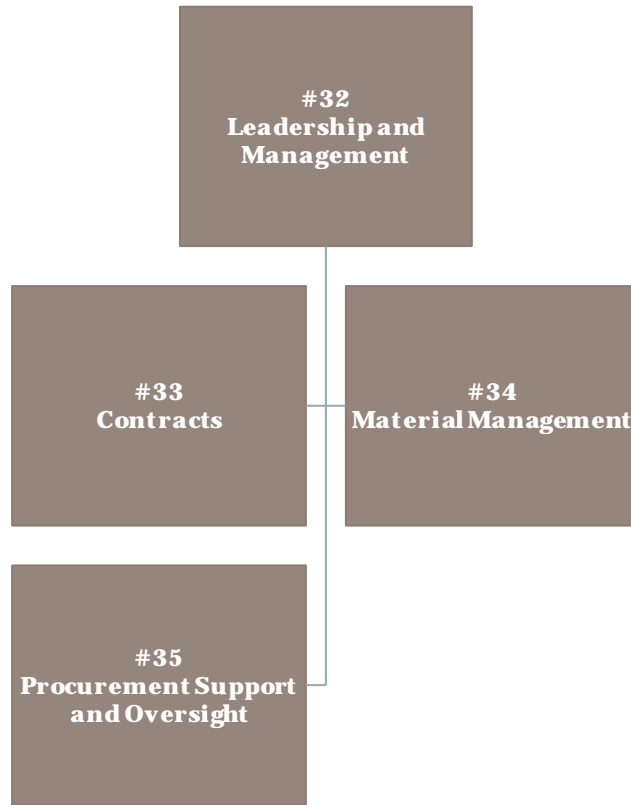


Department of Procurement and Material Management



Department Overview

As part of the FY 2017 budget process the Department of Purchasing and Supply Management is changing the Department title to the Department of Procurement and Material Management (DPMM). A national leader in the procurement industry, DPMM creates strategic partnerships with County departments and suppliers to secure quality goods and services in a timely manner at a reasonable cost, while ensuring that all procurement actions are conducted fairly, impartially, and in compliance with legal requirements. DPMM's Lines of Business (LOBs) - Contracts, Procurement Support and Oversight, and Material Management - work together with the Leadership and Management LOB, to provide industry leading procurement and material management services to County departments, enabling those departments to deliver nationally recognized County programs.

DPMM engages in four of the seven County Vision Elements within its Lines of Business: maintaining healthy economies, practicing environmental stewardship, creating a culture of engagement, and exercising corporate stewardship. Each of the LOBs has a role in achieving outcomes for these vision elements. The County's Chief Procurement Officer, located within the Leadership and Management LOB, works with the Contracts LOB to **maintain healthy economies** and **exercise corporate stewardship** through strategic sourcing. DPMM creates contracts and procurements that deliver competitively-priced and aggressively negotiated agreements, providing a reliable and robust portfolio of contracts to support County operations. The Procurement Support and Oversight LOB and the Material Management LOB, **practice environmental stewardship** through Sustainable Procurement programs that advance environmental, social, and economic initiatives. As part of the sustainability practice, Procurement Support and Oversight **creates a culture of engagement** through the Supplier Diversity Program, providing small, women and minority owned vendors access to County business opportunities, benefiting the local economy and diversifying our supplier base.

Department of Procurement and Material Management

Department Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
FUNDING			
Expenditures:			
Compensation	\$3,013,281	\$3,092,545	\$3,340,037
Operating Expenses	1,718,404	1,550,993	1,592,540
Work Performed for Others	(288,803)	(288,803)	(288,803)
Total Expenditures	\$4,442,882	\$4,354,735	\$4,643,774
General Fund Revenue	\$1,581,792	\$1,885,468	\$1,581,792
Net Cost/(Savings) to General Fund	\$2,861,090	\$2,469,267	\$3,061,982
POSITIONS			
Authorized Positions/Full-Time Equivalents (FTEs)			
Positions:			
Regular	48 / 48	50 / 50	49 / 49
Total Positions	48 / 48	50 / 50	49 / 49

Lines of Business Summary

LOB #	LOB Title	FY 2016 Adopted	
		Disbursements	Positions
32	Leadership and Management	\$616,543	7
33	Contracts	1,520,605	19
34	Material Management	596,486	13
35	Procurement Support and Oversight	1,910,140	10
Total		\$4,643,774	49

Lines of Business

LOB #32:

LEADERSHIP AND MANAGEMENT

Purpose

The Leadership and Management LOB encompasses the role of the DPMM Director, Deputy Director and the five professional and administrative staff that support the department. *The Fairfax County Purchasing Resolution* authorizes the director of the DPMM to be the County Purchasing Agent (Chief Procurement Officer (CPO)). The DPMM Director functions as the Purchasing Agent for both Fairfax County Government and Fairfax County Public Schools under a 1968 Board of Supervisors resolution that consolidates the responsibility under a single position. The resolution charges the CPO to "carry out the principles of modern central purchasing and supply management in accordance with applicable laws and regulations..." The resolution also specifically assigns the director responsibility for "management of all supplies and equipment" including "physical accountability of consumable supplies and accountable equipment." In establishing the role and duties of the Purchasing Agent, the Board of Supervisors established the legal authority to make binding contracts and purchases on behalf of the County.

Through the CPO, stewardship of the County's \$711 million expenditures ensures that all procurements are made to ensure best value, in a fair and impartial manner, providing open access to business opportunities with the County.

Description

The Leadership and Management LOB provides direction, leadership, and oversight to the department. This includes performing the function of the Chief Procurement Officer (CPO) for Fairfax County Government and Fairfax County Public Schools. The role of the CPO is to establish County procurement policies and practices, manage risk, strengthen the procurement workforce, build supplier relationships, and advance mission performance. The CPO ensures that the County obtains high quality goods and services at a reasonable cost, in a manner that is fair and impartial, with the maximum degree of competition. The CPO works closely with County officials to establish contracts that serve to advance County goals and objectives in the most cost-effective manner possible.

The CPO establishes strategic goals for the consolidated procurement program that embrace innovative solutions and improve efficiency and savings. Through policy and procedures, the CPO works to increase competition and mitigate contract risk thus enabling the County to get the most value for each taxpayer dollar. The CPO is responsible for creating a resilient supplier base that is a seamless part of service delivery in the County. Recognizing the important role of a diverse supply chain, the CPO champions efforts to maximize procurement opportunities with small, minority and women-owned businesses.

The CPO is responsible for the *Fairfax County Purchasing Resolution*, including annual updates that reflect changes from the Code of Virginia. The CPO is actively engaged in the County's legislative process to ensure that the Board of Supervisors are well advised and that the County takes the proper action on all procurement-related legislation.

This LOB was established in 1968 under a joint resolution between the Fairfax County Board of Supervisors and the Fairfax County Public School Board. It is performed by the Director, DPMM. A total of seven full-time employees are assigned to the LOB.

Department of Procurement and Material Management

Benefits

The Leadership and Management LOB is responsible for providing leadership, oversight, and strategic direction for the County's procurement function. The County benefits from this inherently governmental activity through a centralized procurement program that aggregates requirements, establishes term contracts, and ensures best value in all purchases of goods and services. The CPO's stewardship of the County's \$711 million expenditures ensures that all procurements are made to achieve best value, conducted in a fair and impartial manner, providing open access to business opportunities with the County.

The Leadership and Management LOB aligns with the **exercising corporate stewardship** vision element. In the management of county-wide procurement practices, the LOB provides best value for all County procurements considering the overall combination of quality and price in the purchase decision. Through the Leadership and Management relationship with the DPMM LOBs, several other vision elements are associated with this LOB including: **maintaining healthy economies, practicing environmental stewardship, and creating a culture of engagement.**

Fairfax County benefits from the unique relationship we maintain with the National Association of Communities, Financial Services Center Advisory Board and the U.S. Communities Governmental Purchasing Alliance (GPA). Through our role as the lead public agency for GPA national cooperative contracts, the County leverages bulk purchasing power to get the best pricing. Revenue in the form of contract incentives are a benefit; over \$800,000 is recognized annually.

Mandates

The Code of Virginia, §15.2-414, requires the County to have a purchasing agent (functional title, Chief Procurement Officer). The County Purchasing Agent shall make all purchases for the County and its departments, officers, and agencies. This inherently governmental function is further defined in the Virginia Public Procurement Act, §2.2-4300. The procurement authority established in Fairfax County is consistent with the recommendations of the American Bar Association in the Model Procurement Code,

“All rights, powers, duties, and authority relating to the procurement of supplies, services, and construction, and the management, control, warehousing, sale, and disposal of supplies, services and construction . . . are hereby transferred to the Policy Office or the Chief Procurement Officer, as provided in this Code.” MPC Section 2-301; also see Sections 2-201 and 2-202.

The authority of the CPO and the policies under which the Leadership and Management LOB operates are codified in the *Fairfax County Purchasing Resolution*. The *Fairfax County Purchasing Resolution* establishes the role of the central procurement office and the practices the County must follow for purchases and/or contracts for all supplies, materials, equipment and services required by any department or agency of the county. The *Fairfax County Purchasing Resolution* prescribes the basic policies for the conduct of all purchasing in Fairfax County and requires all purchases of and contracts for supplies, materials, equipment, and contractual services to be in accordance with Chapter 43 of Title 2.2 of the Code of Virginia.

The position of Director, Purchasing & Supply Management Agency (now DPMM) was established by the Board of Supervisors on July 3, 1968.

Department of Procurement and Material Management

Trends and Challenges

The trends and challenges facing the Leadership and Management LOB encompass issues raised in the other DPMM LOBs including:

- **Procurement Technology:** To leverage the County's investment in the FOCUS system, DPMM believes that strategic sourcing solutions must be integrated into the system to support the procure-to-pay model, providing opportunities for cost reduction, supply base resizing, e-commerce, and management of contract spend. The most significant challenge on the horizon is keeping pace with the expansion of e-commerce into almost every aspect of DPMM's business. E-commerce is growing in depth and breadth of usage, as well as, in technical sophistication.
- **Material Management Technology:** The growing complexity and dynamism of supply chains requires the use of a technology solution for inventory management and delivery tracking. Future efficiency gains in County logistics cannot be attained without the benefit of a technology solution to improve the collaborative use of warehouse space and trucks. An investment in an inventory / delivery management system will provide the foundation for shared use of warehouse space and equipment with other County departments. Efficiencies can be attained by improving services levels, demand management through the use of predictive data, and transportation management.
- **Sustainable Purchasing:** Sustainable purchasing is a concept that entails integrating social and environmental objectives into the procurement process as a means to reduce the county's environmental footprint, leverage social benefits and foster a sustainable economy. Within resource constraints, DPMM will continue to build the sustainable purchasing initiative to produce savings, improve vendor relationships, and build a resilient supply chain.

Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
LOB #32: Leadership and Management			
FUNDING			
<u>Expenditures:</u>			
Compensation	\$504,303	\$534,078	\$572,295
Operating Expenses	221,307	45,979	44,248
Total Expenditures	\$725,610	\$580,057	\$616,543
General Fund Revenue	\$0	\$0	\$0
Net Cost/(Savings) to General Fund	\$725,610	\$580,057	\$616,543
POSITIONS			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	7/7	7/7	7/7
Total Positions	7/7	7/7	7/7

Department of Procurement and Material Management

Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Percent of procurement dollars awarded to small, woman and minority owned businesses	30%	43%	44%	40%	44%
Department Revenues	\$5,593,797	\$6,362,366	\$5,086,573	\$5,374,627	\$5,600,120

Percent of Procurement Dollars Awarded to Small, Woman and Minority Owned Businesses

Fairfax County is committed to developing a sustainable supply chain by maximizing business opportunities with small, woman and minority (SWaM) owned businesses. Many SWaM vendors are also local businesses, so expenditures with this supplier category serve to retain tax dollars in the local economy. Through the County's SWaM outreach and education program, we create a level playing field for competition for County contracts and help remove barriers that affect participation in government contracting.

The percent of procurement dollars awarded to SWaM businesses in FY 2015 was more than 44 percent. This is expected since DPMM's goal is to maintain a diverse business portfolio that helps maintain healthy economies. This includes managing the percent of procurement dollars awarded to SWaM businesses in the 40 to 49 percentile range.

Department Revenues

DPMM is the lead public agency for four national contracts under the U.S. Communities Government Purchasing Alliance. While serving as the contract administrator for a national agreement entails additional responsibilities, the County benefits from the incentive revenue that is linked to contract performance. The County also receives substantial rebate revenue from the procurement card and office supply contracts. This means that DPMM is able to offset a percentage of procurement operations. Contract rebates and incentives produced over \$3 million in FY 2015 of the \$5 million total revenue. In FY 2015, the web-based auction services for redistribution and sale of County and Fairfax County Public Schools excess and surplus property produced \$2 million in revenue. The three year average for surplus sales revenue has grown to more than \$2.8 million.

Department of Procurement and Material Management

LOB #33:

CONTRACTS

Purpose

The Contracts LOB facilitates and delivers timely and efficient procurement of services, technology, construction, and supplies required for County government operations. As a central service function, the Contracts LOB provides professional procurement and contract support to County departments, Boards and Authorities in accordance with the Code of Virginia and the *Fairfax County Purchasing Resolution*. In all procurement transactions, the Contracts LOB conducts procurement transactions through the highest standards of objectivity, integrity, transparency, fairness, accountability, efficiency, and professionalism. The Contracts LOB ensures that customers have the contract services they require to provide best-in-class service to the citizens of Fairfax County. Through fair and open competitive processes, DPMM offers opportunities to the business community to participate in the County's procurement process and foster strategic business partnerships with county vendors.

Description

The Contracts LOB is the core business function in the DPMM. Contract specialists are responsible for establishing contracts, wherein pricing, terms, and conditions are established through fair and open competitive bidding or competitive negotiations. Duties associated with this important function include managing solicitation, evaluation and selection, contract negotiations, award and administration of the resultant contracts. The DPMM contract specialists are increasingly involved in complex contract negotiations, assessing potential liabilities and risks, reviewing legal terms and financial statements, and ensuring that the County has the best possible contract terms at a fair and reasonable price. Following contract award, the contract specialists manage contractor compliance through monitoring and end-user feedback (the Contracts LOB administers over 2,300 term contracts). Contract administration activities include: monitoring and resolving contract performance and payment problems; processing changes to contract items, terms, and conditions; and providing liaison between contractor and program personnel. Procurement expenditures continue to increase, nearly 9.5 percent since FY 2013. Since 2011, all contracts and purchase orders have been managed using FOCUS which has increased efficiency through the use of technology and e-procurement tools.

The Contracts LOB continues to experience a shift in workload from the relatively straightforward purchase of goods through the Invitation for Bid process, to the purchase of services, through the more complex Request for Proposal method. The increased number of service contracts has also increased the need for resources devoted to the management and administration of contracts after award. The Contracts LOB participates in regional and national cooperative programs, an effective tool that reduces prices and administrative costs by combining the purchasing power of multiple organizations while leveraging the experience and expertise of entities with specialized knowledge. While this LOB is funded through the General Fund, offsetting expenditure revenues are received from rebates and incentives generated through the U.S. Communities Government Purchasing Alliance (GPA) cooperative purchasing program and the County's procurement card (p-card) and office supplies contracts. In FY 2015, these revenues constituted a \$3 million reduction in the net cost to the County for the Contracts program.

Department of Procurement and Material Management

Benefits

The Contracts LOB strongly aligns with the **exercising corporate stewardship** vision element. The Contracts LOB delivers value and reduces overall cost to the County through strategic sourcing, supplier management, effective price negotiations and risk management. In all procurement transactions, the Contracts LOB conducts procurement transactions through the highest standards of objectivity, integrity, transparency, fairness, accountability, efficiency, and professionalism. The continuous focus on innovation and excellence in operations and service delivery to management, departments, and vendors. DPMM provides value added services to citizens of Fairfax County, County staff and the vendor community through innovation and excellence while obtaining the required goods and services in an open and fair manner utilizing sound purchasing principles.

In FY 2015, the County expended over \$711 million through procurement transactions for goods and services. The procurement expenditures with small, women and minority owned businesses is approximately \$271 million and much of this sum remains in the local economy stimulating economic growth and **maintaining healthy economies**. Government spending in the local economy creates a multiplier effect, as local jobs are maintained or created and income is generated for the residents. In FY 2014, the County expended \$240 million in the Northern Virginia economy for goods, services, and construction. Of this sum, over \$114 million was spent with small businesses.

Also of note, the Fairfax County Small Business Commission (SBC) acts as a liaison between the small, women, and minority owned business community and the Department of Procurement and Material Management. The SBC represents to the County issues of concern to small businesses in Fairfax County; advises and assists the Board of Supervisors, County Executive and County employees on any matter that will enhance the capability of small businesses to succeed in Fairfax County; and promotes and assists small businesses generally, especially with respect to minority-owned and emerging businesses, in their relations with the County.

Mandates

The Code of Virginia, §15.2-414, requires the County to have a purchasing agent (functional title, Chief Procurement Officer). The County Purchasing Agent shall make all purchases for the County and its departments, officers, and agencies. This inherently governmental function is further defined in the Virginia Public Procurement Act, §2.2-4300.

The authority of the CPO and the policies under which the Contracts LOB operates are codified in the *Fairfax County Purchasing Resolution*. The *Fairfax County Purchasing Resolution* establishes the role of the central procurement office and the practices the County must follow for purchases and/or contracts for all supplies, materials, equipment and services required by any department or agency of the county. The *Fairfax County Purchasing Resolution* prescribes the basic policies for the conduct of all procurement in Fairfax County and requires all purchases of and contracts for supplies, materials, equipment, and contractual services to be in accordance with Chapter 43 of Title 2.2 of the Code of Virginia.

The Purchasing and Supply Management Agency (now DPMM) was established on July 1, 1968 by adoption of a Resolution between the County Board of Supervisors and FCPS Board.

Department of Procurement and Material Management

Trends and Challenges

The procurement function continues to transition to a strategic role in the organization, a role that aligns the LOB with overall strategies and support of organizational goals. The alignment, once achieved, enables procurement to proactively identify and capitalize on opportunities that improve program outcomes and deliver savings. The trends and challenges identified below mirror the experience of other large public procurement agencies.

Trends:

- **Collaboration:** Partnering, collaboration and service sharing among departments and agencies and other public sector entities. Collaboration has many benefits, including greater negotiating clout with suppliers, economies of scale and the cost efficiencies of system sharing.
- **Use of Spend Analytics:** Using spend analytics to deliver on multiple goals of the County. Utilizing expenditure data to identify opportunities for spend optimization and savings, get visibility of diversity spending and how to minimize procurement risks.
- **Cooperative Purchasing:** The trend continues towards cooperative purchasing efforts as a method of procurement to reduce administrative burden, improve efficiency and economy in acquiring goods and services, and cost savings through nationally leveraged pricing.
- **Sustainable Purchasing:** Integrating social and environmental objectives into the purchasing process as a means to reduce the county's environmental footprint, leverage social benefits and foster a sustainable economy.

Challenges:

- **Talent Management:** Recruitment and retention of professional, certified procurement practitioners. Today's procurement professionals must have a combination of formal education as well as practical and technical skills in order to be successful contract administrators.
- **Technology:** Identify and implement strategic sourcing solutions into FOCUS that support the procure-to-pay model and also identify opportunities for cost reduction, supply base resizing, e-commerce, and management of contract spend.

Department of Procurement and Material Management

Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
LOB #33: Contracts			
FUNDING			
Expenditures:			
Compensation	\$1,245,724	\$1,285,394	\$1,450,910
Operating Expenses	55,230	20,318	69,695
Total Expenditures	\$1,300,954	\$1,305,712	\$1,520,605
General Fund Revenue	\$0	\$0	\$0
Net Cost/(Savings) to General Fund	\$1,300,954	\$1,305,712	\$1,520,605
POSITIONS			
Authorized Positions/Full-Time Equivalents (FTEs)			
Positions:			
Regular	20 / 20	19 / 19	19 / 19
Total Positions	20 / 20	19 / 19	19 / 19

Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Number of active contracts	2,280	2,377	2,308	2,192	2,300
Total Procurement Spend, excluding capital construction (in millions)	\$649.7	\$705.4	\$711.3	\$714.9	\$718.4
Processing time in days for a Request for Proposal (RFP)	256	239	212	211	211
Percent of formal contractual actions awarded without valid protest	100.0%	100.0%	99.6%	100.0%	100.0%

Number of active contracts

The Contracts LOB, using data available from FOCUS, is strategically right-sizing the County's contract portfolio to improve efficiency and ensure that all active contracts represent current requirements. Between FY 2014 and FY 2015, the Contracts LOB reduced the number of active contracts from 2,377 to 2,308, an overall reduction of 69 contracts. While the impact of this trend is still to be determined, additional efforts by the Contracts LOB are being employed to further this effort by minimizing secondary (backup) and multiple contract awards where possible.

Total Procurement Spend, excluding capital construction (in millions)

The Contracts LOB is responsible for procurement of all goods, services, professional services, and non-capital construction for all County departments. Total procurement spend has increased consistently each year, irrespective of market conditions. This metric is in direct correlation with requirements for ongoing, new and expanded programs and requirements for the County; the Contracts LOB is reactive to this demand. Based on trend analysis of prior year actual expenditures, total procurement volume is projected to exceed \$718 million in FY 2017.

Department of Procurement and Material Management

Processing time in days for a Request for Proposal (RFP)

In FY 2015, the Contracts LOB achieved its third successive annual improvement in the processing time for a RFP. This outcome was achieved through active management and oversight of project milestones and increased accountability for customer deliverables. As part of a customer service initiative, the LOB will continue to work towards the cited reduction objective of 10 percent. In FY 2015, for the first time, the Contracts LOB processed more RFP's due to the need to establish contracts through competitive negotiations that allow for consideration of non-price factors. Absent any trend data, it is not possible to project whether this experience is an anomaly or part of a systemic change. This RFP method of procurement requires greater technical expertise due to its complex nature and need for evaluation and negotiation of submitted proposals. Inhibiting factors include increased time required for development of technical requirements, protracted negotiations, and lengthy review times by legal counsel.

Percent of formal contractual actions awarded without valid protest

In FY 2015, the Contracts LOB continued to achieve a superior level of success in awarding formal contracts without a valid protest, with a 99.6 percent success rate for this measurement. The trend for this metric is projected to continue at the same outcome level. The LOB is able to perform at this exceptional standard due to investments in professional development, as well as, conducting business under policies that support fair and impartial procurement activities, maximize competition, and provide open access to County business.

Department of Procurement and Material Management

LOB #34:

MATERIAL MANAGEMENT

Purpose

The Material Management LOB, working from the Springfield Warehouse, serves as the central receiving and distribution point for supplies and equipment and provides short and long-term storage for all County departments. The Springfield Warehouse is used for storage of customer owned inventory to include items such as forms, program supplies, art supplies, and voting equipment. From this facility, Material Management LOB staff transport, sort and re-deliver Fairfax County Public Library books. The Material Management LOB manages the County's excess and surplus property program ensuring best use disposition (redistribution, recycling, sale, or disposal). The Material Management LOB has a vital role in emergency response at the local, state and regional levels.

Description

The Springfield Warehouse tenants include Fairfax County Public Schools (FCPS), DPMM, Fire & Rescue Department (FRD), Archives, Department of Public Works and Environmental Services, Office of Elections, and the Health Department. The County's footprint within the Springfield Warehouse is approximately 136,000 square feet of the 750,000 square foot facility. The County and FCPS operate separate and distinct operations under separate management, although collaboration is promoted.

Within the Springfield Warehouse, DPMM operations use approximately 43,000 square feet to provide logistical support to County programs as detailed below:

- **Fairfax County Public Library**: Library book collection and distribution is the largest distribution activity for the Material Management LOB. An average of 300 bins of books are collected, sorted, and delivered each day, equaling over 4 million books per year. Books for renovated facilities are stored and are delivered to the appropriate facility upon completion. Books for Friends of the Library are stored and delivered to the appropriate facility for their sale of books to the public.
- **Office of Elections**: The voting equipment is securely stored and managed based on mandates from the Commonwealth of Virginia. Up to 750 machines and apparatus are stored, delivered, and retrieved for each election for the Office of Elections. Prescribed chain-of-custody procedures ensure integrity of the equipment and ballots.
- **Department of Information Technology Paper Inventory**: The Material Management LOB receives, stores, and delivers all bulk paper to meet the daily operational requirements for the Department of Information Technology (DIT) data center.
- **Print Shop**: The Material Management LOB picks up completed materials from the County Print Shop and makes delivery to all County agencies.
- **Office for Children**: – Receiving and distribution of School Age Child Care program material for both school year and summer programs.
- **Fairfax County Park Authority**: – Receiving and distribution of RecPac summer program supplies. Non-consumable items, such as athletic equipment, are stored between program sessions.
- **Storage of Consignment Stock**: The Material Management LOB stores material for various County agencies that are purchased in bulk and for which the user agency does not have the necessary storage space.
- **Management of Excess and Surplus Property**: This activity includes pick-up, storage, transfer and/or redistribution, and the sale of excess and surplus property from all County agencies. Auctions are advertised, conducted, and monitored by County staff using an on-line auction website and generated \$1.98 million in revenue in FY 2015. The types of items include electronics, fleet vehicles, and furniture

Department of Procurement and Material Management

Benefits

The programs in this LOB benefit both internal and external customers and are primarily tied to two of the County's vision elements.

- The Library Book Distribution Program is an internal service that demonstrates our commitment to **corporate stewardship** by using collaborative logistics with Fairfax County Public Libraries in order to reduce the cost of transporting books, maximizing the collection, and reducing the cost to citizens.
- General distribution and storage is an internal service that demonstrates our commitment to **corporate stewardship** by using collaborative logistics with FCPS and FRD in order to reduce cost of transporting materials and equipment countywide. The Material Management LOB is responsible for the County's consumable inventory program encompassing 10 stock rooms and warehouses and 7,845 stock line items. By consistently operating at 97 percent of peak capacity, the Springfield Warehouse under DPMM operations saves the County \$516,000 in cost avoidance relative to market rates for warehouse leasing.
- Management of the Excess and Surplus Property Program is an internal and external service that focuses on mitigating environmental impacts of material disposal by seeking to maximize re-use, redistribution, and revenue of the County's excess and surplus property, thus sustaining the commitment to **corporate stewardship** and **environmental stewardship**.
- The Materials Management LOB also supports Emergency Efforts as an internal and external service that focuses on distribution and storage of emergency materials and equipment in emergency situations. This supports our commitment to **corporate stewardship** and **environmental stewardship** by ensuring efficient and effective distribution and storage of emergency supplies. The programs in this LOB benefit both internal and external customers and are primarily tied to two of the County's vision elements.

Mandates

The Code of Virginia, §15.2-414, which establishes the County Purchasing Agent, attaches the authority for the transfer of supplies, materials, and equipment, and sell surplus equipment, materials and supplies not needed by, the departments, officers, and agencies of the County.

The Fairfax County Purchasing Resolution, Article 6, Supply Management mandates responsibility for the following functions in this LOB:

- Consumable inventory management
- Operation of the Springfield warehouse
- Excess and surplus property and inventory

The Electoral Board, General Registrar and Clerk of Court are responsible for establishing and maintaining security of ballots and elections equipment before and after each election, in accordance with Code of Virginia, §§24.2-625.1 and 24.2-668. The Material Management LOB serves as the custodian of the elections equipment at all times, except when the equipment is deployed during an election.

Department of Procurement and Material Management

Trends and Challenges

The trends and challenges for the Material Management LOB are consistent with those in private sector warehousing and transportation operations. Warehousing is increasingly viewed as a sub-process of the end-to-end supply chain. County departments, responding to commercial sector practices, are expecting more value-added services such as tracking and heightened responsiveness to storage and transportation needs. The growing complexity and dynamism of supply chains requires the use of a technology solution for inventory management and delivery tracking. Future efficiency gains in this LOB cannot be attained without the benefit of a technology solution to improve the collaborative use of space and trucks. An investment in an inventory / delivery management system will provide the foundation for shared use of space and equipment with the FRD and FCPS. Efficiencies can be attained in improving service levels and demand management through the use of predictive data, and transportation management.

Staffing in the Material Management LOB has been relatively stable. As the drivers reach retirement age, recruitment may be a challenge. The American Trucking Association recently reported an industry shortfall of 35,000 to 40,000 drivers. Demographics are an underlying factor, the driver workforce is getting older and younger Americans are showing less interest in a career as a driver.

The Material Management LOB has realized great success in maximizing revenue from County surplus. It should be noted that the declining and unpredictable supply of excess and surplus inventory may flatten revenue. Low fuel pricing, predicted for the next year, will allow the freight operations to perform at a cost effective level.

Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
LOB #34: Material Management			
FUNDING			
<u>Expenditures:</u>			
Compensation	\$600,020	\$614,350	\$704,961
Operating Expenses	168,339	208,670	180,328
Work Performed for Others	(288,803)	(288,803)	(288,803)
Total Expenditures	\$479,556	\$534,217	\$596,486
General Fund Revenue	\$0	\$0	\$0
Net Cost/(Savings) to General Fund	\$479,556	\$534,217	\$596,486
POSITIONS			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	12 / 12	14 / 14	13 / 13
Total Positions	12 / 12	14 / 14	13 / 13

Department of Procurement and Material Management

Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Net surplus sales revenue	\$3,144,855	\$3,511,847	\$1,984,046	\$2,180,000	\$2,400,000
Percent of books transferred within one working day	100%	100%	100%	100%	100%
Peak warehouse capacity used	90%	97%	97%	97%	97%

Net surplus sales revenue

Revenue is generated through the auctioning of surplus property. Auctions are advertised, conducted, and monitored by County staff using an on-line auction website and generated \$1.98 million in revenue in FY 2015. The types of items include electronics, fleet vehicles, and furniture. Factors that impact the amount of revenue collected is the number of items sold and the type of items sold. The sales of a helicopter in FY 2013 and FY 2014 greatly impacted the amount of revenue generated.

Percent of books transferred within one working day

Library book collection and distribution is the largest distribution activity for the Material Management LOB. An average of 300 bins of books are collected, sorted, and delivered each day, equaling over 4 million books per year. Books for renovated facilities are stored and are delivered to the appropriate facility upon completion. The goal is to continue transferring all books received within one business day.

Peak warehouse capacity used

The Material Management LOB stores customer owned inventory (both bulk and item level) for various County agencies for which the user agency does not have the necessary storage space. By consistently operating at 97 percent of peak capacity, the Springfield Warehouse under DPMM operations saves the County \$516,000 annually in cost avoidance relative to market rates for warehouse leasing. It is anticipated that the facility will continue to operate near or at capacity for the foreseeable future due to several extraordinary requirements such as the renovation of two Fairfax County Public Libraries and the closure of the public safety building.

Department of Procurement and Material Management

LOB #35:

PROCUREMENT SUPPORT AND OVERSIGHT

Purpose

The Procurement Support & Oversight (PS&O) LOB supports an array of procurement-related programs, the purpose of which is to provide procurement support to internal and external customers including vendors, user departments and DPMM's Contracts staff. The most outward facing of these programs is the Supplier Diversity Program whose purpose is to break down barriers for small, woman and minority-owned (SWaM) vendors to do business with the county. PS&O's Sustainable Procurement Program seeks green/sustainable procurement options from suppliers and promotes environmentally conscious procurement to internal staff. PS&O also administers the county's robust 1,500 card p-card program and the office supply program. In addition, PS&O acts as functional liaison to FOCUS, providing the all-important link between business requirements and system technical capabilities. The LOB also includes the fixed asset oversight required for accountability of capital equipment assets.

PS&O gathers several diverse procurement functions on one team and achieves efficiencies by leveraging the synergies between each program. The team configuration provides a structure for the training and management of shared responsibilities for programs with very limited staffing.

Description

Procurement Support & Oversight is a line of business with several programs that provide support and oversight for various frontline procurement activities performed by DPMM, user departments and the vendor community. The primary programs are:

- **Sustainable Purchasing Program:** The nature of 'sustainable' purchasing has evolved in recent years to encompass not only the traditional concept of green or environmentally-preferable procurement but also the social and economic health of the county's supply chain. Previously delivered in two separate lines of business, DPMM has consolidated green procurement and supplier diversity into a single 'Sustainability' Line of Business to leverage resources and use the County's market influence to enhance sustainable outcomes. Implementing an integrated plan for sustainable purchasing will assist the county in saving money, improving vendor relationships and promoting a more resilient supply chain.
- **Supplier Diversity Program:** In keeping with the Board of Supervisors' mandate to increase participation by the county's small and minority business community in county procurement activity, DPMM established the Supplier Diversity program. Although the program is a new one for the PS&O LOB, DPMM has maintained a vendor relations/supplier diversity program for decades. The primary responsibility of the program is to ensure that SWaM businesses are treated fairly and have an opportunity to compete for the county's purchasing dollars. The program provides training, outreach, assistance and, along with the Fairfax County Small Business Commission, sponsors the annual Vendor Forum and Reverse Trade show, the premier event of its kind in the region. In FY2015, approximately 44 percent of county purchasing dollars were spent with SWaM businesses, a noteworthy statistic that is driven by this program.
- **Environmental Procurement Program:** This program seeks to promote environmentally sound and sustainable procurement through outreach to user departments, vendors and contract staff. Management of this former "Green" program together with the Supplier Diversity Program described above allows us to take advantage of the areas where these programs intersect. Both programs involve robust vendor outreach as well as user training and efforts to influence user departments to consider a diverse array of factors when making purchasing decisions.

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- Program Administration for the County's P-card and Office Supply Programs: In FY 2015, county departments spent \$57 million via 133,500 individual p-card transactions. Office supply purchasers spent \$3.15 million annually through over 11,000 electronic transactions that generate orders for virtually all of the office supplies consumed by Fairfax County government. Both of these widely used programs require comprehensive support. Together the programs produce over \$1.1 million in rebates.
- Functional liaison for the FOCUS system: As the business owners for the procurement piece of FOCUS, PS&O works with the technical staff of FBSG and DIT to assure the county's procurement requirements are addressed by the FOCUS system. Program staff must have a working understanding of FOCUS and technical concepts as well as an understanding of both department users' and central staffs' business needs.
- Fixed asset oversight: DPMM has oversight responsibility for \$452 million in accountable equipment assets. This program assures user agency accountability for all accountable equipment over \$5,000 and helps support the validity of the assets reported by the CAFR. Program administration requires physical verification of assets by both program staff and, alternatively, by departmental personnel. Program staff provides consultation and assurance of the using department's proper acquisition of these assets through FOCUS.

Benefits

The programs in this LOB benefit both internal and external customers and are primarily tied to four of the county's vision elements.

- The Supplier Diversity Program helps to **maintain healthy economies** by helping small, minority, and women-owned businesses to compete for county business. It also contributes to **creating a culture of engagement** by encouraging members of our local vendor community to work with the county to provide services to citizens.
- The Environmental Procurement Program supports the county's role in **practicing environmental stewardship** and also helps to **maintain healthy economies** in its efforts to develop a market for and utilization of green products.
- The administration of the P-card and Office Supply programs is an internal service that demonstrates our commitment to **corporate stewardship** by streamlining procurement for county departments as well as contributing rebate money back into county coffers.
- Liaison for the FOCUS system and fixed asset oversight are both central service programs that benefit county residents indirectly by supporting procurement by and for county departments. Like most of the DPMM's programs, these programs demonstrate our commitment to a high level of customer service for internal customers and to our obligation for **corporate stewardship**.

Mandates

The Procurement Support & Oversight LOB is partially mandated:

- Fixed asset oversight, reference Article 6 of the *Fairfax County Purchasing Resolution*. This LOB is responsible for all accountable equipment for purposes of financial tracking and reporting.

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Trends and Challenges

The most significant challenge on the horizon for PS&O is keeping pace with the expansion of e-commerce into almost every aspect of our business. E-commerce is growing in depth and breadth of usage as well as in technical sophistication. It is a developing presence in both the private and public sectors and expectations from vendors, citizens and county users increase persistently.

Many public entities at the state and local levels now receive solicitation responses via an e-bidding platform. While FOCUS has a nascent e-bidding functionality, technical and security issues have so far prevented implementation. Newer and more streamlined e-bidding systems are now available in the marketplace and at some point in the near future DPMM must determine the best solution for the county's procurement needs.

On the ordering side, larger vendors are equipped to receive and often prefer electronic purchase orders while smaller vendors still struggle with the technology. FOCUS currently offers a hybrid model of purchase order delivery. Some are electronic (the FOCUS Marketplace) and the remainder are delivered by the US Postal Service. Managing the diverse capabilities of our vendor community while taking advantage of the benefits offered by advanced e-focused trends will be challenging.

On the payment side, PS&O must partner with the Department of Finance to meet the increasing demands for electronic payment tools. PS&O's robust p-card program has facilitated both electronic ordering and electronic payment for several years. However, security and logistics issues of increased p-card use will continue to challenge PS&O and may create an increased need for resources devoted to managing and monitoring this program.

It is evident that e-commerce offers unparalleled opportunities for the procurement field and as technical liaison for DPMM, the PS&O LOB will lead the functional effort to both manage and exploit this trend.

Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
LOB #35: Procurement Support and Oversight			
FUNDING			
<u>Expenditures:</u>			
Compensation	\$663,234	\$658,723	\$611,871
Operating Expenses	1,273,528	1,276,026	1,298,269
Total Expenditures	\$1,936,762	\$1,934,749	\$1,910,140
General Fund Revenue	\$1,581,792	\$1,885,468	\$1,581,792
Net Cost/(Savings) to General Fund	\$354,970	\$49,281	\$328,348
POSITIONS			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	9 / 9	10 / 10	10 / 10
Total Positions	9 / 9	10 / 10	10 / 10

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Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
P-card transactions as a percentage of procurement transactions	74%	74%	75%	74%	74%
Rebates and incentives received from p-card and office supplies	\$2,196,963	\$2,332,116	\$2,359,486	\$2,303,914	\$2,308,308

P-card transactions as a percentage of procurement transactions

The administrative cost of processing a p-card order is well below the cost of a purchase order (PO), the higher the percentage of p-card transactions, the higher the administrative cost savings. As the bulk of p-card transactions are for low dollar purchases, the p-card process streamlines procurement for low cost/low risk purchases. The challenge is to assure adequate oversight and management of a program that currently processes over 130,000 transactions a year performed by a widespread network of department users.

At almost 75 percent for the past three years, this measure appears to be holding steady and is expected to remain so through the next two fiscal years.

Rebates and incentives received from the p-card and office supply programs

Rebates and incentives received from the p-card and office supply program represent revenue generated from the county's p-card and office supply contractor for use of their products/services. Both contracts are competitively solicited to with the aim of procuring the best combination of price and value available. These types of rebates and incentives are typical in these industries. The county receives a revenue stream for operating programs that add efficiency and visibility to our processes.

The amount of our rebates is based on a combination of several factors – including total spend, average transaction size, speed of payment, and use of electronic purchasing tools. Rebates have risen fairly steadily over the past several years as program growth occurs. With recent budget cuts effecting a reduction in county spending, the rebates are expected to remain flat or drop slightly. However, our current contracts for both p-card services and office supplies are expiring in the near future and the resolicitation process is currently underway. New contracts could create a change in the rebate structure that would affect this metric.