

**CITY OF  
OAKLAND**

## **City of Oakland Purchasing and Contracting Review Observations and Recommendations**

**March 2024**



March 13, 2024

Ms. Erin Roseman, Finance Director  
Ms. Sarah Herbelin, Assistant to the Finance Director  
City of Oakland  
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Dear Erin and Sarah:

Baker Tilly is pleased to transmit this report of observations and recommendations in conjunction with our review of the City's purchasing and contracting functions. Though our primary focus was purchasing and contracting efficiency and effectiveness, the report includes analysis and recommendations to help improve contracting equity.

Overall, we are providing 24 recommendations for improvement in purchasing and contracting policies, procedures, and requirements; purchasing and contracting functions/organizational structure; and contracting equity.

Our actionable recommendations will help ensure that meaningful, sustainable efficiency and equity improvements to the purchasing and contracting functions are made. Our final deliverable will be a Draft Implementation Action Plan to be used as a management tool to guide implementation steps in priority order.

It has been a pleasure collaborating with you and City staff members to complete this important work.

Sincerely,



Carol Jacobs  
Managing Director



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## Executive Summary

Baker Tilly was engaged by the City of Oakland primarily to assess the efficiency and effectiveness of the City's purchasing and contracting functions. Our review was limited to the procurement of certain goods and services, specifically excluding public works construction contracting and information technology (IT) purchases.<sup>1</sup>

At the City's request, our review includes a contracting equity component as part of Oakland's overall efforts to address the results of a comprehensive disparity study published in 2020 that identified significant race and gender-based disparities in the award of City contracts.<sup>2</sup> An update to the 2020 study is anticipated in 2024.

Several approaches and analytical techniques were used to conduct our assessment, including:

- Reviewing policies, procedures, organizational structures, and current technological capabilities and comparing them to best practices,
- Interviewing key staff members to understand different perspectives about what is and is not working well,
- Facilitating two process mapping sessions that assessed workflow steps to establish professional services contracts under \$50,000, and

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<sup>1</sup>Many of the City's purchasing and contracting requirements are applied to the Community Grant Program, which is also excluded from this review. However, given the similar policy and procedural requirements to areas excluded from our scope of review, adjacencies and applicability to observations and recommendations in this report are noted where relevant to systemic improvements.

<sup>2</sup> The contracting equity component of our work scope was added at the request of the City without a corresponding increase in cost requested by Baker Tilly, which impacted our ability to perform detailed analysis.

- Analyzing Oakland business license and other data to identify opportunities to increase the number of certified local and small local businesses to help facilitate contracting equity.

Part of our engagement also included attending a racial equity training workshop provided by the director of the Department of Race and Equity (DRE) to gain a better understanding of the City's desired equity outcomes (see the Contracting Equity section for relevant detail). Our engagement also included a cursory review of the 2020 disparity study and analyzing the results of a 2021 contractor survey.

The narrow focus of our scope precluded a comprehensive review. Nonetheless, our observations and recommendations for improving procurement efficiency and increasing contracting equity will have relevant applicability to areas not reviewed and are so noted. Our recommendations are grouped into the following three thematic areas, briefly summarized below:

- Purchasing and contracting policies, procedures, and requirements
- Purchasing and contracting functions/organizational structure
- Contracting equity

### ***Purchasing and Contracting Policies, Procedures, and Requirements***

The City of Oakland's purchasing and contracting-related policies are found in numerous municipal code chapters, ordinances, resolutions, and two charter provisions. In short, the City has created an abundance of contracting policies, requirements, and restrictions on doing business with and in Oakland that are administered by several departments and divisions across the organization. While well-meaning and intended to improve contracting equity, provide worker protection, and ensure the appropriate use of assets, the numerous requirements contribute to purchasing inefficiencies and create unintended barriers to contracting equity. In addition, policy compliance is lacking in key areas.

Systemic/wholistic policy changes will be necessary to meaningfully and sustainably improve contracting efficiency, effectiveness, and equity.

### ***Purchasing and Contracting Functions/Organizational Structure***

The responsibility for procuring goods, services, and public works construction projects is distributed throughout the City organization across multiple departments and divisions, with little internal cohesion, consistency or singular ownership. The decentralized and disparate

nature of procurement-related functions has resulted in role confusion for staff members and prospective bidders.

Additionally, the City's purchasing and contracting work units lack stature and visibility in the organization, and each performs different procurement functions, which does not promote collaboration or cross-pollination and contributes to inefficiencies.

To consolidate similar functions, the Contract Administration Unit was recently moved from the Department of Workplace and Employment Standards (DWES) to the Finance Department, Controller's Bureau, but additional structural changes are needed to consolidate and streamline service provision.

### ***Contracting Equity***

Section 2.29.170 of the Oakland Municipal Code (OMC) establishes the City's Department of Race and Equity (DRE), and specifies that the City "will intentionally integrate, on a Citywide basis, the principle of 'fair and just' in all the City does to achieve equitable opportunities for all people and communities." This all-encompassing requirement includes application to city-awarded contracts.

With specific regard to the "bidding and awarding of purchases and contracts," section 808(b) of the City Charter requires that a race and gender disparity evaluation be conducted every two years to determine whether contracting disparities exist. This charter section also requires a "race and/or gender business participation program" to address disparities substantiated by disparity evaluations (studies). In support of this requirement, the City has established a Local/Small Local Business Enterprise (L/SLBE) program to certify Oakland businesses that resides in DWES.

Following the 2020 disparity study, the City stepped up its efforts to improve contracting equity, with an emphasis on construction contracts typically awarded to larger firms. However, the City has a substantial number of small businesses that provide a variety of goods and services, many of which are minority- and women-owned, representing an opportunity to improve contracting equity through targeted outreach to increase the number of Oakland businesses certified through the City's L/SLBE program.

### ***Major Observations***

The following major observations informed our recommendations for improvement.

- The City's procurement- and contracting-related policies, procedures, and requirements are complex and numerous, difficult to find/understand, disparate, and overly burdensome for the business community and staff members.
- The City's policy and procedural requirements, though well-meaning and intended to improve contracting equity, provide worker protection, and ensure the appropriate use of assets, the numerous requirements contribute to purchasing inefficiencies and create unintended barriers to contracting equity.
- Some purchasing and contracting policies are not being followed, resulting in unnecessary risk exposure.
- The use of uniform and consolidated automated technology systems is not being maximized.
- The decentralized and disparate nature of the City's existing purchasing and contracting organizational structures, including the way information on contracting requirements and opportunities is provided, is contributing to inefficiencies.

### ***Major Recommendations***

We have identified 24 recommendations (numbered in this report with a consolidated list in Attachment A) to improve the procurement function throughout the organization. Our major recommendations are summarized below.

- Evaluate existing Council-adopted and voter-approved policies for continued relevance and make appropriate modifications.
- Implement a central database for tracking and reporting on contracts and for improving data collection methods.
- Update administrative policy and procedural documents for clarity, consistency, and ease of application.
- Implement necessary staffing and organizational structural and functional alignments to facilitate purchasing and contracting workflow efficiency and improve equity.
- Broaden supplier diversity efforts and increase the number of local and small local certified businesses.

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

The remainder of this report is organized into the following sections:

- Project Approach

- Purchasing and contracting policies, procedures, and requirements
- Purchasing and contracting organizational structures
- Contracting equity<sup>3</sup>

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<sup>3</sup> We included a separate section to address equity rather than incorporating recommendations in the other thematic areas for two reasons. First, the City has requested that contracting equity be included as a separate section in the report so that the primary focus on efficiency is front-forward. Second, some of our equity-based recommendations are high priority that would otherwise be included near the beginning, and not the end, of the report. In any event, our Implementation Action Plan (IAP) will include suggested priority assignments for each recommendation no matter where it appears in the report.

## Project Approach

Our engagement involved the following activities and techniques to assess the efficiency and effectiveness of Oakland's purchasing and contracting functions, and to evaluate contracting equity.

- A review of existing procurement and contracting policies and procedures
- One-on-one interviews and small group discussions with 20 staff members from eight departments and divisions including:
  - Finance Department Administration and Controller's Bureau
  - Department of Workplace and Employment Standards
  - Department of Parks, Recreation and Youth Development
  - Department of Economic and Workforce Development
  - Department of Race and Equity
  - Department of Public Works
  - Office of the City Council
- Several follow-up meetings with key process stakeholders
- Two process mapping sessions on establishing professional services contracts under \$50,000
  - The first session focused on improving contracting efficiency; the second session focused on reducing contracting disparity
- Industry best practices research
- Limited analysis of City business data and contractor survey results

The remainder of this report section includes a summary of common themes from staff member interviews, key takeaways from the process mapping sessions, and observations on the review of City business data.

### ***Common Interview Themes***

Conducting interviews is an important tool we use to hear staff perspectives on what is and is not working well. The interviews are confidential so we can receive candid responses and learn about pain/pinch points and whether they emanate from inefficient or

ineffective processes or systems or are due to management issues. Identifying the most commonly shared concerns is a best practice method used to validate (or not), as objectively as possible, operational challenges across an organization.

In total, 20 City staff members from eight departments and divisions participated in one-on-one and small group interviews. Several follow-up meetings were held with interviewees and other staff members. Table 1 identifies the common themes heard during our interviews. Given the limited scope of our review, we cannot state with certainty that the same themes would be apparent if we interviewed staff members from all City departments (or if other issues would have surfaced). However, based on our experience in conducting these reviews, we believe the common themes are representative of the City's purchasing and contracting challenges.

*Table 1. Common Themes Identified During Staff Member Interviews*

| Common Interview Themes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• Purchasing and contracting policies, processes, and procedures, including those involving labor standards and business inclusion, are decentralized throughout the organization and difficult to understand and navigate.</li><li>• There is no nexus where the numerous policies and procedures meet and there is no overall ownership of the entire process.</li><li>• The City's many contracting forms and requirements, especially insurance requirements and completion of many schedules, are onerous to small businesses and a barrier to contracting equity, and compliance checks are not occurring.</li><li>• Due to the many requirements, short staffing, turnover, and lack of training, contracts can take anywhere from several months to a couple of years to get into place.</li><li>• A high percentage of vendors are allowed to provide services before a contract is in place.</li><li>• The City does not have a central contracts database, which is a big need for reporting contracts awarded under the city administrator's authority and for collecting/analyzing data on local and small local businesses.</li><li>• A central purchasing bureau should be created and elevated in the organizational hierarchy.</li><li>• The City's vendors are not being paid on time, which negatively and disproportionately impacts small businesses.</li><li>• There is a sense among staff members that many small businesses have lost faith in the contracting process and do not believe they can be successful in obtaining City contracts.</li><li>• More training for project managers in purchasing and contracting processes and procedures is needed and desired.</li><li>• The City's myriad of purchasing and contracting policies and requirements, while well-meaning, have resulted in unintended consequences including barriers to equity, inconsistent compliance, and policy workarounds.</li></ul> |

### ***Key Takeaways from Process Mapping Sessions***

Baker Tilly facilitated two process mapping sessions in October 2023, each with 23 invited participants and several optional invitees; the first to

focus on purchasing and contracting efficiency improvements and the second to focus on ways to reduce contracting disparities. The process mapped included the workflow steps to establish professional services contracts under \$50,000.<sup>4</sup> Both mapping sessions validated perspectives and common themes expressed during the staff member interviews.

The two larger sessions were preceded by two meetings with the City's core project team in September 2023 to facilitate "base mapping" of the existing workflow; the base map was provided to the invited participants of the October sessions.

The product of the sessions included an "as-is" process map of the City's existing workflow, with the identification of potential efficiency and equity improvements. Key learnings include the following:

- Project managers and other departmental staff members are responsible for performing procurement and contracting-related functions but are not fully aware of policy and procedural requirements.
- Project managers and other departmental staff members perform administrative functions typically performed by purchasing staff in more centralized structures.
- Staff members outside of the Department of Workplace and Employment Standards (DWES) are relatively unaware of DWES' contracting equity efforts.
- Departments are not consistently verifying funding availability before conducting a procurement.
- Inefficiencies throughout the workflow are apparent.

Following the delivery of this report and obtaining feedback on our recommendations for improvement, we will deliver a "to be" process map based on the desired, improved state that incorporates workflow changes discussed during the two sessions.

## ***Review of Oakland Business Data***

During the racial equity training provided by DRE, we learned that approximately 72% of Oakland's businesses have ten or fewer employees, i.e., are small businesses (which is approximately 21,000 of the City's

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<sup>4</sup>Though process mapping had a specific focus on establishing a professional services agreement under \$50,000, other areas of applicability such as goods and general services purchases were discussed and acknowledged during each session.

29,000 businesses that could potentially provide goods or services).<sup>5</sup> Although specific breakdowns were not available, information included in the DRE presentation suggests that a sizeable majority of Oakland's small businesses is minority- and women-owned, representing an important area to target for equity improvements.

To address contracting disparities, the City established a Local/Small Local Business Enterprise (L/SLBE) program to certify Oakland's small businesses and capture information on ethnicity and gender in support of achieving equity goals. However, of the 21,000 small businesses in Oakland, only 261 are certified through the City's L/SLBE program, representing 1.2%.

Though detailed analysis of the City's business data was not part of our project scope, and the City was unable to share details such as business name, gross receipts or the number of employees (due to privacy concerns), we were asked to evaluate opportunities to identify businesses by their North American Industry Classification System (NAICS) codes for targeted outreach to market the City's L/SLBE program and increase the number of certified businesses.

Given our limited scope and the absence of relevant statistical detail on City businesses, any analysis contained in this report is cursory and can only be validated by a much greater depth of analytical investigation. The Contracting Equity section of our report includes illustrative observations from our analysis that augment our recommendations for improvement.

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<sup>5</sup> The City provided us with an Excel file from its business license database that included more than 58,000 Oakland businesses identified only by their North American Industry Classification System (NAICS) codes, which is the standard used by federal agencies to collect, analyze, and publish data related to the U.S. business economy (business name, size, gross receipt information was not provided due to confidentiality concerns). Approximately half of the entries were associated with lessors of residential property, which were removed from the file, leaving approximately 29,000 business to categorize by NAICS code.

## Purchasing and Contracting Policies, Procedures, and Requirements

The City has created an abundance of contracting policies, requirements, and restrictions on doing business with and in Oakland. Several departments and divisions are called on to administer these regulations and monitor compliance. While well-meaning and intended to improve contracting equity, provide worker protection, and ensure the appropriate use of assets, the numerous requirements contribute to purchasing inefficiencies and increase liability risk. It is also likely that the City's many requirements create unintended barriers to contracting equity, as expressed by both City staff members and contractors.

The number of policy requirements, coupled with multiple factors including decentralized/disparate administration, a dearth of available resources, technology constraints/limitations, and staff turnover in positions responsible for procurement-related functions, have resulted in significant compliance and enforcement challenges.

Additionally, the City's contracting policies related to goods and services purchases and public works construction contracts are equally applied to grantees awarded funding under the community grant program.<sup>6</sup>

### ***City Council-adopted and Voter-approved Purchasing and Contracting Policies***

The City of Oakland's purchasing and contracting-related policies are found in numerous municipal code chapters, ordinances, resolutions, and two charter provisions. Key procurement-related policies are listed in Table 2. Attachment B to this report includes a broadened version of Table 2 that identifies impacts and inefficiencies and suggests

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<sup>6</sup>Though not in scope, we note that evaluation of the community grant funding process, especially regarding the blanket application of purchasing and contracting requirements, was repeatedly noted by City staff members as an important need to effectively address inefficiencies and policy workarounds acknowledged to be occurring.

modifications to increase contracting efficiency, reduce risk, or improve equity. The level of detail is omitted here for economy.

*Table 2. City of Oakland Purchasing-related Policies*

| Policy                                                                                                                                  | Description/Key Requirements                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>City Charter Sections 807 (Goods and Services) and 808 (Bids and Awards)</b>                                                         | Section 807 authorizes the city administrator or designee to purchase or contract for equipment, materials, supplies, and public works as prescribed by ordinance (does not mention services)<br>Section 808 requires Council to establish by ordinance the conditions and procedures for any purchase or contract, and requires race and gender disparity study every two years to determine if contracting disparities exist |
| <b>Oakland Municipal Code (OMC) Chapter 2.04 (Purchasing System)</b>                                                                    | Establishes the City's overall policies on bidding, contracting and purchasing goods, services and public works projects                                                                                                                                                                                                                                                                                                       |
| <b>OMC Chapter 2.06 (Prompt Payment)</b>                                                                                                | Establishes requirements for promptly paying contractors, grant recipients, and subcontractors, and penalties for non-compliance                                                                                                                                                                                                                                                                                               |
| <b>OMC Chapter 2.07 (Grant Award Approval)</b>                                                                                          | Establishes City Council authority to approve all grant awards, permissibility of "pay-go" grants designated by Council, and city manager reporting requirements                                                                                                                                                                                                                                                               |
| <b>OMC Chapter 2.12 (Debarment Program)</b>                                                                                             | Establishes broad conditions by which contractors can be debarred from doing business with the City by engaging in prohibited activities; requires maintenance of an "excluded contractor list" of contractors debarred by "any local, state, or federal agency"                                                                                                                                                               |
| <b>OMC Chapter 2.22 (City Prohibited from Doing Business with Federally Contracted Businesses Involved in Border Wall Construction)</b> | Directs city administrator to refrain from purchasing any goods or services from businesses that provide same to build the U.S.-Mexico border wall; broadly applies to all goods and services purchases and contracts to perform services on behalf of City (such as grant agreements); includes burdensome reporting (City and contractor) and web posting requirements                                                       |
| <b>OMC Chapter 2.23 (Sanctuary City Contracting and Investment Ordinance)</b>                                                           | Establishes prohibition on contracting with contractors that provide goods or services to the U.S. government for data collection or immigration detention facilities                                                                                                                                                                                                                                                          |
| <b>OMC Chapter 2.28 (Living Wage Ordinance)</b>                                                                                         | Establishes living wage requirements for paying employees of City service contractors and City Financial Assistance Recipients (CFARs)                                                                                                                                                                                                                                                                                         |
| <b>OMC Chapter 2.32 (Equal Benefits Ordinance)</b>                                                                                      | Establishes protections to prohibit discrimination in the provision of employee benefits by City contractors                                                                                                                                                                                                                                                                                                                   |
| <b>Ordinance No. 11478 (Nuclear Free Zone)</b>                                                                                          | Establishes various contracting prohibitions associated with companies defined as "nuclear weapons makers"<br>Initiative ordinance approved by Oakland voters with all but two provisions invalidated by a U.S. District Court                                                                                                                                                                                                 |

In addition to the local policies outlined in Table 2, the City must also comply with various state and federal requirements that apply to the purchase of goods, services, and public works construction.

Given the number of Council-adopted policies, however well meaning, wholistically evaluating them for continued relevance and making appropriate modifications should be viewed by City leaders as a high

priority. That said, implementing changes will require a phased approach over time so that appropriate analysis can be conducted to validate (or not) the anecdotal evidence expressed by City staff and local businesses, and so that public policy implications can be meaningfully discussed with the City Council and community.

**Recommendation 1. Evaluate policies for continued relevance and make appropriate modifications.**

Attachment B includes suggested modifications.

**Oakland Municipal Code Chapter 2.04**

Chapter 2.04 of the municipal code specifically relates to the City's purchasing system for goods, services, and public works projects. While we believe this code chapter should be reviewed and refreshed (and have included suggested modifications in Attachment B), we specifically call out here that the City's formal solicitation threshold (where sealed bidding and advertising is required) is \$50,000, an amount significantly lower than the city administrator's contract award authority of \$250,000.

In our experience, these dollar values are closer together and often the same for consistency in application and efficiency. Additionally, the current solicitation threshold for sealed bidding when using federal grant money is \$250,000.<sup>7</sup> Increasing the existing formal threshold to an amount closer to the city administrator's contract award authority can facilitate throughput by using informal bidding methods, increasing efficiency.

**Recommendation 2. Increase the formal solicitation threshold for goods and services purchases.**

***Policy Compliance Concerns***

During our review, we learned that some purchasing and contracting policies are not consistently followed, resulting in unnecessary risk exposure. For example, many of the Council-adopted policies noted above include monitoring and reporting requirements that are not consistently occurring as specified (see Attachment B for relevant observations). Developing an inventory of these requirements can be used to help determine what policy modifications can be made to streamline reporting requirements.

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<sup>7</sup> When making purchases with federal grant funds, local agencies must use the more restrictive procurement policy requirements between the two entities.

**Recommendation 3. Develop an inventory of contracting monitoring and reporting requirements and frequencies.**

As another example, OMC Chapter 2.04 indicates that, when conducting informal bidding for purchases of goods or services up to \$50,000, the solicitation of three quotes is first required from “local-certified businesses,” but the requirement is not consistently followed or understood in the organization.<sup>8</sup>

Additionally (and anecdotally), vendors are sometimes allowed to provide services before contracts are in place for work anticipated to cost \$50,000 or less. City staff members also indicated that services are being provided by established/known vendors and/or without the necessary insurance coverages in place and other requirements met.<sup>9</sup>

**Recommendation 4. Ensure that existing purchasing and contracting policies are being followed.** This will necessarily include clear expectations from the city administrator to department directors on the importance of policy compliance.

In addition to items noted above, there is a lingering perception by staff members and local businesses that the City’s prompt payment ordinance is not consistently followed and that late payments to vendors are a common occurrence. Here, the City has adopted an ordinance that requires contractor/grantee payments to be made within 20 days of the receipt of an *accurate, undisputed* invoice, rather than the standard 30 days, and guarantees 10% “interest penalty” payments if the invoices are not paid on time, thereby creating administrative burdens and potentially unnecessary expenses (Attachment B includes suggested modifications).

The Finance Department has recently rolled out an accounts payable portal to facilitate invoice payment efficiency, but citywide adoption has not fully occurred, i.e., invoices are still being sent by U.S. mail or email

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<sup>8</sup> The requirement itself applies to businesses certified under the City’s Local and Small Local Business (L/SLBE) program and appears in the “definitions” section of the municipal code and not as a separate provision in the information solicitation section, which is inconsistent with best practice.

<sup>9</sup> Data are not available for verification, but it is commonly understood to be a routine occurrence. Finance Department staff believe, and we concur, the incidence is much higher for contracts associated with grants rather than general or profession services. However, allowing vendors to provide services in this manner is inconsistent with best practice and elevates the level of risk exposure.

that may go directly to departments, creating a time lag for processing. The City also receives a substantial number of inaccurate invoices, which lengthens the time to payment. In any event, the perception of late payments will persist until tangible results are demonstrated.

**Recommendation 5. Conduct sampling analysis to assess the frequency of late payments and associated costs.** Information learned can be used to help address ongoing perceptions and/or inform potential policy changes.

**Recommendation 6. Develop performance metrics for increased use of the accounts payable portal and making prompt payments and monitor progress.**

### ***Purchasing Policy and Procedures Manual***

The Purchasing Division owns and maintains a “purchasing manual” with the stated purpose of serving “as a companion to the OCM Chapter 2.04 – Purchasing System.” The manual was last updated in 2021 and currently sits as a draft document with limited distribution. A cursory review of the document revealed inconsistencies, missing items, and areas lacking clarity that can impact efficiency and effectiveness of the procurement system, briefly noted in Table 3.

*Table 3. Purchasing Manual Inconsistencies*

| Noted Items                                                                                                                                                                                                         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. The document was last revised in September 2021 but is still marked as “draft.”                                                                                                                                  |
| 2. The manual states in a Frequently Asked Questions (FAQ) section that a minimum of three quotes must be <i>obtained</i> , rather than <i>solicited</i> as codified in OMC chapter 2.04.                           |
| 3. The federal procurement standards contained in the Code of Federal Regulations are not incorporated in the manual (2 CFR 200.318 to 327).                                                                        |
| 4. No guidance or reference information is provided on complying with the California Department of Industrial Relations (DIR) contractor registration program for prevailing wage compliance.                       |
| 5. The manual does not contain instructions on how to apply the 2.5% local vendor preferences established in OMC section 2.04.020.                                                                                  |
| 6. The manual does not adequately explain the differences between general and professional services and how solicitation requirements may apply (or differ).                                                        |
| 7. Clarity is needed to explain the differences between best value and lowest bid procurement and how to determine which method applies to a given purchase.                                                        |
| 8. Of the many Council-adopted purchasing and contracting-related policies (in addition to OMC chapter 2.04), only passing references are made without any explanatory detail or monitoring/reporting requirements. |
| 9. Information on the City’s L/SLBE program and equity outcomes is notably absent.                                                                                                                                  |
| 10. It is unclear whether the environmentally preferable purchasing provisions required by the passage of Senate Bill (SB) 1383 are incorporated or being followed.                                                 |
| 11. The manual includes invoice payment terms that appear to conflict with OMC chapter 2.06 (prompt payment).                                                                                                       |

| Noted Items                                                                                                                       |
|-----------------------------------------------------------------------------------------------------------------------------------|
| 12. The manual lacks key details on insurance requirements (and the importance thereof) and the importance of limiting liability. |

The items listed above are meant to highlight examples of inconsistencies noted from a cursory review. A comprehensive review would likely identify other areas that should be addressed.

**Recommendation 7. Update the purchasing manual for clarity, consistency, completeness, and to reflect best practices.**

### ***Contracting Schedule and Form Requirements***

The City's contracting requirements and associated forms are many and complex, difficult to access and understand, and overly burdensome for the business community and staff members. The City's website includes a page titled "Schedules, Contracts, and Compliance Forms" that lists 44 different contract-related items. Among these are approximately 20 schedules related to various Council or other policies/laws that contractors must fill out and submit during the contract preparation phase.<sup>10</sup>

Although the City requires the schedules to be completed and submitted to help verify contractors are policy compliant, compliance efforts are focused mainly on infrastructure-related contracts and not on goods or services contracts resulting from informal solicitations (up to \$50,000) discussed in greater detail below.<sup>11</sup>

A combination of the sheer number of forms and schedules; difficulties accessing/understanding the requirements; absence of compliance monitoring associated with goods and services purchases up to \$50,000; length of time to establish contracts; and stated desires by staff and small businesses to simplify contracting procedures *clearly* indicate the need for streamlining to improve contracting efficiency, effectiveness, and equity.

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<sup>10</sup> The webpage itself is difficult to find, requiring several mouse clicks from the City's landing page to access. Though each item is identified by name, there is no basic instruction on who must fill out a given form or why it may be required.

<sup>11</sup> The City's L/SLBE program does not apply to goods and services purchases below \$50,000, but OMC Chapter 2.04 requires soliciting quotes from certified local businesses, albeit indirectly by including the solicitation requirement in the definitions section. The solicitation requirement is also included in the purchasing manual. Additionally, certain wage provisions apply to goods and services contracts greater than \$25,000.

A practical way to accomplish this, especially as it relates to contracting with small local businesses, is to reduce the number of contract forms/schedules required and include compliance requirements in the contractual terms and conditions.<sup>12</sup> Changes can be piloted with goods and/or services contracts associated with informal solicitations with broader applicability based on achieved results.

**Recommendation 8. Replace contract schedules with contractual terms and conditions wherever feasible.**

A significant source of confusion and frustration associated with contracting requirements is insurance coverage. While necessary and important for protecting the City from liability, opportunities are apparent to modify requirements and procedures.

Currently, the Risk Management Division reviews the scope of work of each service contract to determine whether/what insurance may be required, which is time consuming and may be more risk averse than necessary.

For example, it was noted during the process mapping sessions that some forms of insurance coverage are required such as auto and workers' compensation for offsite service providers who are not working on City property or delivering a product that would require professional liability insurance. In these instances, Risk Management requires insurance coverage in case the employees of a company are injured while performing duties associated with a City contract. However, the City's indemnity-related contractual terms and conditions should suffice without having to require insurance certificates/policy endorsements.

Baker Tilly requested liability claims information to help determine whether such data would help support process modifications, but the information was not provided. At any rate, there was consensus during the mapping sessions that streamlining in this area is needed and desired.

**Recommendation 9. Evaluate the insurance coverage verification process and make necessary modifications.**

Our Implementation Action Plan will include suggested priority focus areas.

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<sup>12</sup> The City has made progress on streamlining/combining contract schedules, but this sidesteps the underlying need to make key policy modifications and reduce "red tape" to gain efficiencies and increase contracting opportunities for small local businesses.

## ***Contract Database Management***

During our review, we learned that the City lacks a central database for tracking awarded contracts and it is commonly understood by staff members throughout the organization that a solution is needed. In the absence of a central database, the Finance Department pulls “contract purchase order” data from the financial system that is used to prepare an annual report for public disclosure on the number of contracts awarded under the city administrator’s authority, which is cumbersome and time intensive.<sup>13</sup>

Additionally, several different systems/processes are used throughout the procure-to-pay cycle, including:

- Separate systems for accessing information on bids and proposals: one for capital improvement-related projects and one for all other contracting opportunities (which we observed to include capital improvement-related contracts).
- Separate in-house solutions for contract work orders and invoice processing where system functionality exists and could be leveraged for better purchasing and contracting efficiency.<sup>14</sup>
- The City currently is not using an automated insurance compliance tracking system.
- Once a contract is approved and signed (through a separate routing system), a requisition must be submitted through the financial system so a purchase order can be created.

Due to the disparate nature of current systems in use and the resources needed to implement improvements, a phased approach will be needed to coordinate interdepartmental efforts to centralize the tracking of contracts and streamline the procure-to-pay workflow (which would include procurement planning and collaboration functionality for

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<sup>13</sup> Each signed contract should be accompanied by a contract purchase order (CPO). However, sometimes “standard purchase orders” (SPOs) are issued with signed contracts, including those contracts that were approved after services were provided. When SPOs are issued instead of CPOs, information on the approved contracts may not get included in the annual report to Council, creating a potential transparency issue.

<sup>14</sup> The City uses *iSupplier* for its vendor database, which is part of its financial system solution and includes invoice payment functionality that is not currently being used; future use is under discussion. Additionally, financial system functionality can be leveraged to enter purchase requests earlier in the workflow that would obviate the need for a work order system.

preparing solicitation documents and contracts). This approach would necessarily begin with the development of a phasing and funding plan, followed by the implementation of a central contracts database and an automated, enterprise-wide insurance compliance tracking system.

Streamlining the procure-to-pay workflow, including implementation of a central contracts database (and establishing one point of ownership), will create synergies throughout the cycle and will improve the overall system efficiency and effectiveness by facilitating ease of tracking and reporting, and enhancing the ability to conduct spend analysis.

**Recommendation 10. Develop a phasing/funding plan to streamline the procure-to-pay workflow.**

**Recommendation 11. Create a central contracts database for cataloging, analyzing, and reporting on awarded contracts.<sup>15</sup>**

**Recommendation 12. Implement an enterprise-wide insurance compliance tracking system solution.**

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<sup>15</sup> Creation of a central contracts database will require assigning a single point of ownership for system management, which is typically the City Clerk's Office or Purchasing. Ownership should be considered in context with the organizational structural changes discussed in the following section of this report.

## Purchasing and Contracting Functions/Organizational Structure

This section of the report assesses the organizational hierarchy of the City's purchasing and contracting functions and the decentralized and disparate nature of the current system organizational structure.

### ***Purchasing Function Hierarchy***

Although purchasing is considered a core finance function, it is often not treated as such in many local organizations. In agencies with decentralized procurement functions, the Purchasing Division is often viewed as a payment facilitator/processor rather than a strategic, value-added partner.

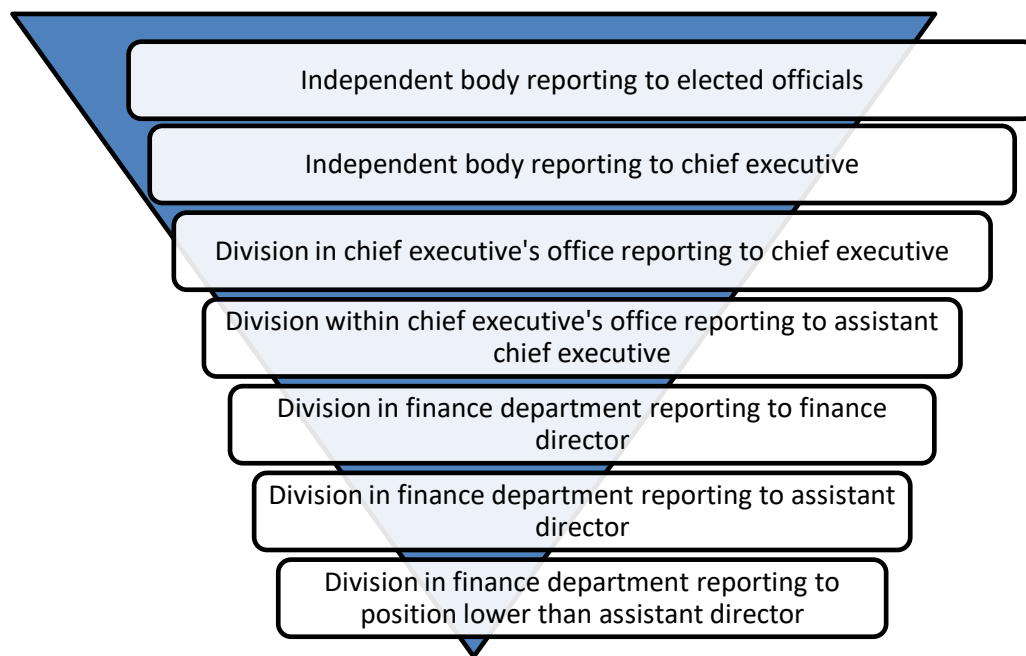
To help illustrate this point, Figure 1 shows the hierarchy of placement of the procurement function from a best practices perspective. At the top of the hierarchy, the procurement function is an independent body whose lead reports directly to elected officials. At the bottom of the hierarchy, the procurement function's lead reports to a position lower than an assistant director.

In Oakland, the Purchasing Division resides in the Controller's Bureau within the Finance Department. In this structure, the purchasing manager is at least three levels removed from the city administrator, indicating that the division is near the bottom of the hierarchy. In our experience, local agencies whose procurement/contracting functions lack presence and hierarchical stature tend to be less efficient and effective than their counterparts with elevated structures.<sup>16</sup>

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<sup>16</sup> Procurement systems residing closer to the top of the best practice hierarchy are more likely to provide centralized oversight over the full range of agency purchases, are better positioned to gain policy and procedural compliance, and have higher levels of interdepartmental cooperation. Additionally, such systems are better positioned and resourced for conducting procurements from a more strategic perspective, which results in better overall value in exchange for public funds.

Figure 1. *Best Practice Hierarchy of Agency Placement of the Procurement Function*<sup>17</sup>



Another example of the purchasing function's relative stature/visibility is the fact that there is no mention of the division on the Finance Department's homepage, nor does the division have a homepage (addressed in greater detail below). And, as noted, creating a central purchasing bureau and elevating it in the organizational hierarchy was a common interview theme.<sup>18</sup>

**Recommendation 13. Establish a Purchasing Bureau and staff it with a chief procurement officer reporting to the finance director.**

<sup>17</sup> The best practice hierarchy is based on the 2000 American Bar Association (ABA) Model Procurement Code and is discussed in the National Institute of Governmental Purchasing's (NIGP: The Institute for Public Procurement) Global Procurement Best Practices: [The Place of Public Procurement within the Entity](#). Though the top level of the hierarchy places the procurement function as an independent body with a chief procurement official reporting directly to the governing body, this standard/structure is not common. The second tier where the chief procurement official reports to an agency's chief executive officer as a "C-level" position is a more typical "top tier" scenario.

<sup>18</sup> The City's risk management function is similarly situated in the Human Resources Department.

## ***Purchasing and Contracting Roles and Responsibilities***

The responsibility for procuring goods, services, and public works construction contracts is distributed across multiple departments, divisions, and work units with little internal cohesion, consistency, or singular ownership. This decentralized/disparate structure causes role confusion for staff members and prospective bidders and contributes to contracting inefficiencies. The following examples help to highlight these observations.

- The purchasing ordinance applies to all City purchases including goods, general services, professional services, and public works construction, with administrative policy ownership assigned to the Purchasing Division.

However, the Purchasing Division is only responsible for the purchase of goods and general services, excluding information technology purchases, while the Contract Administration Unit is responsible for assisting City departments with professional services procurements and contracts and information technology-related purchases.

- The Capital Contracts Division of the Public Works Department is responsible for design and construction contracting for the Public Works Department (OPW) and the Department of Transportation (OakDOT), mainly for capital improvements exceeding \$250,000, without clarity of ownership for bidding construction-related work less than this amount.
- Project managers or other staff members within departments are responsible for drafting contracts, ensuring vendor forms/schedules are completed, obtaining insurance certificates/verifying coverage, and coordinating business license certification (administrative tasks are typically performed by purchasing in more centralized structures).

However, the responsibility for ensuring that contracts are executed resides with the Contract Administration Unit.

- Contract packages sent to the Contract Administration Unit for execution are typically incomplete and require back and forth with project managers to ensure all necessary contracting requirements are met, which is time consuming and inefficient.

To address these structural and procedural inconsistencies, the City could benefit from restructuring its approach to the purchasing and contracting functions through a greater degree of unification in organizational structure and centralization for certain procurement-related tasks.

For example, having separate work units be responsible for only certain types of purchases, i.e., goods and general services by the Purchasing Division and professional services and IT purchases by the Contract Administration Unit, does not promote cohesion/collaboration, and limits cross-pollination and career growth opportunities.

Separating purchase types by work unit can also contribute to inefficiency, especially if the purchase category is not immediately apparent. For example, analysis is routinely required to determine if a given service should be categorized as *general* or *professional*, for which different requirements apply. Making a determination within a division or unit is a more efficient use of resources than having two units separately evaluate the issue that could increase the time for deliberation.<sup>19</sup>

**Recommendation 14. Eliminate the distinction between purchasing and contract administration functions to unify the division's purpose and consolidate procurement responsibilities.** Within this structure, all members of the division would have opportunities to conduct a broader range of procurements.

Absent from the current workflow performed by the Contract Administration Unit are the administrative tasks currently performed by departmental project managers or other staff members such as confirmation of form submittals, ensuring valid insurance certificates are received, and coordinating business license certification. Such tasks are commonly performed by purchasing staff in more centralized structures.

Incorporating these tasks under the purchasing umbrella would consolidate points of contact with the business community, lessen confusion about roles and responsibilities, and provide department managers with more focus time for project delivery.

**Recommendation 15. Assign procurement-related tasks currently performed by project managers to the Purchasing Division.**

Implementation of Recommendation 15 will require staffing and structural changes to ensure workload balance and contracting efficiency. One option currently available to the Finance Department is the recent

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<sup>19</sup> As procurement and contract administration functions are consolidated and staff members are provided opportunities to conduct a broader range of procurements and procurement functions, it will become necessary to evaluate and update job classifications.

addition of four management assistant positions, some of whom can provide purchasing guidance to City departments. The Finance Department also anticipates adding a contract supervisor in the near future.

Some agencies establish formal purchasing liaison programs with staff members in departments/divisions dedicated only to purchasing-related tasks. Other options include establishing/embedding buyers within departments who report to purchasing or creating new positions in Purchasing.<sup>20</sup>

**Recommendation 16. Implement necessary staffing and structural alignments to facilitate purchasing and contracting workflow efficiency.** Implementation of this recommendation will require staffing and workload analysis.

Over the longer term, City leaders may wish to consider further consolidating/centralizing procurement functions, with appropriate resource alignments. Such efforts could include the following:

- Further elevating the purchasing function to report to the City Administrator's Office and take on additional procurement-related duties.
- Assisting with public works construction-related bidding.
- Shifting procurement risk management to the Purchasing Bureau.
- Evaluating and implementing synergies between DWES and the Economic and Workforce Development Department (EWD).

**Recommendation 17. Evaluate and implement longer-term structural changes to further streamline purchasing functions.**

### ***Information on Doing Business with the City***

Information about doing business with the City of Oakland is in a confusing array of places on the City's website, which makes it difficult to drill down quickly and easily to purchasing and contracting requirements, as noted in the following examples:

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<sup>20</sup> These potential solutions will require additional resources, but enterprise funding opportunities could be evaluated to lessen impact to the General Fund.

- On some pages, multiple links on the same page take the viewer to the same location and, in some cases, the links are worded differently.
- Information on open solicitations is available to the public on two lists meant to separate public works-related solicitations from “all other contracting opportunities.” However, public works-related solicitations appear on the “all other contracting opportunities” list.
- The City’s open solicitations (included on the two separate lists) can be accessed from five different pages including the main homepage and the landing pages for DWES, Finance, OakDOT, and Public Works. However, only the main homepage provides any indication of available contracting opportunities (the DWES landing page has a link to contracting opportunities but only for the “all other contracting opportunities” list).<sup>21</sup>
- The only way to access information about the Purchasing Division (a place where many businesses look first for bidding opportunities) is to click on a “Sell to the City” link which opens a five-page PDF document with a summary of requirements, contact information for the City’s buyers (but not the purchasing supervisor), or from a “Sign up with iSupplier” link where one can link to the same PDF document.
- Linkable information on the City’s many contracting requirements/forms/schedules is available from the Contract Administration Unit link from the Finance Department’s landing page, but a viewer must understand the organizational structure to look there. Links to the requirements/forms/schedules are accessible from DWES’ landing page, but similarly, someone trying to access the information needs to know where to look for it.

Figure 2 helps to further illustrate the challenges prospective bidders encounter when attempting to access business opportunities. As the

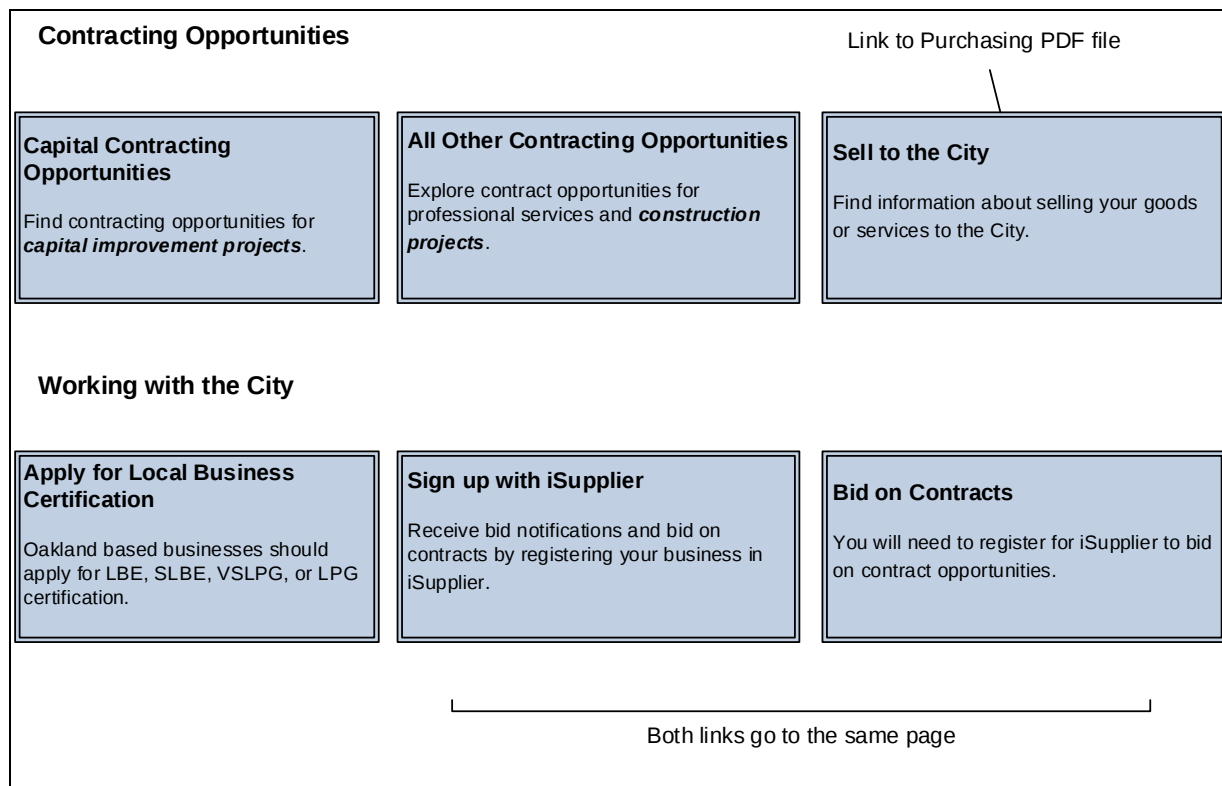
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<sup>21</sup> From the Finance Department’s landing page, a viewer must click on “Contract Administration Unit” or “iSupplier” to access the “all other contracting opportunities” list. Similarly, a viewer must click on the “Capital Contracts Division” link from the Public Works or OakDOT landing pages to access the public works-related bids and proposals. While there are multiple link options to get to each list, viewers must understand the City’s organizational structures and divisions of purchasing and contracting responsibilities to access contracting opportunities of interest.

figure illustrates, there are two headings: one for “Contracting Opportunities” and one for “Working with the City.” Underneath the first header are three boxes, indicating in sequence: “Capital Contracting Opportunities,” “All Other Contracting Opportunities,” and “Sell to the City.”

Note that the capital contracting and all other contracting opportunities boxes both include apparent references to bidding on construction projects (with emphasis added). Note also that the “Sign up with iSupplier” and “Bid on Contracts” boxes take the prospect to the same location.

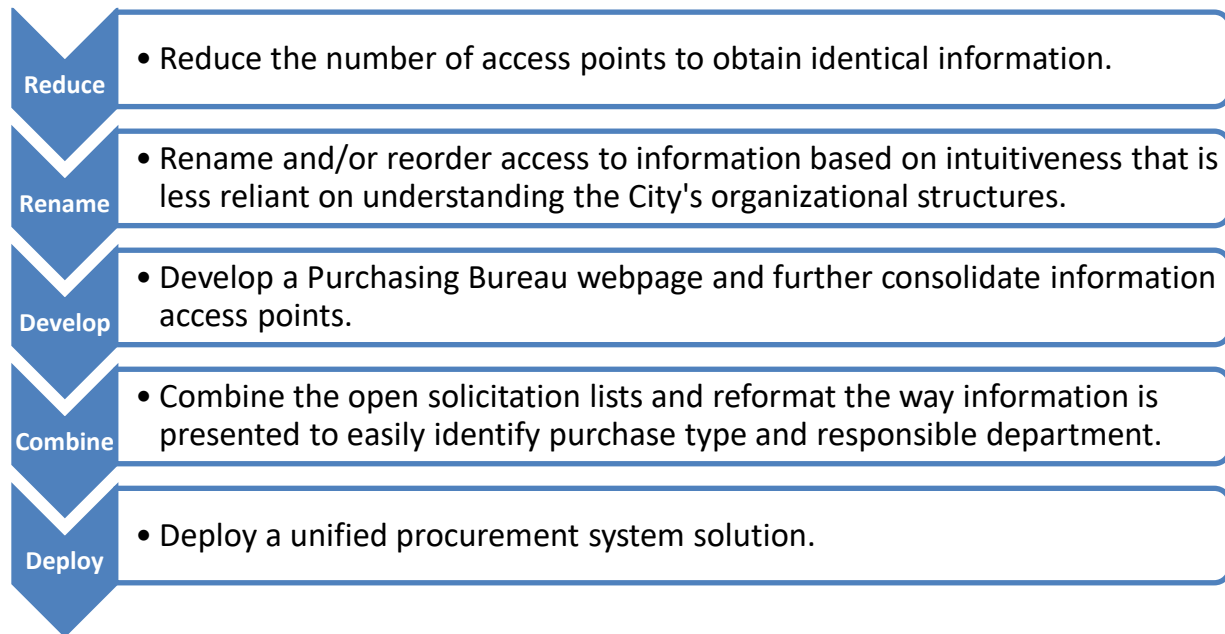
Figure 2. Representation of the City’s Landing Page for Contracting and Funding Opportunities



It should be noted that the landing page also includes a header for “Other Funding Opportunities” that includes a box link to the “Capital Contracts Division,” which contains helpful explanatory information on the types of construction-related contracts the City awards. However, the placement of the link is at the bottom of the page below “Grant Opportunities” and beside links for information on homeless housing and real estate development opportunities.

To simplify and streamline the way information is provided for City business opportunities, a phased approach with progressive steps could be implemented, as shown in Figure 3.

Figure 3. *Progressive Steps to Streamline Web-based Information on City Business Opportunities*



**Recommendation 18. Develop and implement a phasing plan to consolidate, re-brand, and streamline procurement-related information on the City's website.**

### ***Comprehensive Training***

The multiplicity of policies and oversight responsibilities has resulted in considerable role confusion throughout the organization as well as difficulties by some members of the business community in understanding how to access information, who to contact, or how to submit bids.<sup>22</sup> In particular, project managers who play substantial roles

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<sup>22</sup> In conjunction with our information gathering efforts, the City provided Baker Tilly with summary results of a 2021 survey of local small businesses. The Contracting Equity section of our report includes summary analysis of the survey results.

in purchasing and contracting processes do not understand or are unaware of the City’s many requirements.<sup>23</sup>

As mentioned, the responsibility for procuring goods, services, and public works construction is distributed across multiple departments in decentralized fashion. Training may occur in one area of the procurement spectrum, but its focus is limited, i.e., DWES may conduct training that focuses on labor standards and business inclusion while Risk Management’s training is specific to insurance requirements.<sup>24</sup> These focused sessions are necessary, especially given the current decentralized structure of the procurement function.

In our experience, procurement training programs are most effective when they incorporate multiple components with varied complexities/frequencies, include collaboration with key process stakeholders, are recorded so that a wide audience can be reached, and include a satisfaction survey component for continuous improvement. Table 4 provides a summary structure of a comprehensive procurement training program.

*Table 4. Comprehensive Internal Procurement Training Program Structure*

| Training Type              | Description                                                                                                                                                                                                                                      | Minimum Frequency                   | Key Process Stakeholders                                                                               |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|--------------------------------------------------------------------------------------------------------|
| <b>Purchasing “Basics”</b> | Facilitated at new employee training orientation sessions<br>Provides brief overview of purchasing and contracting functions                                                                                                                     | Quarterly or as conducted by agency | Purchasing, Risk Management, City Attorney, Compliance, Equity                                         |
| <b>Purchasing “Basics”</b> | Periodic session more in-depth than new employee orientation<br>Covers overview of purchasing and contracting policies and procedures, organizational structure, basic automated systems overview, and changes in the law since previous session | Annually                            | Purchasing, Risk Management, City Attorney, Compliance, Equity<br>Could include construction component |
| <b>Segment Specific</b>    | Covers specific areas of the procurement function such as conducting competitive solicitations, labor standards and business inclusion,                                                                                                          | Semi-annually or as needed          | Purchasing, applicable subject matter experts in other departments                                     |

<sup>23</sup> The desire and need for more training was a common interview theme reinforced during the process mapping sessions.

<sup>24</sup> It is unclear when the Purchasing Division last offered a training session that focused specifically on procuring goods and general services (the division’s main area of responsibility).

| Training Type                         | Description                                                                                       | Minimum Frequency | Key Process Stakeholders                                           |
|---------------------------------------|---------------------------------------------------------------------------------------------------|-------------------|--------------------------------------------------------------------|
|                                       | contracting equity, procurement risk management, etc.                                             |                   |                                                                    |
| <b>Systems Specific</b>               | Covers automated systems functionality and requirements                                           | As needed         | Purchasing, systems administrators/power users                     |
| <b>Department-Specific "Roadshow"</b> | Provides targeted training as required by a department or division or as directed by City leaders | As needed         | Purchasing, applicable subject matter experts in other departments |

**Recommendation 19. Develop and deploy a comprehensive, coordinated procurement training program.**

From a best practices perspective, it is equally important to engage the vendor community to obtain feedback on working with the City and to provide information about potential business opportunities. The following report section on Contracting Equity covers vendor outreach.

## Contracting Equity

As noted, our work scope included a contracting equity component as part of the City's overall goal to increase the number of contracts awarded to local and small local minority- and women-owned businesses located in Oakland. The observations and recommendations in this report section specifically focus on this goal.<sup>25</sup>

### ***City Equity Commitment***

OMC Section 2.29.170 establishes the City's Department of Race and Equity (DRE), and specifies that the City "will intentionally integrate, on a Citywide basis, the principle of 'fair and just' in all the City does to achieve equitable opportunities for all people and communities."

The City's commitment to equity is rooted in a vision to "maintain Oakland's diversity and create a city where racial disparities have been eliminated and racial equity has been achieved."

To date, efforts to improve equity following the release of the 2020 disparity study have largely focused on construction contracting and subcontracting, but City leaders recognize that current programs must be expanded to achieve the most meaningful results.

### ***Consideration of Equity Outcomes***

At the outset of our engagement, the Baker Tilly project team and City staff members attended a racial equity workshop facilitated by the director of the Department of Race and Equity (DRE). The overall purpose of the workshop was to ensure that participants understood the importance of including equity considerations in City contracting procedures.

Equity outcomes were discussed at the DRE workshop and refined for consideration at the second process mapping session. The refined set of

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<sup>25</sup> It should be noted that the observations and recommendations for improvement contained elsewhere in this report will have a positive impact on driving equity.

equity outcomes, provided in advance to the process mapping participants, include the following considerations:

- Robust and growing participation of disproportionately underrepresented businesses in City contracting opportunities.
- Policies/procedures/organization structures resulting in easy-to-understand requirements and access to contracting opportunities.
- Contracts and associated payments processed in a time-efficient and fiscally cost-effective manner.
- Improved automation and technology solutions that facilitate contracting efficiency and equity and results monitoring for continuous improvement.

Process mapping session participants agreed that improvements in contracting efficiency would have a corresponding impact on reducing contracting disparities. Interestingly and telling, most session participants were unaware of DWES' outreach efforts to the Oakland business community to address contracting disparities, which suggests that greater communication to and broader participation by internal process stakeholders is needed, addressed more fully below.

### ***Policy and Procedural Requirements***

The City's abundance of policy and procedural requirements, however well meaning, have created unintended barriers to contracting equity and resulted in substantial compliance and enforcement challenges, exacerbated by inconsistent policy application.

For example, DWES is responsible for monitoring/enforcing policies related to labor standards and business inclusion and administers the City's L/SLBE program. However, compliance efforts are largely focused on larger construction projects by program design, not goods or services purchases below \$50,000.<sup>26</sup>

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<sup>26</sup> DWES was established as a new department established in 2020 to help address citywide worker protection measures passed by Oakland voters in 2015 and 2019. DWES' initial/primary compliance focus on larger capital construction projects was necessary to address contracting disparities identified in the 2020 disparity study. Efforts to expand compliance to goods and services purchases under \$50,000 are currently under consideration.

A complicating factor is that the City's equal benefits ordinance applies to *goods and services* purchases of \$25,000 or more and the living wage ordinance applies to *services* purchases of \$25,000 or more.

**Recommendation 20. Evaluate labor standards and business inclusion policy and program requirements for consistency and uniformity and make necessary modifications.**

Though the City's L/SLBE program does not apply to goods or services purchases under \$50,000, OMC Chapter 2.04 includes a requirement that staff must *first* solicit quotes from local certified businesses for goods and services purchases *up to* \$50,000 (informal solicitations). Aside from creating confusion on policy application, the municipal code requirement is not consistently followed or understood in the organization.

Additionally, the City's *only* identifiable policy provision related to the informal solicitation of quotes from local certified businesses is included as a *parenthetical reference* in the code chapter's definition of "informal bidding, solicitation or proposals/qualifications" (section 2.04.010), which is not an effective way of establishing a business inclusion requirement.

**Recommendation 21. Modify OMC Chapter 2.04 to clarify and strengthen informal solicitation requirements as they apply to local certified businesses.**

**Alternative Policy and Procedural Considerations**

As City leaders consider overall modifications to Council- and voter-approved contracting policies, attention should be given to establishing alternative policy and/or procedural requirements or programs for small businesses.

For example, the city administrator can waive the solicitation process for professional services contracts up to \$50,000 with appropriate justification/documentation, which is common in many cities (that could increase if the City implements Recommendation 2 to increase the formal solicitation threshold). However, the waiver process is not specifically considered for local or small local certified businesses.

The City could adopt a pilot program that allows solicitation waivers and/or rotational contracts for small local businesses certified through the L/SLBE program. Extension of the pilot program could be based on demonstrated/progressive improvements in contracting equity. With

policy modifications, the program could be applied to goods and general services.<sup>27</sup>

**Recommendation 22. Establish rotation and/or waiver program for sourcing goods and services contracts to local/small local businesses.**

### ***Contractor Survey Summary Results***

The City deployed a survey in 2021 to its small business community to better understand the reasons for race and gender disparities in city contracting. Baker Tilly was provided with the data during the engagement and was asked by the City to review it in conjunction with our assessment. In total, 209 businesses responded to the survey, which represents approximately one percent of Oakland's small businesses.<sup>28</sup>

Key data points from survey respondents include the following:

- 86% reported annual revenues of \$1,000,000 or less.
- 85% indicated that they employ between zero and ten people (small business), similar to the percentage cited by DRE.
- More than two-thirds (71%) were associated with minority groups.
- Nearly 60% identified their majority owner as a woman, which is 20 percentage points higher than the number of woman-owned businesses currently certified through the City's L/SLBE program.
- 71% indicated that they provide goods or services unrelated to public works construction, which is an area where an expanded equity focus is desired.
- Only 22% indicated they heard about City contracts through the City's website, atypical in our experience.
- Though 85% identified as a small business, less than half (47%) reported that they held local/small business certifications.

When asked about support needed to successfully bid on City contracts, responding participants indicated the following items in rank order:

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<sup>27</sup> Such programs must be offered to all local businesses so that race neutrality is maintained.

<sup>28</sup> The first nine of the 25 survey questions were answered by all respondents, which included identifying information such as annual revenue, number of employees, and race and gender of majority ownership. The remaining questions, which focused on business specific information and city contracting opportunities and barriers thereto were answered by an average of 115 respondents, or 55%.

1. Mentorship from an established company
2. Technical assistance
3. Capital investment
4. Bonding assistance
5. Insurance assistance

It should be noted that nearly half of the respondents (48%) chose “Other” as a response to this question (Baker Tilly did not have access to data to determine what other forms of support are desired).

The survey also included opportunities for respondents to provide written comments. When asked to identify the barriers they face bidding for City contracts, the three major concerns raised by most respondents were:

- A lack of information on contracting opportunities
- Having to bid against larger companies
- Difficulty navigating City bureaucracy and its slow processes

Respondents also provided comments on challenges becoming certified under the City’s L/SLBE program. It is evident that respondents feel there are various obstacles and concerns related to bidding for City contracts in Oakland, and addressing these issues could potentially make the process more inclusive and accessible for a broader range of businesses. The responses also suggest a need for improved communication, transparency, and support for potential bidders.

When asked how the City could better support local businesses and address the challenges they face (including high operating costs such as rent, insurance, and wages), one of the most often cited opportunities was *preferential sourcing*. Other opportunities mentioned were improving communication and outreach and simplifying the bidding process.

### ***Analysis of City Business Data***

As indicated, approximately 1.2% of the 21,000 small businesses in Oakland, only 261 (or about 1.2%) are certified through the City’s Local/Small Local Business Enterprise (L/SLBE) program.

Though detailed analysis of the City’s business data was not part of our project scope, and the City was unable to share details such as business name, gross receipts or the number of employees (due to privacy concerns), we were asked to evaluate opportunities to identify businesses by their North American Industry Classification System (NAICS) codes that could be used to increase the number of certified businesses through targeted outreach.

Table 5 shows a small sample of current L/SLBE program certificants by NAICS code designation(s), as compared to the number of similarly designated businesses citywide as identified in the business license database.

*Table 5. L/SLBE Program Certificants Compared to Citywide Business*

| NAICS Designation(s)                                   | Female L/SLBE | Male L/SLBE | Nonwhite L/SLBE | White L/SLBE | Total L/SLBE | Total Citywide | Percentage L/SLBE to Citywide |
|--------------------------------------------------------|---------------|-------------|-----------------|--------------|--------------|----------------|-------------------------------|
| Sign and miscellaneous manufacturing                   | 0             | 2           | 0               | 2            | 2            | 167            | 1.20%                         |
| Equipment and materials wholesalers                    | 0             | 3           | 0               | 3            | 3            | 433            | 0.69%                         |
| Graphic and interior designers                         | 2             | 4           | 2               | 4            | 6            | 302            | 1.99%                         |
| Computer systems design                                | 0             | 1           | 0               | 1            | 1            | 197            | 0.51%                         |
| Other professional, scientific, and technical services | 2             | 3           | 2               | 3            | 5            | 992            | 0.50%                         |
| Services to buildings, dwellings, landscapes           | 0             | 1           | 1               | 0            | 1            | 897            | 0.11%                         |
| Performing arts                                        | 1             | 0           | 1               | 0            | 1            | 272            | 0.37%                         |
| <b>TOTAL</b>                                           | <b>5</b>      | <b>14</b>   | <b>6</b>        | <b>13</b>    | <b>19</b>    | <b>3,260</b>   | <b>0.58%</b>                  |

We note the following comparative observations:

- Among the City's certified businesses within the NAICS code designations shown, only 5 of 19 are women-owned (26%), and more than two-thirds are white (68%).
- Four of the seven NAICS code designations contain no certified women-owned business.
- There are 3,260 total citywide businesses within the NAICS code designations cited, but only 0.58% are registered through the L/SLBE program.
- Though nearly 900 businesses in the city provide building/landscape maintenance, only one has been certified, or 0.11% of the total in this category.

The observations provided above are meant to illustrate that the City has current data points that can be analyzed in greater depth to evaluate potential areas to target for outreach to increase the number of certified businesses.

For example, there are no women- or minority-owned businesses currently certified in the NAICS categories of sign and miscellaneous

manufacturing, equipment and materials wholesalers, and computer systems design. Additionally, these business categories represent nearly 800 total City businesses, of which an average of 0.80% are certified.

By contrast, the City has certified more than 57 of the 501 businesses designated as architectural, engineering, and related services which are typically associated with public works projects, i.e., a focus area of the City. The 57 registered businesses represent an 11% share in this category. Of the 57 certified businesses, 41 are nonwhite- or women-owned (72%).

Given that 1.2% percent of the City's small businesses are certified through the L/SLBE program, increasing the number of certificants should be a City priority and will require expanding the current focus beyond public works construction contracting.<sup>29</sup> Examples of ways to facilitate participation in the L/SBLE program that can help drive equity include:

- Aligning certification requirements with other entities and/or allowing reciprocal certification from other governmental or quasi-governmental agencies (or otherwise modify requirements to facilitate ease of certification).
- Increasing the frequency of outreach and technical assistance events and ensuring broadening internal/external stakeholder participation for creating awareness on City requirements.
- Re-branding certification outreach events as one-stop shops and ensuring participants are certified as soon as possible after each event.
- Establishing certification kiosks and/or satellite offices in underutilized areas.
- Ensuring relevant small business data figures are collected and tracked, specifically initial contact with the City, certification status, and providing feedback for businesses that are not eligible.

**Recommendation 23. Increase the number of certified local and small local businesses.**

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<sup>29</sup> Currently, two DWES staff members administer the L/SLBE program. Our engagement does not include a staffing analysis to determine whether resources can be shifted within the department to focus on certification or if additional staffing is necessary.

## ***Draft Administrative Instruction on Equity in Contracting***

As part of our engagement, the City provided Baker Tilly with an internal discussion draft administrative instruction (AI) on equity in contracting. The stated purpose of the AI is to “provide strategies to increase participation of local businesses and small local businesses, Black-, Indigenous-, and people of color (BIPOC)-owned firms, and women-owned firms in City contracting.”

The draft AI discusses historical conditions that have resulted in persistent barriers to equitable access to business ownership and City contracting opportunities.<sup>30</sup> Contracting disparities, especially those associated with small local businesses, can be attributed to, or have resulted from the following:

- Awarding contracts that are too large for small businesses where women- and BIPOC-owned businesses are concentrated
- Overly complicated policy and procedural requirements
- High operating costs (including insurance)
- Reuse of incumbent vendors
- Use of multi-year on-call contracts
- Absence of rotational contracting programs

The draft AI includes several strategies and best practices to improve contracting equity in areas of providing information and resources, contract design and execution, auxiliary services, and oversight.<sup>31</sup>

### **Expanding Supplier Diversity**

The City has implemented many programs and techniques to improve contracting equity and increase supplier diversity.<sup>32</sup> While the focus has been on construction-related contracting, City leaders understand that

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<sup>30</sup> Such barriers in ownership result from a combination of overt discrimination, implicit bias, and entrenched systemic racism, examples of which are beyond the scope of our engagement.

<sup>31</sup> The limited scope of our review precludes extensive analysis of the City’s current/planned efforts to improve equity through the application of best practices. Overall, we concur with the strategies outlined in the draft AI and acknowledge them as best practices but note, again, that their application is geared toward construction contracting.

<sup>32</sup> An inclusive contracting update to the City Council dated June 28, 2023 provides a detailed summary of progress to date in the overall categories of outreach and networking, capacity building, contracting mechanisms, DWES compliance monitoring, and systems enhancements.

broader and deeper efforts are needed to increase participation of diverse local and small local businesses in contracting opportunities for goods and services purchases. The following list includes examples of ways to broaden and expand supplier diversity in City contracting:

- Increase technical assistance and capacity-building efforts, especially with access to capital, for minority-owned enterprises.<sup>33</sup>
- Establish a digital portal/one-stop shop for small businesses to obtain toolkits, training materials, translation services, and other relevant resources for obtaining City contracts.
- Improve procurement planning so that six- to twelve-month look-ahead forecasts can be provided to the business community, with an emphasis on aligning procurement opportunities with minority business skills, expertise, and NAICS codes.
- Expand small local business pre-qualification lists and use of appropriately justified solicitation waivers.
- Formalize the mentor protégé pilot program and broaden its application.
- Conduct supply chain continuity analysis to assess supplier diversity opportunities to help mitigate the effects of market disruptions.
- Simplify solicitation processes and requirements with an emphasis on increasing certified local and small local businesses.
- Engage a risk management consultant to assist with modifying insurance requirements.
- Strengthen community outreach/collaboration, technical assistance, and capacity-building efforts with diverse faith-based organizations, chambers of commerce business incubator programs, minority-serving business support organizations,

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<sup>33</sup> It should be noted that the “good jobs and vibrant economy” Council priority category of the City’s 2023 direct community grants eligibility list included more than \$2 million in funding requests from community firms that provide access to capital services to underrepresented groups. However, the only funding request approved in this category was approximately \$720,000 to the Construction Resource Center expansion project for mentoring black and Hispanic contractors on developing and submitting successful bids. We also note that California has been allocated \$1.2 billion dollars from the State Small Business Credit Initiative which makes loan guarantee, loan participation, and venture capital programs available for minority enterprises.

nonprofits, advocacy groups, etc., through a “community navigator model.”

- Cultivate equity champions/ambassadors inside and outside of the organization to promote business diversity efforts, specifically county, state, and regional public-private partnerships to ensure the cultivation of an equitable entrepreneurial ecosystem of support.
- Hold collaborative workshops that include all key process stakeholders to increase awareness of/ help navigate City contracting policies and procedures.
- Improve data collection/tracking and regularly conduct spend analysis for fact-based decision making around procurement planning and increased supplier diversity.
- Increase the frequency of business community surveys, town halls, and other forms of engagement to facilitate right-sizing technical assistance and capacity-building efforts in real time.

**Recommendation 24. Broaden supplier diversity efforts.**

## Conclusion

The disparate nature of the City's purchasing and contracting organizational policies, procedures, and organizational structures contributes to contracting inefficiencies and inequity. While the City has implemented many programs and procedures for improving contracting equity, efforts must be expanded and applied to small and very small businesses in the community that have been historically underrepresented.

Our actionable recommendations will help ensure that meaningful, sustainable efficiency and equity improvements to the purchasing and contracting functions are made. Once we receive your feedback on the draft report, we will finalize it and deliver our Implementation Action Plan to guide implementation steps in priority order.

## Attachment A – List of Recommendations

- Recommendation 1. Evaluate policies for continued relevance and make appropriate modifications.
- Recommendation 2. Increase the formal solicitation threshold for goods and services purchases.
- Recommendation 3. Develop an inventory of contracting monitoring and reporting requirements and frequencies.
- Recommendation 4. Ensure that existing purchasing and contracting policies are being followed.
- Recommendation 5. Conduct sampling analysis to assess the frequency of late payments and associated costs.
- Recommendation 6. Develop performance metrics for increased use of the accounts payable portal and making prompt payments and monitor progress.
- Recommendation 7. Update the purchasing manual for clarity, consistency, completeness, and to reflect best practices.
- Recommendation 8. Replace contract schedules with contractual terms and conditions wherever feasible.
- Recommendation 9. Evaluate the insurance coverage verification process and make necessary modifications.
- Recommendation 10. Develop a phasing/funding plan to streamline the procure-to-pay workflow.
- Recommendation 11. Create a central contracts database for cataloging, analyzing, and reporting on awarded contracts.
- Recommendation 12. Implement an enterprise-wide insurance compliance tracking system solution.
- Recommendation 13. Establish a Purchasing Bureau and staff it with a chief procurement officer reporting to the finance director.
- Recommendation 14. Eliminate the distinction between purchasing and contract administration functions to unify the division's purpose and consolidate procurement responsibilities.
- Recommendation 15. Assign procurement-related tasks currently performed by project managers to the Purchasing Division.
- Recommendation 16. Implement necessary staffing and structural alignments to facilitate purchasing and contracting workflow efficiency.
- Recommendation 17. Evaluate and implement longer-term structural changes to further streamline purchasing functions.
- Recommendation 18. Develop and implement a phasing plan to consolidate, re-brand, and streamline procurement-related information on the City's website.

Recommendation 19. Develop and deploy a comprehensive, coordinated procurement training program.

Recommendation 20. Evaluate labor standards and business inclusion policy and program requirements for consistency and uniformity and make necessary modifications.

Recommendation 21. Modify OMC Chapter 2.04 to clarify and strengthen informal solicitation requirements as they apply to local certified businesses.

Recommendation 22. Establish rotation and/or waiver program for sourcing goods and services contracts to local/small local businesses.

Recommendation 23. Increase the number of certified local and small local businesses.

Recommendation 24. Broaden supplier diversity efforts.

## Attachment B – Policy Impacts, Inefficiencies, and Suggested Modifications

| Policy/Description                                                   | Description/Key Requirements                                                                                                                                                                                                                                      | Impacts/Inefficiencies                                                                                                                                                                                                                                                                                                                                                                                                | Potential Modification(s)                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>City Charter Section 808 (Bids and Awards)</b>                    | Requires race and gender disparity study every two years                                                                                                                                                                                                          | <ul style="list-style-type: none"> <li>City is not in compliance with conducting the study every two years</li> </ul>                                                                                                                                                                                                                                                                                                 | <ul style="list-style-type: none"> <li>Charter amendment to redefine parameters for race and gender disparity studies</li> </ul>                                                                                                                                                                                                                                                                                                            |
| <b>Oakland Municipal Code (OMC) Chapter 2.04 (Purchasing System)</b> | Establishes the City's overall policies on bidding, contracting and purchasing goods, services and public works projects                                                                                                                                          | <ul style="list-style-type: none"> <li>Does not include provisions or provide sufficient detail on bid responsiveness; bonds (performance and payment) and insurance coverage requirements; conflicts of interest; delegation of purchasing/contracting authority; environmentally preferable purchasing; federal procurement standards required by the Code of Federal Regulations (2 CFR 200.318 to 326)</li> </ul> | <ul style="list-style-type: none"> <li>Conduct best practices review and make appropriate modifications</li> <li>Increase formal solicitation threshold for goods and services purchases (Recommendation 2)</li> <li>Clarify/strengthen informal solicitation requirements as they apply to local certified businesses (Recommendation 21)</li> </ul>                                                                                       |
| <b>OMC Chapter 2.06 (Prompt Payment)</b>                             | Establishes requirements for promptly paying contractors, grant recipients, and subcontractors, and penalties for non-compliance                                                                                                                                  | <ul style="list-style-type: none"> <li>Inserts City between contractors and their subcontractors that could require involvement in disputes and litigation</li> <li>Self imposes interest/penalty payments on City for non-compliance (most cities do not pay interest/penalties)</li> <li>Shortens the standard 30-day payment period to 20 days</li> </ul>                                                          | <ul style="list-style-type: none"> <li>Apply the ordinance specifically to public works construction contracts</li> <li>Assess the effectiveness of subcontractor dispute resolution process for potential reduction in City involvement</li> <li>Reevaluate necessity for the self-imposition of interest and penalty payments</li> <li>Establish a discount program to obtain vendor discounts in exchange for prompt payments</li> </ul> |
| <b>OMC Chapter 2.07 (Grant Award Approval)</b>                       | Establishes City Council authority to approve all grant awards, permissibility of "pay-go" grants designated by Council, and city manager reporting requirements                                                                                                  | <ul style="list-style-type: none"> <li>Applies to any City grantee and by reference to Chapter 2.04 establishes that <i>any</i> pay-go purchase (whether via grant or purchase of goods/services) is subject to <i>all</i> City contracting laws, programs, and policies</li> </ul>                                                                                                                                   | <ul style="list-style-type: none"> <li>Unlink contracting requirements for goods and services purchases from the community grant program, or at minimum narrow requirements for the latter</li> </ul>                                                                                                                                                                                                                                       |
| <b>OMC Chapter 2.12 (Debarment Program)</b>                          | Establishes broad conditions by which contractors can be disbarred from doing business with the City by engaging in prohibited activities; requires maintenance of an "excluded contractor list" of contractors debarred by "any local, state, or federal agency" | <ul style="list-style-type: none"> <li>Excluded contractor list cannot be located on City's website</li> <li>DWES webpage (last updated in 2021) includes link to the California Department of Industrial Relations (DIR) list of debarred contractors but the list falls significantly short of Oakland's requirements (includes only contractors debarred by the state)</li> </ul>                                  | <ul style="list-style-type: none"> <li>Modify ordinance provisions to narrow the requirements to ensure City compliance</li> </ul>                                                                                                                                                                                                                                                                                                          |

| Policy/Description                                                                                                                      | Description/Key Requirements                                                                                                                                                                                                                                                                                                                                  | Impacts/Inefficiencies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Potential Modification(s)                                                                                                                                                                                                                                        |
|-----------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>OMC Chapter 2.22 (City Prohibited from Doing Business with Federally Contracted Businesses Involved in Border Wall Construction)</b> | Directs city administrator to refrain from purchasing any goods or services from businesses that provide same to build the U.S.-Mexico border wall; broadly applies to all goods and services purchases and contracts to perform services on behalf of City (such as grant agreements); includes reporting (City and contractor) and web posting requirements | <ul style="list-style-type: none"> <li>Includes administratively burdensome reporting requirements; twice per year update requirement not currently followed</li> <li>Current list is deficient (U.S. Customs and Border Protection website identifies at least two additional firms not included on City's list)</li> <li>Requires contractors/vendors to submit declaration of compliance with <i>every</i> invoice (in addition to initial compliance affidavit); non-compliance can delay invoice processing</li> </ul> | <ul style="list-style-type: none"> <li>Repeal ordinance and replace with a Council policy statement; at minimum greatly modify reporting requirements to ensure ongoing compliance</li> </ul>                                                                    |
| <b>OMC Chapter 2.23 (Sanctuary City Contracting and Investment Ordinance)</b>                                                           | Establishes prohibition on contracting with contractors that provide goods or services to the U.S. government for data collection or immigration detention facilities                                                                                                                                                                                         | <ul style="list-style-type: none"> <li>Subjects City to civil monetary penalties</li> <li>Includes administratively burdensome waiver determination provisions</li> <li>Requires annual reporting that may not be occurring</li> </ul>                                                                                                                                                                                                                                                                                      | <ul style="list-style-type: none"> <li>Repeal ordinance and replace with a Council policy statement; at minimum greatly modify reporting requirements to ensure compliance</li> </ul>                                                                            |
| <b>OMC Chapter 2.28 (Living Wage Ordinance)</b>                                                                                         | Establishes living wage requirements for paying employees of City service contractors and City financial assistance recipients (CFARs)                                                                                                                                                                                                                        | <ul style="list-style-type: none"> <li>Applies to service contracts of \$25,000 or more (except contracts where services are incidental to delivery of goods); extends to subcontractors and leases where service contracts are let by the lessee/licensee</li> <li>Requires administratively burdensome reporting potentially duplicative of other procurement-related reporting requirements established elsewhere in the OMC</li> </ul>                                                                                  | <ul style="list-style-type: none"> <li>Evaluate \$25,000 threshold in conjunction with other dollar threshold requirements for consistency and uniformity</li> <li>Modify reporting requirements</li> </ul>                                                      |
| <b>OMC Chapter 2.32 (Equal Benefits Ordinance)</b>                                                                                      | Establishes protections to prohibit discrimination in the provision of employee benefits by City contractors                                                                                                                                                                                                                                                  | <ul style="list-style-type: none"> <li>Broadly applies to all goods, services, public works purchases, and grants \$25,000 or more</li> </ul>                                                                                                                                                                                                                                                                                                                                                                               | <ul style="list-style-type: none"> <li>Evaluate \$25,000 threshold in conjunction with other threshold requirements for consistency and uniformity</li> <li>Modify code to include private right of action provision similar to Living Wage Ordinance</li> </ul> |
| <b>Ordinance No. 11478 (Nuclear Free Zone)</b>                                                                                          | Establishes various contracting prohibitions associated with companies defined as "nuclear weapons makers"                                                                                                                                                                                                                                                    | <ul style="list-style-type: none"> <li>Allows bid preferences but it is unclear whether or how they are being applied</li> <li>Updated form (Schedule P/Form S) extends application only to professional and consulting service providers</li> </ul>                                                                                                                                                                                                                                                                        | <ul style="list-style-type: none"> <li>Ensure ordinance reflects only those provisions not invalidated by court decision(s)</li> <li>Ensure compliance with existing requirements</li> </ul>                                                                     |

| Policy/Description | Description/Key Requirements                                                                                     | Impacts/Inefficiencies                                                                                                                                   | Potential Modification(s) |
|--------------------|------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
|                    | Initiative ordinance approved by Oakland voters with all but two provisions invalidated by a U.S. District Court | <ul style="list-style-type: none"> <li>Requires annual public hearing and related reporting but it is unclear whether requirement is followed</li> </ul> |                           |

# City of Oakland Purchasing and Contracting Efficiency Review Implementation Action Plan

March 2024

## Making the Most of the Draft Implementation Action Plan

BakerTilly has developed this draft Implementation Action Plan to assist the City of Oakland with the phasing and scheduling of 24 recommendations in the project report. That report sets forth the analysis leading to each recommendation. The work involved in implementing the recommendations will need to be integrated into the other work of the departments and divisions tasked with their completion, along with appropriate assignments of responsibility and with identification of specific planned completion dates. The draft Action Plan begins that process with guidance about a recommended priority assignment. Priority 1 recommendations are those that we believe are the most important to accomplish without delay or are easy to accomplish. Priority 2 have less importance in the near term or have an added element of complication to complete or require a significant amount of resources (perhaps internal and external) to assist with completion. Priority 3 are the least urgent to complete, either because they require action by a third party over which the City has no direct control, or due to complexity, or their relative importance to department and citywide goals.

We suggest that you use this document to prepare a final Action Plan for Oakland. In doing so, the management team will need to identify specific target dates for completing implementation activities associated with each recommendation. Additionally, you may want to modify the described activities for implementing an individual recommendation based on internal knowledge of what will be required for completion or adjust the assignment of responsibility based on pending or future workload or other considerations. Where a draft task calls for an event to occur “regularly” or with a pre-set frequency (e.g., quarterly, monthly) you’ll want to assure that your implementing procedure or policy is written to accomplish that objective. Prudent implementation of most recommendations will require “circling back” after the work of implementation has begun to fine-tune the work or the milestones based on experience. This step is not explicitly called out for each recommendation, however, assessing the progress of implementation (via “circling back”) should be a part of your normal management system. We would be happy to set up a consultation with you to support the conversion of this draft into the implementation Action Plan you can use to manage.

**To turn this draft into the Action Plan that is used to manage implementation, replace the column titled “Priority” with actual completion dates.** Target dates can be specific (e.g., September 1) or by month or quarter (e.g., 3Q 2023), as appropriate to the individual action.

All of the work to implement the strategies is in addition to the normal work of involved city staff. BakerTilly has staff associates who are experienced in implementing many of the actions identified in this report. We will welcome the opportunity to assist you in doing so, and in any case, we remain available to consult with you in whatever way we can be helpful. Please do not hesitate to contact Pete Gonda at 831-345-0025 if we can be of assistance. Pete can be reached by email at [pete.gonda@bakertilly.com](mailto:pete.gonda@bakertilly.com).

The discipline of successful project planning is basic to successful execution of the work ahead. We hope that you find the draft Action Plan useful in that regard.

| Rec No. | Recommendation                                                                             | Implementation Steps                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Priority <sup>1</sup> | Person Responsible <sup>2</sup>                | Comments                                                                                                     |
|---------|--------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| 1       | Evaluate policies for continued relevance and make appropriate modifications.              | <ul style="list-style-type: none"> <li>Review suggested policy modifications (project report, Attachment B) with executive leadership team</li> <li>Develop list of potential policy changes in priority order that considers “quick wins,” likelihood of adoption, risk exposure due to noncompliance, and administrative management challenges</li> <li>Task key process stakeholders with assessing potential efficiency and equity impacts</li> <li>Develop phasing plan based on analytical assessments</li> <li>Review initial results/conclusions with appropriate Council committee(s)</li> <li>Implement phased modifications</li> </ul> | 3                     | City administrator                             | <p>Initial steps (bullets 1 through 3) should happen without delay</p> <p>May require consultant support</p> |
| 2       | Increase the formal solicitation threshold for goods and services purchases.               | <ul style="list-style-type: none"> <li>Prepare benchmark survey of comparable agencies (competitive solicitation and contract award thresholds)</li> <li>Review benchmarking data with city administrator to determine appropriate proposed threshold levels</li> <li>Develop draft language for modifying Oakland Municipal Code (OMC) Chapter 2.04 and review with city attorney</li> <li>Prepare staff report for Council approval that also includes notification of initial planning efforts associated with Recommendation 1</li> <li>Update administrative policy and procedural documents and notify key process stakeholders</li> </ul>  | 1                     | Finance director                               | <p>In collaboration with city attorney</p> <p>Implement in conjunction with Recommendation 21</p>            |
| 3       | Develop an inventory of contracting monitoring and reporting requirements and frequencies. | <ul style="list-style-type: none"> <li>Prepare matrix of contract monitoring and reporting requirements, associated reporting frequencies, and compliance status</li> <li>Request risk assessment of liability exposure due to noncompliance to aid in decision-making</li> </ul>                                                                                                                                                                                                                                                                                                                                                                 | 2                     | Director of workplace and employment standards | Implement as part of initial phasing steps associated with Recommendation 1                                  |

<sup>1</sup>Priority 1: Important to accomplish without delay and/or easy to accomplish.

Priority 2: Second tier of importance to accomplish and/or may involve some complexity or time to complete

Priority 3: Least urgent to complete and/or may take longer to set-up or to execute

<sup>2</sup>To establish clear accountability there should be a single manager assigned responsibility for completing implementation of each recommendation. Where more than one manager is identified in this column, responsibility should be clarified when the Final Action Plan is prepared.

| Rec No. | Recommendation                                                                                                                | Implementation Steps                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Priority <sup>1</sup> | Person Responsible <sup>2</sup>  | Comments                                                                                                                                             |
|---------|-------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
|         |                                                                                                                               | <ul style="list-style-type: none"> <li>Develop list of potential policy changes in conjunction with Recommendation 1</li> <li>Develop draft language for modifying relevant OMC chapters and review with city attorney</li> <li>Prepare staff report for Council approval</li> <li>Update administrative policy and procedural documents and notify key process stakeholders</li> </ul>                                                                                                                             |                       |                                  |                                                                                                                                                      |
| 4       | Ensure that existing purchasing and contracting policies are being followed.                                                  | <ul style="list-style-type: none"> <li>Prepare and issue memorandum to executive leadership team that establishes clear expectations for policy compliance</li> <li>Monitor progress and make necessary adjustments</li> </ul>                                                                                                                                                                                                                                                                                      | 1                     | City administrator               |                                                                                                                                                      |
| 5       | Conduct sampling analysis to assess the frequency of late payments and associated costs.                                      | <ul style="list-style-type: none"> <li>Develop/run query based on sample dataset (three to six months) to determine frequency of late payments and penalty amounts paid</li> <li>Conduct additional analyses based on results of initial query, if necessary</li> <li>Review results with finance director and controller to determine next steps</li> <li>Develop and deliver communications plan to address perception and invoice accuracy issues and/or policy changes with key process stakeholders</li> </ul> | 1                     | Assistant controller             | <p>With assistance from Information Technology</p> <p>Potential policy changes can be considered with initial priority steps in Recommendation 1</p> |
| 6       | Develop performance metrics for increased use of the accounts payable portal and making prompt payments and monitor progress. | <ul style="list-style-type: none"> <li>Determine percentage of invoices received through portal, if not currently known</li> <li>Establish performance targets for increased portal use and making prompt payments using sampling analysis from Recommendation 5</li> <li>Monitor progress, report results, and make necessary adjustments to targets</li> </ul>                                                                                                                                                    | 2                     | Assistant controller             |                                                                                                                                                      |
| 7       | Update the purchasing manual for clarity, consistency, completeness, and to reflect best practices.                           | <ul style="list-style-type: none"> <li>Conduct best practices review of existing policy manual and draft outline of recommended revisions that includes “quick wins” and longer-term structural changes</li> <li>Develop phasing plan for making necessary changes and review with key process stakeholders to obtain feedback</li> </ul>                                                                                                                                                                           | 3                     | Contracts and purchasing manager | May require consultant support                                                                                                                       |

| Rec No. | Recommendation                                                                         | Implementation Steps                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Priority <sup>1</sup> | Person Responsible <sup>2</sup>                | Comments                                                                                                                                               |
|---------|----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
|         |                                                                                        | <ul style="list-style-type: none"> <li>Draft procedural revisions to implement “quick wins” that do not require Council consideration and obtain internal approval to make necessary updates</li> <li>Incorporate revisions from Recommendations 2 and 21</li> <li>Draft longer-term revisions in conjunction with Recommendations 1 and 3</li> </ul>                                                                                                                                                                                                                                                                                                                                                         |                       |                                                |                                                                                                                                                        |
| 8       | Replace contract schedules with contractual terms and conditions wherever feasible.    | <ul style="list-style-type: none"> <li>Create list in priority order of contract schedules/forms to eliminate, and draft outline for pilot program to apply to informal solicitations</li> <li>Review priority list and pilot program outline with executive leadership team</li> <li>Draft compliance-related language for city attorney to incorporate in contractual terms and conditions</li> <li>Rollout pilot program, monitor progress, and broaden application as warranted</li> </ul>                                                                                                                                                                                                                | 1                     | Director of workplace and employment standards | In collaboration with city attorney                                                                                                                    |
| 9       | Evaluate the insurance coverage verification process and make necessary modifications. | <ul style="list-style-type: none"> <li>Obtain information from City Attorney’s Office on vendor claims resulting from employee injuries in performance of duties related to City contracts</li> <li>Task risk manager with mapping current workflow steps required to evaluate insurance coverage to identify process efficiencies, incorporating findings from city attorney claims review</li> <li>Develop lists of services for which insurance is not required and where reduced coverage types/limits are typically allowed</li> <li>Review process changes with Purchasing Division staff and delegate authority to waive coverages</li> <li>Monitor progress and make necessary adjustments</li> </ul> | 2                     | Human resources director                       | <p>In collaboration with Purchasing Division</p> <p>May require consultant support</p> <p>To be automated with implementation of Recommendation 12</p> |
| 10      | Develop a phasing/funding plan to streamline the procure-to-pay workflow.              | <ul style="list-style-type: none"> <li>Develop inventory of systems currently in use (automated and manual) that identifies existing functionality used and unused, interdependencies, integration points, and workarounds</li> <li>Outline potential system consolidation options for review with executive leadership team and determine phasing plan for implementation</li> <li>Establish and fund a project for making phased upgrades</li> </ul>                                                                                                                                                                                                                                                        | 3                     | Finance director                               | Will require consultant support                                                                                                                        |

| Rec No. | Recommendation                                                                                                                                                   | Implementation Steps                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Priority <sup>1</sup> | Person Responsible <sup>2</sup>   | Comments                                                                                   |
|---------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------------------|--------------------------------------------------------------------------------------------|
|         |                                                                                                                                                                  | <ul style="list-style-type: none"> <li>Develop system requirements and initial procurement process(es)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                              |                       |                                   |                                                                                            |
| 11      | Create a central contracts database for cataloging, analyzing, and reporting on awarded contracts.                                                               | <ul style="list-style-type: none"> <li>Create an Excel-based tracking spreadsheet for temporary use on a prospective basis</li> <li>Document functional/technical requirements for longer-term solution(s) developed in conjunction with Recommendation 10</li> <li>Transition spreadsheet management to chief procurement officer upon hire</li> </ul>                                                                                                                                                                        | 1                     | Assistant to the finance director | In collaboration with city clerk and Information Technology                                |
| 12      | Implement an enterprise-wide insurance compliance tracking system solution.                                                                                      | <ul style="list-style-type: none"> <li>Request/secure funding for the system solution</li> <li>Establish a consulting contract to engage key process stakeholders, develop system solution requirements that contemplate integration functionality with system(s) under consideration in Recommendation 10, and assist with request for proposals and vendor selection processes</li> <li>Implement the system solution</li> </ul>                                                                                             | 2                     | Human resources director          | <p>In collaboration with Information Technology</p> <p>Will require consultant support</p> |
| 13      | Establish a Purchasing Bureau and staff it with a chief procurement officer reporting to the finance director.                                                   | <ul style="list-style-type: none"> <li>Review conceptual structure with city administrator and executive leadership team</li> <li>Develop position classification and proposed organizational structure for inclusion in the fiscal year 2025/26 budget</li> <li>Implement new structure upon approval</li> </ul>                                                                                                                                                                                                              | 3                     | Finance director                  |                                                                                            |
| 14      | Eliminate the distinction between purchasing and contract administration functions to unify the division's purpose and consolidate procurement responsibilities. | <ul style="list-style-type: none"> <li>Consolidate Contracts and Purchasing functions on the Controller's Bureau organization chart under one Purchasing banner and share with key process stakeholders</li> <li>Provide cross-training opportunities on a case-by-case basis to division administrative analysts and buyers and progressively expand assignments</li> <li>Evaluate and update position descriptions for consistency and uniformity, including classification and compensation studies as necessary</li> </ul> | 1                     | Controller                        |                                                                                            |
| 15      | Assign procurement-related tasks currently performed by project managers to the Purchasing Division.                                                             | <ul style="list-style-type: none"> <li>Establish pilot program to reassign procurement-related tasks to Purchasing Division</li> <li>Assess workflow efficiency improvements and workload impacts and expand program based on achieved results</li> </ul>                                                                                                                                                                                                                                                                      | 1                     | Controller                        | In collaboration with stakeholder department(s)                                            |

| Rec No. | Recommendation                                                                                                                       | Implementation Steps                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Priority <sup>1</sup> | Person Responsible <sup>2</sup>  | Comments                                                                                                                                            |
|---------|--------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
|         |                                                                                                                                      | <ul style="list-style-type: none"> <li>Implement longer-term structural changes in conjunction with Recommendation 16</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                       |                                  | Contingent upon filling management assistant positions                                                                                              |
| 16      | Implement necessary staffing and structural alignments to facilitate purchasing and contracting workflow efficiency.                 | <ul style="list-style-type: none"> <li>Refine workflow and workload analyses conducted in Recommendation 15 to support additional staffing and structural alignments</li> <li>Review proposed alignments with executive leadership team members</li> <li>Implement alignments, monitor progress, and make necessary adjustments</li> </ul>                                                                                                                                                                                                                                                                                             | 2                     | Finance director                 | Contingent upon planned staffing additions in Purchasing                                                                                            |
| 17      | Evaluate and implement longer-term structural changes to further streamline purchasing functions.                                    | <ul style="list-style-type: none"> <li>Evaluate efficacy of staffing and structural changes to determine if additional consolidation of functions and realignments are necessary</li> <li>Implement additional staffing and structural changes, monitor results, and make necessary adjustments</li> </ul>                                                                                                                                                                                                                                                                                                                             | 3                     | City administrator               |                                                                                                                                                     |
| 18      | Develop and implement a phasing plan to consolidate, re-brand, and streamline procurement-related information on the City's website. | <ul style="list-style-type: none"> <li>Prepare matrix/inventory of redundancies and a phasing plan for re-branding and review with executive leadership team</li> <li>Conduct benchmarking/best practices research</li> <li>Implement "quick wins" to that reduce the number of access points to obtain identical information</li> <li>Establish a Purchasing Bureau webpage to further consolidate information access points</li> <li>Create and fund a project for implementing a unified procurement system solution</li> <li>Consolidate the open solicitation lists/access points under the Purchasing Bureau umbrella</li> </ul> | 3                     | Contracts and purchasing manager | <p>In collaboration with Information Technology and impacted departments and divisions</p> <p>Transition to chief procurement officer upon hire</p> |
| 19      | Develop and deploy a comprehensive, coordinated procurement training program.                                                        | <ul style="list-style-type: none"> <li>Prepare training program outline and review with key process stakeholders</li> <li>Develop and deliver initial purchasing "basics" training session at new employee orientation session in collaboration with key process stakeholders, taking into account planned process changes, and survey participants</li> <li>Enhance training session based on survey feedback</li> </ul>                                                                                                                                                                                                              | 2                     | Contracts and purchasing manager | Transition to chief procurement officer upon hire                                                                                                   |

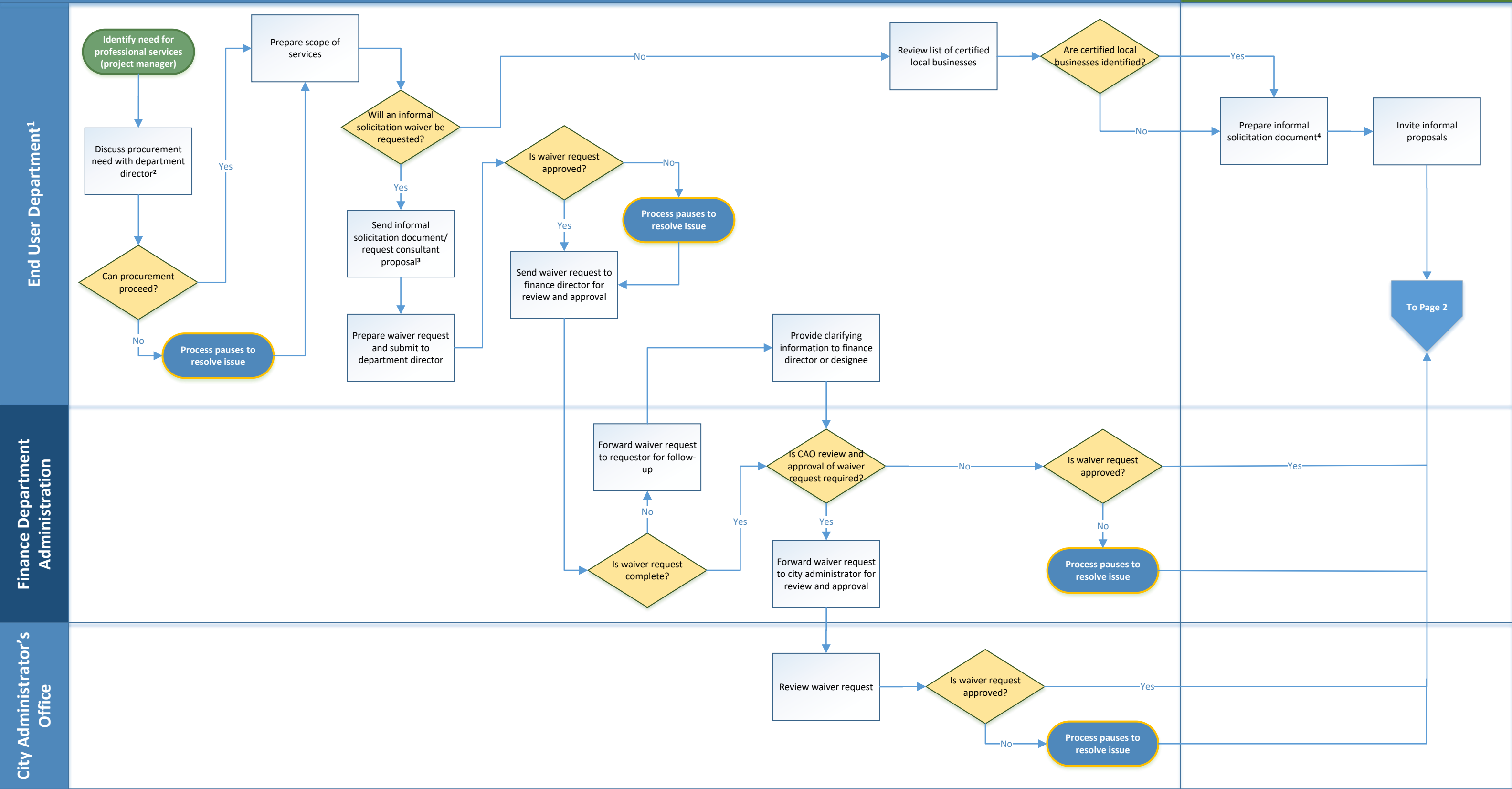
| Rec No. | Recommendation                                                                                                                                   | Implementation Steps                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Priority <sup>1</sup> | Person Responsible <sup>2</sup>                | Comments                                                                                                                                         |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
|         |                                                                                                                                                  | <ul style="list-style-type: none"> <li>Implement remaining elements of comprehensive training program and make continuous improvements</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                              |                       |                                                |                                                                                                                                                  |
| 20      | Evaluate labor standards and business inclusion policy and program requirements for consistency and uniformity and make necessary modifications. | <ul style="list-style-type: none"> <li>Identify areas of policy and procedural inconsistencies and noncompliance</li> <li>Review identified areas with city administrator to determine if policy and procedural changes are necessary</li> <li>Draft necessary policy and procedural revisions and submit for approval</li> <li>Notify key process stakeholders of policy and procedural changes</li> <li>Incorporate changes in appropriate training programs</li> </ul>                                                                      | 1                     | Director of workplace and employment standards |                                                                                                                                                  |
| 21      | Modify OMC Chapter 2.04 to clarify and strengthen informal solicitation requirements as they apply to local certified businesses.                | <ul style="list-style-type: none"> <li>Develop draft language for modifying Oakland Municipal Code (OMC) Chapter 2.04 and review with city attorney</li> <li>Prepare staff report for Council approval that also includes notification of initial planning efforts associated with Recommendation 1</li> <li>Update administrative policy and procedural documents and notify key process stakeholders</li> </ul>                                                                                                                              | 1                     | Finance director                               | <p>In conjunction with Recommendations 2 and 4</p> <p>In collaboration with city attorney and director of workplace and employment standards</p> |
| 22      | Establish rotation and/or waiver program for sourcing goods and services contracts to local/small local businesses.                              | <ul style="list-style-type: none"> <li>Develop matrix of currently certified local/small local business awarded City contracts and identify utilization gaps</li> <li>Establish a pilot program that sources professional services contracts under \$50,000 to current certificants based on utilization analysis</li> <li>Evaluate and implement policy changes to broaden the pilot program to goods and general services contracts</li> <li>Formalize the pilot program based on demonstrated improvements in contracting equity</li> </ul> | 1                     | City administrator                             |                                                                                                                                                  |
| 23      | Increase the number of certified local and small local businesses.                                                                               | <ul style="list-style-type: none"> <li>Develop profiles of local businesses likely to provide goods and services to City using existing business license and other compiled data that expands on cursory Baker Tilly analysis</li> <li>Develop targeted outreach plans based on expanded analysis</li> <li>Leverage pilot/expanded pilot efforts implemented in conjunction with Recommendation 22</li> <li>Monitor/measure results and report progress</li> </ul>                                                                             | 2                     | Director of workplace and employment standards | <p>See suggestions on expanding current efforts in project report</p> <p>May require additional resources</p>                                    |

| Rec No. | Recommendation                      | Implementation Steps                                                                                                                                                                                                                                                                                                                            | Priority <sup>1</sup> | Person Responsible <sup>2</sup>                | Comments                                                                                                |
|---------|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|------------------------------------------------|---------------------------------------------------------------------------------------------------------|
| 24      | Broaden supplier diversity efforts. | <ul style="list-style-type: none"><li>Engage all key process stakeholders to obtain feedback on expanding current efforts beyond construction contracting</li><li>Develop a phasing/funding plan for program expansion that includes additional staffing and consulting resources</li><li>Monitor/measure results and report progress</li></ul> | 2                     | Director of workplace and employment standards | See suggestions on expanding current efforts in project report<br><br>Will require additional resources |

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Needs Identification and Scoping Phases

Solicitation Phase

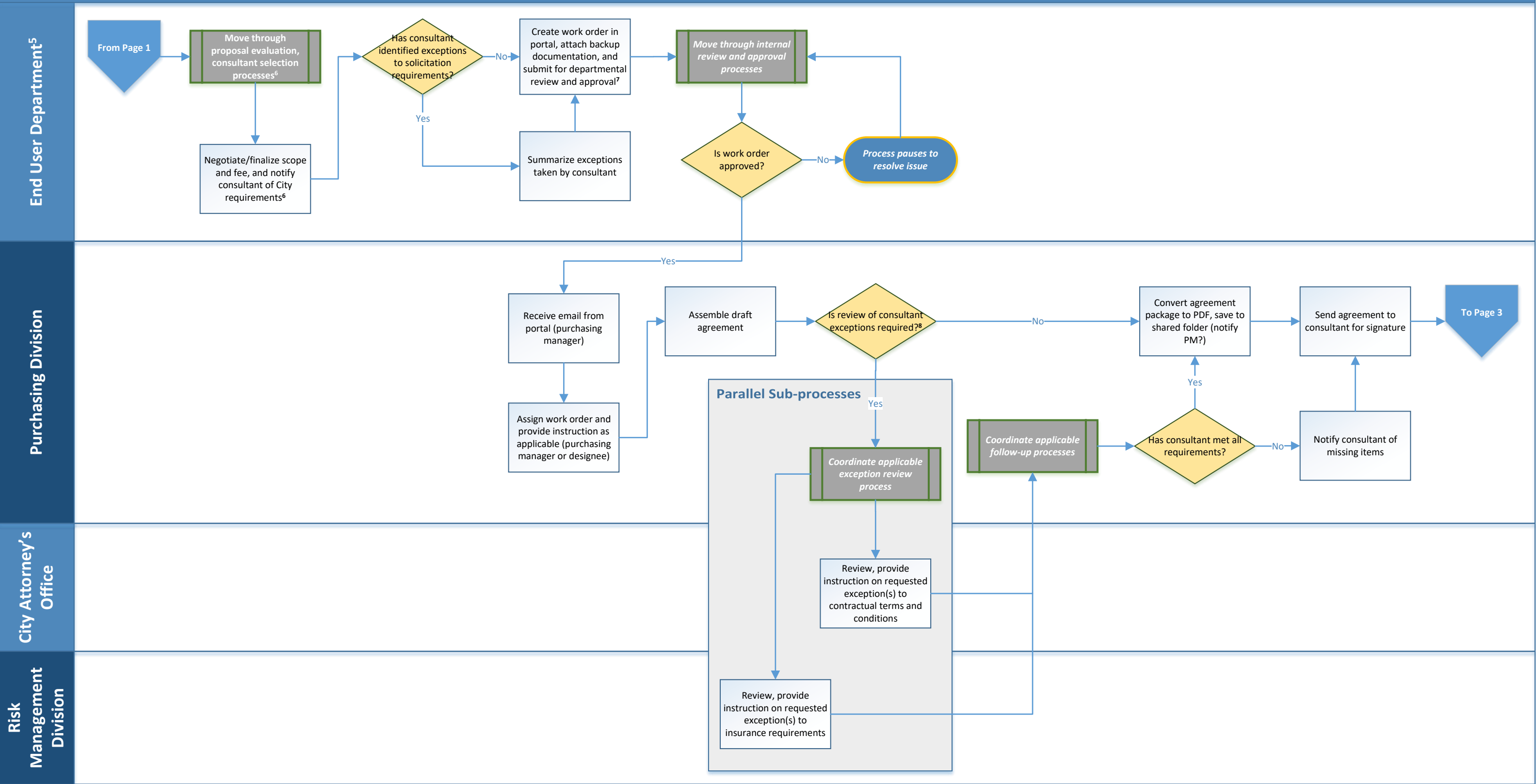


Notes

<sup>1</sup>Unless otherwise noted, end user department workflow steps are performed by a project manager or designee.  
<sup>2</sup>Available budget and city attorney assignment are confirmed at this step.  
<sup>3</sup>Solicitation waivers require use of the informal solicitation template that includes scope of services, contract template, insurance and other requirements, and submittal instructions, as well as instruction for proposer to raise exceptions to City terms and conditions or forgo the opportunity to do so at a later date.  
<sup>4</sup>Informal solicitation template includes scope of services, contract template, insurance and other requirements, and submittal instructions, as well as instruction for proposer to raise exceptions to City terms and conditions or forgo the opportunity to do so at a later date.

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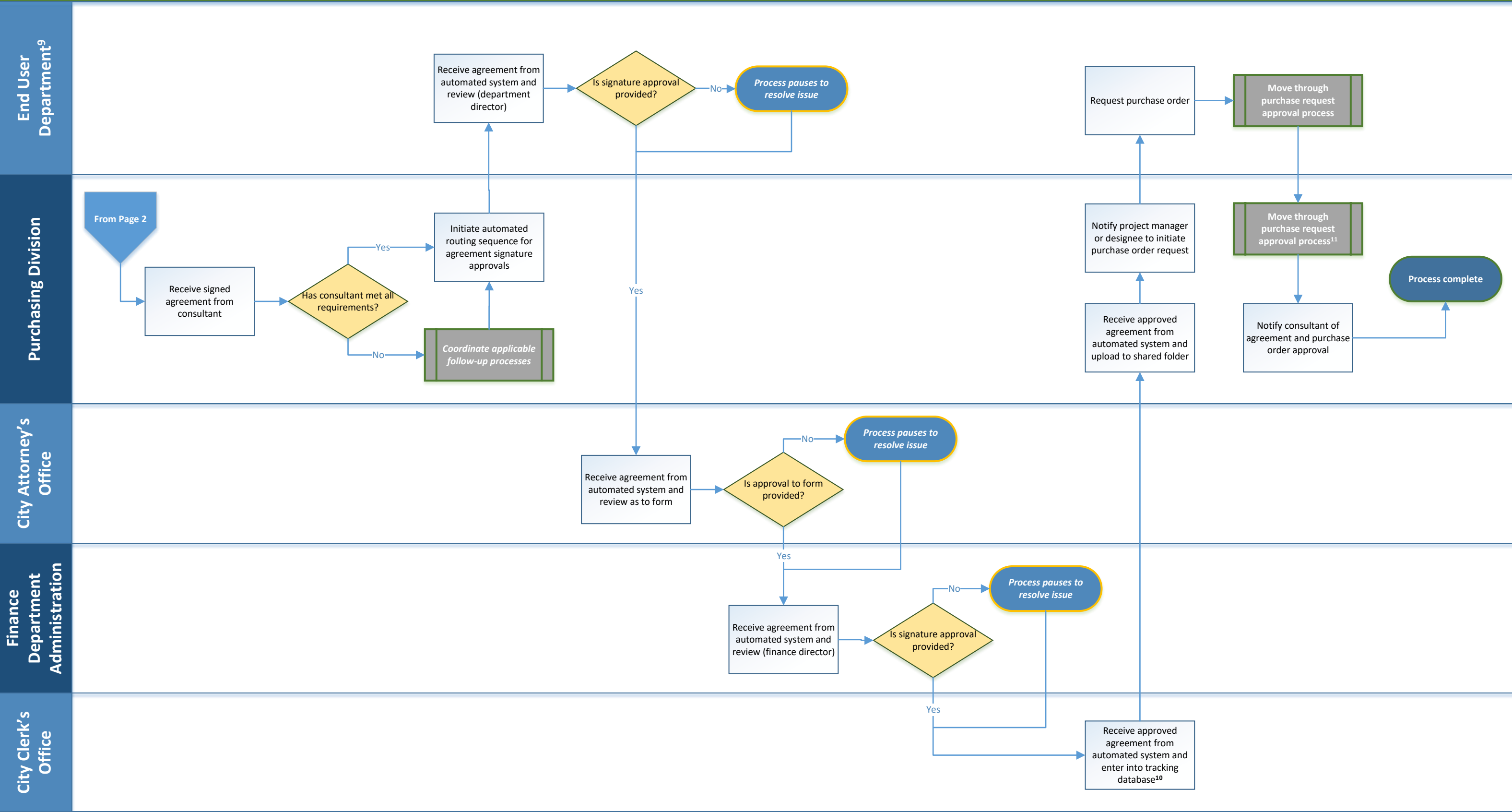
Agreement Preparation Phase



**Notes**  
<sup>5</sup>Unless otherwise noted, end user department workflow steps are performed by a project manager or designee.  
<sup>6</sup>Purchasing assistance can be requested during these phases, if desired. For efficiency, prospective proposer(s) can be notified of City requirements earlier in the workflow.  
<sup>7</sup>Work orders to be replaced by purchase requisition workflow when financial system is upgraded.  
<sup>8</sup>Exceptions requested by consultant can include partial or full insurance waivers, changes to City standard contractual terms and conditions, or modifications to form/schedule requirements.

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Agreement Signature Execution Phase



Notes  
<sup>9</sup>Unless otherwise noted, end user department workflow steps are performed by a project manager or designee.  
<sup>10</sup>Tracking database to be maintained by Purchasing once staffing and structural improvements are made.  
<sup>11</sup>Purchase order approval process will pause at this step if consultant has not met all City requirements.