



Department of Administration
Business Operations Division

Tom Barrett
Mayor

Sharon Robinson
Director of Administration

Cheryl L. Oliva
City Purchasing Director

May 1, 2007

Honorable Alderman Michael J. Murphy, Chair
Finance and Personnel Committee
Of the Common Council

Dear Alderman Murphy:

In response to your communication dated April 26, 2007, attached please find the fiscal notes dated February 1, 2007, for File No. 061257, Substitute C, a substitute ordinance relating to procurement of various items, and File No. 061258, a substitute ordinance relating to procurement of Fair Trade Certified products.

As the fiscal note for File No. 061257 indicates, from a fiscal prospective, the immediate and future total impact of this proposed legislation is unknown at this time. Though I have worked with Alderman Zielinski over the past several months to minimize some of our concerns such as limiting our ability to participate in cooperative contracts and increasing the number of re-bids should no bidders comply with the proposed ordinance, the cost of goods we procure and the operations of our department would still be adversely affected. As previously noted, feedback from the City's vendors and experience has shown that additional requirements on the City's terms and conditions for contracts may impact the procurement of goods and services in the following manner:

1. Decrease competition among vendors – Bidders on City contracts must comply with all requirements of the City's standard terms and conditions as well as any other special requirements that may apply to the specific item or service being bid.

Some examples of special requirements placed on applicable bids include but are not limited to:

- delivery
- escalator/de-escalator
- insurance
- environment friendly products
- slavery disclosure
- ethical purchasing
- Emerging Business Enterprise participation
- personal service questionnaire
- living wage
- conflict of interest

Additionally, experience with the current ethical purchasing ordinance as it relates to apparel has shown that some manufacturers are unwilling to disclose the wages and/or benefits paid to their employees which obligates the rejection of said bids.

2. Increase cost of goods and services – Decrease in competition brought about strict adherence not only to the City's terms and conditions, but any other special requirements, discourages some vendors from submitting a bid in response to the City's solicitations since they may have opportunities to do business with other business partners with less cumbersome contracting requirements. Furthermore, bidders who do submit bids but do not comply with all requirements of a specific bid, are rejected and an award is made to a complying bidder with a higher price.

3. Negatively impact emerging and local business community participation – Small businesses are often discouraged by the cumbersome requirements and restrictions on the City's bids and while capable of providing the requested goods, may not have sufficient resources to adequately fulfill all of the administrative tasks of the special requirements. While we cannot restrict our awards to local and/or small businesses, we try whenever possible to encourage small and local businesses to participate in our contracting opportunities to assist them in building the capacity of their firms and strengthen our City's economic growth.
4. Increase procurement cycle time and decrease efficiency – Special requirements placed on bids require Procurement staff to allow more time to respond to bids to ensure potential bidders have enough time to conduct the necessary research to determine if they can meet the requirements and allow sufficient time to fill out and have all applicable forms notarized. Thus, there is often a significant delay in the delivery of the requested goods or services to the user departments and taxpayers.
5. Create need for more staff to administer, monitor and enforce requirements – Over the past decade, Procurement staff has been a leader in streamlining the procurement function through automation and process improvements. Staff resources have been greatly reduced as a result of these initiatives to allow City resources to be allocated to the direct services which are critical to taxpayers. In light of increased emphasis on special requirements to do business with the City though, current staffing resources are already stretched quite thin and any additional requirements may result in a further delay in delivery of services due to increased workloads and duties.

As proposed, File No. 061257, would apply to all commodity procurements contracts bid over \$30,000. Be advised that a typical bid may have only one line item or several. If several line items are bid, bidders will be required to submit multiple affidavits for all line items bid. Allowing sufficient time for bidders to respond will lengthen the bid opening time by anywhere from one week to a month depending upon the number of line items and special requirements placed on the bid. Additionally, the time to review all bids for compliance once received may need to be lengthened as well. Thus, procurement staff will experience a backlog of other procurements waiting to be processed while they are verifying compliance.

Please be advised that this office has no objection to the proposed change to specify how non-poverty wages outside the United States be calculated if it would relate to the existing ordinance which applies to apparel only.

With respect to File No. 061258, please note that this proposed legislation will have little or no effect on the City's procurement processes at this time since we have no contracts for coffee, tea and other items listed in this legislation. However, if user departments submit requests to us to procure these types of items in the future, from an operational standpoint, the same concerns listed above for File No. 061258 would apply.

If you have any additional questions or concerns, please feel free to contact me.

Sincerely,



Cheryl L. Oliva
City Purchasing Director

Attachments (2)