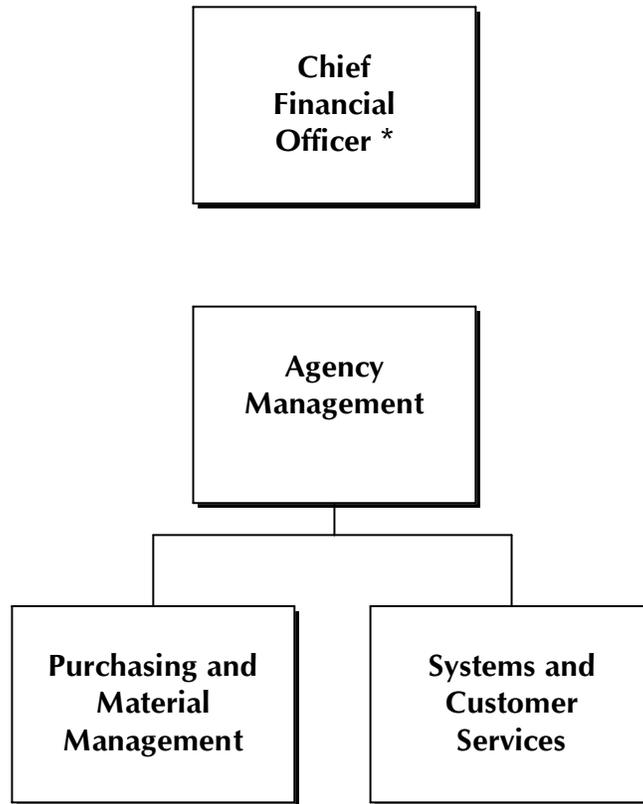


Department of Purchasing and Supply Management



* The Chief Financial Officer has responsibility for strategic direction and oversight of this agency; however, for budget purposes, this position and associated funding are reflected within the Department of Management and Budget.

Mission

The Department of Purchasing and Supply Management is committed to providing the resources that establish the foundation for quality service to the community.

Focus

The Department of Purchasing and Supply Management strives to develop strategic alliances with suppliers and County departments to secure quality goods and services in a timely manner and at a reasonable cost, while ensuring that all purchasing actions are conducted fairly and impartially.

Devolution has shifted responsibility for some program delivery to the local level, prompting an increase in government contracting. As a result, Fairfax County has expanded the range of services and commodities delivered through contracts. Since FY 2000, the value of orders processed by the Department of Purchasing and Supply Management increased by an average of six percent annually. The Department of Purchasing and Supply Management is able to respond to the increased demand for services without significant additional resources, due in part to technology investments. Technology funding has enabled the department to improve the supply chain

THINKING STRATEGICALLY

Strategic issues for the Department include:

- o Contracting for an increasing number of services, in addition to contracting for goods;
- o Empowering agencies to act quickly and effectively in procuring necessary supplies and materials;
- o Participating in state, regional and national programs to maximize the County and the Commonwealth's presence in the marketplace;
- o Investing in technology to provide user-friendly access to the procurement function and increase productivity; and
- o Encouraging small and minority businesses to provide goods and services to the County.

Department of Purchasing and Supply Management

process while reducing operating costs through electronic procurement or e-procurement, the use of electronic means to improve sourcing of goods and services. Web-based transactions including electronic bidding, electronic shopping through e-malls and electronic ordering are currently available to our suppliers and County agencies. The partnership with eVA, Virginia's statewide e-procurement application, provides County business partners with 24-hours-per-day, 7-days-per-week access to sales opportunities; the ability to submit quotes, bids and proposals at any time; and the ability to receive orders and maintain vendor database information at their convenience.

The Department of Purchasing and Supply Management strives to be meaningfully involved in acquisition activities for the delivery of County programs. This type of involvement is characterized by the nature of the Department's contribution, throughout each stage of the purchasing process, when staff expertise helps meet the needs of customer agencies, while ensuring that the long-term needs and strategic objectives of the County are met. During FY 2005, the Department reorganized the contract administration staff, changing work assignments from commodity-based to a customer-focused structure. The reorganization is part of a strategic sourcing model that evaluates current and potential sourcing opportunities and relationships, analyzing and deciding on suppliers based on the strategic impact on the organization instead of simply awarding contracts to the lowest bidder. This model moves from a transactional buying environment to a strategy of establishing more long-term contracts. Strategic sourcing strives to integrate suppliers into the organization, establishing long-term supplier relationships, while identifying savings. The challenge to the County is to create contracts that provide the capability to assess contractor performance and hold the contractor accountable for specified outcomes in alignment with programmatic objectives.

The Department of Purchasing and Supply Management launched an environmentally preferable (or green) purchasing program in FY 2005. The intent of the program is to take advantage of the government's purchasing power to expand markets for goods and services with more beneficial human health and environmental impacts. The Department seeks opportunities to introduce effective environmentally preferable products to County customers, consider environmentally preferable products early in the acquisition process, identify sources of green products, and leverage other County resources such as the Employee Recycling Committee. The first activity initiated under the green purchasing program was an interdepartmental effort to ensure that all County computers are disposed of in an environmentally responsible manner, while protecting the County's information assets. The methodology selected was a contractor-provided asset recovery program. Finally, the Department is collaborating with the County's office supply contractor to increase the percentage of environmentally preferable office products purchased.

The Vendor Relations Division, a business area within the Department of Purchasing and Supply Management, supports the Board of Supervisors' Small Business Enterprise program. The Department of Purchasing and Supply Management is developing plans to enhance the existing vendor relations program. The current program, under the auspices of the Vendor Relations Division, provides outreach and education programs to assist the small, women and minority-owned business community in their efforts to do business with Fairfax County government. Expansion of the program will include providing assistance to all business categories and providing information technology resources to meet the needs of small businesses with a focus on persons with disabilities. The Vendor Relations Division also provides support to the Fairfax County Small Business Commission.

New Initiatives and Recent Accomplishments in Support of the Fairfax County Vision

 Maintaining Safe and Caring Communities	Recent Success	FY 2007 Initiative
Continue to participate in the implementation of homeland security measures as a designated Emergency Support Function, and work with the regional quartermaster function of the Council of Governments.	✓	✓

Department of Purchasing and Supply Management

 Maintaining Healthy Economies	Recent Success	FY 2007 Initiative
Monitor and enhance business utilization programs for small, women and minority-owned businesses that complement the U.S. Communities Government Purchasing Alliance. Track procurement volume and dollars directed to these suppliers through a second tier program that captures government spending subcontracted these businesses.	☑	☑
 Practicing Environmental Stewardship	Recent Success	FY 2007 Initiative
Continue to develop an environmental (or green) purchasing strategy and educational model to pursue cost savings, improve worker safety and protect the environment.	☑	☑
 Creating a Culture of Engagement	Recent Success	FY 2007 Initiative
Strengthen existing and establish new partnerships with the business community and organizations to build the County's supplier base and increase capacity in targeted industries.		☑
 Exercising Corporate Stewardship	Recent Success	FY 2007 Initiative
Develop and implement a program to identify and analyze risk factors and market conditions for those commercial activities currently performed by County staff that present contracting opportunities.		☑
Implemented iCASPS, the Web-enabled version of the County's mainframe procurement system. Provide end-users with a solid training foundation and continuing training opportunities on purchasing issues.	☑	☑
Implemented online vendor registration, electronic bidding (Quick Quote) and notices of solicitation using eVA, Virginia's G2B (government to business) Web site. Initiate a pilot program for conducting reverse auctions, a real-time electronic bidding process.	☑	☑
Fully implement the electronic document management and imaging system for contract files and property records.	☑	☑
Implement an online vendor performance report to facilitate communication of performance issues from end-users and use information collected for decision-making.		☑
Develop a program for online advertising of surplus property to County agencies to better market the property and save funds through property redistribution.		☑
Provide customers and suppliers with training opportunities on purchasing topics.		☑
Streamline and improve the solicitation and contract award process.		☑

Department of Purchasing and Supply Management

Budget and Staff Resources



Agency Summary				
Category	FY 2005 Actual	FY 2006 Adopted Budget Plan	FY 2006 Revised Budget Plan	FY 2007 Advertised Budget Plan
Authorized Positions/Staff Years				
Regular	52/ 52	52/ 52	53/ 53	53/ 53
Expenditures:				
Personnel Services	\$2,718,239	\$2,978,734	\$2,978,734	\$3,198,910
Operating Expenses	1,288,395	1,642,006	1,680,119	1,746,953
Capital Equipment	0	0	31,572	0
Total Expenditures	\$4,006,634	\$4,620,740	\$4,690,425	\$4,945,863
Income:				
Contract Rebates	\$556,740	\$401,591	\$601,957	\$632,055
Total Income	\$556,740	\$401,591	\$601,957	\$632,055
Net Cost to the County	\$3,449,894	\$4,219,149	\$4,088,468	\$4,313,808

FY 2007 Funding Adjustments

The following funding adjustments from the FY 2006 Revised Budget Plan are necessary to support the FY 2007 program:

- ◆ **Employee Compensation** **\$220,176**
 An increase of \$220,176 associated with salary adjustments necessary to support the County's compensation program.
- ◆ **Intergovernmental Charges** **\$104,947**
 A net increase of \$104,947 in Operating Expenses is due primarily to an increase of \$95,840 in Information Technology charges based on the agency's historic usage of mainframe applications, and an increase of \$9,107 for Department of Vehicle Services charges based on anticipated charges for fuel, vehicle replacement, and maintenance costs.
- ◆ **Carryover Adjustments** **(\$69,685)**
 A decrease of \$38,113 in Operating Expenses and a decrease of \$31,572 in Capital Equipment are due to the carryover of one-time expenses as part of the FY 2005 Carryover Review.

Changes to FY 2006 Adopted Budget Plan

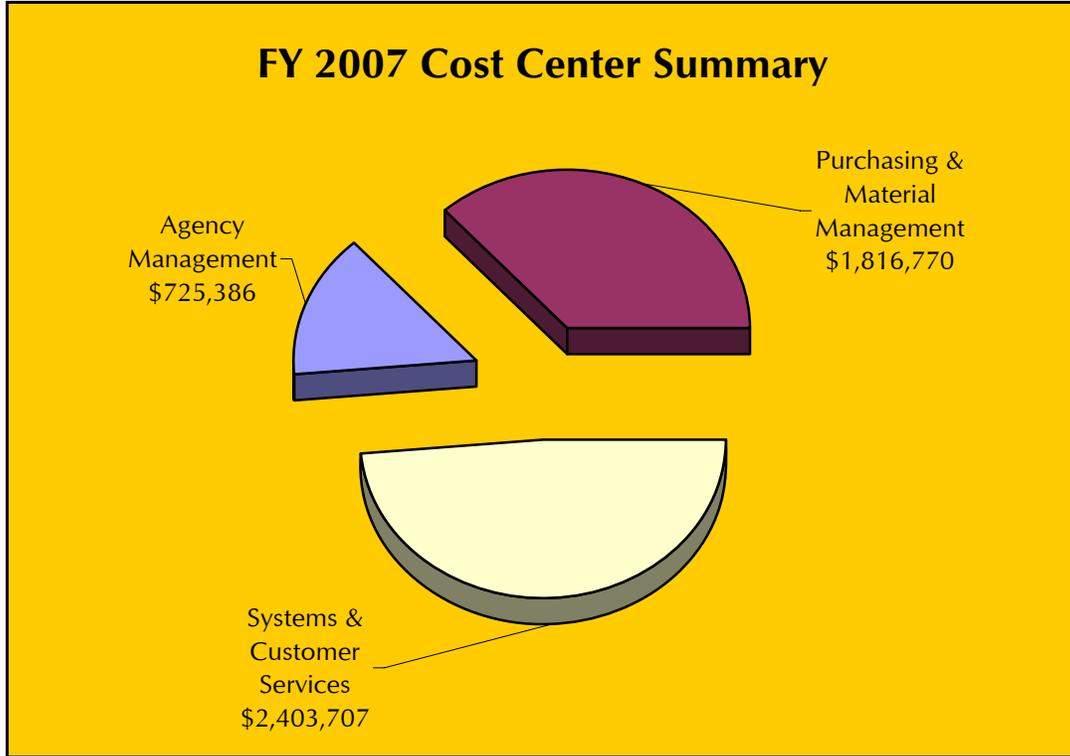
The following funding adjustments reflect all approved changes in the FY 2006 Revised Budget Plan since passage of the FY 2006 Adopted Budget Plan. Included are all adjustments made as part of the FY 2005 Carryover Review and all other approved changes through December 31, 2005:

- ◆ **Carryover Adjustments** **\$69,685**
 As part of the FY 2005 Carryover Review, the Board of Supervisors approved encumbered funding of \$38,113 in Operating Expenses and \$31,572 in Capital Equipment.
- ◆ **Out of Cycle Position Adjustments** **\$0**
 Based on an internal realignment of staff, 1/1.0 SYE position was redeployed from the Department of Tax Administration to the Department of Purchasing and Supply Management. There were no corresponding funding adjustments associated with this position redirection.

Department of Purchasing and Supply Management

Cost Centers

The Department of Purchasing and Supply Management is divided into three distinct cost centers, Agency Management, Purchasing and Material Management, and Systems and Customer Services. Working together, all three cost centers provide critical services in support of the agency's mission.



Agency Management

Funding Summary				
Category	FY 2005 Actual	FY 2006 Adopted Budget Plan	FY 2006 Revised Budget Plan	FY 2007 Advertised Budget Plan
Authorized Positions/Staff Years				
Regular	11/ 11	11/ 11	11/ 11	11/ 11
Total Expenditures	\$776,445	\$699,648	\$710,068	\$725,386

Position Summary			
1 Director	2 Management Analysts III	1 Administrative Assistant III	
1 Deputy Director	1 Management Analyst II	3 Administrative Assistants II	
	2 Administrative Assistants IV		
TOTAL POSITIONS			
11 Positions / 11.0 Staff Years			

Department of Purchasing and Supply Management

Key Performance Measures

Goals

To provide overall direction, management and oversight of the County's centralized procurement and material management program. Management of the Department is accomplished in accordance with the Code of Virginia and the Fairfax County Purchasing Resolution through policies that emphasize central control with decentralized implementation and selected delegation of authority. The procurement and material management program serves both Fairfax County government and Fairfax County Public Schools (FCPS) through purchasing, contract administration, warehousing, mainframe purchasing system administration, procurement assistance and compliance programs, and inventory management.

To support the Board of Supervisors' Small Business Enterprise (SBE) Program and Small Business Commission.

Objectives

- ◆ To increase the percentage of formal contract actions awarded without valid protest or legal actions from 99.0 to 99.5 percent.
- ◆ To maintain the cost of procuring \$100 worth of goods or services at \$0.47 or less without a degradation of service.
- ◆ To maintain the dollar value of contracts awarded to small and minority businesses at 50 percent.

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate/Actual	FY 2006	FY 2007
Output:					
Formal contractual actions processed	604	792	600 / 698	700	700
Value of purchase orders, procurement card, and Internet transactions processed (millions)	\$431.8	\$482.3	\$500.0 / \$527.5	\$579.0	\$637.0
Total dollars awarded to small and minority businesses (millions) (1)	\$114	\$119	\$135 / \$241	\$289	\$318
Vendors attending monthly vendor workshop	NA	NA	120 / 116	120	120
Efficiency:					
Cost per formal contractual action	\$77	\$60	\$77 / \$70	\$72	\$72
Cost per \$100 of goods or services procured	\$0.42	\$0.39	\$0.50 / \$0.32	\$0.47	\$0.47
Average cost to educate and assist small and minority businesses	\$24.80	\$15.70	\$16.00 / \$13.07	\$14.00	\$14.00
Service Quality:					
Percent of contractual actions receiving valid protest	0.2%	0.3%	1.0% / 0.0%	1.0%	0.5%
Percent of customers indicating satisfaction with service	95%	94%	95% / 95%	95%	95%
Percent of small and minority businesses rating workshops as satisfactory or better	98.0%	99.7%	100.0% / 98.0%	100.0%	100.0%

Department of Purchasing and Supply Management

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate/Actual	FY 2006	FY 2007
Outcome:					
Percent of formal contractual actions awarded without valid protest	99.8%	99.7%	99.0% / 100.0%	99.0%	99.5%
Percent change in cost to procure \$100 of goods or services	2.4%	(18.0%)	0.0% / (18.0%)	47.0%	0.0%
Percent of procurement dollars awarded to small and minority businesses	29.0%	28.0%	30.0% / 45.7%	50.0%	50.0%

(1) Increase in dollar value awarded to small and minority businesses is attributed to: 1) a change in the Commonwealth of Virginia and County of Fairfax definition of a small and minority business and, 2) efforts by the Department of Purchasing and Supply Management to classify, as small or minority, previously unclassified suppliers.

Performance Measurement Results

In FY 2005, the Department of Purchasing and Supply Management was able to award 100 percent of all contracts without a valid protest. This indicator further enhances the outstanding reputation of the County's procurement program and reflects staff professionalism and training. In FY 2005, the cost to purchase \$100 of goods and services declined to a new low of \$0.32, reflecting the overall productivity of the procurement staff. This accomplishment demonstrates the return on investment in information technology innovations, workflow redesign efforts and overall program efficiency. However, the cost to purchase \$100 of goods and services is projected to increase 47 percent in FY 2006 (from \$0.32 to \$0.47 per \$100) due to a 33 percent increase in information technology costs to support the mainframe procurement system, CASPS, based on usage and system costs. It is anticipated that the total procurement volume will exceed \$630 million in FY 2007.

Education and outreach remain the focus of the Small Business Enterprise program. The County's expenditures attributed to small, women- and minority-owned businesses totaled \$241 million or 45.7 percent of procurement dollars in FY 2005. This remarkable increase in total dollars awarded to small and minority businesses is partially the result of a re-definition by the Commonwealth of Virginia for this category of suppliers, as well as a focused effort by Department staff to classify previously unclassified vendors.

Purchasing and Material Management

Funding Summary				
Category	FY 2005 Actual	FY 2006 Adopted Budget Plan	FY 2006 Revised Budget Plan	FY 2007 Advertised Budget Plan
Authorized Positions/Staff Years				
Regular	26/ 26	26/ 26	27/ 27	27/ 27
Total Expenditures	\$1,436,365	\$1,738,439	\$1,773,494	\$1,816,770

Position Summary			
1 Management Analyst IV	1 Property Management Supervisor	1 Warehouse Supervisor	
4 Purchasing Supervisors	3 Administrative Assistants III	1 Warehouse Specialist	
6 Buyers II		7 Warehouse Worker-Drivers	
2 Buyers I		1 Warehouse Worker-Driver Helper	
TOTAL POSITIONS			
27 Positions / 27.0 Staff Years			

Department of Purchasing and Supply Management

Key Performance Measures

Goal

To provide all goods and services for County government and schools at the best possible combination of price, quality and timeliness, consistent with prevailing economic conditions, while establishing and maintaining a reputation of fairness and integrity. To provide central warehousing services of storage and distribution of furniture and supplies to County agencies in a timely manner, and to redistribute excess property to reduce costs. To manage a surplus property program for the disposal of property in a timely manner, while maximizing return.

Objectives

- ◆ To complete 95 percent of purchase requisitions (PR) against a valid contract within 10 days, toward a target of 98 percent.
- ◆ To complete (from issue to award) 95 percent of all formal solicitations processed within the DPSM established standard.

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate/Actual	FY 2006	FY 2007
Output:					
Purchase requisitions converted to purchase orders	5,936	6,531	5,600 / 7,193	6,700	6,100
Active contracts	2,366	2,568	2,200 / 2,576	2,500	2,500
Contractual actions processed	604	792	600 / 698	700	700
Efficiency:					
Purchase requisitions converted to purchase orders per buyer staff	457	502	430 / 553	500	469
Active contracts managed per buyer staff	197	214	180 / 215	208	208
Formal solicitations managed per buyer	50	66	50 / 58	58	58
Service Quality:					
Percent satisfaction with the process to acquire goods and services based on annual customer satisfaction survey	94%	94%	95% / 86%	95%	95%
Percent satisfaction with timeliness of process to establish a contract	81%	83%	83% / 75%	83%	83%
Outcome:					
Percent of requisitions completed within 10 days (1)	91.3%	92.2%	94.0% / 89.4%	95.0%	95.0%
Percent of formal solicitations completed within the established procurement schedule	94%	92%	95% / 91%	95%	95%

(1) The Department of Purchasing and Supply Management underwent a reorganization in FY 2005, realigning staff from commodity-based to a customer-focused structure. The percent of requisitions completed within 10 days decreased due to a loss of productivity during the transition.

Department of Purchasing and Supply Management

Performance Measurement Results

In FY 2005, the Department of Purchasing and Supply Management awarded 698 contracts and processed a record \$527.5 million in procurement volume through purchase orders, procurement card transactions, and internet orders. The Department was able to achieve this remarkable activity level without a single valid protest.

The Department of Purchasing and Supply Management is not only focused on business volume; customer service is also valued as a reflection of the Department's core values. As such, the Department solicits feedback through a Procurement Project Satisfaction Survey at the conclusion of every formal solicitation. The target is completion of 95 percent of all formal solicitations within the established procurement schedule. In FY 2005, the Department substantially achieved this goal by completing 91 percent within schedule. Customer satisfaction with the timeliness of the contracting process decreased to 75 percent, an indication that customers are seeking improvement in this benchmark area. The Department's strategic plan identifies an initiative to reduce the average processing time for competitive bidding and competitive negotiations by seven and ten working days, respectively.

In FY 2007, the Department will continue to strive to reach the goal of completing 95 percent of purchase requisitions within ten days. Efforts to improve the purchase requisition to purchase order conversion rate were temporarily hampered in FY 2005 due to the staff reorganization from commodity-based to a customer-focused structure.

Systems and Customer Services



Funding Summary				
Category	FY 2005 Actual	FY 2006 Adopted Budget Plan	FY 2006 Revised Budget Plan	FY 2007 Advertised Budget Plan
Authorized Positions/Staff Years				
Regular	15/ 15	15/ 15	15/ 15	15/ 15
Total Expenditures	\$1,793,824	\$2,182,653	\$2,206,863	\$2,403,707

Position Summary		
1 Management Analyst IV	1 Business Analyst III	1 IT Technician I
2 Management Analysts III	1 Business Analyst II	1 Administrative Assistant V
3 Management Analysts II	1 Business Analyst I	1 Administrative Assistant IV
1 Property Auditor	1 Network Telecommunications Analyst II	
1 Inventory Management Supervisor		
TOTAL POSITIONS		
15 Positions / 15.0 Staff Years		

Key Performance Measures

Goal

To provide system management and administration to all County and FCPS users of the mainframe-based County and Schools Procurement System (CASPS); provide management and technical operation and maintenance of the Department's Local Area Network (LAN), Web sites, Document Management System and EDI system; provide user administration and training for the use of the Office Depot and eVA electronic procurement portals; provide procurement assistance and eVA registration support to the County's business community; and provide centralized assistance and oversight to the County/FCPS inventory management, procurement, and accountable personal property programs.

Department of Purchasing and Supply Management

Objectives

- ◆ To accurately track and maintain the County's consumable and fixed assets inventories, maintaining an accuracy rate of at least 98 percent.
- ◆ To increase the use of electronic commerce, Internet ordering and procurement card for delivering orders to suppliers by delivering at least 87 percent of orders via electronic commerce and achieving 100 percent of rebates.
- ◆ To maintain the percent of help desk calls closed in one day or less at 95 percent.
- ◆ To complete 100 percent of scheduled Procurement Assistance and Compliance reviews.

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate/Actual	FY 2006	FY 2007
Output:					
Line items carried in consumable inventory account	16,043	15,915	16,000 / 14,601	14,500	14,500
Fixed assets in the Capital Equipment Account	14,056	15,142	15,600 / 15,400	15,700	16,000
Small Purchase Orders and Purchase Orders sent via EDI	3,609	4,904	5,000 / 5,111	5,100	5,100
Percent of office supply orders submitted via Internet	72%	82%	80% / 86%	86%	87%
Value of procurement card purchases (in millions)	\$37.0	\$54.6	\$58.5 / \$60.6	\$62.5	\$65.0
Rebates and incentives received	\$506,312	\$795,841	\$895,000 / \$1,130,197	\$1,155,000	\$1,180,000
Assistance/help desk calls received/processed	667	653	700 / 704	700	700
Procurement Assistance and Compliance reviews completed	NA	NA	NA	NA	12
Efficiency:					
Cost per line item to maintain consumable inventory accuracy of at least 95 percent	\$4.26	\$3.23	\$3.31 / \$2.87	\$3.50	\$3.50
Cost per fixed asset to maintain at least 95 percent inventory accuracy	\$7.39	\$6.86	\$6.86 / \$6.37	\$7.13	\$7.00
Cost per \$1 of rebate received	\$0.15	\$0.10	\$0.09 / \$0.07	\$0.08	\$0.08
Average time to close each help desk call answered (hours)	3.0	3.0	3.0 / 2.0	3.0	2.5
Procurement Assistance and Compliance reviews completed per analyst	NA	NA	NA	NA	3.0
Service Quality:					
Percent of customers rating consumable inventory tracking as satisfactory or better	98%	97%	95% / 92%	95%	95%
Percent of customers satisfied with the procurement card program	94%	96%	95% / 99%	95%	95%

Department of Purchasing and Supply Management

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate/Actual	FY 2006	FY 2007
Service Quality:					
Percent of customers rating help desk as satisfactory or better	93%	91%	95% / 94%	95%	95%
Percent of customers stating the Procurement Assistance and Compliance review revealed areas for improvement	NA	NA	NA	NA	90%
Percent of customers stating the Procurement Assistance and Compliance review strengthened internal controls	NA	NA	NA	NA	90%
Outcome:					
Percent of consumable items accurately tracked	99%	99%	98% / 99%	98%	98%
Percent of fixed assets accurately tracked	98%	99%	98% / 99%	98%	98%
Percent of rebates achieved relative to plan	141%	138%	95% / 126%	100%	100%
Percent of orders transmitted via Electronic Commerce	74.4%	82.7%	82.0% / 86.2%	86.0%	87.0%
Percent of help desk calls closed in one day or less	94%	94%	94% / 96%	94%	95%
Percent of Procurement Assistance and Compliance reviews completed as scheduled	NA	NA	NA	NA	100.0%

Performance Measurement Results

In FY 2005, the Department of Purchasing and Supply Management was again successful in meeting the objective of maintaining a fixed and consumable inventory tracking accuracy rate of at least 98 percent by achieving a 99 percent rate. These results demonstrate the financial stewardship of the inventory management team and their commitment to protection of County assets.

The electronic commerce performance measure captures the Department's success in migrating paper-based procurement transactions to electronic transactions. This business area measured an increase from 82 percent to 86 percent of procurement transactions transmitted through electronic data interchange, Internet and procurement card orders.

Rebate revenues generated through the procurement card program and the various contracts awarded under the auspices of the U.S. Communities Government Purchasing Alliance program, including the Office Depot contract, grew to \$1,130,197 in FY 2005, an increase of 42 percent over FY 2004, and are anticipated to increase to \$1,180,000 by FY 2007. The increased revenue in this area is the result of expanded use of the p-card for large-dollar purchases and increased participation by other local governments taking advantage of the Government Purchasing Alliance contracts awarded and administered by Fairfax County and made available through U.S. Communities.

Calls to the CASPS Help Desk increased slightly in FY 2005. The ongoing emphasis on responsiveness helped decrease the average call closure time to two hours, allowing the staff to close 96 percent of the calls in less than one day.