complete the competitive bidding process (not including scoping).
  - Purple Containers indicate compliance review processes by purchasing, finance and city manager’s office.

Formal Competitive Request for Proposals (Greater than \$50,000) (Page 2 of 4)

Evaluation of Submittals and Vendor Selection Phases



**Notes**

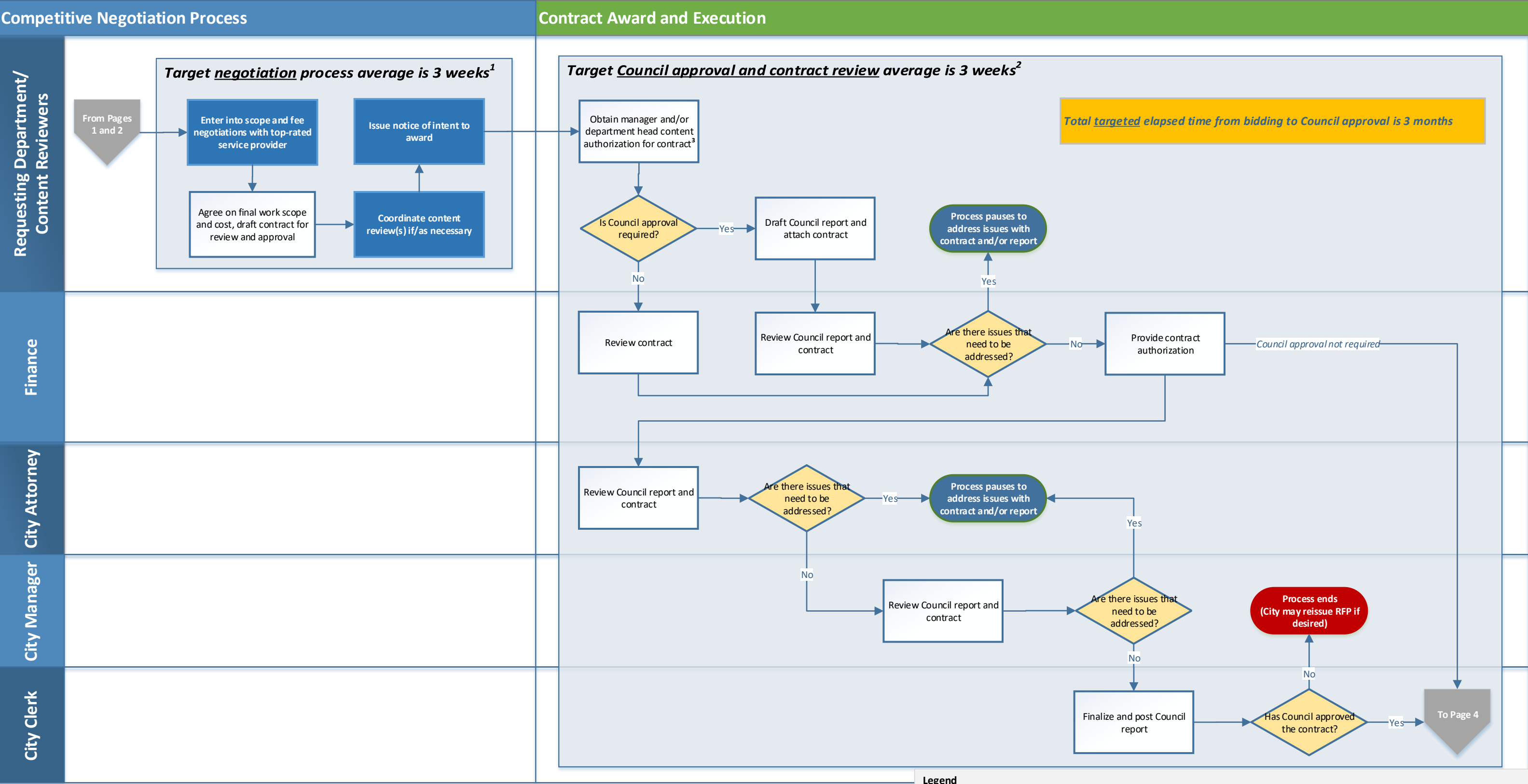
<sup>1</sup>Target can be achieved by predetermining due dates for evaluation phases and prescheduling briefings to kickoff evaluation, rank written responses, conduct interviews and debrief/select top-rated proposer.

<sup>2</sup>Elapsed times and targets are based on best practices. Consistency is achieved and time saved by centralizing the coordination/facilitation of RFP evaluations through Finance purchasing staff or liaisons to project manage the process steps according to critical path timelines.

<sup>3</sup>Purchasing Division staff or purchasing liaisons can perform the responsiveness check and consult with the City Attorney's Office and department management as necessary for concurrence on non-responsive proposals.

- Legend**
- **Blue Boxes** indicate process steps that can be facilitated by purchasing staff or purchasing liaisons as determined by department head or as requested/required.
  - **Green Container** indicates process to prepare specifications, requirements or scope of work.
  - **Gray Containers** indicate areas of focus to reduce competitive bidding process cycle times.
  - **Orange Containers** indicate targeted timeframes to complete the competitive bidding process (not including scoping).
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Formal Competitive Request for Proposals (Greater than \$50,000) (Page 3 of 4)



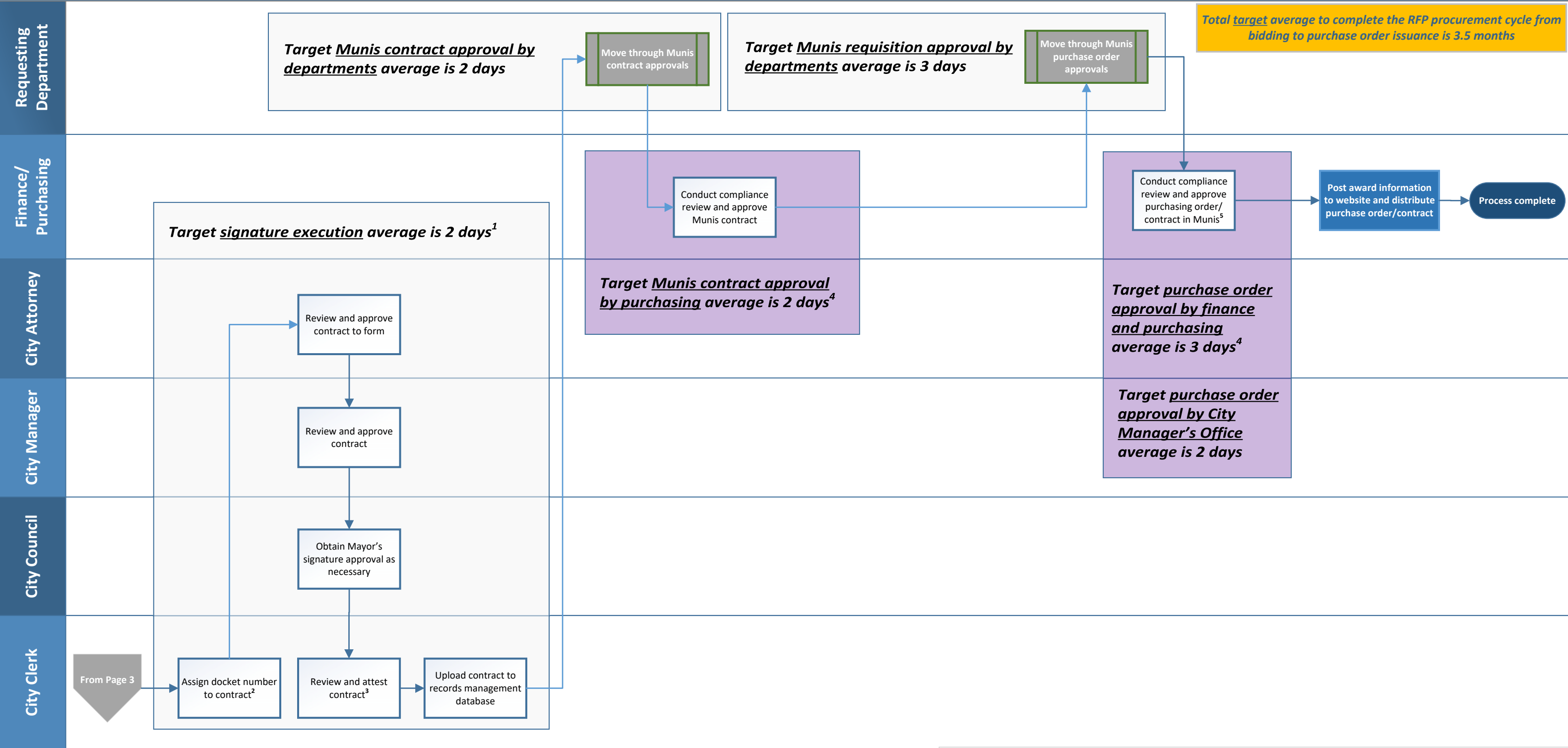
**Notes**  
<sup>1</sup>During this phase, selected evaluation team members coordinate department content and risk management reviews as necessary to ensure requirements are met as contracts terms and conditions are negotiated.  
<sup>2</sup>Formal review of contract occurs during this phase so that the signature approval process is efficient and consistent with best practice.  
<sup>3</sup>Contract execution begins here by emailing contracts to vendor for signature and waiting for return via U.S. mail/courier; contracts \$50,000 or less are handled more efficiently via electronic signature through DocuSign. At this point in the process, required information such as insurance certificates/appropriate endorsements, W-9 form, etc. should be consistently requested by staff. Once received, W-9s are sent to accounts payable so vendor record can be created in Munis; insurance certificates are uploaded if they have been received.

- Legend**
- Blue Boxes indicate process steps that can be facilitated by purchasing staff or purchasing liaisons as determined by department head or as requested/required.
  - Green Containers indicate process to prepare specifications, requirements or scope of work.
  - Gray Containers indicate areas of focus to reduce competitive bidding process cycle times.
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  - Purple Containers indicate compliance review processes by purchasing, finance and city manager's office.



Formal Competitive Request for Proposals (Page 4 of 4)

Contract Execution and Financial System Approvals



**Notes**

<sup>1</sup>Signature approval cannot commence until vendor has signed and returned contracts, which may lengthen the process.

<sup>2</sup>Assigning a docket number at this stage saves time and signifies contract approval by Council. At this stage, Munis workflow approvals can commence based on need.

<sup>3</sup>Verifying that all contracts signatures have been obtained is the last step in confirming validity of the contract.

<sup>4</sup>If documentation is missing or insurance requirements not met, finance and purchasing will place items on hold pending clarification or receipt of missing items which can lengthen the approval process.

<sup>5</sup>Work cannot commence or city funds obligated until a purchase order is approved.

**Legend**

- Blue Boxes indicate process steps that can be facilitated by purchasing staff or purchasing liaisons as determined by department head or as requested/required.
- Green Container indicates process to prepare specifications, requirements or scope of work.
- Gray Containers indicate areas of focus to reduce competitive bidding process cycle times.
- Orange Containers indicate targeted timeframes to complete the competitive bidding process (not including scoping).
- Purple Containers indicate compliance review processes by purchasing, finance and city manager's office.

## Attachment C – Peer Comparisons

The City of Beverly Hills retained Management Partners to conduct an assessment of the City's decentralized purchasing system. Management Partners collected information from six peer cities and two benchmarking studies from the National Institute of Governmental Purchasing (NIGP): The Institute for Public Procurement and from RPMG Research Corporation to provide information in the following major topical areas:

- Bidding thresholds,
- Purchasing positions within each city's finance department, and
- Contract award threshold levels for the city manager and department heads.

### ***Benchmarking and Peer Agency Framework***

Management Partners used information from two national local government purchasing benchmarking studies to provide context and data for comparison purposes.

1. NIGP: The Institute for Public Procurement's *2017 Public Procurement Benchmark Survey Report* is a report on the results of a standardized survey that gathered public sector procurement data. The survey focused on specific operating practices and processes and is used in this memorandum to help provide benchmarks and context for Beverly Hills' Purchasing Division.
2. RPMG Research Corporation's *2017 Purchasing Card Benchmark Survey* provides purchasing card benchmark data for local agencies across the U.S. and Canada based on 3,500 surveyed governments.

### **Identifying Comparable Peers**

For this peer agency comparison, we placed a heavy emphasis on cities that are well regarded for their purchasing processes, measured by looking at the number of times a city has won the National Procurement Institute's (NPI) Achievement of Excellence in Procurement (AEP) award. We used the following criteria in selecting cities for peer agency research:

1. Number of times a city has received AEP award since 1996,
2. Service obligations,
3. Total operating budget,
4. Total authorized full-time positions, and
5. City population.

### **Beverly Hills Peers**

To begin this process, Management Partners reviewed all the cities in California that had received at least one AEP award since 1996. We narrowed the search to full-service cities that provide both police and fire services. We then compared the number of purchasing FTEs to the total number of city FTEs, where information was publicly available from FY 2018-19 budgets.



To account for the fact that most of the cities that received AEP awards have centralized purchasing, we also included Fremont which has a decentralized purchasing process, similar services (police and fire), and a similar number of purchasing division staff as Beverly Hills despite being larger in total FTEs, indicating high efficiency. Most of the excluded cities were disqualified because they do not have highly regarded purchasing processes or are not full-service cities. Santa Monica was included per the request of Beverly Hills due to similarities in city demographics and a recent ordinance that, among other things, amended the threshold dollar limits for city manager authority to approve purchases. This ordinance amended the Santa Monica Municipal Code and was approved in April 2019.

The six peers selected by Management Partners and approved by the City of Beverly Hills are:

- Burbank,
- Culver City,
- Fremont,
- Mountain View,
- Santa Monica, and
- Sunnyvale.

Beverly Hills is one of the smallest of the peers and one of the only decentralized purchasing systems. Many cities that most frequently receive awards from AEP have centralized purchasing systems. Table 6 provides summary information about the six peers.

*Table 6. Summary of Peer Cities*

Peers	County	Population	Number of Times AEP Award Received since 1996	Centralized/Decentralized Purchasing
<b>Beverly Hills</b>	Los Angeles	34,504	0	Decentralized
<b>Burbank*</b>	Los Angeles	107,149	6	Centralized
<b>Culver City*</b>	Los Angeles	39,860	1	Centralized
<b>Fremont</b>	Alameda	235,439	0	Decentralized
<b>Mountain View*</b>	Santa Clara	81,527	13	Centralized by Charter
<b>Santa Monica*</b>	Los Angeles	92,416	1	Centralized by Charter
<b>Sunnyvale*</b>	Santa Clara	153,389	19	Centralized by Charter

Sources: California Department of Finance 2018, city budgets FY 2019-20.

\*Indicates Charter city.

## **Peer Agency and Benchmarking Information**

This section provides information obtained from either the benchmarking studies or peer agency research on the following major topical areas:

- Centralized/decentralized purchasing systems,
- Purchasing division staffing levels,

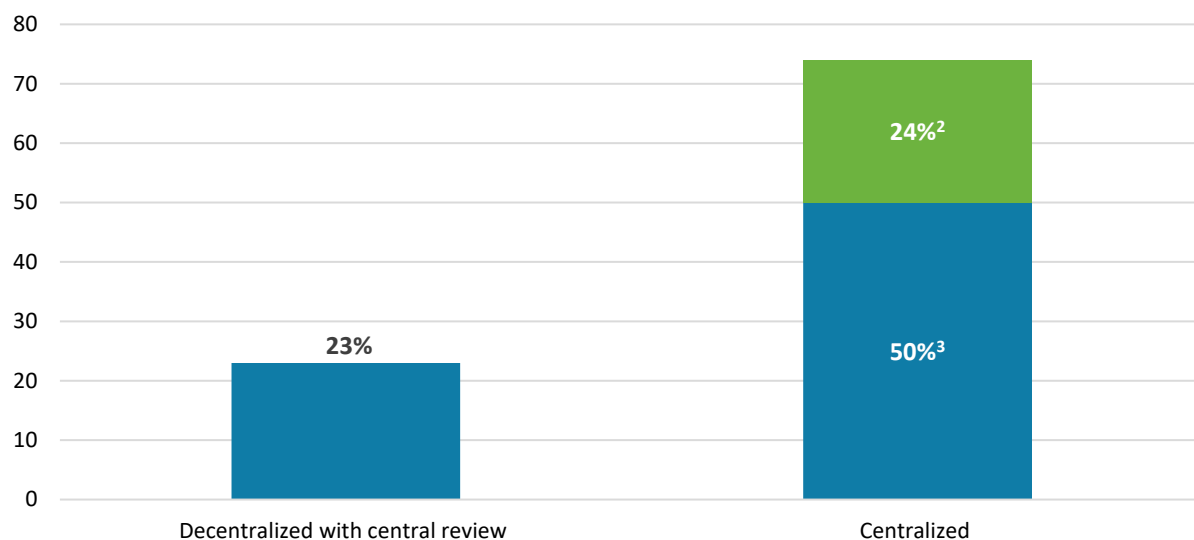
- Competitive bidding thresholds and contract award authorities,
- Procurement cycle times,
- Procurement negotiations,
- Purchase orders and change orders, and
- Purchasing card program utilization.

### Centralized or Decentralized Purchasing Systems

Figure 8 shows the responses to a survey question about the purchasing function structure in the 2017 NIGP Benchmarking Survey. A majority of the 125 participants in the survey indicated that their agencies use a centralized purchasing system, with 50% responding that they use a centralized purchasing system with delegated authority, defined as “most procurement is performed through a central procurement function, with some procurement delegated to departments.” An additional 24% responded that they use a centralized procurement system, defined as “almost all procurement is performed through a central procurement function.”

Like Beverly Hills, 23% of the NIGP survey participants reported that they use a decentralized purchasing system, defined as “almost all procurement is performed by departments, but subject to review by central procurement.”

Figure 8. Breakdown of Most Common Purchasing Organization Structures<sup>1</sup>



Source: NIGP 2017 Public Procurement Benchmark Survey Report.

<sup>1</sup>The breakdown is based on 125 survey respondents as follows: 29 agencies reported a decentralized system; 30 agencies reported a centralized system; and 62 entities reported a centralized system with some delegated authority (the remaining 4 respondents indicated “other” as explained in the note below).

<sup>2</sup>Almost all procurement is performed through a central procurement function.

<sup>3</sup>Most procurement is performed through a central procurement function, with some procurement delegated to departments.

Note: The final 3% of survey participants selected “Other,” indicating either that their procurement department did not fall within the two categories or that they were unsure how to answer the question.

## Purchasing Division Staffing Levels

Table 7 shows the staffing levels for each agency's purchasing division. All peer agencies dedicate more resources to the procurement function than Beverly Hills. Specifically, every peer agency has at least one full-time professional buyer, and five of the six peers have more than one buyer. In addition, all peer agencies except for Mountain View have full-time purchasing managers who oversee their work units and four of the peer agencies have procurement analysts. Also of note is the fact that Beverly Hills has more full-time equivalent positions than four of the peer agencies but has the lowest number of procurement staff compared to its peers.

Table 7. Peer City Staffing and Expenditures

Peers	Authorized Full-Time Equivalent Employees (FTE) <sup>1</sup>	Purchasing Division Authorized Full-Time Positions	Purchasing Division Positions
<b>Beverly Hills</b>	1,034	2.5	Purchasing Specialist (2), Assistant Director (0.2), Accounting Manager (0.3)
<b>Burbank</b>	1,430	6.0	Purchasing Manager (1), Buyer I (2), Buyer II (1), Clerk (2)
<b>Culver City</b>	717	3.0	Associate Analyst (1), Buyer (1), Procurement and Financial Services Manager (1)
<b>Fremont</b>	953	3.0	Purchasing Services Manager (1), Buyer (2)
<b>Mountain View</b>	648	6.0 <sup>2</sup>	Purchasing and Support Services Manager (0.5), Senior Management Analyst (2), Supervising Buyer (1), Assistant Buyer/Buyer (2), Warehouse Worker (0.5)
<b>Santa Monica</b>	2,298	7.0	Procurement Manager (1), Senior Procurement Analyst (1), Senior Buyer (2), Contracts Coordinator (1), Buyer (1), Staff Assistant III (1)
<b>Sunnyvale</b>	921	9.0 <sup>2</sup>	Purchasing Officer (1), Management Analyst (1), Principal Buyer (1), Senior Buyer (2), Buyer I/II (1), Storekeeper/Buyer (1), Storekeeper I/II (2)

Source: City budgets FY 2019-20; includes other functions such as central warehousing for some jurisdictions.

<sup>1</sup>Includes both full-time and part-time FTEs.

<sup>2</sup>One additional purchasing FTE proposed for FY 2019-20; two positions (a senior buyer and buyer I/II) are term-limited to backfill for staff supporting implementation of a new financial system.

## Bidding Thresholds and Contract Award Authorities

Table 8 shows the bidding thresholds and contract award authority levels for the six peer cities and Beverly Hills. Relative to its peers, Beverly Hills has the same competitive bidding threshold for formal bids as Culver City and Sunnyvale, and a lower threshold than the other four peer cities. For contract award authority, only Culver City has the same \$50,000 threshold

as Beverly Hills, while all other peers have significantly higher contract award authority thresholds.

*Table 8. Bidding Thresholds and Contract Award Authority*

Peers	Competitive Bidding Thresholds		Contract Award Authority	
	Informal	Formal	City Manager	City Council
<b>Beverly Hills</b>	\$7,501 to \$50,000	Greater than \$50,000	Up to \$50,000	Greater than \$50,000
<b>Burbank*</b>	\$5,000 to \$100,000 <sup>1</sup>	>\$100,000 <sup>1</sup>	Up to \$75,000 for professional services; Up to \$100,000 for goods, services and public works projects	Greater than \$75,000 for professional services; Greater than \$100,000 for goods, services and public works projects
<b>Culver City*</b>	Up to \$50,000 <sup>2</sup>	Greater than \$50,000 <sup>2</sup>	Up to \$50,000	Greater than \$50,000
<b>Fremont</b>	\$5,001 to \$100,000 <sup>3</sup>	Greater than \$100,000 <sup>4</sup>	Up to \$100,000 <sup>5</sup>	Greater than \$100,000 <sup>5</sup>
<b>Mountain View*</b>	\$10,001 to \$100,000	Greater than \$100,000	Up to \$100,000 for professional services and public works projects Greater than \$100,000 for goods and general services	Greater than \$100,000 for professional services and public works projects
<b>Santa Monica*</b>	\$25,001 to \$250,000 <sup>5</sup>	Greater than \$250,000 <sup>5</sup>	Up to \$250,000 <sup>5</sup>	Greater than \$250,000 <sup>5</sup>
	\$25,001 to \$95,000 <sup>6</sup>	Greater than \$95,000 <sup>6</sup>	Up to \$95,000 <sup>6</sup>	Greater than \$95,000 <sup>6</sup>
<b>Sunnyvale*</b>	Up to \$50,000	Greater than \$50,000	Up to \$100,000 <sup>5</sup>	Greater than \$100,000

Source: City budgets FY 2019-20, municipal codes, city charters, and city websites.

\*Indicates Charter cities.

<sup>1</sup>For goods and general services; professional services bid levels are established administratively.

<sup>2</sup>Professional services require competitive quotes when practical. RFPs and RFQs for professional services require city council approval.

<sup>3</sup>Minor project process, informal bidding/negotiated contracts.

<sup>4</sup>Public works formal and informal purchasing follows California Uniform Public Construction Cost Accounting Act (CUPCCAA).

<sup>5</sup>For goods, services, and public works.

<sup>6</sup>For professional services.

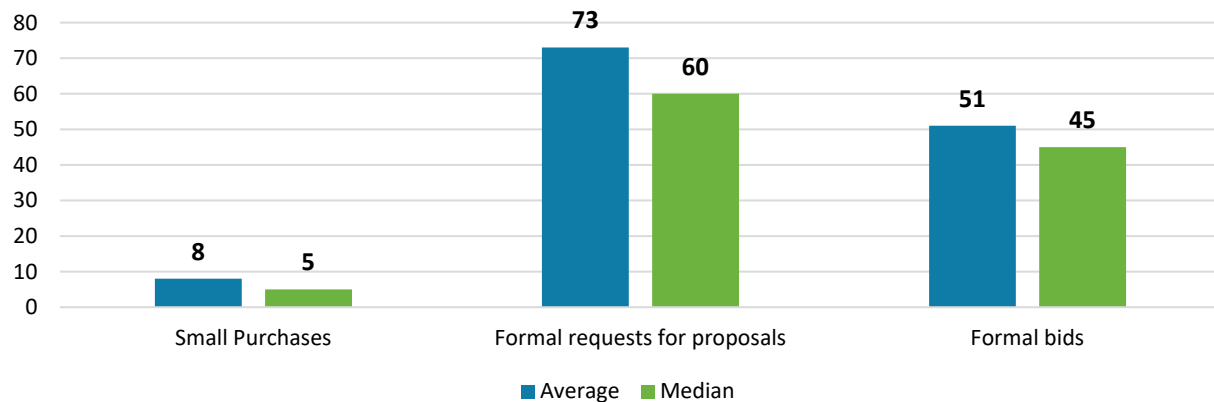
## Procurement Cycle Times

Figure 9 depicts the average and median cycle times (by number of days) for purchases as reported by 102 participants in the 2017 NIGP Benchmarking Survey, grouped by small purchases utilizing informal bidding methods, and formal (sealed) competitive bidding for requests for proposals (RFPs) and invitations for bids. Beverly Hills is not currently measuring

its cycle times, but staff estimate that the average cycle time for a moderately complex RFP is seven months.

While it is difficult to draw a comparison between measured cycle times for formal bidding from the benchmark survey and staffs' estimates provided by Beverly Hills associated with conducting RFPs, it is apparent that the City is taking longer on average to complete such procurements.

*Figure 9. Cycle Times for Small Purchases and Competitive Bids/Proposals*

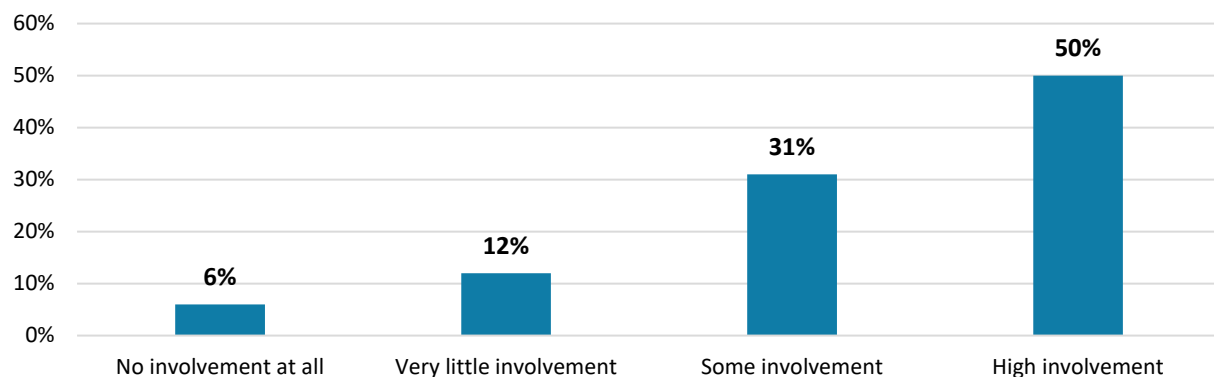


Source: National Institute of Governmental Purchasing 2017 Public Procurement Benchmark Survey Report.

## Procurement Negotiations

Figure 10 shows the percentage of cities and counties surveyed by the 2017 NIGP Benchmark Survey whose procurement function is involved with varying levels of negotiations. Of the agencies surveyed, over 80% indicated that their procurement function has at least some involvement in the negotiation process. In Beverly Hills, the procurement division currently does not have any involvement in the negotiation process, which is unusual relative to the benchmarking peers.

*Figure 10. Percentage of Surveyed Cities Where Procurement Is Involved in Negotiations*



Source: National Institute of Governmental Purchasing 2017 Public Procurement Benchmark Survey Report.

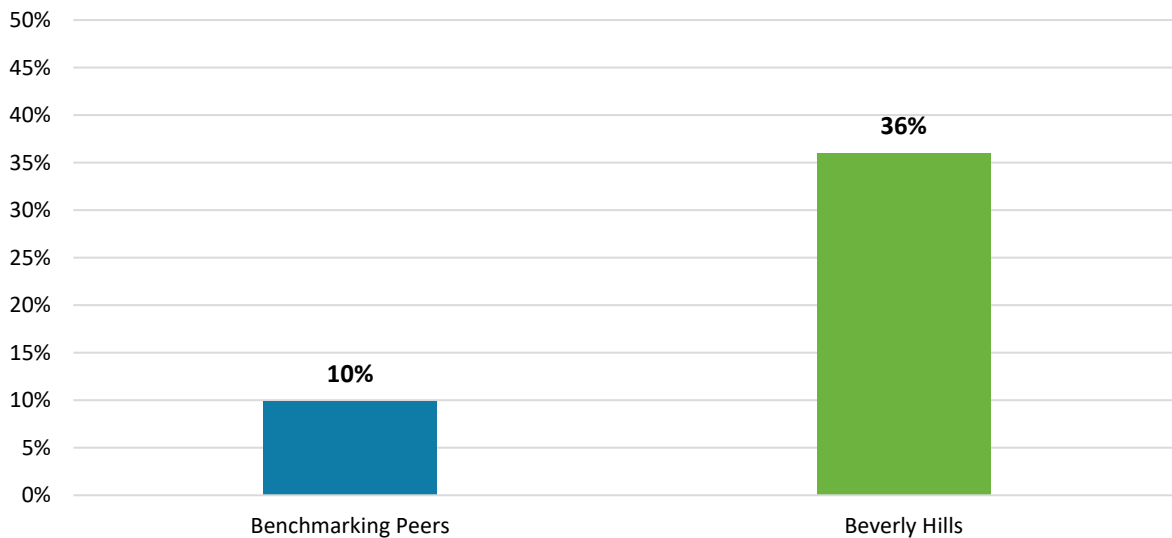
Note: The final 1% of survey participants selected "Other," indicating either that their procurement department did not fall within the two categories or that they were unsure how to answer the question.

## Purchase Orders and Change Orders

Figure 11 shows the average percentage of change orders relative to the total number of annual purchase orders issued as reported by participants in the 2017 NIGP report. A change order is a modification, addition or deletion to a purchase order or contract, but the application/definition can vary from agency to agency. On average, survey participants reported issuing an average of 6,001 purchasing orders per year with 595 change orders, or approximately 10%.

Based on several years of data extracted from the Beverly Hills' financial system, the change order percentage for purchase orders is more than three times that of the benchmark agencies (36%). Additionally, when analyzing change orders associated with contracts, *the number of contract change orders is nearly 173% higher than the number of contracts issued (13,104 to 7,623)*. While these percentages indicate a substantial imbalance relative to the norm, a more detailed analysis is necessary to determine how the City defines change orders before any meaningful conclusion can be drawn. However, such high levels of change orders should be cause for concern as careful scoping and contract management tend to limit the frequency of change orders.

Figure 11. Percent of Total Purchase Orders that are Change Orders



Source: National Institute of Governmental Purchasing 2017 Public Procurement Benchmark Survey Report.

## Purchasing Card Program Utilization

Table 9 contains key benchmarking statistics for the City of Beverly Hills alongside data from RPMG's 2017 Purchasing Card Benchmark Survey. Beverly Hills falls between the mid-size and large-size agency definitions based on the RPMG criteria of number of employees and size of annual operating budget.

On average, city employees spend less per month using p-cards than comparable mid-size to large-size agencies. Overall, Beverly Hills spends less than small-sized jurisdictions when

comparing average amount spent per employee; and the City is below all agency categories in the amount of monthly transactions per purchasing card. It should also be noted that Beverly Hills has a lower percentage of cards that are being used in a typical month. These factors are all suggestive of a need to reevaluate utilization of the City's purchasing card program.

*Table 9. City of Beverly Hills Purchasing Card Benchmark Statistics*

	Small <sup>1</sup>	Mid-Size <sup>2</sup>	Large-Size <sup>3</sup>	Beverly Hills
<b>Organizational Statistics</b>				
Number of Employees	78	484	3,665	995.9
<b>Program Performance Measures</b>				
Number of Plastic Purchasing Cards	24	146	475	182
Card-to-Employee Ratio	31.50%	30.10%	12.80%	18.27%
Average Monthly P-Card Spending	\$20,586	\$216,505	\$888,166	\$205,461
Median Monthly P-Card Spending	\$12,000	\$135,000	\$560,000	\$199,859
Monthly Spending per Employee	\$265	\$447	\$242	\$206
<b>Cardholder Activity Measures</b>				
Monthly Spending per Card	\$840	\$1,484	\$1,890	\$1,129
Monthly Transactions per Card	3.92	4.40	5.30	3.56
Spending per Transaction	\$215	\$337	\$357	\$318
Percentage of Active Cards in a Typical Month	71%	72%	75%	48.6%

Sources: RPMG 2017 Purchasing Card Benchmark Survey Results; P-Card spending data for July 2018 through June 2019 provided by the City of Beverly Hills.

<sup>1</sup>Small-size cities and counties are defined as those with annual budgets below \$25 million.

<sup>2</sup>Mid-size cities and counties are defined as those with annual budgets over \$25 million with fewer than 1,000 employees.

<sup>3</sup>Large-size cities and counties are defined as those with annual budgets over \$25 million with more than 1,000 employees.

Table 10 shows data from the 2017 RPMG Study that highlight the average percentage of all transactions completed by participating agencies using plastic cards, card-less systems, ghost cards, or electronic accounts payable (EAP) systems (collectively referred to as "p-card" in the Study). Most jurisdictions with modernized purchasing programs use an array of electronic payment options, with appropriate controls, to reduce paper invoicing and facilitate ease of use for employees and vendors. Beverly Hills currently uses only plastic credit cards and does not utilize electronic invoicing due to concerns about the occurrence of fraud.

*Table 10. Percentage of Transactions Completed using P-card Programs*

Transaction size	Small-Size	Mid-Size	Large-Size
Transactions \$2,500 or less paid by p-card	36%	50%	55%
Transactions \$2,501 to \$10,000 paid by p-card	16%	28%	31%
Transactions \$10,001 to \$100,000 paid by p-card	5%	8%	10%

Source: RPMG 2017 Purchasing Card Benchmark Survey Results

As can be seen in Table 10, mid-size and large-size jurisdictions utilize p-cards for a considerable number of purchases under \$10,000 (78% for mid-size and 86% for large-size agencies). As Table 11 below indicates, Beverly Hills uses purchasing cards almost exclusively for purchases under \$500. Based on the benchmark data, this suggests an underutilization of the program.

*Table 11. Beverly Hills Purchasing Card Expenditures and Transactions Breakdown for FY 2018-19*

	Total Expenditures	Percent of Total Expenditures	Number of Transactions	Percent of Total Transactions
<b>Under \$500</b>	\$724,847	29.53%	6,464	83.32%
<b>\$500 to \$1,000</b>	\$546,651	22.00%	769	9.91%
<b>\$1,000 to \$2,500</b>	\$568,761	23.17%	370	4.77%
<b>\$2,500 to \$5,000</b>	\$402,723	16.41%	123	1.59%
<b>\$5,000 to \$7,500</b>	\$172,647	7.03%	28	0.36%
<b>\$7,500 to \$10,000</b>	\$26,379	1.07%	3	0.04%
<b>Over \$10,000</b>	\$12,766	0.52%	1	0.01%
<b>Total in FY 2018-19</b>	<b>\$2,454,773</b>	<b>100.00%</b>	<b>7,758</b>	<b>100.00%</b>

Source: P-card spending data provided by the City of Beverly Hills.

Table 12 shows the annual purchasing card expenditures and transactions for Beverly Hills for the past three fiscal years. The data indicate there has not been a significant increase over time in p-card expenditures and transactions. Purchasing card usage increased from FY 2016-17 to FY 2017-18 but decreased the following year. The decrease may be attributable to the requirement of having a purchase order in place to use a purchasing card.

*Table 12. Beverly Hills Annual Purchasing Card Expenditures and Transactions*

Year	Total Expenditures	Number of Transactions	Average Expenditure per Transaction
<b>FY 2016-17</b>	\$2,232,723	7,332	\$305
<b>FY 2017-18</b>	\$2,776,980	8,513	\$326
<b>FY 2018-19</b>	\$2,454,773	7,769	\$316

Source: P-card spending data for July 2016 through July 2019 provided by the City of Beverly Hills.

## Conclusion

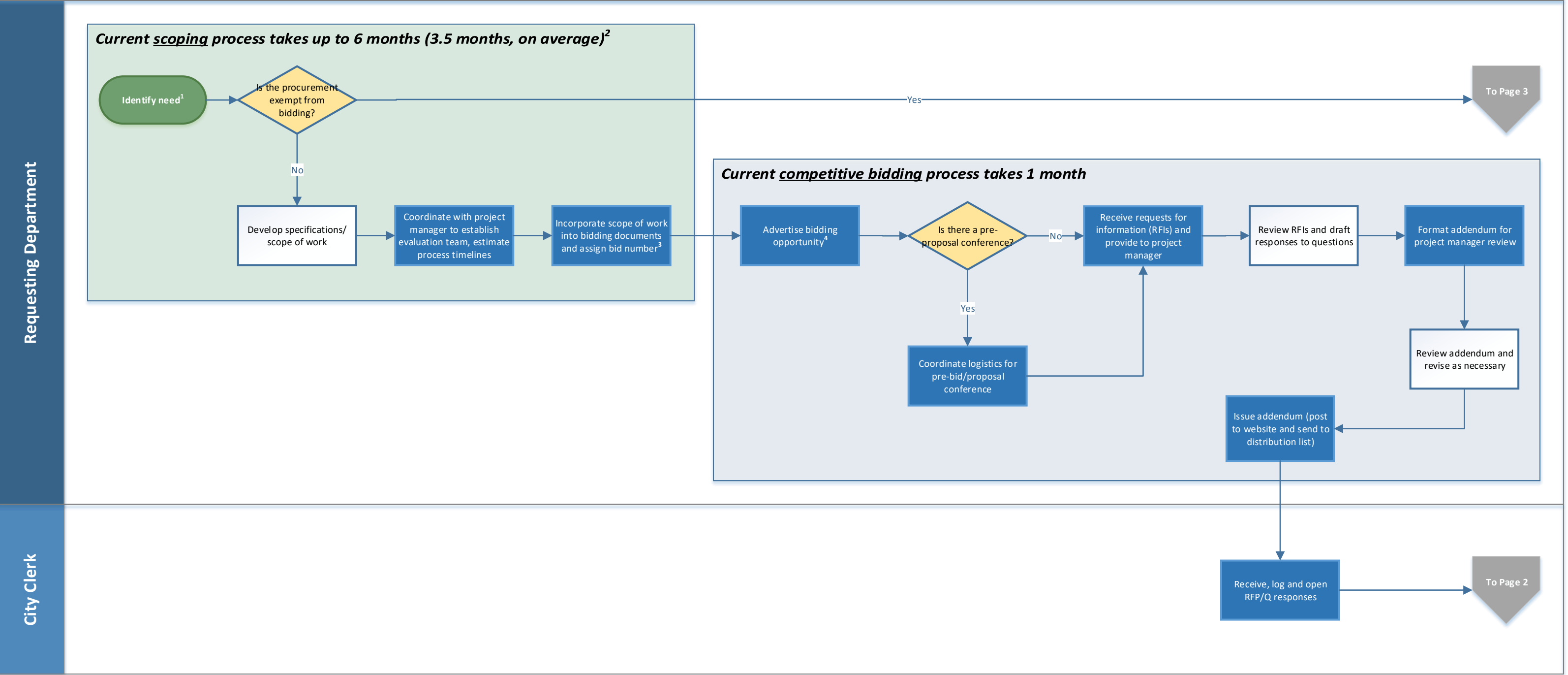
Compared with peer agencies and national benchmark surveys, the City of Beverly Hills is out of the norm in several procurement-related areas including use of a completely decentralized system, lower number of central staffing resources dedicated to procurement facilitation and management, lower bidding and contract award thresholds, higher than average cycle times, higher frequency of change orders, and underutilization of its purchasing card program.

The peer comparisons and benchmarking information can provide useful context for evaluating our recommendations and making meaningful organizational changes to improve the purchasing system.



Formal Competitive Request for Proposals (Greater than \$50,000) (Page 1 of 4)

Bidding Document Preparation and Posting



**Notes**

<sup>1</sup>Process starts following department approval to move forward with a request for proposals (RFP) process.

<sup>2</sup>During this phase, departments coordinate with the City Attorney's Office and risk management as necessary. Process timeframes are based on staff estimates to conduct a moderately complex RFP.

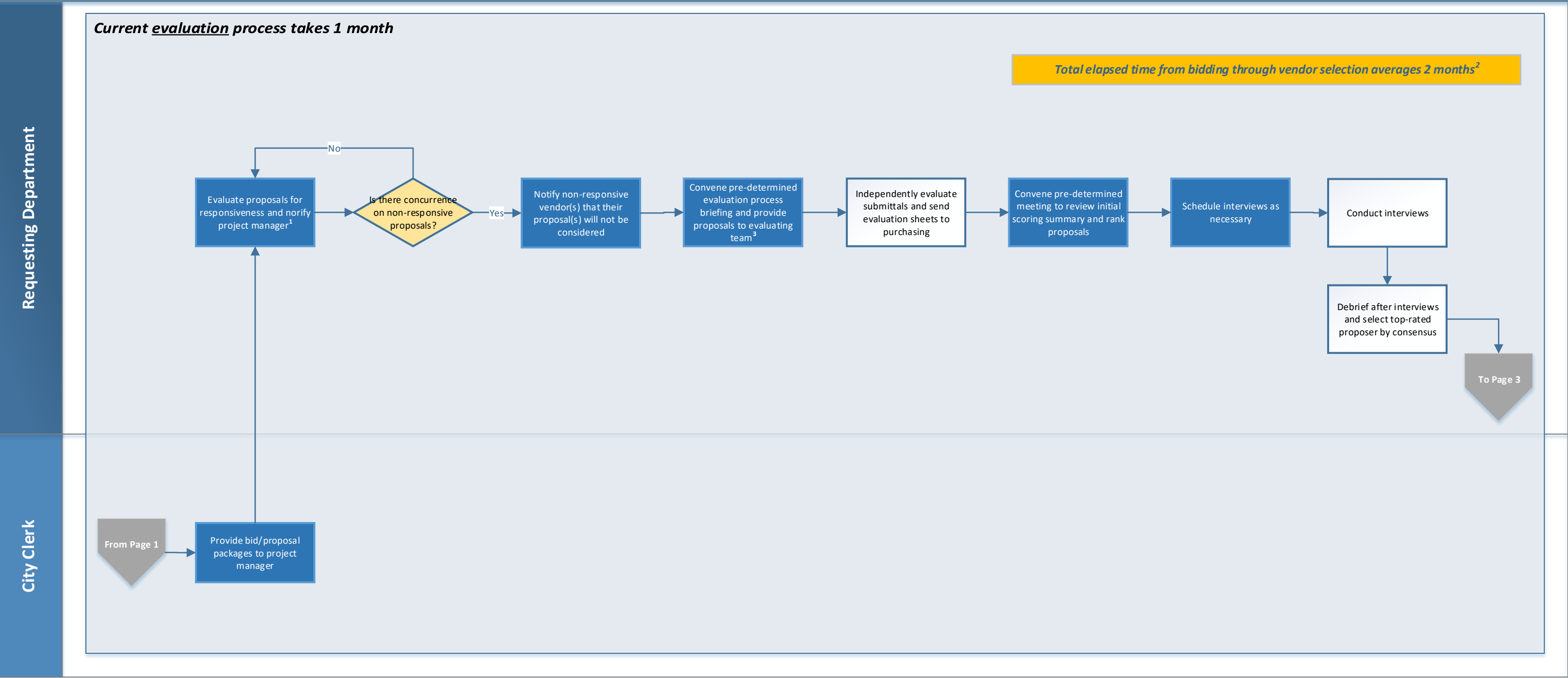
<sup>3</sup>The current process of assigning bid numbers results in different naming conventions and can be centralized for uniformity and ease of tracking.

<sup>4</sup>RFPs are posted to PlanetBids, City website, and other subject-matter specific websites (i.e., American Planning Association (APA) but posting practices by departments are inconsistent.

- Legend**
- Blue Boxes indicate process steps currently being conducted by departments that can be facilitated by purchasing staff or purchasing liaisons as determined by department head or as requested/required.
  - Green Container indicates process to prepare specifications, requirements or scope of work.
  - Gray Containers indicate segments of the competitive bidding process occurring without purchasing involvement.
  - Orange Containers indicate estimated elapsed time to complete the competitive bidding process (not including scoping).
  - Purple Container indicates purchasing staff's entry into the procurement process.

Formal Competitive Request for Proposals (Greater than \$50,000) (Page 2 of 4)

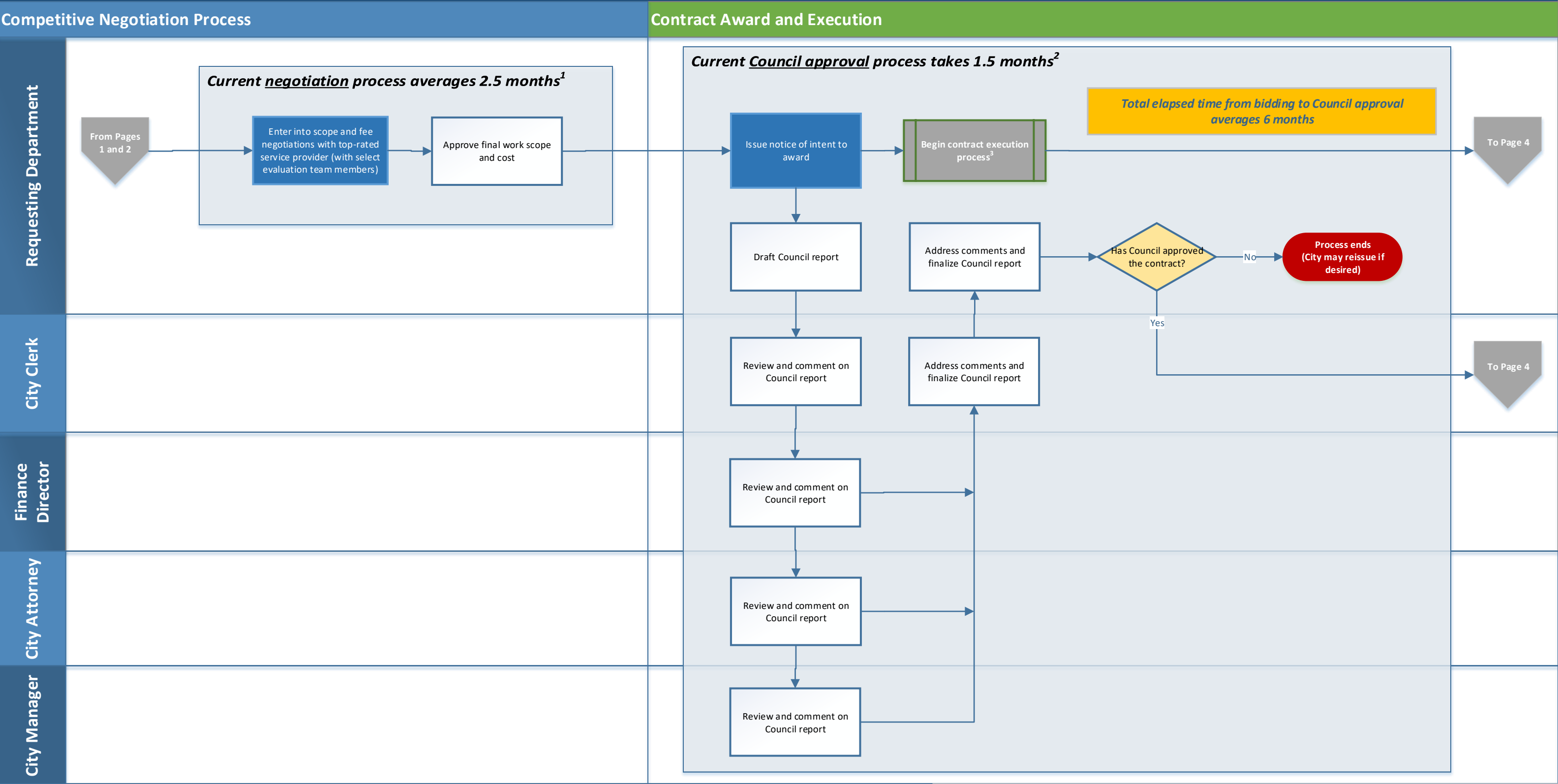
Evaluation of Submittals and Vendor Selection Phases



**Notes**  
<sup>1</sup>Purchasing division staff or purchasing liaisons can perform the responsiveness check and consult with the city attorney’s office and department management as necessary for concurrence on non-responsive proposals.  
<sup>2</sup>Elapsed times are estimates provided by staff; cycle times are not currently tracked/reported.  
<sup>3</sup>Evaluation processes are inconsistent across departments. Consistency can be achieved by centralizing the coordination/facilitation of RFP evaluations through purchasing staff.

- Legend**
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Formal Competitive Request for Proposals (Greater than \$50,000) (Page 3 of 4)



**Notes**

<sup>1</sup>During this phase, department staff consult with the city manager's office, city attorney's office and risk management to ensure to ensure contract terms are acceptable and requirements met.

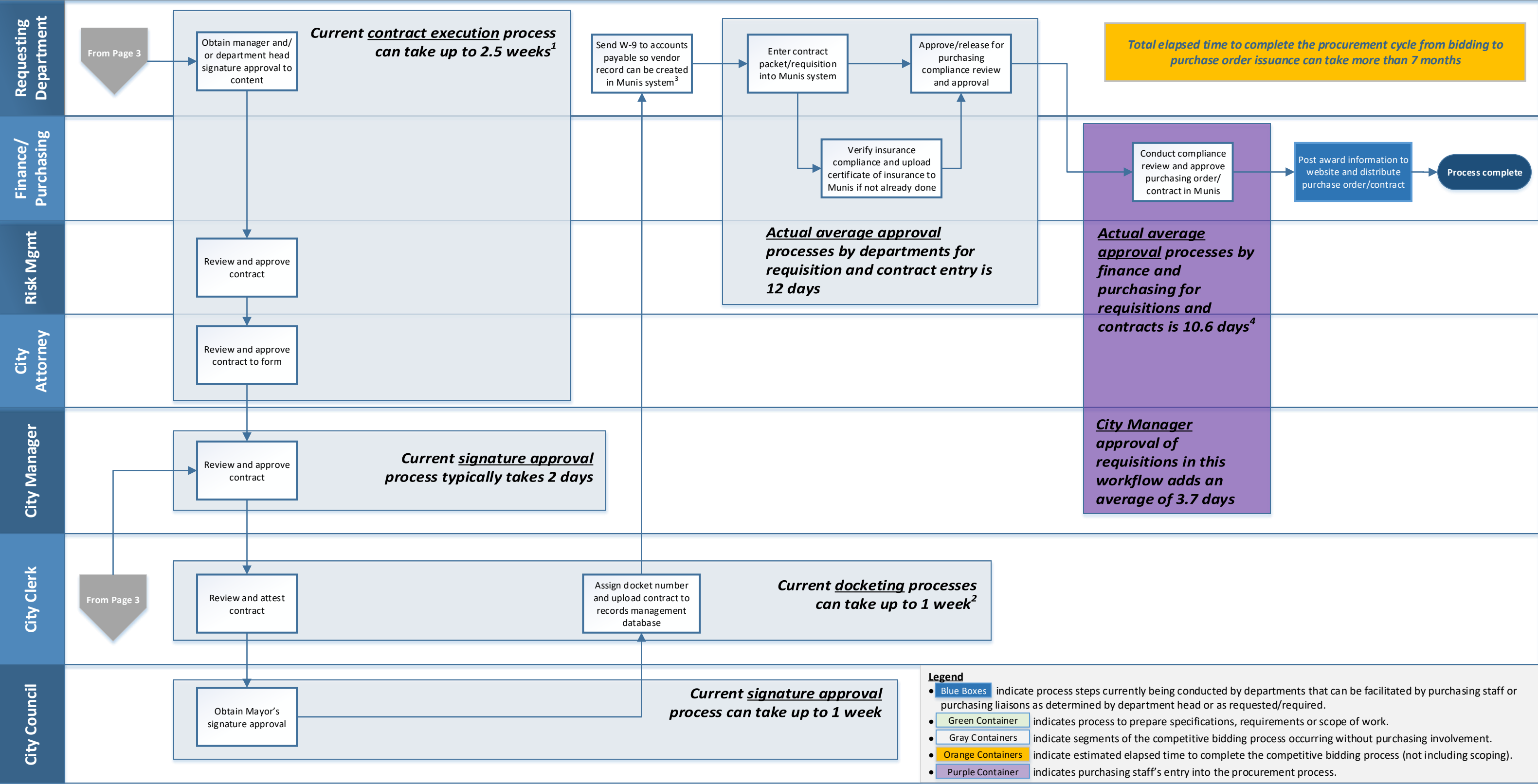
<sup>2</sup>Current process to review/approve Council reports is conducted via simultaneous and/or sequential emails with or without associated attachments and should be evaluated for efficiency improvements.

<sup>3</sup>Contract execution begins by emailing contracts to vendor for signature and waiting for return via U.S. mail/courier; contracts \$50,000 or less are handled more efficiently via electronic signature through DocuSign that can be used for contracts greater than \$50,000. At this point in the process, required information such as insurance certificates/appropriate endorsements, W-9 form, etc. should be consistently requested by staff.

- Legend**
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Formal Competitive Request for Proposals (Page 4 of 4)

Contract Execution and Financial System Approvals



Notes

<sup>1</sup>If vendor-signed contract has been returned, approvals within this container begin during the Council report phase on page 3; review is not sequential between risk and city attorney and is based on availability; risk manager will approve whether or not insurance has been verified; finance director does not approve at this stage.

<sup>2</sup>Assigning a docket number can happen earlier in the workflow so that approval workflow in Munis can commence once Council approves the contract.

<sup>3</sup>This step can happen earlier in the process if document has been provided by vendor. This step can also include uploading the insurance certificate.

<sup>4</sup>Finance and purchasing will place items on hold from approximately 1 week if clarification is required, documentation is missing or insurance requirements are not met. Including purchasing earlier in the process will reduce average approval time.