



COOPERATIVE PURCHASING—A ROADMAP TO MORE EFFECTIVE CITY PROCUREMENT

[Issue](#) | [Summary](#) | [Glossary](#) | [Background](#) | [Discussion](#) | [Findings](#)
[Recommendations](#) | [Requests for Responses](#) | [Methodology](#) | [Bibliography](#) | [Responses](#)

ISSUE

How can cities in San Mateo County save taxpayer money by adopting cooperative procurement practices?

SUMMARY

The 20 cities in San Mateo County (the Cities) spent \$425 million and the County of San Mateo (the County) \$300 million on goods and services in FY 2015-16, for an estimated total in purchasing of \$725 million.¹² The Cities and the County could spend millions less – without increasing costs – by increasing the use of “piggyback³” contracts and cooperative purchasing agreements. The Cities and the County could save the most money, an estimated annual savings between 5 and 15 percent, through cooperatively purchasing goods and services with the County’s Procurement Division for a total annual savings between \$35 million and \$108 million.

All of the Cities procure goods and services through decentralized purchasing systems in which individual municipal departments are authorized to identify the need for a good or service, conduct the appropriate selection process, and place a purchase order, under the supervision of their city’s finance department and or city manager. Decentralized purchasing systems successfully allow cities to procure goods and services at fair market prices while minimizing labor costs associated with centralized procurement departments by assigning purchasing functions to individual departments.

However, the Grand Jury found that while city employees receive training on municipal purchasing guidelines and policies, many employees who conduct purchasing operations as a secondary responsibility are not trained and or instructed to negotiate optimum prices by leveraging market power.⁴

Further, in exchange for minimizing labor and related costs, the Cities have forfeited the benefits associated with a centralized purchasing system. Under a centralized purchasing system, trained and experienced purchasing agents, located in a central purchasing department, are responsible

¹ California State Controller’s Office, *Schedule of Total City Expenditures by Major Object Classification*, Accessed On: October 2017 <https://bythenumbers.sco.ca.gov/City-Expenditures/Schedule-of-Total-City-Expenditures-by-Major-Objec/q6pc-n5bp>.

² San Mateo County Civil Grand Jury, “San Mateo County Procurement Division Recommendations Follow-Up” *Superior Court of California San Mateo County*, June 21, 2017: 2.
<http://www.sanmateocourt.org/documents/grand_jury/2016/procurement.pdf>

³ A form of intergovernmental cooperative purchasing in which an entity will be extended the same pricing and terms of a contract entered by another entity. Generally, the originating entity will competitively award a contract that will include language allowing for other entities to utilize the contract, which may be to their advantage in terms of pricing, thereby gaining economies of scale that they would otherwise not receive if they competed on their own.

⁴ Clifford McCue, Jack Pitzer “Centralized vs. Decentralized Purchasing: Current Trends in Governmental Procurement Practices” *Journal of Public Budgeting, Accounting, and Financial Management* (Vol 12, Issue: 3) 2000: 400. <https://www.emeraldinsight.com/doi/pdfplus/10.1108/JPBAFM-12-03-2000-B003>.

for all purchasing functions. Due to centralized purchasing authority, purchasing agents are better able to identify goods and services with a high potential for savings and then leverage their experience, greater knowledge of markets, and their municipality's market power to negotiate better terms, including lower prices, with vendors.

This report identifies ways the Cities can attain the cost-saving benefits of centralized purchasing systems while retaining the benefits of a decentralized purchasing system.

Three approaches can improve decentralized purchasing systems without increasing staffing and operations costs:

- (1) Increase the use of "piggybacking" to access beneficial terms of contracts previously entered by public entities.
- (2) Utilize cooperative purchasing agreements to allow Cities to obtain volume discounts among themselves, even without County participation.
- (3) Collaborate with the County's Procurement Division to negotiate lower prices for common goods and services.

If these changes resulted in even a conservative five percent average savings on procurements, the County could save more than \$15 million and the Cities collectively could save more than \$21.25 million per year.

GLOSSARY and ABBREVIATIONS

California Association of Public Procurement Officials (the CAPPO): The CAPPO is a nonprofit organization dedicated to maintaining the highest standards of professional behavior and ethical conduct in public purchasing. As the oldest public procurement association in the United States, CAPPO works to provide tools to buyers in the public sector that will help them develop their professional skills for their benefit and the benefit of their agencies.

California Department of General Services (the DGS or General Services?): The DGS serves as business manager for the state of California. The DGS provides a variety of services to state agencies, including procurement and acquisition solutions.

Centralized Procurement: Centralized procurement means that a single department controls and manages the purchasing for the whole organization. Ideally a manager oversees the purchasing department regarding what materials need to be purchased and in what quantity.⁵

City-County Procurement Cooperation (C-CPC): C-CPC is a term for practices, if adopted, that will allow Cities and the County to save millions of dollars on procurement each year.

Cooperative Purchasing Agreements: A type of procurement in which multiple purchasing entities collaborate in purchasing to increase their market power, thereby gaining access to lower prices.

⁵ Effia Soft, "Centralized vs. Decentralized Purchasing" *Effiasoft.com* Accessed on May 20, 2018
<https://effiasoft.com/centralized-vs-decentralized-purchasing>.

All 20 cities in San Mateo County (the Cities): the Town of Atherton, the City of Belmont, the City of Brisbane, the City of Burlingame, the Town of Colma, the City of Daly City, the City of East Palo Alto, the City of Foster City, the City of Half Moon Bay, the Town of Hillsborough, the City of Menlo Park, the City of Millbrae, the City of Pacifica, the Town of Portola Valley, the City of Redwood City, the City of San Bruno, the City of San Carlos, the City of San Mateo, the City of South San Francisco, and the Town of Woodside.

Decentralized Procurement: Purchasing control and authority is granted to local branches or departments. They have the authority to purchase items necessary as per their requirements.⁶

Piggyback Contracts: A form of intergovernmental cooperative purchasing in which an entity will be extended the same pricing and terms of a contract entered by another entity. Generally, the originating entity will competitively award a contract that will include language allowing for other entities to utilize the contract, which may be to their advantage in terms of pricing, thereby gaining economies of scale that they would otherwise not receive if they competed on their own.⁷

San Mateo County Finance Officers Group (the SAMFOG): The SAMFOG is an informal professional group for municipal finance officers in San Mateo County to share information and resources.

County of San Mateo Procurement Division (the PD): The PD provides procurement services to all county departments and acts as a regulatory mechanism to help County departments obtain maximum value for each dollar spent while maintaining compliance with all relevant county, state and federal laws, ordinances, and policies.

Volume Discount: A Volume Discount is an incentive offered to a buyer that results in a decreased cost per unit of goods or materials when purchased in greater numbers. Sellers often offer a volume discount to entice buyers to purchase in larger quantities. The seller can move more goods or materials, and the buyer receives a more favorable price for the goods.⁸

BACKGROUND

The 20 cities in San Mateo County together purchased approximately \$425 million of in goods and services in FY 2015-16, representing an estimated 35 percent of their General Fund spending.^{9,10} In a time defined by rising labor costs, exploding pension program payments, and other municipal budget constraints, spending on goods and services still represents a significant portion of a city's discretionary spending.¹¹

⁶ Effia Soft, "Centralized vs. Decentralized Purchasing" *Effiasoft.com*

⁷ Principles and Practices of Public Procurement "Use of Cooperative Contracts for Public Procurement" *California Association of Public Procurement Officials* Accessed on August 28, 2017: 1. <http://c.ymcdn.com/sites/www.cappo.org/resource/collection/FBBFC7BF-369D-43DE-B609-3D41BA05D10E/Cooperative%20Contracts.pdf>.

⁸ "Quantity Discount" *Investopedia*, Accessed on: May 20, 2018 <https://www.investopedia.com/terms/q/quantity-discount.asp#ixzz5F2r4B9Sp>.

⁹ California State Controller's Office, *Schedule of Total City Expenditures by Major Object Classification* (2017).

¹⁰ *ibid.*

¹¹ Interviews with City Finance Officials.

While every city in the County operates its own purchasing system, all cities share common practices and operations.¹² These commonalities stem from shared state and federal regulatory requirements, adherence to generally accepted best practices, and similar economic pressures.¹³ By identifying systemic purchasing challenges and common solutions, cities have the potential to achieve consequential cost savings.

In addition to benefiting from cost savings, the effective and efficient purchasing of goods and services is essential to the proper function of municipal government. When purchasing fails to achieve the highest standard of excellence, the quality and variety of services fall and the potential for wasting taxpayer money increases.

Advantages of Decentralized Procurement Practices

In decentralized purchasing systems, individual departments are responsible for: (a) identifying the need for a good or service, (b) conducting the appropriate vendor selection process, and (c) placing a purchase order for the good or negotiating a contract for services.¹⁴ In contrast, under a centralized purchasing system, individual departments still identify the need for a good or service, but a central purchasing department is responsible for conducting the appropriate selection process, negotiating with the vendor, and purchasing the good or service.¹⁵

Although these processes might appear identical—a city entity identifies goods and services for purchase, competitively bids the product, and purchases it from a vendor—fundamental operational differences and outcomes exist between these two systems.

Historically, limited supply chains and less competitive markets for goods and services required municipalities to rely on specialized purchasing agents for competitive purchasing.¹⁶ These purchasing agents, working in central purchasing departments, could negotiate directly with producers to secure lower prices for goods and services.¹⁷ Specialized purchasing roles also gave agents substantial expertise and experience in their field that today’s employees cannot accumulate.¹⁸

However, as the market for goods and services has grown more competitive (a result of globalization, the internet, lower transportation costs, and gains to economic productivity) prices have fallen, leading many to believe that the need for specialized purchasing agents has

¹² Interviews with City Finance Officials, Grand Jury Review of City Procurement Documents.

¹³ Interviews with City Finance Officials.

¹⁴ Clifford McCue, Jack Pitzer “Centralized vs. Decentralized Purchasing: Current Trends in Governmental Procurement Practices” (2000): 4.

¹⁵ *ibid.*

¹⁶ “Centralized vs. Decentralized Purchasing: Current Trends in Governmental Procurement Practices” *Journal of Public Budgeting, Accounting, and Financial Management* (2000).

¹⁷ Money Matters “Centralized & Decentralized Purchase: Suitability, Merits and Detriments” *Accountlearning.com* Accessed on March 28, 2018. <https://accountlearning.com/centralized-decentralized-purchase-suitability-merits-demerits-differences>.

¹⁸ *Ibid.*

diminished.^{19,20} Additionally, the high cost of labor in the San Francisco Bay Area, coupled with the economic contractions in 2002 and 2008, has placed pressure on public entities to reduce costs by consolidating positions.²¹ Under these pressures, decentralized purchasing became the norm throughout the San Mateo County and California.²²

Common Practices in Decentralized Purchasing Systems

In its investigation, the Grand Jury learned that the cities in San Mateo County generally regulate their decentralized purchasing systems through three primary mechanisms--graduated purchasing authority levels, competitive bidding requirements, and budget controls.

All of the Cities delegate purchasing authority to different levels of city employees based on the size of the purchase; higher ranking employees must approve costlier purchases.²³ While the exact purchasing authority levels vary between cities, Figure 1 is an example of the allocation of purchasing authority levels for the City of San Mateo. This graduated purchasing authority system, which is like those in other cities, gives individual departments the power to make smaller purchases quickly at market prices, while subjecting larger purchases to increasing scrutiny.

FIGURE 1		
<i>Award Authorization and Competitive Bidding Requirement Levels for the City of San Mateo</i> ²⁴		
Purchase Levels	Authority Required to Approve Purchase	Competitive Bidding Requirement
Purchases over \$100,000	City Council	Formal Bid Procedure (RFP)
Purchases between \$50,000 and \$99,999	City Manager	Open Market Procedures
Purchases between \$25,000 and \$49,999	Department Head	Open Market Procedures
Purchase under \$25,000	Division Manager	Open Market Procedures

The Cities also regulate decentralized purchasing systems through competitive bidding requirements.²⁵ These requirements are meant to ensure fair market prices by requiring purchasers to obtain multiple vendor bids and to select the lowest responsible bidder.²⁶ As with purchasing authority, competitive bidding requirements follow a graduated approval system

¹⁹ Michael Sposi, “The Effect of Globalization of Market Structure, Industry Evolution and Pricing” *Federal Reserve Bank of Dallas, Globalization and Monetary Policy Institute 2013 Annual Report*, May 31, 2013: 24. <https://www.dallasfed.org/~media/documents/institute/annual/2013/annual13f.pdf>

²⁰ Clifford McCue, Jack Pitzer “Centralized vs. Decentralized Purchasing: Current Trends in Governmental Procurement Practices” (2000) 400.

²¹ Ibid.

²² Interview with City Finance Officials.

²³ Grand Jury Review of City Procurement Documents.

²⁴ Grand Jury Review of City Procurement Documents.

²⁵ Grand Jury Review of City Procurement Documents.

²⁶ Qualified bidder with the lowest or best bid price, and whose business and financial capabilities, past performance, and reputation meet the required standards.

based on size of purchase. For smaller purchases of commodity items where competition already exists between vendors (e.g., paper products and other office supplies), the Cities allow for purchases on the open market without multiple bids. However, for larger purchases where generally less competition exists between vendors, stricter bidding requirements apply. Competitive bidding requirements range from requiring informal bids and formal bids to issuing a Request for Proposals.

Departmental budget controls are another regulatory check on decentralized purchase systems.²⁷ Budget controls require city finance officials to confirm that any proposed purchase fits within a department's budget prior to authorizing a purchase order. As a result of these controls, a department proposing to make a substantial purchase is incentivized to seek the lowest responsible price.²⁸

DISCUSSION

The Limitations of Decentralized Purchasing Systems

While the Cities' decentralized purchasing systems have technically achieved the goals of obtaining fair market prices while minimizing labor costs, such decentralized purchasing approaches are not designed to use the Cities' collective marketing power, together with that of the County,²⁹ to obtain optimum prices and terms.

In modern supply chains, few goods and services have fixed prices. Rather, prices are generally negotiable, with outcomes contingent on factors like the quantity being purchased, the potential for future sales, the present level of market demand, the vendor's available stock, and profit margins.³⁰ Often, the given market price—the price quoted on a store shelf or business' website—does not represent this variance.³¹

In the private sector, dedicated buyers with deep expertise and experience take advantage of that knowledge and their firms' market power to negotiate lower prices.³² Depending on the particular good, buyers can often negotiate prices 30 to 40 percent below "market." For some goods, like software, savings upwards of 50 percent are attainable.³³

²⁷ Grand Jury Review of City Procurement Documents.

²⁸ Interviews with City Finance Officials.

²⁹ Market Power represents a firm's or, in this case, city's capacity to negotiate prices better than the going market price. Market power can be exerted through negotiation, buying in bulk, buying "higher" (e.g. buying from a wholesaler) in the supply chain, etc.

³⁰ Henry Hazlitt, "How Should Prices Be Determined" Foundation for Economic Education, February 1, 1967. Accessed On: June 6, 2012 <https://fee.org/articles/how-should-prices-be-determined>.

³¹ Krishna, Aradhna, Richard Briesch, Donald Lehmann, and Hong Yuan (2002), "A Meta-Analysis of the Impact of Price Presentation on Perceived Savings." *Journal of Retailing* 78 (2), 101–18. <https://www8.gsb.columbia.edu/researcharchive/articles/969>.

³² Severin Borenstein "Understanding Competitive Pricing and Market Power in Wholesale Electricity Markets" *The Electricity Journal* July 2000: 50. <<http://faculty.haas.berkeley.edu/borenste/mba212/Elecjo00mktPower.pdf>>

³³ Seeking Alpha Editorial Board "Chart: Software Companies - Gross Profit Margins" *seekingalpha.com* May 7, 2006. Accessed On: June 12, 2018 <https://seekingalpha.com/article/10166-chart-software-companies-gross-profit-margins>.

The Cities' shift from centralized to decentralized purchasing systems evolved over time on a local basis, with individual cities responding to the immediate needs and available resources. Regardless of a particular city's path towards decentralized purchasing, cities lost the expertise necessary to negotiate these kinds of savings. Apart from some employees in public works and engineering departments, most purchasing activities are a secondary responsibility for the employees responsible for their department's procurement function.³⁴ While these employees all receive training on municipal purchasing guidelines and policies, they often lack training and familiarity with advanced procurement practices.³⁵ For many cities, training employees in purchasing practices found in a centralized purchasing department is prohibitively expensive.³⁶

This loss of purchasing expertise has real financial consequences. For instance, most of the Cities' employees are unaware of and untrained in the use of cooperative purchasing databases.³⁷ Cooperative purchasing databases, like the California Department of General Services' (DGS's) State Contracts Index Listing and State Leveraged Procurement Agreements, are databases of pre-negotiated contracts for common goods and services, for prices lower than market.³⁸ By not piggybacking on these pre-negotiated contracts, the Cities miss the opportunity to purchase a wide range of products at lower prices.

Employees in decentralized systems often do not identify commonly purchased goods that other departments are also buying and so miss the opportunity to negotiate lower costs which could be obtained by purchasing the items in bulk for multiple departments.³⁹ While finance officers do track purchases on a departmental level, only the City of San Mateo has a staff position dedicated to tracking the cost, type, quantity, and frequency with which all city departments are purchasing products.⁴⁰ In cities that fail to track products purchased across multiple departments, finance officers cannot identify goods (like office supplies, furniture, automobile parts) and services (like translators), that could be purchased in bulk through a volume discount contract. In effect, each individual department pays for goods and services at a price that is higher than could be achieved through purchasing at the municipal level.⁴¹

Conversely, in centralized purchasing systems a dedicated staff of purchasing agents specializes in securing the lowest prices for goods and services.⁴² Purchasing agents have the training, resources, time, and specialization to identify the best vendors and negotiate below-market prices through leveraging their city's market power.⁴³ Purchasing agents have the authority and capacity to unlock low prices by buying in bulk, authorizing long term contracts, and negotiating volume discounts. Centralized purchasing agents also have acquired specific purchasing

³⁴ Interviews with City Finance Officials.

³⁵ Interviews with City Finance Officials.

³⁶ Interviews with City Finance Officials.

³⁷ Interviews with Finance Officials.

³⁸ Procurement Division "Leveraged Procurement Agreements (LPAs) *California Department of General Services* Accessed on April 5, 2018. <<http://www.dgs.ca.gov/pd/Programs/Leveraged.aspx>>

³⁹ Money Matters "Centralized & Decentralized Purchase: Suitability, Merits and Detriments" 2018.

⁴⁰ Interview with City Finance Officials.

⁴¹ Ibid.

⁴² Clifford McCue, Jack Pitzer "Centralized vs. Decentralized Purchasing: Current Trends in Governmental Procurement Practices" 2000.

⁴³ Ibid.

knowledge over the course of their careers, knowledge which enables them to access lower prices through hidden markets.⁴⁴

Cooperative Purchasing Solutions

In the course of its investigation, the Grand Jury learned that each City could adopt three practices which would improve its decentralized purchasing system without increasing staffing and operations costs: (1) utilizing piggybacking to access pre-negotiated contracts, (2) collaborating with other Cities to purchase goods through the use of cooperative purchasing agreements, and (3) collaborating with San Mateo County's Procurement Division to negotiate lower prices for common goods and services.

1. Utilize Piggyback Contracts

Piggybacking on pre-negotiated contracts with favorable pricing allows Cities to benefit from those terms without changing their purchasing practices. Per the California Association of Public Procurement Officials, Piggybacking (a "Piggyback Cooperative") is:

A form of intergovernmental cooperative purchasing in which an entity will be extended the same pricing and terms of a contract entered by another entity. Generally, the originating entity will competitively award a contract that will include language allowing for other entities to utilize the contract, which may be to their advantage in terms of pricing, **thereby gaining economies of scale that they would otherwise not receive if they competed on their own** (Emphasis added).⁴⁵

Piggyback contracts are widely used by public entities in California and nationwide.⁴⁶ Piggyback contracts can be to the benefit of both the vendor and the public entity that negotiated the original cost (the originating entity), as well as any other public entities that ultimately utilize the contract (piggybacking entities). Benefits can accrue to the vendor by increasing the potential volume of sales under the agreement, which results in increased product sales.

The Grand Jury's investigation revealed that although some Cities have used piggyback contracts in the past, the practice is currently underutilized.⁴⁷ In fact, the Grand Jury found during its interviews that City employees at the departmental level were generally unaware of: (a) the existence of piggyback contracts, (b) the possible cost savings from piggyback contracts, (c) the numerous piggyback contract databases, and (d) how to use a piggyback contract in a decentralized purchasing system.

When asked why they did not make greater use of piggyback contracts, officials from seven of the Cities expressed concerns about compatibility with their City's legal

⁴⁴ Interview with City Finance Officials.

⁴⁵ Principles and Practices of Public Procurement "Use of Cooperative Contracts for Public Procurement" *California Association of Public Procurement Officials* (2017) 1.

⁴⁶ Interviews with City Finance Officials.

⁴⁷ Interviews with City Finance Officials.

requirements.⁴⁸ They also expressed concern that the time necessary to train department-level employees to use piggyback contracts and, subsequently, the time spent selecting the best contract, would be costlier than potential savings. Those officials were also concerned that existing piggyback contracts would not reflect their city's purchasing policies, such as environmental and local purchasing preference requirements.⁴⁹

While these concerns are legitimate, approaches to piggyback contracting, such as the one illustrated below, are available:

- The City's Finance Office identifies the most commonly purchased goods and services across all city departments.
- The City Finance Office, in conjunction with city attorneys, searches piggyback contract databases for compatible contracts on the most common goods and services and evaluates whether such contracts would follow the city's purchase preference requirements.
- Once compatible contracts have been identified and confirmed with vendors, the City Finance Office disseminates an internal list of preferred vendors for the specific goods and services covered by these contracts, in accordance with the municipality's preferred vendor requirements.
- Individual city departments conduct normal purchasing activities, using the list of preferred vendors when applicable.

2. Utilize Cooperative Purchasing Agreements

The Cities generally provide comparable services to residents using similar resources and procedures.⁵⁰ Accordingly, they often purchase nearly identical goods and services. Yet, by purchasing common goods and services individually, each city can only leverage its own market power to negotiate lower prices. Were the Cities to collaborate with one another in their purchases of common goods and services, they would increase their purchasing power and facilitate the negotiation of lower prices.

Cooperative purchasing agreements, in which multiple public entities collaborate in purchasing to increase their market power, are not new to the Cities.⁵¹ They have successfully achieved significant cost savings in the past through cooperative purchasing agreements. Most notably, in 2015, all of the Cities, together with the County, jointly entered into a cooperative purchasing agreement with Turbo Data Systems Inc. for common parking ticket citation and adjudication services. In this arrangement, the Cities paid the County to hire a consultant, issue a request for proposal (an RFP), and evaluate the responses with a committee consisting of representatives from Belmont, Burlingame, Daly City, San Mateo, and South San Francisco.⁵² This committee, on behalf of all member agencies, selected Turbo Data Systems as the best candidate.

⁴⁸ Interviews with City Finance Officials.

⁴⁹ Interviews with City Finance Officials.

⁵⁰ Interviews with City Finance Officials.

⁵¹ Interviews with City Finance Officials.

⁵² Grand Jury Review of City Procurement Documents.

By utilizing a collaborative purchase agreement when selecting Turbo Data systems, Cities realized an estimated savings approaching 35 to 40 percent of original costs.⁵³ Before negotiations, Turbo Data charged processing fees of \$1.28 for electronic citations and \$1.35 for hand-written citations. These rates were lowered to \$0.50 and \$0.80 for electronic and hand-written citations, respectively.⁵⁴ Based on the number of citations issued, the County saved approximately \$17,000 per year under the new agreement. A city's approximate savings varied with the number of citations but were consistent with the County's rates. For smaller cities which lacked the market power to achieve the pre-contract rates achieved by the County, savings exceeded 45 percent.⁵⁵

Moreover, by paying a nominal sum to San Mateo County to conduct the RFP process, cities were able to produce a superior RFP at a significantly lower cost than had each city issued its own request.⁵⁶

The Turbo Data Systems cooperative purchasing agreement serves as model of what these agreements can achieve. When asked why they did not make greater use of cooperative purchasing agreements, City officials responded that they had difficulty identifying goods and services to collaboratively purchase. They attributed this difficulty to the limited communication channels among city finance officers and the deprioritization of the purchasing function in finance departments.⁵⁷ For instance, while the San Mateo County Finance Officer Group (SAMFOG), which consists of all City finance officials, meets on a bimonthly basis, procurement is rarely discussed. Despite these difficulties, city officials recognized that cooperative purchasing agreements have earned Cities significant savings.

To help expand the use of cooperative purchasing agreements, the Grand Jury asked city officials to identify commonalities between goods and services that could be purchased cooperatively. Finance officials reported that goods and services best suited for cooperative purchase are:

- Common: products which are purchased by multiple or all Cities
- Homogeneous Products that are substantially similar
- Discrete: Products that are measurable in individual units such that they can be individually purchased
- Foreseeable: Products whose purchase can be predicted, allowing the Cities time to negotiate and prepare a cooperative purchasing agreement

3. Collaborate with the County's Purchasing Division

The highest potential for cost savings, while maintaining the Cities' decentralized purchasing systems, can be achieved through collaboration with the County of San Mateo (City-County

⁵³ Grand Jury Review of City Procurement Documents.

⁵⁴ Ibid.

⁵⁵ Grand Jury Review of City Procurement Documents.

⁵⁶ Interviews with City Finance Officials.

⁵⁷ Interviews with City Finance Officials.

Procurement Cooperation or C-CPC).

Unlike the Cities, the County maintains a hybrid centralized/decentralized purchasing system, which includes a dedicated procurement division. Under the County's system, the County of San Mateo's Procurement Division (PD) is generally responsible for purchases of goods that are greater than \$5,000, while individual departments retain responsibility for smaller purchases.⁵⁸ The PD employs a staff of specialized buyers to fulfill its purchasing functions. In FY 2015-2016, the County spent more than \$300 million on goods and services.⁵⁹

Collaborating with the County's Procurement Department (PD) provides a unique opportunity for C-CPC to maximize cost savings for all parties.

As described above, specialized purchasing agents in centralized purchasing departments have the training, experience, and resources to identify superior vendors and negotiate lower prices using their entity's market power. Were the Cities to collaborate with the PD in their purchases of common goods and services, they could increase their purchasing power and thereby facilitate even greater savings than from their own intercity cooperative purchasing agreements.

This example demonstrates one way the Cities could collaborate with the PD:

- The PD coordinates with City finance officers to identify the common goods and services used by participating entities.
- The PD competitively negotiates and awards contracts for those goods and services that allow for the Cities to piggyback on the contract.
- During negotiations, PD purchasing agents implement volume-discounting, such that the participation of any of the Cities thereafter unlocks lower prices for all parties.
- Once the PD finalizes these contracts, City finance officers disseminate internal lists of preferred vendors under these agreements, in accordance with the Cities' preferred vendor requirements, to their respective departments.
- To minimize impact on City employees, and thereby increase transition costs, authorized city employees should be able to buy goods and services in a method similar to their current systems.

For instance, buyers would search the County Purchasing System for the desired goods, generate a purchase order through the system, and that pending order would be sent to the appropriate city purchasing authority for review and approval.

Upon approval, the County Purchasing System executes the order, sending it to the vendor. The County Purchasing System also tallies the order for discounts, recording and reporting to the City the initial savings from negotiated prices and additional volume discounts.

⁵⁸ Interview with County Finance Officials.

⁵⁹ San Mateo County Civil Grand Jury, "San Mateo County Procurement Division Recommendations Follow-Up" (2017) 2.

The Cities and County can implement these processes, without substantially changing their existing procurement processes.⁶⁰ City finance departments already create preferred vendor lists and disseminate them to departments. The PD's purchasing agents already conduct negotiations with vendors to unlock volume-based discounts. Indeed, the increased cost savings are unlocked by combining preexisting and previously independent operations as to maximize the negotiating power of all parties involved.

Given that the Cities and the County spend over \$725 million per year, and assuming only a 1 percent average cost saving, for example, municipalities in San Mateo County would save upwards of \$7 million. In a review of the federal government's Strategic Sourcing,⁶¹ the Government Accountability Office found that, "when strategic sourcing was used, annual savings was along the lines of 5-20 percent."⁶² While the mechanisms by which federal government's Strategic Sourcing achieved savings is equivalent to C-CPC, Strategic Sourcing's larger scale means C-CPC is unlikely to achieve 20 percent savings. The Grand Jury estimates that a 5-15 percent annual savings spread is achievable through C-CPC.

When the 5-15 percent annual average savings spread is applied to C-CPC, projected savings are between \$15 million and \$45 million for the County and \$21.25 million and \$63.75 million for the Cities, for a total savings of \$108.75 million.

There is precedent for C-CPC within the County and throughout California. As previously discussed, the Cities and the County have already achieved significant savings through cooperatively purchased goods and services. Because of this cooperation, the Cities and the County are familiar with cooperative purchasing agreements and piggyback contracts. As such, C-CPC would not be introducing new purchasing methods, but rather be introducing a formal mechanism by which the Cities and County could expand and formalize the use of cooperative purchasing practices to achieve greater savings.

Other counties and the State of California have successfully adopted similar C-CPC practices. For instance, in 1999 Los Angeles County created a cooperative purchasing program with the cities with its jurisdiction for the purchase of recycled paper goods.⁶³ Under this program, cities could join Los Angeles County in purchasing recycled paper such that participating entities benefitted from greater purchasing power. Per the Los Angeles County Procurement Program website, 26 cities participate in the program, with the City of Los Angeles and County of Los Angeles alone saving \$84,000 and \$40,000 per year, respectively.⁶⁴ Similarly, Alameda County uses cooperative purchasing with cities to achieve its Strategic Vision for environmental

⁶⁰ Interviews with City Finance Officials.

⁶¹ Strategic Sourcing is the term for cooperative purchasing between federal agencies overseen by the Office of Federal Procurement Policy.

⁶² Charles Clark, "Government Doesn't use Bulk-Purchasing Initiative Enough, Auditors Say" *Government Executive* October 4, 2014. Accessed On: May 15, 2018. <<https://www.govexec.com/contracting/2012/10/government-doesnt-use-bulk-purchasing-initiative-enough-auditors-say/58590/>>

⁶³ Department of Public Works "Los Angeles County Procurement Programs" *The County of Los Angeles* Accessed on April 20, 2018 <https://dpw.lacounty.gov/epd/awards/procurement.cfm>.

⁶⁴ Ibid.

sustainability and economic growth.⁶⁵ Specifically, Alameda County invites public entities within its jurisdiction to piggyback on green contracts, in order to achieve lower prices, defray the higher costs associated with sustainable materials, and promote environmental sustainability among public agencies.⁶⁶ To facilitate this C-CPC, Alameda County opens its Procurement Department and Contracts Team to support and facilitate local public agencies piggybacking on sustainable contracts.⁶⁷ While both Los Angeles County and Alameda County leveraged cooperative purchasing to achieve environmental objectives, the success of these programs underscores the effectiveness of City-County Procurement Cooperation for achieving cost savings.

However, there are barriers to collaboration between the Cities and the County. The Grand Jury has already issued three reports (in 2004, 2015, and 2017), identifying dysfunction within the County's procurement system. Among other issues, the 2016-2017 Grand Jury identified that the PD's subordination to a Deputy Director of Human Resources, is inconsistent with best practices set forth by the Institute for Public Procurement and the California Association of Public Procurement Officials and inconsistent with the operational practices of 45 California Counties.⁶⁸ The 2016-2017 Civil Grand Jury concluded that the Procurement Division manager lacked sufficient independent authority to implement the changes necessary to improve County procurement. Moreover, as of the date of this writing, the County's Procurement Division manager position is vacant with the County's most recent director having left for employment with another public entity.

While the PD is not functioning well now, the County can take steps to improve the PD's function. Revising the County's purchasing process to allow effective cooperation between the Cities and the County will not only grant access to aforementioned savings, but also lower current operational costs. To that end, the Grand Jury has identified nine checkpoints along the pathway toward City-County Procurement Cooperation. The first three checkpoints are steps the County can take to prepare for C-CPC. The remaining checkpoints are actions the PD needs to take in order to implement C-CPC.

⁶⁵ "Strategic Vision 2026" *The County of Alameda*, Accessed on April 20, 2018
<http://www.acgov.org/government/strategic.htm>.

⁶⁶ "Piggybacking" *The County of Alameda*, Accessed on: April 20, 2018
<https://www.acgov.org/sustain/what/purchasing/bids/piggyback.htm>.

⁶⁷ Stop Waste "Piggybacking for Green Purchasing" *The County of Alameda*, Accessed on: April 20, 2018
<https://www.acgov.org/sustain/documents/PiggybackingResources.pdf>.

⁶⁸ San Mateo County Civil Grand Jury, "San Mateo County Procurement Division Recommendations Follow-Up": 5-6.

Checkpoints on the Pathway toward City-County Procurement Cooperation

- 1. Move the PD into an Appropriate Department**

Per the CAPPO, “the placement of the procurement (division) should be operationally distinct from other departments and divisions within the entity.”⁶⁹

When subordinate to another department, procurement lacks the authority and credibility to effectively regulate the entity’s procurement system and/or effectively negotiate with vendors.

“In the Grand Jury’s opinion, these bureaucratic layers reduce the authority and effectiveness of the procurement function.”⁷⁰

The PD would be more appropriately located as a direct report to the County Manager.⁷¹
- 2. Hire Experienced Buyers**

Implementation of C-CPC requires the PD to be staffed with buyers who have procurement management experience.

Procurement management experience is essential for (a) implementing structural changes required for C-CPC, (b) managing current PD buyers, and (c) negotiating deep discounts with vendors.
- 3. Develop and Insert Piggyback Language into County Contracts**

Piggyback contracts are the vehicles through which the Cities and the County can combine their purchasing power, gain access to deep discounts, and save millions of dollars.

The PD must develop and insert piggyback language into procurement contracts where applicable.
- 4. Create and Distribute to the Cities a Register of Open Contracts**

For the Cities to piggyback on the County’s contracts, the Cities must first be aware of available contracts.

⁶⁹ “Use of Cooperative Contracts for Public Procurement” *California Association of Public Procurement Officials* (2017): 1.

⁷⁰ *Ibid.* 5.

⁷¹ *Ibid.* 8.

The PD should create and distribute to city finance officers a searchable register of open contracts, including:

- the goods and services
- the terms and conditions
- the vendor
- other pertinent information

5. Identify the Goods and Services with the Highest Potential Savings in Conjunction with the Cities.

To focus the PD’s efforts and secure the greatest savings for the Cities and the County, the PD needs to identify the goods and services with the highest potential savings.

To this end, the PD should survey the Cities to identify (a) the most commonly purchased category and classes of goods and services and (b) the goods and service with the highest potential discounts.

6. Ensure County Purchasing Software Can Track Key Indicators

Volume discounts on goods and services are predominately earned through “steps” (e.g., the first 100 purchases are discounted at 10 percent, purchases 101-200 are discounted at 15 percent, and purchases 200+ are discounted at 20 percent.

To achieve discounts, purchasing software must be able to track key indicators. These indicators include:

- Purchases, by vendor
- Purchases, by category
- Purchases, by date
- Purchases, by buyer
- Vendor Performance

The PD should ensure their current procurement system can track these performance indicators.

7. Ensure County Purchasing Software Can Accommodate City Purchases

To effectively track purchases such that the County can accurately distribute rebates to the Cities, the PD must track the number and variety of purchases by City.

Operational costs can be minimized by allowing City employees to place purchase orders to vendors through the PD procurement system.

The PD should ensure their current procurement system can accommodate this purchasing arrangement.

8. Negotiate Discounted Contracts for those Goods and Services

City participation in C-CPC requires County negotiated contracts to offer a better deal than the Cities could achieve on their own.

Once the goods and services with the highest potential for savings have been identified, the PD’s buyers should negotiate leveraged contract with vendors, achieving maximum savings through discounting.

9. Distribute and Report Discounts to the Cities on a Consistent Basis

In a volume-based discount contract, discounts are based on the total sales in a given accounting period. Often, discounts take the form of a rebate; however, the exact specifications will depend on the product and the contract.

The PD should develop the tools to effectively report and distribute discounts to cities.

While implementing the changes necessary to allow C-CPC will come at a cost, the benefits accrued from crossing these checkpoints will go to great lengths to address the current “dysfunction” in the PD, in addition to the potential savings from C-CPC.⁷² The County’s Purchasing Compliance Committee identified in “Purchasing Redesign Report, Procurement of Goods” 48 deviations from best practices and issued 84 recommendations for improving the County’s procurement process. Notable findings included:

1. “It is unclear who is supposed to monitor the purchasing process.”⁷³
2. “Departments and Purchasing Unit staff sometimes go around purchasing procedures but there is no way to know when this happens; when it is discovered there is no follow up or action taken and is not clear who should take that action or when.”⁷⁴
3. “Staff often do not know that processes, rules, and regulations exist.”⁷⁵
4. “Written documents such as handbooks, reference tools and other materials have not been updated, sometimes for more than 10 years”⁷⁶
5. “There are no methods to monitor if the County is receiving the best value or if purchases are consistent from one department to another (maybe one department is paying more than another for the same item).”⁷⁷
6. “There is no system in place to know if/when current processes either save the County money or lose money.”⁷⁸
7. “No data is collected and used to monitor performance of the overall purchasing process.”⁷⁹
8. “We have no way of knowing if we are being fiscally responsible.”⁸⁰

⁷² San Mateo County Civil Grand Jury, “San Mateo County Procurement Division Recommendations Follow-Up”: 4.

⁷³ Ibid. 18.

⁷⁴ Ibid. 18.

⁷⁵ Ibid. 18.

⁷⁶ Ibid. 20.

⁷⁷ Ibid. 19.

⁷⁸ Ibid. 19.

⁷⁹ Ibid. 20.

⁸⁰ Ibid. 19.

From the Grand Jury's prior reports and the County's Purchasing Compliance Committee's report, it is eminently clear that the Purchasing Division requires significant reform. The Grand Jury recommends that the County develop and study a plan to achieve the Checkpoints on the Pathway towards City-County Procurement Cooperation within current plans to improve the Purchasing Division.

The Grand Jury recognizes that the implementation of C-CPC will require upfront investment by the County before significant savings can be achieved. To the extent the County determines the cost of implementing this plan would result in greater cost to the County not recouped by cost savings, the County could propose a cost sharing fee for those Cities accessing the collective purchasing program. City officials expressed pleasure with the RFP cost sharing arrangement for the Turbo Data Systems contract and expressed willingness to participate in cost sharing arrangements when those contracts would allow their city to access greater savings.

As the County continues to improve the PD, beginning with a Controller's Office Audit to be completed by December 31, 2018,⁸¹ achieving these nine checkpoints may unlock C-CPC and tens of millions of dollars in potential savings each year.

FINDINGS

- F1. All 20 of the cities in the County purchase goods and services through decentralized purchasing systems.
- F2. Decentralized purchasing systems successfully allow the Cities to procure goods and services at fair market prices while minimizing labor costs.
- F3. The creation of a centralized purchasing department to provide the organization with advanced procurement services and guidance can be cost prohibitive.
- F4. While city employees receive training on municipal purchasing guidelines and policies, many employees who conduct purchasing operations as a secondary responsibility are not trained or instructed to negotiate optimum prices by leveraging market power.
- F5. City employees who conduct purchasing operations as a secondary responsibility often do not identify commonly purchased goods that other departments also purchase and so miss the opportunity to negotiate lower costs which could be obtained by purchasing the items in bulk for multiple departments.
- F6. Cooperative purchasing practices allow multiple public entities to collaboratively purchase goods and services, thereby gaining economies of scale that they would otherwise not have.
- F7. Cooperative purchasing practices are compatible with decentralized purchasing systems and can allow the Cities to leverage their collective market power, without changing existing purchasing systems.

⁸¹ Ibid. 27.

- F8. Adoption of cooperative purchasing practices, including piggyback agreements and cooperative purchasing agreements, can enable all Cities to obtain lower prices on goods and services.
- F9. Each city has limited communications with each other regarding procurement best practices, shared purchasing challenges, and purchasing solutions.
- F10. The County of San Mateo's Procurement Division is the only remaining public centralized purchasing department at the City and County level within San Mateo County.
- F11. Collaboration between the Cities and the Procurement Division through cooperative purchasing practices could achieve significant cost savings for both the Cities and the County.
- F12. The Procurement Division presently lacks the operational capacity to fully collaborate with the Cities.
- F13. There are no formal channels for communication between the County and the Cities regarding procurement cooperation opportunities.

RECOMMENDATIONS

The 2017-2018 San Mateo County Civil Grand Jury recommends that each City undertake the following by no later than February 1, 2019:

- R1. Increase the use of cooperative purchasing practices, including piggyback contracts and joint procurement agreements.
- R2. Share with other Cities and the County Procurement Division their procurement needs in order to identify opportunities for cooperative procurements between the Cities and the County.

The 2017-2018 San Mateo County Civil Grand Jury recommends that the County of San Mateo do the following by no later than February 1, 2019:

- R3. Increase the use of cooperative purchasing practices, including the development and insertion of piggyback language into County contracts, with the Cities.
- R4. Share with the Cities the County's procurement needs to identify opportunities for further cooperative purchasing.
- R5. Relocate the County's Procurement Division into an appropriate reporting structure, such that the Procurement Division shall report directly to the County Manager.

The 2017-2018 San Mateo County Civil Grand Jury recommends that the County of San Mateo do the following by no later than July 1, 2019.

- R6. Develop and study a plan to achieve the Checkpoints on the Pathway towards City-County Procurement Cooperation within current plans to improve the Purchasing Division, including:
- a. Hire experienced buyers.
 - b. Create and distribute to the Cities a register of open contracts.
 - c. Ensure the County's purchasing software can track key indicators.
 - d. Ensure the County's purchasing software can accommodate city purchases.
 - e. Identify, in conjunction with the Cities, the goods and services with the highest potential savings.
 - f. Negotiate discounted contracts for those goods and services.
 - g. Distribute and report discounts to the Cities on a consistent basis.

REQUESTS FOR RESPONSES

Pursuant to Penal Code Section 933.05, the Grand Jury requests the following to respond to the foregoing Findings and Recommendations referring in each instance to the number thereof:

- The City Councils of The Town of Atherton, the City of Belmont, the City of Brisbane, the City of Burlingame, the Town of Colma, the City of Daly City, the City of East Palo Alto, the City of Foster City, the City of Half Moon Bay, the Town of Hillsborough, the City of Menlo Park, the City of Millbrae, the City of Pacifica, the Town of Portola Valley, the City of Redwood City, the City of San Bruno, the City of San Carlos, the City of San Mateo, the City of South San Francisco, and the Town of Woodside to respond no later than 90 days after the date of this Grand Jury Report.
- San Mateo County Board of Supervisors to respond no later than 90 days after the date of this Grand Jury Report.

Each City Council and the County Board of Supervisors should respond to the findings and recommendations with respect to their own policies, procedures, and operations, not in regards to the Cities and the County as a whole.

The governing bodies indicated above should be aware that the comment or response of the governing body must be conducted subject to the notice, agenda, and open meeting requirements of the Brown Act.

METHODOLOGY

Documents

The Grand Jury reviewed the following documents:

- Purchasing Policy Manuals or equivalent documents from: the Town of Atherton, the City of Belmont, the City of Brisbane, the City of Burlingame, the Town of Colma, the City of Daly City, the City of East Palo Alto, the City of Foster City, the City of Half

Moon Bay, the Town of Hillsborough, the City of Menlo Park, the City of Millbrae, the City of Pacifica, the Town of Portola Valley, the City of Redwood City, the City of San Bruno, the City of San Carlos, the City of San Mateo, the City of South San Francisco, and the Town of Woodside.

- The California Association of Public Procurement Officials, Inc.:
Best Practices: Global Procurement Best Practices
- The Turbo Data Contract between San Mateo County and Turbo Data Systems Inc.
- Memo to the Burlingame City Council: Turbo Data Contract Recommendation
- Memo to the San Mateo County Board of Supervisors: Turbo Data Contract Recommendation

Interviews

- The Grand Jury conducted interviews with City Procurement Officers, City Management, County Procurement Officers, and County Management.

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Issued: July 19, 2018



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER

File #: 18-913

Board Meeting Date: 10/2/2018

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors
From: John L. Maltbie, County Manager
Subject: Board of Supervisors' Response to the 2017-2018 Civil Grand Jury Report, "Cooperative Purchasing - A Roadmap to More Effective City Procurement"

RECOMMENDATION:

Approve the Board of Supervisors' response to the 2017-2018 Grand Jury Report, "Cooperative Purchasing - A Roadmap to More Effective City Procurement."

BACKGROUND:

On July 19, 2018, the 2017-2018 San Mateo County Civil Grand Jury issued a report titled "Cooperative Purchasing - A Roadmap to More Effective City Procurement." The Board of Supervisors is required to submit comments on the findings and recommendations pertaining to the matters over which it has some decision making authority within 90 days. The Board's response to the report is due to the Honorable V. Raymond Swope no later than October 17, 2018.

DISCUSSION:

The Grand Jury made thirteen findings and six recommendations in its report. The Board responses follow each finding and the six recommendations that the Grand Jury requested that the Board respond to within 90 days.

FINDINGS

Finding 1:

All 20 of the cities in the County purchase goods and services through decentralized purchasing systems.

Finding 2:

Decentralized purchasing systems successfully allow the Cities to procure goods and services at fair market prices while minimizing labor costs.

Finding 3:

The creation of a centralized purchasing department to provide the organization with advanced procurement services and guidance can be cost prohibitive.

Finding 4:

While city employees receive training on municipal purchasing guidelines and policies, many employees who conduct purchasing operations as a secondary responsibility are not trained or instructed to negotiate optimum prices by leveraging market power.

Finding 5:

City employees who conduct purchasing operations as a secondary responsibility often do not identify commonly purchased goods that other departments also purchase and so miss the opportunity to negotiate lower costs which could be obtained by purchasing the items in bulk for multiple departments.

Finding 6:

Cooperative purchasing practices allow multiple public entities to collaboratively purchase goods and services, thereby gaining economies of scale that they would otherwise not have.

Finding 7:

Cooperative purchasing practices are compatible with decentralized purchasing systems and can allow the Cities to leverage their collective market power, without changing existing purchasing systems.

Finding 8:

Adoption of cooperative purchasing practices, including piggyback agreements and cooperative purchasing agreements, can enable all Cities to obtain lower prices on goods and services.

Responses to Findings 1-9:

Partially Agree. However, the County's Procurement Division has not studied/reviewed the Cities procurement processes and systems. The Division has limited or no knowledge of the structure, training, experience, or capabilities of the individual purchasing departments.

The Procurement Division supports cooperative purchasing but has not had an opportunity to adequately review what the necessary business requirements would be to determine feasibility of success for this shared endeavor.

Finding 10:

The County of San Mateo's Procurement Division is the only remaining public centralized purchasing department at the City and County level within San Mateo County.

Response:

Partially Agree. The County handles all purchases of goods that exceed \$5,000, while departments handle purchases below this amount. Department heads also have the authority to contract for services up to \$100,000, subject to procurement guidelines.

Finding 11:

Collaboration between the Cities and the Procurement Division through cooperative purchasing practices could achieve significant cost savings for both the Cities and the County.

Response:

Partially Agree. There would be savings generated through the use of shared agreements. Although, most co-optable, or piggyback contracts have set pricing determined by the vendor and the sponsoring agency who conducted the bid. Those prices are typically expressed as a percentage of retail and are not based on volume.

The State of California has many contracts that the County and other public agencies use to purchase commodities. The State also offers training on the use of co-optable or piggyback contracts for any public entity. The County currently utilizes cooperative agreements, so the projected savings may be lower than stated.

Finding 12:

The Procurement Division presently lacks the operational capacity to fully collaborate with the Cities.

Response:

Agree. The Procurement Division currently does not have the capacity to fully collaborate with the Cities. The Division has various initiatives underway, including the County-wide rollout of the Contracts Management System. In order to provide services to the Cities, various projects would need to be completed, and resources and system capabilities would need to be evaluated to fully collaborate with the Cities.

Finding 13:

There are no formal channels for communication between the County and the Cities regarding procurement cooperation opportunities.

Response:

Agree. Information about procurement cooperation opportunities have not been addressed.

RECOMMENDATIONS

Recommendation 1:

Increase the use of cooperative purchasing practices, including piggyback contracts and joint procurement agreements.

Response:

Agree. The County's Procurement Division will explore opportunities to collaborate with Cities to meet purchasing needs. This will be initiated once major key initiatives to enhance services in the Division have been completed and Checkpoints on the Pathway towards City-County Procurement Cooperation (Recommendation 6) has been developed. Such initiatives could include the County hosting a State of California training on how to access and use State contracts.

Recommendation 2:

Share with other Cities and the County Procurement Division their procurement needs in order to identify opportunities for cooperative procurements between the Cities and the County.

Response:

Agree. The County's Procurement Division will explore opportunities to collaborate with Cities to meet purchasing needs. This will be initiated once major key initiatives to enhance services in the Division have been completed and Checkpoints on the Pathway towards City-County

Procurement Cooperation (Recommendation 6) has been developed.

Recommendation 3:

Increase the use of cooperative purchasing practices, including the development and insertion of piggyback language into County contracts, with the Cities.

Response:

Agree. The County's Procurement Division will explore opportunities to collaborate with Cities to meet purchasing needs. This will be initiated once major key initiatives to enhance services in the Division have been completed and Checkpoints on the Pathway towards City-County Procurement Cooperation (Recommendation 6) has been developed. Utilizing existing cooperative contracts is a current practice for the County.

Recommendation 4:

Share with the Cities the County's procurement needs to identify opportunities for further cooperative purchasing.

Response:

Agree. The County's Procurement Division will explore opportunities to collaborate with Cities to meet purchasing needs. This will be initiated once major key initiatives to enhance services in the Division have been completed and Checkpoints on the Pathway towards City-County Procurement Cooperation (Recommendation 6) has been developed.

Recommendation 5:

Relocate the County's Procurement Division into an appropriate reporting structure, such that the Procurement Division shall report directly to the County Manager.

Response:

Partially Disagree. Several years ago, the Procurement Division was under the County Manager's Office, however it was moved to the Human Resources Department as this is an operational department that supports all County departments. As a follow-up to this recommendation, the Procurement Division will discuss the reporting structure with the County Manager's Office to determine if any organizational changes are anticipated.

Recommendation 6:

Develop and study a plan to achieve the Checkpoints on the Pathway towards City-County Procurement Cooperation within current plans to improve the Purchasing Division, including:

- a. Hire experienced buyers.
- b. Create and distribute to the Cities a register of open contracts.
- c. Ensure the County's purchasing software can track key indicators.
- d. Ensure the County's purchasing software can accommodate city purchases.
- e. Identify, in conjunction with the Cities, the goods and services with the highest potential savings.
- f. Negotiate discounted contracts for those goods and services.
- g. Distribute and report discounts to the Cities on a consistent basis.

Response:

Agree. The Procurement Division will develop a plan to review items a through g as noted above. It is believed there are opportunities to collaborate and provide services. However, one

area that may be challenging is the implementation of one purchasing system to track and accommodate County and city purchases, which may not be feasible given that each agency has their own budget and accounting practices. There should be a cost sharing agreement among agencies who participate as the cost are likely to be substantial. Given current initiatives, the review is anticipated to begin in FY 2019-20.

Acceptance of the report contributes to the Shared Vision 2025 outcome of a Collaborative Community by ensuring that all Grand Jury findings and recommendations are thoroughly reviewed by the appropriate County departments and that, when appropriate, process improvements are made to improve the quality and efficiency of services provided to the public and other agencies.

FISCAL IMPACT:

There is no Net County Cost associated with accepting this report.



Town of Atherton

91 Ashfield Road
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Phone: (650) 752-0500

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September 21, 2018

Honorable V. Raymond Swope
Judge of the Superior Court
C/O Charlene Kresevich
Hall of Justice
400 County Center; 2nd Floor
Redwood City, CA. 94063-1655

SUBJECT: GRAND JURY REPORT "Cooperative Purchasing- A Roadmap to More Effective City Procurement"

Dear Hon. V. Raymond Swope:

Attached please find the Town of Atherton's response to the above Grand Jury Report. Pursuant to California Penal Code Section 933.05, the response was considered by the City Council at a public meeting on September 19, 2018.

Should you have any questions concerning the response, please contact City Manager George Rodericks at (650) 752-0504.

Sincerely Regards,

TOWN OF ATHERTON

Cary Wiest
Mayor

RESPONSE TO GRAND JURY REPORT

Report Title: Cooperative Purchasing- A roadmap to more effective procurement

Report Date: July 19, 2018

Response by: Town of Atherton

By: Cary Wiest, Mayor

FINDINGS:

- We agree with the findings numbers: F1, F2, F3, F6, F7, F8, F9, F10, F12, F13
- We disagree wholly or partially with the findings numbered: F4, F5, F11

RECOMMENDATIONS:

Recommendation numbered R1, R2 have been implemented when feasible.

FINDINGS

F4. While city employees receive training on municipal purchasing guidelines and policies, many employees who conduct purchasing operations as a secondary responsibility are not trained or instructed to negotiate optimum prices by leveraging market power.

F4 Response: The respondent disagrees partially with the finding as leveraging market power within the Town in most occurrences is not feasible as the Town size does not allow the purchase of good and services that elicit leverage in purchasing power.

F5. City employees who conduct purchasing operations as a secondary responsibility often do not identify commonly purchased goods that other departments also purchase and so miss the opportunity to negotiate lower costs which could be obtained by purchasing the items in bulk for multiple departments.

F5 Response: The respondent disagrees partially with the finding as Town employees identify when possible commonly purchased goods that other departments also purchase to be able to negotiate costs to allow benefits of purchasing in bulk. Such examples are office supplies and other operational services.

F11. Collaboration between the Cities and the Procurement Division through cooperative purchasing practices could achieve significant cost savings for both the Cities and the County.

F11 Response: The respondent disagrees partially with the finding as the Town believes there would only be minimal significant savings on goods such as vehicles and other equipment. Other services like Tree trimming, street, and signal light

services may not be significant savings as other agencies may already have their own departments or vendors that are at capacity to offer significant cost savings to agencies. We do and have collaborated where practical with other Cities through cooperative purchase agreements.

RECOMMENDATIONS

R1. Increase the use of cooperative purchasing practices, including piggyback contracts and joint procurement agreements.

R1 Response: The recommendation has been implemented when such goods and services align with the Town needs. When feasible, piggyback contracts are researched when the Town is making equipment and vehicle purchases.

R2. Share with other Cities and the County Procurement Division their procurement needs in order to identify opportunities for cooperative procurements between the Cities and the County.

R2 Response: When feasible the recommendation has been implemented when purchasing needs of the Town coincide with the needs of other Cities we look for opportunities for cooperative procurement. One example as illustrated in the report is the Turbo Data Systems for parking ticket citation and adjudication services. In other instances we look for cooperative procurements opportunities with others expenditures such as vehicles and equipment.

September 18, 2018



Hon. V. Raymond Swope
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center; 2nd Floor
Redwood City, CA 94063-1655

Dear Judge Swope,

Thank you for the opportunity to respond to the Grand Jury report entitled “Cooperative Purchasing – A Roadmap to More Effective City Procurement”. The City of Belmont’s required responses, which were approved by the City Council on September 11, 2018, are listed below:

Grand Jury Findings:

- F1. All 20 of the cities in the County purchase goods and services through decentralized purchasing systems.
- F2. Decentralized purchasing systems successfully allow the cities to procure goods and services at fair market prices while minimizing labor costs.
- F3. The creation of a centralized purchasing department to provide the organization with advanced procurement services and guidance can be cost prohibitive.
- F4. While city employees receive training on municipal purchasing guidelines and policies, many employees who conduct purchasing operations as a secondary responsibility are not trained or instructed to negotiate optimum prices by leveraging market power.
- F5. City employees who conduct purchasing operations as a secondary responsibility often do not identify commonly purchased goods that other departments also purchase and so miss the opportunity to negotiate lower costs which could be obtained by purchasing the items in bulk for multiple departments.
- F6. Cooperative purchasing practices allow multiple public entities to collaboratively purchase goods and services, thereby gaining economies of scale that they would otherwise not have.
- F7. Cooperative purchasing practices are compatible with decentralized purchasing systems and can allow the Cities to leverage their collective market power, without changing existing purchasing systems.
- F8. Adoption of cooperative purchasing practices, including piggyback agreements and cooperative purchasing agreements, can enable all Cities to obtain lower prices on goods and services.
- F9. Each city has limited communications with each other regarding procurement best practices,

shared purchasing challenges, and purchasing solutions.

F10. The County of San Mateo's Procurement Division is the only remaining public centralized purchasing department at the City and County level within San Mateo County.

F11. Collaboration between the Cities and the Procurement Division through cooperative purchasing practices could achieve significant cost savings for both the Cities and the County.

F12. The Procurement Division presently lacks the operational capacity to fully collaborate with the Cities.

F13. There are no formal channels for communication between the County and the Cities regarding procurement cooperation opportunities.

City of Belmont Response to Findings F1-F13:

The City of Belmont generally agrees with the Grand Jury findings, although in some cases lacks the data to confirm or refute assertions. With respect to F5 (*City employees who conduct purchasing operations as a secondary responsibility often do not identify commonly purchased goods that other departments also purchase and so miss the opportunity to negotiate lower costs which could be obtained by purchasing the items in bulk for multiple departments*), as a practical matter, departments utilize pre-negotiated channels for purchasing items which are common to the department's needs, thereby obtaining value pricing.

Grand Jury Recommendations requiring City of Belmont response (City to undertake by no later than February 1, 2019):

R1. Increase the use of cooperative purchasing practices, including piggyback contracts and joint procurement agreements.

R2. Share with other Cities and the County Procurement Division their procurement needs in order to identify opportunities for cooperative procurements between the Cities and the County.

City of Belmont Response to Recommendations R1 and R2:

The City of Belmont is at the forefront of this issue and already utilizes cooperative purchasing practices, including piggyback contracts and joint procurement agreements. The City of Belmont will cooperate with sharing with other Cities and the County Procurement Division our procurement needs to identify opportunities for cooperative procurements between the Cities and the County once the County has successfully implemented a viable City-County Procurement Cooperation system.

Sincerely,



Thomas Fil
Finance Director



CITY OF BRISBANE

50 Park Place
Brisbane, California 94005-1310
(415) 508-2100
Fax (415) 467-4989

September 12, 2018

Hon. V. Raymond Swope
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center
Redwood City, CA 94063-1655

Dear Hon. V. Raymond Swope:

Below is the City's response to the Grand Jury Report: Cooperative Purchasing—A Roadmap to More Effective City Procurement. The responses were reviewed and approved by the City Council at their September 6, 2018 meeting.

Finding 1. The City of Brisbane does purchase goods through a decentralized purchasing system but it cannot speak to the practices of the other cities or county.

Finding 2. The City of Brisbane finds a decentralizing purchasing system saves the City money based on the fact it does not need to hire an additional position nor delay the purchasing of required goods and services.

Finding 3. Hiring an additional person to run a centralized purchasing system would add an additional cost to City purchases.

Finding 4. Our employees are instructed to work with the vendors to get the best price possible for goods and services and seek governmental contract rates when available.

Finding 5. The City of Brisbane often identifies commonly purchased goods and services by the various departments and consolidates those purchases through one person. Examples of this include office supplies, janitorial services, minor repair services, and telephone service.

Finding 6. Cooperative purchasing agreements could allow gaining of economies of scale in purchases as long as the goods and services are closely aligned enough to gain market leverage.

Finding 7. For the most part cooperative purchasing agreements works with decentralized purchasing systems. It does require more employees to be aware of all of the various cooperative purchasing agreements which is an on-going challenge.

Finding 8. The City currently uses some methods of cooperative purchasing agreements including piggyback agreements which have saved the City money in the past. Although depending on the good or service it has slowed down the City's ability to obtain the good or service quickly.



Finding 9. Our City works with a variety of cities in procuring a variety of services like parking ticket processing, emergency communications, fire truck purchases, and training programs for employees.

Finding 10. The City of Brisbane does not know what the other cities do for purchasing so it cannot respond to this finding.

Finding 11. The City of Brisbane cannot respond to this finding since we cannot speculate what potential savings would be or what the additional costs to the City would be by using the County Procurement Division.

Finding 12. The City of Brisbane cannot respond to this finding since it does not have the operational capacity of the County's Procurement Division.

Finding 13. The City of Brisbane already uses a number of formal channels regarding procurement cooperation including being part of the North County Fire Authority with Daly City and Pacifica, being part of the Training Consortium, participating in SamFog, and the City Manager's Association of San Mateo County.

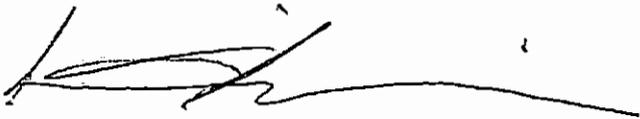
Recommendation 1 Increase the use of cooperative purchasing practices, including piggyback contracts and joint procurement agreements.

RESPONSE: The City of Brisbane endeavors to use cooperative purchasing practices whenever feasible. In addition to working with North County Fire Authority for fire related purchases, SamFog for parking ticket processing, San Mateo for emergency communications, we also purchase office supplies through the government pricing network, and receive the governmental pricing for legal services. We will continue to seek out joint purchase agreements whenever possible in order to continue to provide the community of Brisbane the best possible services as cost effectively as possible.

Recommendation 2 Share with other Cities and County Procurement Division their procurement needs in order to identify opportunities for cooperative procurements between the Cities and the County.

If there are any questions concerning the City's response please let me know.

Sincerely,



Stuart Schillinger
Administrative Services Director/Deputy City Manager



MICHAEL BROWNRIGG, MAYOR
DONNA COLSON, VICE MAYOR
EMILY BEACH
ANN KEIGHRAN
RICARDO ORTIZ

The City of Burlingame

CITY HALL – 501 PRIMROSE ROAD
BURLINGAME, CALIFORNIA 94010-3997

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FAX: (650) 566-9282
www.burlingame.org

September 17, 2018

Honorable V. Raymond Swope
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Subject: City of Burlingame's response to 2017-2018 Civil Grand Jury Report entitled "Cooperative Purchasing – A Roadmap to More Effective City Procurement"

Dear Judge Swope:

After reviewing the 2017-2018 Grand Jury report entitled "Cooperative Purchasing – A Roadmap to More Effective City Procurement", the following are the City of Burlingame's responses to the Grand Jury's findings:

F1. All 20 of the cities in the County purchase goods and services through decentralized purchasing systems.

Response: The City of Burlingame agrees with this finding with respect to the City of Burlingame's purchasing process.

F2. Decentralized purchasing systems successfully allow the Cities to procure goods and services at fair market prices while minimizing labor costs

Response: The City of Burlingame agrees with this finding with respect to the City of Burlingame's purchasing process.

F3. The creation of a centralized purchasing department to provide the organization with advanced procurement services and guidance can be cost prohibitive.

Response: The City of Burlingame agrees with this finding with respect to the City of Burlingame's purchasing process.

F4. While city employees receive training on municipal purchasing guidelines and policies, many employees who conduct purchasing operations as a secondary responsibility are not trained or instructed to negotiate optimum prices by leveraging market power.

Response: The City of Burlingame disagrees with this finding with respect to the City of Burlingame's purchasing practices. Employees that conduct purchasing and contracting tasks within the department are well acquainted with how to procure bids for goods or services as required by the City's Purchasing Policy, and they are capable of negotiating with the successful bidder to obtain optimal terms for the City. These employees are most familiar with the needs of the department, and are attuned to the timing requirements for meeting the departmental resources required.

Assistance is always available in both the City's Finance Department and the City Attorney's Office.

- F5. City employees who conduct purchasing operations as a secondary responsibility often do not identify commonly purchased goods that other departments also purchase and so miss the opportunity to negotiate lower costs which could be obtained by purchasing the items in bulk for multiple departments.**

Response: The City of Burlingame disagrees with this finding with respect to the City of Burlingame's purchasing practices. Employees often compare notes and utilize cross-departmental efforts in order to procure bids for goods or services that are desired by more than one department. This is most apparent in purchases amongst the administrative departments (certain supplies, copy paper, off-site storage, etc.), but is also common between departments with similar needs, such as the Parks Maintenance Division and Public Works Corp Yard. In addition, the City utilizes internal service funds for city-wide procurements of Facilities (maintenance and repair); Equipment (vehicles and large machinery); and Information Technology, a division which is operated largely through contract with the City of Redwood City, and is able to compare bids with those previously obtained by Redwood City.

- F6. Cooperative purchasing practices allow multiple public entities to collaboratively purchase goods and services, thereby gaining economies of scale that they would otherwise not have.**

Response: The City of Burlingame agrees with this finding.

- F7. Cooperative purchasing practices are compatible with decentralized purchasing systems and can allow the Cities to leverage their collective market power, without changing existing purchasing systems.**

Response: The City of Burlingame agrees with this finding.

- F8. Adoption of cooperative purchasing practices, including piggyback agreements and cooperative purchasing agreements, can enable all Cities to obtain lower prices on goods and services.**

Response: The City of Burlingame agrees with this finding.

- F9. Each city has limited communications with each other regarding procurement best practices, shared purchasing challenges, and purchasing solutions.**

Response: The City of Burlingame disagrees with this finding with respect to the City of Burlingame's purchasing processes. Departmental personnel are encouraged to discuss all best practices with their peers in neighboring cities to optimize vendor contacts/listing, provide and receive references, and avoid missteps in the procurement of similar goods or services.

- F10. The County of San Mateo's Procurement Division is the only remaining public centralized purchasing department at the City and County level within San Mateo County.**

Response: The City of Burlingame agrees with this finding with respect to the City of Burlingame's purchasing process.

- F11. Collaboration between the Cities and the Procurement Division through cooperative purchasing practices could achieve significant cost savings for both the Cities and the County.**

Response: The City of Burlingame agrees with this finding.

F12. The Procurement Division presently lacks the operational capacity to fully collaborate with the Cities.

Response: City staff are not familiar with procurement processes in other cities and the operational capacity of the Procurement Division of the County of San Mateo.

F13. There are no formal channels for communication between the County and the Cities regarding procurement cooperation opportunities.

Response: The City of Burlingame agrees with this finding with one clarification: the City participates in several professional organizations that include both cities and counties. City staff are encouraged to network with neighboring cities and the County to establish informal contacts, and utilize those contacts to develop best practices. Should the procurement opportunity present itself, the City is then prepared through these informal channels to obtain procurements that are best suited to the City's needs.

The following are the City of Burlingame's responses to the Grand Jury's recommendations:

R1. Increase the use of cooperative purchasing practices, including piggyback contracts and joint procurement agreements.

The recommendation has been implemented. The City of Burlingame departments frequently utilize cooperative purchasing databases when available, at least to provide a data point as to the pricing available for a particular product or service. For example, the City recently purchased field turf fiber and padding, along with a groomer and sweeper and an eight-year maintenance plan, through CMAS, a purchasing cooperative under the California Department of General Services Procurement Division, at a cost of \$780,000. CMAS, a procurement option for California local governmental agencies, is a receptacle for Federal General Services Administration previously bid and awarded contracts. CMAS then establishes an independent California contract for the same products and services at equal or lower prices. The product is then purchased directly from the manufacturer. The Parks and recreation Department has also utilized the KCDA - King County Directors Association - procurement group (LED field lights and poles, playground equipment); US Communities (playground replacement pieces); NJPA - National Joint Powers Alliance - (heavy equipment) and the NCPA - National Cooperative Purchasing Alliance - (various purchases). The PLS - Peninsula Library System - is a consortium that provides excellent negotiating power for libraries in the county, and PLAN - Peninsula Library Automated Network - provides for IT procurements through the PLS. Califa is an organization that negotiates group purchases and contracts for libraries all over the state (magazines, certain online databases). Departmental staff are also encouraged to seek out and use "piggyback" contracts. For example, in 2014, the Finance Department "piggybacked" on a contract that Redwood City negotiated several years earlier for its utility bill printing, mailing, and on-line payment portal.

The City relies on its departmental employees to understand the unique requirements of its needs when procuring goods and services, and to also possess and utilize all their available contacts within other cities with similar requirements. These same contacts resulted in the RFP which formed the basis for the Turbo Data Systems contract (referred to in the Grand Jury's Report) in 1999, 2006, and again in 2015. Departmental staff are most knowledgeable about the vendors and markets relevant to their specific operations. City staff have always been encourage to cooperate with other cities in procurement and other administrative activities to provide the biggest bang for the taxpayer dollar. The cities rely on each other for the sharing of data through surveys, vendor references, user groups, professional organizations and other regional contacts.

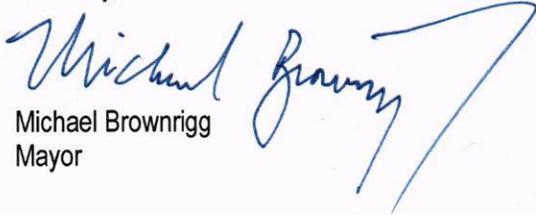
R2. Share with other Cities and the County Procurement Division their procurement needs in order to identify opportunities for cooperative procurements between the Cities and the County.

Response: The recommendation will be implemented. Once the County informs City staff as to the format and frequency desired, the City would be happy to share with the County its procurement needs.

The Honorable V. Raymond Swope
September 17, 2018
Page 4

The Burlingame City Council approved this response letter at its public meeting on September 17, 2018.

Sincerely,

A handwritten signature in blue ink that reads "Michael Brownrigg". The signature is stylized and cursive, with a large, sweeping flourish at the end.

Michael Brownrigg
Mayor



TOWN OF COLMA

1198 El Camino Real • Colma, California • 94014-3212
Tel 650.997.8300 • Fax 650.997.8308

September 12, 2018

Honorable V. Raymond Swope
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Re: Grand Jury Report: "Cooperative Purchasing – A Roadmap to More Effective City Procurement."

Dear Judge Swope:

The City Council received the San Mateo Civil Grand Jury report titled, "Cooperative Purchasing – A Roadmap to More Effective City Procurement."

The Town was requested to submit comments regarding the findings and recommendations within 90 days and no later than October 17, 2018. The Town of Colma's response to both the findings and recommendations are listed below.

The Grand Jury instructed all agencies in San Mateo County including the County to respond to findings 1-13 (F1-F13) and for Cities to respond to recommendations 1-2 (R1-R2).

For the "findings", the Town was to indicate one of the following;

1. The respondent agrees with the finding.
2. The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefore.

Additionally, for each Grand Jury "recommendation", the Town was requested to report one of the following actions;

1. The recommendation has been implemented, with a summary regarding the implemented action.
2. The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.
3. The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame for the matter to be prepared for discussion by the officer or director of the agency or department being investigated or

Raquel P. Gonzalez, Mayor
Joanne F. del Rosario, Vice Mayor
John Irish Goodwin, Council Member • Diana Colvin, Council Member • Helen Fisicaro, Council Member
Brian Dossey, City Manager

reviewed, including the governing body of the public agency when applicable. This time frame shall not exceed six months from the date of publication of the Grand Jury report.

4. The recommendation will not be implemented because it is not warranted or reasonable, with an explanation therefore.

The following are responses to findings 1-13;

F1. All 20 of the cities in the County purchase goods and services through decentralized purchasing systems.

Town Response: Based on the Grand Jury Report, the Town of Colma agrees with this finding.

F2. Decentralized purchasing systems successfully allow Cities to procure goods and services at fair market prices while minimizing labor costs.

Town Response: The Town of Colma agrees with this finding.

F3. The creation of a centralized purchasing department to provide the organization with advanced procurement services and guidance can be cost prohibitive.

Town Response: The Town of Colma agrees with this finding.

F4. While city employees receive training on municipal purchasing guidelines and policies, many employees who conduct purchasing operations as a secondary responsibility are not trained or instructed to negotiate optimum prices by leveraging market power.

Town Response: The Town of Colma agrees with this finding.

F5. City employees who conduct purchasing operations as a secondary responsibility often do not identify commonly purchased goods that other departments also purchase and so miss the opportunity to negotiate lower costs which could be obtained by purchasing the items in bulk for multiple departments.

Town Response: The Town of Colma agrees with this finding; however, the Town is small and has limited storage capability, there are rarely opportunities to purchase in bulk and realize cost savings.

F6. Cooperative purchasing practices allow multiple public entities to collaboratively purchase goods and services, thereby gaining economies of scale that they would otherwise not have.

Town Response: The Town of Colma agrees with this finding.

F7. Cooperative purchasing practices are compatible with decentralized purchasing systems and can allow the Cities to leverage their collective market power, without changing existing purchasing systems.

Town Response: The Town of Colma agrees with this finding.

F8. Adoption of cooperative purchasing practices, including piggyback agreements and cooperative purchasing agreements, can enable all Cities to obtain lower prices on goods.

Town Response: The Town of Colma agrees with this finding.

F9. Each city has limited communications with each other regarding procurement best practices, shared purchasing challenges, and purchasing solutions.

Town Response: The Town of Colma agrees with this finding.

F10. The County of San Mateo's Procurement Division is the only remaining public centralized purchasing department at the City and County level within San Mateo.

Town Response: Based on the Grand Jury Report, the Town of Colma agrees with this finding.

F11. Collaboration between the Cities and the Procurement Division through cooperative purchasing practices could achieve significant cost savings for both Cities and the County.

Town Response: The Town of Colma agrees with this finding.

F12. The Procurement Division presently lacks the operational capacity to fully collaborate with Cities.

Town Response: Based on the Grand Jury Report, the Town of Colma agrees with this finding.

F13. There are no formal channels for communication between the County and the Cities regarding procurement cooperation opportunities.

Town Response: The Town of Colma agrees with this finding.

The following are responses to recommendations 1-2;

R1. Increase the use of cooperative purchasing practices, including piggyback contracts and joint procurement agreements.

Town Response: The recommendation has partially been implemented, see Colma Municipal Code 1.06.180 or <https://www.colma.ca.gov/documents/cmc-1-06-purchasing-contracting/>. but will be implemented by December 31, 2018. Staff will review the advantages and disadvantages to piggyback contracts and will bring to Council for consideration within the next six months.

R2. Share with other Cities and the County Procurement Division their procurement needs in order to identify opportunities for cooperative procurements between the Cities and the County.

Town Response: The recommendation requires further analysis. Until the County Procurement Division has the operational capacity to collaborate with Cities and a formal channel of communication for procurement amongst cities is established, the operational costs may outweigh the cost savings. Once the County Procurement Division has the operational capacity to collaborate with Cities, the Town of Colma will revisit this issue.

This response was approved by the City Council at the September 12, 2018 public meeting.

On behalf of the Town of Colma, I would like to thank the Grand Jury for their work on this report.

Sincerely,

A handwritten signature in black ink that reads "Raquel P. Gonzalez". The signature is written in a cursive style with a long, sweeping tail on the letter "y".

Raquel P. Gonzalez
Mayor



CITY OF DALY CITY

333 - 90TH STREET

DALY CITY, CA 94015-1895

PHONE: (650) 991-8000

Sent Via Email: grandjury@sanmateocourt.org

August 17, 2018

Honorable V. Raymond Swope
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Re: 2017-2018 County of San Mateo Civil Grand Jury Report "Cooperative Purchasing - A Roadmap to More Effective City Procurement"

Dear Judge Swope:

We are in receipt of the Grand Jury report "Cooperative Purchasing - A Roadmap to More Effective City Procurement". Pursuant to your July 19, 2018 request for response, the Daly City City Council held a public meeting on August 13, 2018 and approved this response. The City of Daly City responds to the Grand Jury's findings and recommendations as follows:

Findings:

F1. All 20 of the cities in the County purchase goods and services through decentralized purchasing systems.

Response: The City agrees with the finding.

F2. Decentralized purchasing systems successfully allow the Cities to procure goods and services at fair market prices while minimizing labor costs.

Response: The City agrees with the finding.

F3. The creation of a centralized purchasing department to provide the organization with advanced procurement services and guidance can be cost prohibitive.

Response: The City agrees with the finding.

F4. While city employees receive training on municipal purchasing guidelines and policies, many employees who conduct purchasing operations as a secondary responsibility are not trained or instructed to negotiate optimum prices by leveraging market power.

Response: The City agrees with the finding.

F5. City employees who conduct purchasing operations as a secondary responsibility often do not identify commonly purchased goods that other departments also purchase and so miss the opportunity to negotiate lower costs which could be obtained by purchasing the items in bulk for multiple departments.

Response: The City agrees with the finding.

F6. Cooperative purchasing practices allow multiple public entities to collaboratively purchase goods and services, thereby gaining economies of scale that they would otherwise not have.

Response: The City agrees with the finding.

F7. Cooperative purchasing practices are compatible with decentralized purchasing systems and can allow the Cities to leverage their collective market power, without changing existing purchasing systems.

Response: The City agrees with the finding.

F8. Adoption of cooperative purchasing practices, including piggyback agreements and cooperative purchasing agreements, can enable all Cities to obtain lower prices on goods and services.

Response: The City agrees with the finding.

F9. Each city has limited communications with each other regarding procurement best practices, shared purchasing challenges, and purchasing solutions.

Response: The City agrees with the finding.

F10. The County of San Mateo's Procurement Division is the only remaining public centralized purchasing department at the City and County level within San Mateo County.

Response: The City agrees with the finding.

F11. Collaboration between the Cities and the Procurement Division through cooperative purchasing practices could achieve significant cost savings for both the Cities and the County.

Response: The City agrees with the finding.

F12. The Procurement Division presently lacks the operational capacity to fully collaborate with the Cities.

Response: The City agrees with the finding.

F13. There are no formal channels for communication between the County and the Cities regarding procurement cooperation opportunities.

Response: The City agrees with the finding.

Recommendations:

The 2017-2018 San Mateo County Civil Grand Jury recommends that each City undertake the following by no later than February 1, 2019:

R1. Increase the use of cooperative purchasing practices, including piggyback contracts and joint procurement agreements.

Response to Recommendation 1:

The recommendation has been implemented.

City of Daly City participates in cooperative purchasing practices, piggyback contracts and joint procurement agreements to save time and resource, and to obtain high quality and standardize products.

R2. Share with other Cities and the County Procurement Division their procurement needs in order to identify opportunities for cooperative procurements between the Cities and the County.

Response to Recommendation 2:

The recommendation has not yet been implemented, but will be implemented in the future depending on the availability of other cities and the County Procurement Division.

City of Daly City supports cities and the County Procurement Division to form a work group and meet regularly to explore opportunities for cooperative procurements, to share best practices on procurement and to promote a more efficient procurement process that can add up to significant time and resource savings.

The 2017-2018 San Mateo County Civil Grand Jury recommends that the County of San Mateo do the following by no later than February 1, 2019:

- R3. Increase the use of cooperative purchasing practices, including the development and insertion of piggyback language into County contracts, with the Cities.

Response to Recommendation 3:

The recommendation does not pertain to the City of Daly City.

- R4. Share with the Cities the County's procurement needs to identify opportunities for further cooperative purchasing.

Response to Recommendation 4:

The recommendation does not pertain to the City of Daly City.

- R5. Relocate the County's Procurement Division into an appropriate reporting structure, such that the Procurement Division shall report directly to the County Manager.

Response to Recommendation 5:

The recommendation does not pertain to the City of Daly City.

The 2017-2018 San Mateo County Civil Grand Jury recommends that the County of San Mateo do the following by no later than July 1, 2019.

- R6. Develop and study a plan to achieve the Checkpoints on the Pathway towards City-County Procurement Cooperation within current plans to improve the Purchasing Division, including:
- a. Hire experienced buyers.
 - b. Create and distribute to the Cities a register of open contracts.
 - c. Ensure the County's purchasing software can track key indicators.
 - d. Ensure the County's purchasing software can accommodate city purchases.

- e. Identify, in conjunction with the Cities, the goods and services with the highest potential savings.
- f. Negotiate discounted contracts for those goods and services.
- g. Distribute and report discounts to the Cities on a consistent basis.

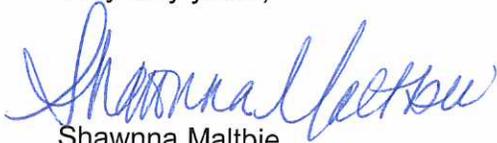
Response to Recommendation 6:

The recommendation does not pertain to the City of Daly City.

The City of Daly City appreciates the opportunity to provide written responses to the San Mateo County Civil Grand Jury Report "Cooperative Purchasing - A Roadmap to More Effective City Procurement."

Should you or the Grand Jury require any additional information, please contact me directly at (650) 991-8127.

Very truly yours,



Shawna Maltbie
Interim City Manager

cc: City Council
Annette Hipona, City Clerk
Rose Zimmerman, City Attorney



CITY OF EAST PALO ALTO
OFFICE OF THE CITY MAYOR
2415 UNIVERSITY AVENUE
EAST PALO ALTO, CA 94303

Ruben Abrica, Mayor
Lisa Gauthier, Vice Mayor
Council Members:
Larry Moody
Carlos Romero
Donna Rutherford

October 5, 2018

Honorable V. Raymond Swope
Judge of the Superior Court
C/o Charlene Kresevich
Hall of Justice
400 County Center, 2nd floor
Redwood City, CA 94063-1655

RE: Grand Jury Report: "Cooperative Purchasing – A Roadmap to More Effective City Procurement"

Dear Judge Swope:

I am responding to the above-referenced Grand Jury Report on behalf of the City of East Palo Alto City Council. The City Council approved this response at a public meeting held on October 2, 2018.

The City's responses primarily agree with the findings outlined in the Grand Jury report; with notable exception that the City does not assert general knowledge of the factual basis of statements regarding the County Procurement Division as outlined in the report. Further, we acknowledge that each City is unique in its particular provision of services and that some cities may benefit from a well-established cooperative purchasing practice more than others as there is a time-cost versus savings benefit analysis that each city must consider in such an undertaking.

The City of East Palo Alto is in agreement, and willing to participate, in a county-wide effort to improve cooperative purchasing practices across that County to the extent that we are able to determine that process will improve costs for our citizens.

As noted in our responses, the City engages in a number of joint contractual activities we define as "cooperative purchasing practices"; and we are planning a Purchasing Ordinance update that likely will result in the City's increased use of piggyback contracts and joint procurement agreements.

FINDINGS

F1. All 20 of the cities in the County purchase goods and services through decentralized purchasing systems.

Response: The City of East Palo Alto primarily procures goods and services through decentralized purchasing.

F2. Decentralized purchasing systems successfully allow cities to procure goods and services at fair market prices while minimizing labor costs.

Response: The City primarily agrees with the finding, and also acknowledges centralized purchases of certain common services and goods results in efficiencies if such can be skillfully accomplished through collaboration, cooperation, or through existing division resources.

F3. The creation of a centralized purchasing department to provide the organization with advanced procurement services and guidance can be cost prohibitive.

Response: The City agrees with this finding particularly when considering the cost of additional staff, facility space, training, etc. versus the total potential savings on services and goods purchased through a centralized unit for a City of our size.

F4. While city employees receive training on municipal purchasing guidelines and policies, many employees who conduct purchasing operations as a secondary responsibility are not trained or instructed to negotiate optimum prices by leveraging market power.

Response: The City agrees with this finding. The City of East Palo Alto has a high degree of staff turnover resulting in a challenging training environment. Certain departments who engage in service and goods procurement have long-term staff accustomed to procuring goods and services in a highly constrained cost environment; however, formal training in leveraging market power is not required and has not been implemented.

F5. City employees who conduct purchasing operations as a secondary responsibility often do not identify commonly purchased goods that other departments also purchase and so miss the opportunity to negotiate lower costs which could be obtained by purchasing the items in bulk for multiple departments.

Response: The City mostly agrees with this finding as we primarily function as a decentralized purchasing system. There are notable exceptions as certain City goods and services are procured by divisions for some or all departments citywide.

F6. Cooperative purchasing practices allow multiple public entities to collaboratively purchase goods and services, thereby gaining economies of scale that they would not have otherwise.

Response: The City agrees with this finding. Cooperative purchasing practices, if implemented with proper due diligence, can be very beneficial to local municipalities. The City pursues these opportunities in a limited manner as the training and understanding of the cooperatives has proven challenging in a decentralized environment. The City engages in cooperative purchasing practices (independently or through joint agencies) for goods and services such as: citation processing, liability and property insurance and claims management, State Cal-card program, animal control services, County dispatch and lab service, solid waste services, certain computer equipment, and vehicle purchases.

F7. Cooperative purchasing practices are compatible with decentralized purchasing systems and can allow cities to leverage their collective market power without changing existing purchasing systems.

Response: The City primarily agrees with this finding. Utilizing cooperative purchasing practices requires extensive due diligence and research depending upon the method of "cooperation". Centralized purchases or piggyback contracts for common goods and services across the County of San Mateo can be powerfully beneficial if such goods and services efficiently "fit" the participating municipality's needs. Furthermore, utilizing State or other cooperative agreements require knowledge and due diligence in terms of understanding the conditions, product specifications, and conformance with local laws and best practices.

F8. Adoption of cooperative purchasing practices, including piggyback agreements and cooperative purchasing agreements, can enable all cities to obtain lower prices on goods and services.

Response: The City primarily agrees with this finding, and again notes the use of certain cooperative agreements must be determined to be in overall best interest of the municipality and such practices must be implemented with proper training and due diligence.

F9. Each city has limited communications with each other regarding procurement best practices, shared purchasing challenges, and purchasing solutions.

Response: The City primarily agrees with this finding, but also notes that the City participates in County animal control services, citation processing, and dispatch/lab services, and in jointly-serviced solid waste, and general liability insurance and claims processing services.

F10. The County of San Mateo's Procurement Division is the only remaining public centralized purchasing department at the City and County level within San Mateo County.

Response: The City agrees with this finding based upon information contained in the Grand Jury Report. We have no independent knowledge of this fact.

F11. Collaboration between the Cities and the Procurement Division through cooperative purchasing practices could achieve significant cost savings for both the Cities and the County.

Response: The City primarily agrees with this finding. Further study and analysis is required to determine whether the additional costs of managing and staffing such a

system are warranted; and, further, what the potential cost-benefit savings are for East Palo Alto specifically.

F12. The Procurement Division presently lacks the operational capacity to fully collaborate with the Cities.

Response: The City has no independent knowledge of the capacity of the County Procurement Division.

F13. There are no formal channels for communication between the County and the Cities regarding procurement cooperation opportunities.

Response: The City primarily agrees with this finding, but also notes the County does engage in cooperative practices for a number of services as cited in previous responses.

RECOMMENDATIONS

The 2017-2018 San Mateo County Civil Grand Jury recommends that each City undertake the following by no later than February 1, 2019:

R1. Increase the use of cooperative purchasing practices, including piggyback contracts and joint procurement agreements.

Response: The City will continue the use of existing cooperative purchasing practices and joint procurement agreements. The City will also target adopting local purchasing ordinance and policies that specifically address such practices.

R2. Share with other Cities and the County Procurement Division their procurement needs in order to identify opportunities for cooperative procurements between the Cities and the County.

Response: The City of East Palo Alto has severely constrained staffing resources and has impending turnover in key staff positions. The City utilizes a fair amount of such arrangements, many of them with or within the County of San Mateo. That acknowledged, we do recognize there may be savings opportunity from such a process. If well-organized and targeted effort to elicit information is conducted, the City will provide information and participate to the extent we view the participation as cost and time-effective.

Thank you for your research and for inviting our responses based upon our independent situation and experiences.

Sincerely,



Mayor Ruben Abrica
City of East Palo Alto

c: East Palo Alto City Council
Carlos Martinez, City Manager



City of Foster City

ESTERO MUNICIPAL IMPROVEMENT DISTRICT

610 FOSTER CITY BOULEVARD
FOSTER CITY, CA 94404-2222

August 20, 2018

Honorable V. Raymond Swope
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center; 2nd Floor
Redwood City, CA 94063-1655

RE: Response of the City of Foster City/Estero Municipal Improvement District to the Grand Jury Report “Cooperative Purchasing – A Roadmap to More Effective City Procurement”

Honorable V. Raymond Swope:

Thank you for the opportunity to review and comment on the above referenced Grand Jury Report issued on July 19, 2018. The City of Foster City/Estero Municipal Improvement District’s response to both the findings and recommendations are only for Foster City/EMID itself (hereinafter “City”), and are listed below.

Responses to Grand Jury Findings:

F1. All 20 of the cities in the County purchase goods and services through decentralized purchasing systems.

Response to F1:

The City agrees with the finding.

F2. Decentralized purchasing systems successfully allow the Cities to procure goods and services at fair market prices while minimizing labor costs.

Response to F2:

The City agrees with the finding.

- F3. The creation of a centralized purchasing department to provide the organization with advanced procurement services and guidance can be cost prohibitive.

Response to F3:

The City agrees with the finding.

- F4. While city employees receive training on municipal purchasing guidelines and policies, many employees who conduct purchasing operations as a secondary responsibility are not trained or instructed to negotiate optimum prices by leveraging market power.

Response to F4:

The City agrees with the finding.

- F5. City employees who conduct purchasing operations as a secondary responsibility often do not identify commonly purchased goods that other departments also purchase and so miss the opportunity to negotiate lower costs which could be obtained by purchasing the items in bulk for multiple departments.

Response to F5:

The City agrees with the finding.

- F6. Cooperative purchasing practices allow multiple public entities to collaboratively purchase goods and services, thereby gaining economies of scale that they would otherwise not have.

Response to F6:

The City agrees with the finding.

- F7. Cooperative purchasing practices are compatible with decentralized purchasing systems and can allow the Cities to leverage their collective market power, without changing existing purchasing systems.

Response to F7:

The City agrees with the finding.

- F8. Adoption of cooperative purchasing practices, including piggyback agreements and cooperative purchasing agreements, can enable all Cities to obtain lower prices on goods and services.

Response to F8:

The City agrees with the finding.

- F9. Each city has limited communications with each other regarding procurement best practices, shared purchasing challenges, and purchasing solutions.

Response to F9:

The City agrees with the finding.

F10. The County of San Mateo's Procurement Division is the only remaining public centralized purchasing department at the City and County level within San Mateo County.

Response to F10:

The City has not validated this statement and is solely relying on research from the Grand Jury as to its accuracy.

F11. Collaboration between the Cities and the Procurement Division through cooperative purchasing practices could achieve significant cost savings for both the Cities and the County.

Response to F11:

The City agrees with the finding.

F12. The Procurement Division presently lacks the operational capacity to fully collaborate with the Cities.

Response to F12:

The City has not validated this statement about the County's Procurement Division and is solely relying on research from the Grand Jury as to its accuracy.

F13. There are no formal channels for communication between the County and the Cities regarding procurement cooperation opportunities.

Response to F13:

The City agrees with the finding.

R1. Increase the use of cooperative purchasing practices, including piggyback contracts and joint procurement agreements.

Response to R1:

The City agrees with this recommendation.

R2. Share with other Cities and the County Procurement Division their procurement needs in order to identify opportunities for cooperative procurements between the Cities and the County.

Response to R2:

The City agrees with this recommendation, but also recognizes that a collaborative and coordinated process would be needed.

The 2017-2018 San Mateo County Civil Grand Jury recommends that the County of San Mateo do the following by no later than February 1, 2019:

R3. Increase the use of cooperative purchasing practices, including the development and insertion of piggyback language into County contracts, with the Cities.

- R4. Share with the Cities the County's procurement needs to identify opportunities for further cooperative purchasing.
- R5. Relocate the County's Procurement Division into an appropriate reporting structure, such that the Procurement Division shall report directly to the County Manager.

Response to R3, R4, and R5:

Not Applicable

The 2017-2018 San Mateo County Civil Grand Jury recommends that the County of San Mateo do the following by no later than July 1, 2019.

- R6. Develop and study a plan to achieve the Checkpoints on the Pathway towards City-County Procurement Cooperation within current plans to improve the Purchasing Division, including:
- Hire experienced buyers.
 - Create and distribute to the Cities a register of open contracts.
 - Ensure the County's purchasing software can track key indicators.
 - Ensure the County's purchasing software can accommodate city purchases.
 - Identify, in conjunction with the Cities, the goods and services with the highest potential savings.
 - Negotiate discounted contracts for those goods and services.
 - Distribute and report discounts to the Cities on a consistent basis.

Response to R6:

Not Applicable

Pursuant to Penal Code Section 933.05 and the Brown Act, this response to the Grand Jury was approved by Minute Order at a public meeting on August 20, 2018.

Respectfully,



Sam Hindi
Mayor, City of Foster City
President, Estero Municipal Improvement District

Enclosure

MINUTE ORDER

No. 1560

OFFICE OF THE CITY CLERK
FOSTER CITY, CALIFORNIA

Date: August 22, 2018

Attention: City Council/EMID Board
Jeff Moneda, City Manager
Edmund Suen, Finance Director
Fiti Rusli, Assistant Finance Director

City Council/EMID Board of Directors Meeting Date: August 20, 2018

Subject: Response to the San Mateo County Civil Grand Jury Report, Dated July 19, 2018,
Entitled "Cooperative Purchasing - A Roadmap to More Effective City
Procurement"

Motion by Councilmember Perez, seconded by Councilmember Bronitsky, and carried unanimously by roll call vote, 5-0-0, IT WAS ORDERED approving the response letter to the Honorable V. Raymond Swope, Judge of the Superior Court, pertaining to the San Mateo County Civil Grand Jury Report, dated July 19, 2018.



CITY CLERK/DISTRICT SECRETARY
BY YELENA CAPPELLO, DEPUTY CITY CLERK



CITY OF HALF MOON BAY

501 Main Street
Half Moon Bay, CA 94019

October 17, 2018

Honorable V. Raymond Swope
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

RE: San Mateo County Civil Grand Jury Report: “Cooperative Purchasing – A Roadmap to More Effective City Procurement”

Honorable Judge Swope:

The City of Half Moon Bay hereby submits this letter in reply to your request for responses to the San Mateo Grand Jury Report, “Cooperative Purchasing – A Roadmap to More Effective City Procurement”. Pursuant to Penal Code Section 933.05 and the Brown Act, this response was approved by the City Council at the October 16, 2018 public meeting.

Findings. The City of Half Moon Bay reviewed all 13 Findings in the Grand Jury report. Since the Findings are based on information collected by the Grand Jury from all agencies in San Mateo County, the City must assume the general information is accurate, and therefore agrees with the Findings.

Recommendations. The City of Half Moon Bay reviewed the six recommendations in the Grand Jury report. Only Recommendations 1 and 2 apply to the City of Half Moon Bay. The remaining Recommendations relate to the County of San Mateo.

Recommendation 1: Increase the use of cooperative purchasing practices, including piggyback contracts and joint procurement agreements.

Response: The recommendation has been implemented. The City currently participates in cooperative purchasing agreements as well as piggyback contracts with the State and other local agencies. The City Council reviewed and revised the City’s Purchasing Policy on November 17, 2015. Among other updates, the revised Purchasing Policy Guidelines spelled-out a separate purchasing category for Cooperating Purchasing to allow the City to participate in cooperative purchase agreements with other public jurisdictions; making purchases through purchasing network agencies (e.g. GSA, TCPN, NJPA, etc.); or buy directly at a price established by

competitive bidding by another public jurisdiction. Finance staff will continue working with departments to share any known cost-saving options for a purchase of goods and services.

Recommendation 2: Share with other Cities and the County Procurement Division their procurement needs in order to identify opportunities for cooperative procurements between the Cities and the County.

Response: The recommendation will be fully implemented once the County starts sharing their procurement needs with the Cities and develops the collaboration mechanism for format and frequency of such communication, so the Cities can reciprocate in sharing their procurement needs with the County. Also, the City is a member of the San Mateo Finance Officers Group (SAMFOG). Finance staff routinely attends meetings and we anticipate that cooperative purchasing agreements and formalized regional coordination on opportunities for cooperative purchases will be a topic for future discussions.

In closing, the City of Half Moon Bay thanks the Grand Jury for its efforts to strengthen the procurement practices throughout the County and we appreciate the opportunity to share our perspective.

Sincerely,



Deborah Penrose, Mayor
City of Half Moon Bay

Resolution No. C-2018-115

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY ACCEPTING THE FINDINGS AND RECOMMENDATIONS FROM THE SAN MATEO COUNTY GRAND JURY REPORT, ENTITLED, "COOPERATIVE PURCHASING - A ROADMAP TO MORE CITY PROCUREMENT"

WHEREAS, On July 19, 2018, the San Mateo County Civil Grand Jury issued a report entitled "Cooperative Purchasing - a Roadmap to More Effective City Procurement";

WHEREAS, that Grand Jury Report included a request to the City of Half Moon Bay to respond to the report findings and recommendations by October 17, 2018," and

WHEREAS, at the regular City Council meeting on October 16, 2018, the City Council of Half Moon Bay reviewed this report, its findings and recommendation, and gave direction to City Staff to respond, as required under Penal Code § 933.05(b).

NOW, THEREFORE, BE IT RESOLVED THAT the City Council of the City of Half Moon Bay hereby accepts the findings and recommendations from the San Mateo County Grand Jury Report, entitled "Cooperative Purchasing - a Roadmap to More Effective City Procurement".

I, the undersigned, hereby certify that the foregoing Resolution was duly passed and adopted on the 16th day of October, 2018 by the City Council of Half Moon Bay by the following vote:

AYES, Councilmembers: Eisen, Ruddock, Rarback, Penrose

NOES, Councilmembers:

ABSENT, Councilmembers:

ABSTAIN, Councilmembers:

ATTEST:



Jessica Blair, City Clerk

APPROVED:



Deborah Penrose, Mayor



HILLSBOROUGH
California

October 9, 2018

Honorable V. Raymond Swope
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Re: Civil Grand Jury Report: “Cooperative Purchasing – A Roadmap to More Effective City Procurement”

Dear Judge Swope:

This letter is the Town of Hillsborough’s response to the Civil Grand Jury letter dated July 19, 2018. These responses were approved by the City Council at the October 8, 2018 meeting.

RESPONSE TO FINDINGS:

F1. All 20 of the cities in the County purchase goods and services through decentralized purchasing systems.

The Town of Hillsborough agrees with the finding.

F2. Decentralized purchasing systems successfully allow the Cities to procure goods and services at fair market prices while minimizing labor costs.

The Town of Hillsborough agrees with the finding.

F3. The creation of a centralized purchasing department to provide the organization with advanced procurement services and guidance can be cost prohibitive.

The Town of Hillsborough agrees with the finding.

F4. While city employees receive training on municipal purchasing guidelines and policies, many employees who conduct purchasing operations as a secondary responsibility are not trained or instructed to negotiate optimum prices by leveraging market power.

The Town of Hillsborough disagrees partially with the finding. The majority of procurement is for public capital improvement projects, which go through a formal competitive bid

process to achieve the lowest priced qualified bidder as required by the State of California Public Contract Code. Other purchases go through a bidding process or utilize vendors that provide government pricing. In addition, services are collaboratively contracted across cities for services such as animal control and parking citation processing,

- F5. City employees who conduct purchasing operations as a secondary responsibility often do not identify commonly purchased goods that other departments also purchase and so miss the opportunity to negotiate lower costs, which could be obtained by purchasing the items in bulk for multiple departments.

The Town of Hillsborough agrees with the finding.

- F6. Cooperative purchasing practices allow multiple public entities to collaboratively purchase goods and services, thereby gaining economies of scale that they would otherwise not have.

The Town of Hillsborough agrees with the finding. The Town of Hillsborough is a member of the HGAC and NJPA cooperative purchasing agreements. The Town utilizes these agreements as well as advertising to make sure that the lowest responsible bids are received for goods and services.

- F7. Cooperative purchasing practices are compatible with decentralized purchasing systems and can allow the Cities to leverage their collective market power, without changing existing purchasing systems.

The Town of Hillsborough agrees with the finding.

- F8. Adoption of cooperative purchasing practices, including piggyback agreements and cooperative purchasing agreements, can enable all Cities to obtain lower prices on goods and services.

The Town of Hillsborough agrees with the finding. For example, the Town utilized a piggyback agreement with BAWSCA for the WaterSmart software that the Town utilizes as a water conservation portal with our residents using data from the smart water meters.

- F9. Each city has limited communications with each other regarding procurement best practices, shared purchasing challenges, and purchasing solutions.

The Town of Hillsborough agrees with the finding. For Public Works purchases, the Town reaches out to other public works agencies throughout the County of San Mateo to get estimates on pricing of equipment and requests copies of public bid items.

- F10. The County of San Mateo's Procurement Division is the only remaining public centralized purchasing department at the City and County level within San Mateo County.

The Town of Hillsborough disagrees with the finding as it does not have sufficient information to confirm this statement.

- F11. Collaboration between the Cities and the Procurement Division through cooperative purchasing practices could achieve significant cost savings for both the Cities and the County.

The Town of Hillsborough partially disagrees with this finding. Specifications for equipment and other items may be different by jurisdiction, which may not be eligible under a cooperative agreement. In general, terms, the Town agrees with the finding.

- F12. The Procurement Division presently lacks the operational capacity to fully collaborate with the Cities.

The Town of Hillsborough disagrees with the finding. The Town cannot opine on the finding due to lack of information regarding the County's Procurement Division capacity.

- F13. There are no formal channels of communication between the County and the Cities regarding procurement cooperation opportunities.

The Town of Hillsborough agrees with the finding. For Public Works purchases, the Town utilizes local County of San Mateo Director's group emails to communicate on purchasing-related matters.

RESPONSE TO RECOMMENDATIONS:

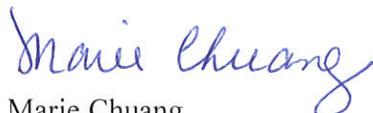
- R1. Increase the use of cooperative purchasing practices, including piggyback contracts and joint procurement agreements.

The recommendation has not yet been implemented, but will be implemented by February 1, 2019. Purchases will be evaluated to determine if a piggyback or joint procurement agreement can be utilized to achieve the lowest qualified cost, where applicable.

- R2. Share with other Cities and the County Procurement Division their procurement needs in order to identify opportunities for cooperative procurements between the Cities and the County.

The recommendation will not be implemented because it is not reasonable. There is no formal procedure in place to accomplish this recommendation and it will increase complexity across jurisdictions for purchase orders, billing between agencies, and delivery of goods and services to different jurisdictions. Where the Town identifies a potential opportunity, it will informally collaborate with other jurisdictions.

Sincerely,



Marie Chuang
Mayor
Town of Hillsborough



August 28, 2018

Honorable V. Raymond Swope
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

RE: Civil Grand Jury Report: “Cooperative Purchasing – A Roadmap to More Effective City Procurement”

Dear Judge Swope:

The City Council of the City of Menlo Park (City) voted at its public meeting on August 28, 2018 to authorize this response to the San Mateo County (SMC) Civil Grand Jury Report “Cooperative Purchasing – A Roadmap to More Effective City Procurement” released on July 19, 2018.

Responses to Findings

F1. All 20 of the cities in the County purchase goods and services through decentralized purchasing systems.

Response: *The City agrees that it utilizes a decentralized purchasing model.*

F2. Decentralized purchasing systems successfully allow the Cities to procure goods and services at fair market prices while minimizing labor costs.

Response: *The City agrees.*

F3. The creation of a centralized purchasing department to provide the organization with advanced procurement services and guidance can be cost prohibitive.

Response: *The City agrees.*

F4. While city employees receive training on municipal purchasing guidelines and policies, many employees who conduct purchasing operations as a secondary responsibility are not trained or instructed to negotiate optimum prices by leveraging market power.

Response: *The City agrees.*

F5. City employees who conduct purchasing operations as a secondary responsibility often do not identify commonly purchased goods that other departments

also purchase and so miss the opportunity to negotiate lower costs which could be obtained by purchasing the items in bulk for multiple departments.

Response: *The City agrees.*

F6. Cooperative purchasing practices allow multiple public entities to collaboratively purchase goods and services, thereby gaining economies of scale that they would otherwise not have.

Response: *The City agrees, though notes that the marginal decrease in per-unit price gained by a greater economy of scale does not necessarily translate to a lower total acquisition cost.*

F7. Cooperative purchasing practices are compatible with decentralized purchasing systems and can allow the Cities to leverage their collective market power, without changing existing purchasing systems.

Response: *The City agrees, to the extent that the increased transaction and coordination costs associated with using a cooperative purchasing agreement are factored into the total acquisition cost.*

F8. Adoption of cooperative purchasing practices, including piggyback agreements and cooperative purchasing agreements, can enable all Cities to obtain lower prices on goods and services.

Response: *The City agrees that per-unit costs can be lowered through cooperative purchasing practices, but notes that these are not the only elements of total cost.*

F9. Each city has limited communications with each other regarding procurement best practices, shared purchasing challenges, and purchasing solutions.

Response: *The City agrees.*

F10. The County of San Mateo's Procurement Division is the only remaining public centralized purchasing department at the City and County level within San Mateo County.

Response: *The City agrees that its purchasing practices are not centralized.*

F11. Collaboration between the Cities and the Procurement Division through cooperative purchasing practices could achieve significant cost savings for both the Cities and the County.

Response: *The City disagrees partially with this finding. The City believes that some cost savings for procurement of goods and services are likely, but is unable to quantify the magnitude of this savings, particularly net of the additional coordination requirements of staff and systems, requirements which are not cost-free, on the City's*

part.

F12. The Procurement Division presently lacks the operational capacity to fully collaborate with the Cities.

Response: *The City has no basis for agreement or disagreement with this finding.*

F13. There are no formal channels for communication between the County and the Cities regarding procurement cooperation opportunities.

Response: *The City agrees.*

Responses to Recommendations

The 2017-2018 San Mateo County Civil Grand Jury recommends that each City undertake the following by no later than February 1, 2019:

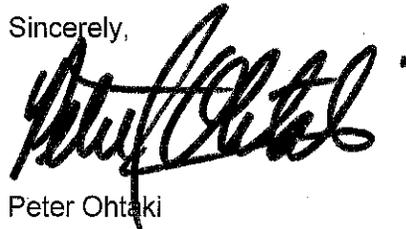
R1. Increase the use of cooperative purchasing practices, including piggyback contracts and joint procurement agreements.

Response: *The recommendation requires further analysis as to the requirements, costs, and benefits of increasing the City's use of cooperative purchasing practices with other entities. The City's Finance and Budget Manager will conduct an analysis to be completed no later than January 18, 2019.*

R2. Share with other Cities and the County Procurement Division their procurement needs in order to identify opportunities for cooperative procurements between the Cities and the County.

Response: *The City has not yet implemented this recommendation, but will share its largest 10 categories of purchases by top vendor category with all other Cities and the County by February 1, 2019.*

Sincerely,



Peter Ohtaki
Mayor

goods at the moment they are needed. Employees receive regular training and are supported by the Finance Department and City Attorney.

- F5: City employees who conduct purchasing operations as a secondary responsibility often do not identify commonly purchased goods that other departments also purchase and so miss the opportunity to negotiate lower costs which could be obtained by purchasing the items in bulk for multiple departments.
- R5: With respect to the City of Millbrae's purchasing system, the City of Millbrae disagrees with this finding. With the use of a centralized enterprise resource planning (ERP) system that all staff with purchasing responsibilities can access, departments are aware of vendors in use by other departments. For goods or services that are required by more than one department, the City of Millbrae commonly uses cross-departmental efforts to procure bids for shared goods or services such as copier rental, office supplies, and janitorial services.
- F6: Cooperative purchasing practices allow multiple public entities to collaboratively purchase goods and services, thereby gaining economies of scale that they would otherwise not have.
- R6: The City of Millbrae agrees with this finding.
- F7: Cooperative purchasing practices are compatible with decentralized purchasing systems and can allow the Cities to leverage their collective market power, without changing existing purchasing systems.
- R7: The City of Millbrae agrees with this finding.
- F8: Adoption of cooperative purchasing practices, including piggyback agreements and cooperative purchasing agreements, can enable all Cities to obtain lower prices on goods and services.
- R8: The City of Millbrae agrees with this finding.
- F9: Each city has limited communications with each other regarding procurement best practices, shared purchasing challenges, and purchasing solutions.
- R9: With respect to the City of Millbrae's purchasing system, the City of Millbrae disagrees with this finding. Departmental personnel are encouraged to discuss all best practices with their peers in neighboring cities to optimize vendor contacts/listing, provide and receive references, and avoid missteps in the procurement of similar goods or services. The City has recently authorized several "piggy back" agreements based on communications between the department with the functional responsibility and another local agency.
- F10: The County of San Mateo's Procurement Division is the only remaining public centralized purchasing department at the City and County level within San Mateo County.
- R10: With respect to the City of Millbrae's purchasing system, the City of Millbrae agrees with this finding but has insufficient information to agree or disagree as respects other cities in San Mateo County.
- F11: Collaboration between the Cities and the Procurement Division through cooperative purchasing practices could achieve significant cost savings for both the Cities and the County.
- R11: With respect to the City of Millbrae's purchasing system, the City of Millbrae agrees with this finding.
- F12: The Procurement Division presently lacks the operational capacity to fully collaborate with the Cities.

- R12: The City has insufficient information to agree or disagree as respects to the operating capacity or procurement processes of other cities in San Mateo County or the Procurement Division of San Mateo County.
- F13. There are no formal channels for communication between the County and the Cities regarding procurement cooperation opportunities.
- R13: The City of Millbrae agrees with this finding that there are no formal channels for communication regarding procurement cooperation opportunities but notes that there are a number of informal channels as well as professional organizations that include both Cities and the County. City staff are encouraged to network with neighboring cities and the County to establish informal contacts, and utilize those contacts to develop best practices. Should the procurement opportunity present itself, the City is then prepared through these informal channels to obtain procurements that are best suited to the City's needs.

Responses to Recommendations

Following are the City of Millbrae's responses to the Grand Jury's recommendation:

Rec1. Increase the use of cooperative purchasing practices, including piggyback contracts and joint procurement agreements.

R1: The recommendation has been implemented. The City of Millbrae uses cooperative purchasing databases when available, at least to provide a data point as to the pricing available for a particular product or service. In fact, City staff have been successful in negotiating lower prices than the pricing set forth in some cooperative purchasing agreements. Additionally, the City recently updated its purchasing ordinance and policy to formalize the authority to use cooperative purchasing agreements and piggyback off of other local agency contracts. The City currently uses several cooperative purchasing agreements including:

- CALNET, a state program focused on telecommunications and network business needs. The City used CALNET to procure the City's telephone and related services.
- CMAS, a procurement option for California local governmental agencies, is a receptacle for Federal General Services Administration previously bid and awarded contracts. CMAS then establishes an independent California contract for the same products and services at equal or lower prices. The product is then purchased directly from the manufacturer. This City has used the CMAS program to purchase large equipment, vehicles, batteries, and automotive parts.
- US Communities, a national cooperative purchasing program. The City has used US Communities for employee uniforms and linens.
- Departmental staff are also encouraged to seek out and use "piggyback" contracts. For example, in fiscal year 2018, the Public Works department piggybacked on a contract that Pacifica had issued for storm water inspections for businesses and, recently, the Public Works Department awarded a contract for storm water canal repair by piggybacking off a bid process from the City of Burlingame.

The contacts and networks of departmental employees are key to identifying the best opportunities to use cooperative purchasing versus the need to issue bids locally. A recent example is fuel purchases where department staff identified that the prices fluctuate too much to use a CMAS agreement and, instead, the department elected to issue a Request for Proposal. The City relies on its departmental employees to understand the unique requirements of its needs when procuring goods

and services, and to utilize all their available contacts within other cities with similar requirements. City staff are maintain local networks with their peers and this results in the opportunity to cooperate with other cities in procurement and other administrative activities to maximize the use of taxpayer dollars. The cities rely on each other for the sharing of data through surveys, vendor references, user groups, professional organizations and other regional contacts. Staff also notes that use of technology has significantly improved the City's ability to locate and identify pricing offered to other organizations for use in negotiating the best price for the City.

Rec2. Share with other Cities and the County Procurement Division their procurement needs in order to identify opportunities for cooperative procurements between the Cities and the County.

R2: This recommendation has been implemented. The City routinely shares its procurement needs with other cities to identify opportunities for cooperative procurements. City staff are encouraged to maintain local networks with their peers and this results in opportunities to cooperate with other cities in procurements to provide for the most effective use of taxpayer dollars. The City shares and receives data from other cities through surveys, vendor references, user groups, professional organizations and other regional contacts. As previously discussed, the City recently engaged in piggyback purchases with the City of Pacifica and City of Burlingame. If the City is provided with the format and frequency of information needed, the City can share its procurement needs with the County Procurement Division.

The City Council approved this response letter at its November 13, 2018 meeting. Thank you for this opportunity to respond to the Grand Jury Report.

Sincerely,



Gina Papan
Mayor

cc: City Council
City Manager
City Attorney



Scenic Pacifica
Incorporated Nov. 22, 1957

CITY OF PACIFICA

170 Santa Maria Avenue • Pacifica, California 94044-2506
www.cityofpacifica.org

MAYOR
John Keener

MAYOR PRO TEM
Sue Vaterlaus

COUNCIL
Sue Digre
Mike O'Neill
Deirdre Martin

October 9, 2018

Honorable V. Raymond Swope, Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Re: Grand Jury Report: "Cooperative Purchasing- A Roadmap to More Effective City Procurement"

Honorable Judge Swope:

Thank you for the opportunity to review and comment on the above referenced Grand Jury Report filed on July 19, 2018. The City of Pacifica's response to both the findings and recommendations are listed below.

**Response to Grand Jury Findings:
FINDINGS**

- F1. All 20 of the cities in the County purchase goods and services through decentralized purchasing systems.

Response to F1: The City agrees with this finding.

- F2. Decentralized purchasing systems successfully allow the Cities to procure goods and services at fair market prices while minimizing labor costs.

Response to F2: The City agrees with this finding.

- F3. The creation of a centralized purchasing department to provide the organization with advanced procurement services and guidance can be cost prohibitive.

Response to F3: The City agrees with this finding.

- F4. While city employees receive training on municipal purchasing guidelines and policies, many employees who conduct purchasing operations as a secondary responsibility are not trained or instructed to negotiate optimum prices by leveraging market power.

Response to F4: The City agrees with this finding.

- F5. City employees who conduct purchasing operations as a secondary responsibility often do not identify commonly purchased goods that other departments also purchase and so miss the opportunity to negotiate lower costs which could be obtained by purchasing the items in bulk for multiple departments.

Response to F5: The City agrees with this finding.

- F6. Cooperative purchasing practices allow multiple public entities to collaboratively purchase goods and services, thereby gaining economies of scale that they would otherwise not have.

Response to F6: The City agrees with this finding.

- F7. Cooperative purchasing practices are compatible with decentralized purchasing systems and can allow the Cities to leverage their collective market power, without changing existing purchasing systems.

Response to F7: The City agrees with this finding.

- F8. Adoption of cooperative purchasing practices, including piggyback agreements and cooperative purchasing agreements, can enable all Cities to obtain lower prices on goods and services.

Response to F8: The City agrees with this finding.

- F9. Each city has limited communications with each other regarding procurement best practices, shared purchasing challenges, and purchasing solutions.

Response to F9: The City agrees with this finding.

- F10. The County of San Mateo's Procurement Division is the only remaining public centralized purchasing department at the City and County level within San Mateo County.

Response to F10: The City of Pacifica does not have enough information to respond to this finding.

- F11. Collaboration between the Cities and the Procurement Division through cooperative purchasing practices could achieve significant cost savings for both the Cities and the County.

Response to F11: The City agrees with this finding.

- F12. The Procurement Division presently lacks the operational capacity to fully collaborate with the Cities.

Response to F12: The City of Pacifica does not have enough information to respond to this finding.

- F13. There are no formal channels for communication between the County and the Cities regarding procurement cooperation opportunities.

Response to F13: The City agrees with this finding.

Response to Grand Jury Recommendations:

The 2017-2018 San Mateo County Civil Grand Jury recommends that each City undertake the following by no later than February 1, 2019:

- R1. Increase the use of cooperative purchasing practices, including piggyback contracts and joint procurement agreements.

The City agrees with the spirit of this recommendation and currently participates in a number of cooperative purchasing agreements. We will continue our use of cooperative purchasing practices as opportunities arise that are practical and feasible for the City of Pacifica.

- R2. Share with other Cities and the County Procurement Division their procurement needs in order to identify opportunities for cooperative procurements between the Cities and the County.

The City accepts this recommendation and is open to working with other Cities and the County Procurement Division to share procurement needs in order to identify opportunities for cooperative procurements between the Cities and the County.

The 2017-2018 San Mateo County Civil Grand Jury recommends that the County of San Mateo do the following by no later than February 1, 2019:

- R3. Increase the use of cooperative purchasing practices, including the development and insertion of piggyback language into County contracts, with the Cities.

- R4. Share with the Cities the County's procurement needs to identify opportunities for further cooperative purchasing.

- R5. Relocate the County's Procurement Division into an appropriate reporting structure, such that the Procurement Division shall report directly to the County Manager.

The 2017-2018 San Mateo County Civil Grand Jury recommends that the County of San Mateo do the following by no later than July 1, 2019.

- R6. Develop and study a plan to achieve the Checkpoints on the Pathway towards City-County Procurement Cooperation within current plans to improve the Purchasing Division, including:
- a. Hire experienced buyers.
 - b. Create and distribute to the Cities a register of open contracts.
 - c. Ensure the County's purchasing software can track key indicators.
 - d. Ensure the County's purchasing software can accommodate city purchases.
 - e. Identify, in conjunction with the Cities, the goods and services with the highest potential savings.
 - f. Negotiate discounted contracts for those goods and services.
 - g. Distribute and report discounts to the Cities on a consistent basis.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kevin Woodhouse".

KEVIN WOODHOUSE
City Manager

cc: Pacifica City Council



TOWN of PORTOLA VALLEY

Town Hall: 765 Portola Road, Portola Valley, CA 94028 Tel: (650) 851-1700 Fax: (650) 851-4677

October 25, 2018

Hon. V. Raymond Swope
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center
Redwood City, CA 94063

Dear Judge Swope,

Thank you for the opportunity to respond to the Grand Jury report entitled "Cooperative Purchasing – A Roadmap to More Effective City Procurement".

Below are the Town's responses to the report's findings and recommendations.

Findings

F1. All 20 of the cities in the County purchase goods and services through decentralized purchasing systems.

Response: The Town agrees with this finding.

F2. Decentralized purchasing systems successfully allow the Cities to procure goods and services at fair market prices while minimizing labor costs.

Response: Although the Town is not currently engaged in a cooperative purchasing agreement, the Town agrees with the principles of this finding.

F3. The creation of a centralized purchasing department to provide the organization with advanced procurement services and guidance can be cost prohibitive.

Response: The Town agrees with this finding.

F4. While city employees receive training on municipal purchasing guidelines and policies, many employees who conduct purchasing operations as a secondary responsibility are not trained or instructed to negotiate optimum prices by leveraging market power.

Response: The Town disagrees with this finding. Portola Valley staff responsible for the purchasing of goods and services for the Town (whether in a primary or secondary capacity) are

trained per the Town's policies and have available the expertise of their co-workers to support their purchasing decisions.

F5. City employees who conduct purchasing operations as a secondary responsibility often do not identify commonly purchased goods that other departments also purchase and so miss the opportunity to negotiate lower costs which could be obtained by purchasing the items in bulk for multiple departments.

Response: The Town disagrees with this finding. Given the small size of the staff in Portola Valley, few purchasing decisions occur without more than one employee participating in the process. Cross-departmental sharing of cost-savings ideas is a best practice of all Portola Valley staff.

Additionally, many services provided to the Town are through contract with a third party, and these arrangements allow for further sharing of cost-savings ideas.

F6. Cooperative purchasing practices allow multiple public entities to collaboratively purchase goods and services, thereby gaining economies of scale that they would otherwise not have.

Response: Although the Town is not currently engaged in a cooperative purchasing agreement, the Town agrees with the principles of this finding.

F7. Cooperative purchasing practices are compatible with decentralized purchasing systems and can allow the Cities to leverage their collective market power, without changing existing purchasing systems. 81 Ibid. 27. 2017-2018 San Mateo County Civil Grand Jury 18

Response: Although the Town is not currently engaged in a cooperative purchasing agreement, the Town agrees with the principles of this finding.

F8. Adoption of cooperative purchasing practices, including piggyback agreements and cooperative purchasing agreements, can enable all Cities to obtain lower prices on goods and services.

Response: The Town agrees with this finding.

F9. Each city has limited communications with each other regarding procurement best practices, shared purchasing challenges, and purchasing solutions.

Response: The Town disagrees with this finding. Town staff are in regular communications with their peers in other cities in San Mateo and Santa Clara Counties regarding the purchase of goods and services.

F10. The County of San Mateo's Procurement Division is the only remaining public centralized purchasing department at the City and County level within San Mateo County.

Response: The Town agrees with this finding.

F11. Collaboration between the Cities and the Procurement Division through cooperative purchasing practices could achieve significant cost savings for both the Cities and the County.

Response: The Town agrees with this finding.

F12. The Procurement Division presently lacks the operational capacity to fully collaborate with the Cities.

Response: The Town does not have enough information regarding the County's Procurement Division to agree or disagree with this finding.

F13. There are no formal channels for communication between the County and the Cities regarding procurement cooperation opportunities.

Response: The Town agrees with this finding, but Town staff regularly communicate with their peers in other municipalities on these issues.

Recommendations

R1. Increase the use of cooperative purchasing practices, including piggyback contracts and joint procurement agreements.

Response: The Town agrees with this recommendation, and the Town will explore opportunities to utilize cooperative purchasing practices with other San Mateo cities and the County, where applicable.

R2. Share with other Cities and the County Procurement Division their procurement needs in order to identify opportunities for cooperative procurements between the Cities and the County.

Response: The Town will implement this recommendation once the Town has heard from the County on their preferred method to receive such information.

Thank you,



John Richards
Mayor, Town of Portola Valley

Mayor Ian Bain
Vice Mayor Diane Howard

Council Members
Alicia C. Aguirre
Janet Borgens
Jeffrey Gee
Shelly Masur
John D. Seybert



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September 11, 2018

Honorable V. Raymond Swope
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center, 2nd floor
Redwood City, CA 94063-1655

Re: Grand Jury Report: Cooperative Purchasing – A Roadmap to More Effective City Procurement

Dear Judge Swope:

On behalf of the City Council of Redwood City, I am responding to the above referenced report. The City Council approved this response at its meeting of September 10, 2018.

The City's responses largely agree with the findings outlined in the Grand Jury report; however, implementation of some of the findings and recommendations would involve a significant commitment of staff time and resources, as well as a high degree of frequent regional coordination between San Mateo County and each city. In order to implement the suggested recommendations, time will have to be committed to organizing all agencies in a formalized and systematic manner, training would need to be provided to all staff involved in procurements, and frequent communication would be necessary between all agencies in order to discuss the multitude of procurements underway at any given time.

This would be a substantial undertaking, as each city in San Mateo County functions in a decentralized purchasing environment, and there are technology constraints, workload considerations, and staffing levels that are unique to each agency. Successfully addressing the Findings and Recommendations noted in the Grand Jury report will require the participation of all of the cities in the County.

The City currently pursues piggyback contracts and joint procurement agreements when those contracts or agreements are known and available, and is committed to continuing to do so.

FINDINGS

F1. All 20 of the cities in the County purchase goods and services through decentralized purchasing systems.

Response: The City agrees with this finding as pertaining to Redwood City. The City uses a decentralized purchasing system where departments are responsible for their purchasing needs.

F2. Decentralized purchasing systems successfully allow the Cities to procure goods and services at fair market prices while minimizing labor costs.

Response: The City agrees with this finding. Decentralized purchasing promotes efficient business operations and the quick purchase of goods in a cost effective manner.

F3. The creation of a centralized purchasing department to provide the organization with advanced procurement services and guidance can be cost prohibitive.

Response: The City agrees with this finding. In order to create a centralized purchasing department, additional staff would have to be hired and trained, including professional-level positions, which would be cost-prohibitive.

F4. While city employees receive training on municipal purchasing guidelines and policies, many employees who conduct purchasing operations as a secondary responsibility are not trained or instructed to negotiate optimum prices by leveraging market power.

Response: The City partially agrees with this finding. Many of the City staff that are responsible for purchasing have numerous other responsibilities. Depending on the purchase, City staff have the ability to negotiate for lower pricing and better deal terms.

F5. City employees who conduct purchasing operations as a secondary responsibility often do not identify commonly purchased goods that other departments also purchase and so miss the opportunity to negotiate lower costs which could be obtained by purchasing the items in bulk for multiple departments.

Response: The City agrees with this finding. In a decentralized purchasing environment, each City department is in charge of their own purchasing. As a result, items are not purchased in bulk for multiple departments.

F6. Cooperative purchasing practices allow multiple public entities to collaboratively purchase goods and services, thereby gaining economies of scale that they would otherwise not have.

Response: The City agrees with this finding. Cooperative purchasing agreements provide economies of scale that are not realized when a purchase is made by one agency individually. City staff actively pursue cooperative purchasing opportunities when available; this is particularly true for Public Works goods and services.

F7. Cooperative purchasing practices are compatible with decentralized purchasing systems and can allow the Cities to leverage their collective market power, without changing existing purchasing systems.

Response: The City agrees with this finding. Cooperative purchasing practices are beneficial to each agency, and the City actively pursues these opportunities within its current decentralized purchasing environment.

F8. Adoption of cooperative purchasing practices, including piggyback agreements and cooperative purchasing agreements, can enable all Cities to obtain lower prices on goods and services.

Response: The City agrees with this finding. These practices are included in the City's Purchasing Policy.

F9. Each city has limited communications with each other regarding procurement best practices, shared purchasing challenges, and purchasing solutions.

Response: The City agrees with this finding. There is no formalized regional communication regarding procurement.

F10. The County of San Mateo's Procurement Division is the only remaining public centralized purchasing department at the City and County level within San Mateo County.

Response: The City agrees with this finding. The regional cities have decentralized purchasing systems.

F11. Collaboration between the Cities and the Procurement Division through cooperative purchasing practices could achieve significant cost savings for both the Cities and the County.

Response: The City agrees with this finding. It is worth further investigation to determine the amount of savings that could be achieved through cooperative purchasing practices.

F12. The Procurement Division presently lacks the operational capacity to fully collaborate with the Cities.

Response: The City does not know what the operational capacity is for the County Procurement Division.

F13. There are no formal channels for communication between the County and the Cities regarding procurement cooperation opportunities.

Response: The City agrees with this finding. There is no formalized system or process set up to facilitate communication about cooperative purchasing opportunities.

RECOMMENDATIONS

The 2017-2018 San Mateo County Civil Grand Jury recommends that each City undertake the following by no later than February 1, 2019:

R1. Increase the use of cooperative purchasing practices, including piggyback contracts and joint procurement agreements.

Response: The City agrees with this recommendation. The City currently actively pursues piggyback contracts and joint procurement agreements when those contracts or agreements are known and available, and will continue to do so.

R2. Share with other Cities and the County Procurement Division their procurement needs in order to identify opportunities for cooperative procurements between the Cities and the County.

Response: The City partially agrees with this recommendation. The City will continue to seek out piggyback contracts and joint purchasing agreements. The City is open to participating in dialogue or a regional working group with San Mateo County and all the regional cities to identify how the municipalities could share information about more opportunities for cooperative procurements. However, without formalized regional coordination, it would be difficult for the City to share all of our purchasing needs with all the other regional Cities and the County Procurement Division.

Thank you for allowing us to respond to your report and share our perspective.

Sincerely,



Ian Bain
Mayor

Cc: City Council of Redwood City
Melissa Stevenson Diaz, City Manager



Rico E. Medina
Mayor

CITY OF SAN BRUNO
OFFICE OF THE MAYOR

October 9, 2018

Honorable V. Raymond Swope
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center; 2nd Floor
Redwood City, CA 94063-1655

Subject: Response of the City of San Bruno to the Grand Jury Report "Cooperative Purchasing – A Roadmap to More Effective City Procurement."

Dear Judge Swope,

Thank you for the opportunity to respond to the Grand Jury report titled "Cooperative Purchasing – A Roadmap to More Effective City Procurement." The City of San Bruno's response to both the findings and recommendations are listed below.

Responses to Grand Jury Findings:

F1. All 20 of the cities in the County purchase goods and services through decentralized purchasing systems.

Response:

The City of San Bruno agrees that the purchase of goods and services is frequently accomplished through decentralized systems; however, the City has used centralized purchasing systems for various purchases in recent years.

San Bruno Municipal Code Section 2.44.030(A) allows for centralizing purchasing to occur: "The purchasing officer may authorize in writing any other governmental agency or city department to purchase or contract for specified supplies, services and equipment independently of the purchasing department. He or she shall ensure that such purchases or contracts by other governmental agencies be made in conformance with the procedures established by state law and that such purchases or contracts by city departments are made in conformance with this chapter. This authority includes the authority to act as lead agency when appropriate."

Public Works has leveraged the Houston-Galveston Area Council (HGAC) and National Joint Powers Alliance (NJPA), among other government cooperatives in recent years. Recent purchases include fleet vehicles, playground equipment, cable equipment, fire and police specialty vehicles, and a variety of supplies for public works projects.

F2. Decentralized purchasing systems successfully allow the Cities to procure goods and services at fair market prices while minimizing labor costs.

Response:

The City of San Bruno agrees that the City departments have been able to successfully procure goods and services at fair market prices through standard competitive bidding procedures where the lowest, qualified bidder is typically accepted.

F8. Adoption of cooperative purchasing practices, including piggyback agreements and cooperative purchasing agreements, can enable all Cities to obtain lower prices on goods and services.

Response:

The City of San Bruno agrees.

F9. Each city has limited communications with each other regarding procurement best practices, shared purchasing challenges, and purchasing solutions.

Response:

The City of San Bruno agrees.

F10. The County of San Mateo's Procurement Division is the only remaining public centralized purchasing department at the City and County level within San Mateo County.

Response:

The City of San Bruno agrees.

F11. Collaboration between the Cities and the Procurement Division through cooperative purchasing practices could achieve significant cost savings for both the Cities and the County.

Response:

The City of San Bruno agrees. There may be additional administrative and training costs to more broadly leverage cooperative purchasing; however, we would expect cost savings in the long-term.

F12. The Procurement Division presently lacks the operational capacity to fully collaborate with the Cities.

Response:

The City of San Bruno does not have a position on the operational capacity of the County's Procurement Division.

F13. There are no formal channels for communication between the County and the Cities regarding procurement cooperation opportunities.

Response:

The City of San Bruno agrees.

Responses to Grand Jury Recommendations:

R1. Increase the use of cooperative purchasing policies, including piggyback contracts and joint procurement agreements.

Response:

The City of San Bruno supports the planning and use of cooperative purchasing policies, including piggyback contracts and joint procurement agreements. The City would like to pilot a joint procurement agreement for a specific vendor and contract and conduct an evaluation with the County and cities involved to review the policies, procedures and implement any changes before rolling out additional agreements more broadly.

The City would also like to work with the County and other cities to determine specific types of contracts and purchases that lend themselves best for cooperative purchasing. Many types of goods and services may not, such as specialized professional services or goods procured in cases of emergency. The City has already adopted a resolution approving of a Public Works Mutual Aid Agreement with San Mateo County and neighboring cities on July 14, 2015.

F3. The creation of a centralized purchasing department to provide the organization with advanced procurement services and guidance can be cost prohibitive.

Response:

The City of San Bruno agrees that a centralized purchasing department, services and system may be cost prohibitive. The length of time to execute an RFP, contract, purchase order or other procurement vehicles may increase if needing to obtain review and approval from a centralized purchasing department, which may increase costs over time. Staff training costs may increase in order to become proficient in new processes and system functionality. There may also be additional costs in standardizing policies and procedures among the cities in order to ensure data integrity and consistency with the central procurement system. There may also be one-time, additional costs related to changes in City Council review and approval procedures of contracts. These changes may warrant additional staff depending on the volume of procurements and additional procedures. A cost sharing arrangement may need to be negotiated among the County and the cities to ensure any additional or centralized costs are proportionately shared.

F4. While city employees receive training on municipal guidelines and policies, many employees who conduct purchasing operations as a secondary responsibility are not trained and instructed to negotiate optimum prices by leveraging market power.

Response:

The City of San Bruno partially agrees. High volume procurement departments, such as Public Works, have a management analyst or a similar operational support position dedicated to the department to provide management and administrative priorities for the department, including procurement. And finance and other administrative staff have gained experience in supporting procurement activities over the years. Managers and Department Directors also have prioritized time reviewing and approving public bids, contracts, purchase orders and vendor invoices.

F5. City employees who conduct purchasing operations as a secondary responsibility often do not identify commonly purchased goods that other departments also purchase and so miss the opportunity to negotiate lower costs which could be obtained by purchasing the items in bulk for multiple departments.

Response:

The City of San Bruno agrees that opportunities to negotiate lower costs may exist.

F6. Cooperative purchasing practices allow multiple public entities to collaboratively purchase goods and services, thereby gaining economies of scale that they would otherwise not have.

Response:

The City of San Bruno agrees that in some circumstances, economies of scale may be achieved by collaboratively purchasing goods and services; however, additional overhead and administrative costs will likely be recognized from the costs already mentioned in response #3.

F7. Cooperative purchasing practices are compatible with decentralized purchasing systems and can allow the Cities to leverage their collective market power, without changing existing purchasing systems.

Response:

The City of San Bruno partially agrees. If cooperative purchasing practices and systems are more broadly used among cities, it may require a review of data structures to ensure consistent data across cities as well as a review of purchasing policies and procedures. It may also require a system to monitor prices and the market to ensure that the cooperative centralized system is continuing to provide the lowest prices possible.

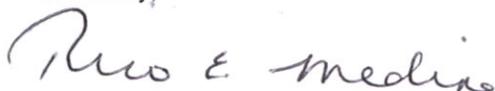
R2. Share with other Cities and the County Procurement Division their procurement needs in order to identify opportunities for cooperative procurements between the Cities and the County.

Response:

The City of San Bruno agrees to share our procurement needs with other cities and the County Procurement Division. The City's procurement needs are presented in the FY18-19 adopted budget which can be found here: <https://www.sanbruno.ca.gov/civicax/filebank/blobdload.aspx?BlobID=29472>.

While partnering with the County Procurement Division is desirable for all reasons noted in the report, the City looks forward to continuing our practice of partnering with other cooperative purchasing pools and also evaluating the opportunities to partner with the County in the future.

Sincerely,



Rico E. Medina
Mayor



September 10, 2018

Honorable V. Raymond Swope, Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

RE: 2017-18 San Mateo County Civil Grand Jury Report "Cooperative Purchasing – A Roadmap to More Effective City Procurement" Response

Dear Judge Swope:

In reply to your request for responses to the above referenced report, the City of San Carlos hereby submits this letter, which was approved by the City Council via resolution at the September 10, 2018 Council meeting.

Findings. The City of San Carlos reviewed all 13 of the Findings in the Grand Jury report. Since the Findings are based on information collected by the Grand Jury from of all agencies in San Mateo County, the City must assume the general information is accurate, and therefore agrees with the Findings.

Recommendations. The City of San Carlos reviewed the six Recommendations in the Grand Jury report. Only Recommendations 1 and 2 apply to the City of San Carlos. The remaining Recommendations relate to the County of San Mateo.

Recommendation 1: Increase the use of cooperative purchasing practices, including piggyback contracts and joint procurement agreements.

Response: The City currently participates in cooperative purchasing agreements as well as piggyback contracts with the State and other local agencies. Since we decentralize our purchasing, Finance staff will work with other departments to ensure that all are aware of these cost-saving options when they look to purchase goods and services.

Recommendation 2: Share with other Cities and the County Procurement Division their procurement needs in order to identify opportunities for cooperative procurements between the Cities and the County.

Response: The City is currently a member of the San Mateo Finance Officers Group (SAMFOG). Finance staff routinely attend meetings and it is anticipated that cooperative purchasing agreements will be a topic at future meetings for discussion and action.

The City of San Carlos appreciates the opportunity to comment on the Grand Jury report.

Best Regards,

Bob Grassilli, Mayor



October 2, 2018

Hon. V. Raymond Swope
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center; 2nd Floor
Redwood City, CA 94063-1655

RESPONSE TO GRAND JURY REPORT: “Cooperative Purchasing – A Roadmap to More Effective City Procurement”

Honorable Judge Swope –

Thank you for the opportunity to review and comment on the above referenced Grand Jury Report filed on July 19, 2018. The City of San Mateo's response to both the findings and recommendations are listed below.

Response to Grand Jury Findings:

- F1. All 20 of the cities in the County purchase goods and services through decentralized purchasing systems.

Response: The City of San Mateo partially disagrees with this finding.

The City of San Mateo Finance Department has a Purchasing Coordinator who provides oversight of the City's purchasing activity. Further, individual certain City departments conduct centralized procurement for goods or services used on a Citywide basis. For example, computers are purchased citywide through the City's Information Technology Department (using a piggyback contract) and vehicles are purchased through the City's Public Works Department (competitively bid and purchased in volume as appropriate).

- F2. Decentralized purchasing systems successfully allow the Cities to procure goods and services at fair market prices while minimizing labor costs.

Response: The City of San Mateo agrees with this finding.

- F3. The creation of a centralized purchasing department to provide the organization with advanced procurement services and guidance can be cost prohibitive.

Response: The City of San Mateo agrees with this finding.

- F4. While city employees receive training on municipal purchasing guidelines and policies, many employees who conduct purchasing operations as a secondary responsibility are not trained or instructed to negotiate optimum prices by leveraging market power.

Response: The City of San Mateo partially disagrees with this finding.

While the City of San Mateo agrees that many employees who conduct purchasing operations as a secondary responsibility are not specifically trained in negotiating optimum pricing, they do follow purchasing policies and practices and utilize tools available (like a cooperative agreement for office supplies) that ensure the City is receiving fair pricing and good overall value.

- F5. City employees who conduct purchasing operations as a secondary responsibility often do not identify commonly purchased goods that other departments also purchase and so miss the opportunity to negotiate lower costs which could be obtained by purchasing the items in bulk for multiple departments.

Response: The City of San Mateo disagrees with this finding.

As noted in the response to F1, the City centralizes the purchase of certain items in one department that are used in multiple departments (i.e., vehicles and computers). Further, some of the most commonly used items throughout all departments are office supplies. Office supplies are purchased under a cooperative agreement that all departments utilize when making purchases. While not all opportunities to identify items that could be purchased in bulk for multiple departments are leveraged, that scenario is more the exception than the rule.

- F6. Cooperative purchasing practices allow multiple public entities to collaboratively purchase goods and services, thereby gaining economies of scale that they would otherwise not have.

Response: The City of San Mateo agrees with this finding.

The City of San Mateo is a charter city and as such, it retains the authority to adopt its own purchasing rules and requirements. The City's existing purchasing policy specifically allows for, and encourages, the use purchasing cooperatives and "piggyback" contracts to streamline procurement and obtain competitive pricing.

- F7. Cooperative purchasing practices are compatible with decentralized purchasing systems and can allow the Cities to leverage their collective market power, without changing existing purchasing systems.

Response: The City of San Mateo agrees with this finding.

- F8. Adoption of cooperative purchasing practices, including piggyback agreements and cooperative purchasing agreements, can enable all Cities to obtain lower prices on goods and services.

Response: The City of San Mateo agrees with this finding.

- F9. Each city has limited communications with each other regarding procurement best practices, shared purchasing challenges, and purchasing solutions.

Response: The City of San Mateo agrees with this finding, but only as it applies to the City of San Mateo.

- F10. The County of San Mateo's Procurement Division is the only remaining public centralized purchasing department at the City and County level within San Mateo County.

Response: The City of San Mateo partially disagrees with this finding.

While the City of San Mateo's purchasing system is predominantly decentralized, there are elements of centralization that increase efficiencies and reduce costs. The City of San Mateo cannot speak to whether there are other centralized purchasing operations within San Mateo County.

- F11. Collaboration between the Cities and the Procurement Division through cooperative purchasing practices could achieve significant cost savings for both the Cities and the County.

Response: The City of San Mateo partially disagrees with this finding.

The City of San Mateo agrees that utilizing cooperative purchasing practices could potentially achieve some cost savings. However, cost savings should also be evaluated in the context of the administrative overhead to successfully execute to this.

- F12. The Procurement Division presently lacks the operational capacity to fully collaborate with the Cities.

Response: The City of San Mateo neither agrees nor disagrees with this finding.

The City of San Mateo does not have insight into whether the County has the operational capacity to collaborate with the cities on cooperative purchasing.

- F13. There are no formal channels for communication between the County and the Cities regarding procurement cooperation opportunities.

Response: The City of San Mateo agrees with this finding.

Response to Grand Jury Recommendations:

The 2017-2018 San Mateo County Civil Grand Jury recommends that each City undertake the following by no later than February 1, 2019:

- R1. Increase the use of cooperative purchasing practices, including piggyback contracts and joint procurement agreements.

Response: This recommendation requires further analysis.

The City of San Mateo will continue to look to increase its usage of piggyback contracts as a means of efficiently procuring goods and services that have been already been competitively procured by another agency.

Increasing the use of joint procurement agreements requires further analysis because doing so would require other cities and the County to also be interested in, and willing to utilize, joint procurement agreements. By the February 1, 2019, the City of San Mateo will have a discussion with the County on opportunities to increase cooperative purchasing between the two agencies, as well as the County's progress towards implementation of other Grand Jury recommendations that would facilitate more cooperative purchasing.

- R2. Share with other Cities and the County Procurement Division their procurement needs in order to identify opportunities for cooperative procurements between the Cities and the County.

Response: This recommendation requires further analysis.

Similar to the response to the first recommendation, this requires further analysis because it is not solely dependent on the City of San Mateo. By the February 1, 2019, the City of San Mateo will have a discussion with the County on opportunities to share common purchasing needs in order to potentially identify opportunities to increase cooperative procurements.

The 2017-2018 San Mateo County Civil Grand Jury recommends that the County of San Mateo do the following by no later than February 1, 2019:

- R3. Increase the use of cooperative purchasing practices, including the development and insertion of piggyback language into County contracts, with the Cities.

Response: Not applicable

- R4. Share with the Cities the County's procurement needs to identify opportunities for further cooperative purchasing.

Response: Not applicable

R5. Relocate the County's Procurement Division into an appropriate reporting structure, such that the Procurement Division shall report directly to the County Manager.

Response: Not applicable

The 2017-2018 San Mateo County Civil Grand Jury recommends that the County of San Mateo do the following by no later than July 1, 2019.

- R6. Develop and study a plan to achieve the Checkpoints on the Pathway towards City-County Procurement Cooperation within current plans to improve the Purchasing Division, including:
- a. Hire experienced buyers.
 - b. Create and distribute to the Cities a register of open contracts.
 - c. Ensure the County's purchasing software can track key indicators.
 - d. Ensure the County's purchasing software can accommodate city purchases.
 - e. Identify, in conjunction with the Cities, the goods and services with the highest potential savings.
 - f. Negotiate discounted contracts for those goods and services.
 - g. Distribute and report discounts to the Cities on a consistent basis.

Response: Not applicable

This response to the Grand Jury was approved at a public meeting on October 1, 2018.

Respectfully,



Rick Bonilla,
Mayor – City of San Mateo



PO BOX 711
400 GRAND AVENUE
SOUTH SAN FRANCISCO, CA 94083

CITY COUNCIL 2018

LIZA NORMANDY, MAYOR
KARYL MATSUMOTO, MAYOR PRO TEMPORE
MARK ADDIEGO, COUNCILMEMBER
RICHARD A. GARBARINO, COUNCILMEMBER
PRADEEP GUPTA, PH.D., COUNCILMEMBER

MIKE FUTRELL, CITY MANAGER

September 27, 2018

Hon. V. Raymond Swope
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center; 2nd Floor
Redwood City, CA 94063-1655

Dear Hon V. Raymond Swope

On September 22, 2018, the City Council of the City of South San Francisco ("City") approved the response contained in this letter to the San Mateo County Grand Jury Report "Cooperative Purchasing – A Roadmap to More Effective City Procurement" dated July 19, 2018.

Response to Findings

The City agrees with all of the Findings contained in the Grand Jury Report. The findings generally accurately depict the procurement environment in the City of South San Francisco. It is worthwhile to note the City's practice of regularly piggybacking on state contracts for office supplies, computers, and vehicles.

Response to Recommendations

Recommendation R1 - The recommendation has been implemented. The City recently purchased licenses to a robust procurement comparison software that allows users to search procurements for public entities across the United States. The City's Purchasing Policy permits piggybacking, thus the information garnered from the procurement software has the potential to generate a considerable savings.

Recommendation R2 - The recommendation has not yet been implemented, but will be implemented by December 31, 2018. Each of the respective disciplines within local government, including Police, Fire, Community Development, and Finance, hold regular meetings amongst the various municipalities within San Mateo County. South San Francisco representatives for each of the respective groups will incorporate sharing of procurement needs into their agendas to identify opportunities for cooperative procurements.

Sincerely,


Mike Futrell
City Manager
City of South San Francisco



The Town of
Woodside

October 10, 2018

The Honorable V. Raymond Swope
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

RE: 2017-18 GRAND JURY REPORT - *Cooperative Purchasing - A Roadmap to More Effective City Procurement*

Dear Judge Swope:

The Town Council of the Town of Woodside wishes to thank the 2017-18 Grand Jury for its service. The Town Council has reviewed the report entitled *Cooperative Purchasing - A Roadmap to More Effective City Procurement* and reviewed the findings and recommendations of the Grand Jury at its public meeting of October 9, 2018, and approved the following response:

FINDINGS

1. All 20 of the cities in the County purchase goods and services through decentralized purchasing systems.

Response: Based on the information provided in the Grand Jury Report, the Town agrees with this finding.

2. Decentralized purchasing systems successfully allow the Cities to procure goods and services at fair market prices while minimizing labor costs.

Response: The Town agrees with this finding.

3. The creation of a centralized purchasing department to provide the organization with advanced procurement services and guidance can be cost prohibitive.

Response: The Town agrees with this finding.

4. While city employees receive training on municipal purchasing guidelines and policies, many employees who conduct purchasing operations as a secondary responsibility are not trained or instructed to negotiate optimum prices by leveraging market power.

Response: Based on the information provided in the Grand Jury Report, the Town agrees with this finding.

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5. City employees who conduct purchasing operations as a secondary responsibility often do not identify commonly purchased goods that other departments also purchase and so miss the opportunity to negotiate lower costs which could be obtained by purchasing the items in bulk for multiple departments.

Response. The Town partially agrees with this finding. Based on the information provided in the Grand Jury Report, The Town acknowledges that this may be true of larger cities. However, in the case of the Town of Woodside, with a total of 20 employees located in the same building, commonly used goods and services are purchased for the use of all departments.

6. Cooperative purchasing practices allow multiple public entities to collaboratively purchase goods and services, thereby gaining economies of scale that they would otherwise not have.

Response: The Town agrees with this finding.

7. Cooperative purchasing practices are compatible with decentralized purchasing systems and can allow the Cities to leverage their collective market power, without changing existing purchasing systems.

Response: The Town agrees with this finding.

8. Adoption of cooperative purchasing practices, including piggyback agreements and cooperative purchasing agreements, can enable all Cities to obtain lower prices on goods and services.

Response: The Town agrees with this finding.

9. Each city has limited communications with each other regarding procurement best practices, shared purchasing challenges, and purchasing solutions.

Response: Based on the information provided in the Grand Jury Report, the Town agrees with this finding.

10. The County of San Mateo's Procurement Division is the only remaining public centralized purchasing department at the City and County level within San Mateo County.

Response: Based on the information provided in the Grand Jury Report, the Town agrees with this finding.

11. Collaboration between the Cities and the Procurement Division through cooperative purchasing practices could achieve significant cost savings for both the Cities and the County.

Response: The Town does not have information on which to agree or disagree with this finding.

12. The Procurement Division presently lacks the operational capacity to fully collaborate with the Cities.

Response: The Town does not have information on which to agree or disagree with this finding.

13. There are no formal channels for communication between the County and the Cities regarding procurement cooperation opportunities.

Response: The Town agrees with this finding.

RECOMMENDATIONS

1. Increase the use of cooperative purchasing practices, including piggyback contracts and joint procurement agreements.

Response: The Town of Woodside currently cooperates with its neighboring jurisdiction, the Town of Portola Valley, and the Woodside Fire Protection District (WFPD) on purchasing services. For example, the two Towns jointly negotiate the contracts with the San Mateo County Sheriff's Department for Police Services, have jointly hired a consulting firm to assist the two Towns develop a new franchise agreement for solid waste management, and have joined with WFPD to purchase an agreement with Once Concern to enhance each Town's emergency planning and response capabilities. The Town will continue to seek opportunities to jointly purchase goods and services.

2. Share with other Cities and the County Procurement Division their procurement needs in order to identify opportunities for cooperative procurements between the Cities and the County.

Response: The Town supports this recommendation and anticipates implementing through its participation in the San Mateo Finance Officers Group (SAMFOG).

On behalf of the Town Council, I would like to extend our thanks for the opportunity to review and respond to the work of the 2017-18 Grand Jury.

Please do not hesitate to call Town Manager Kevin Bryant, at (650) 851-6790, should you require any further information.

Sincerely,



Chris Shaw
Mayor