

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.

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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.

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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.

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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			
<i>Authorized Positions/Full-Time Equivalents (FTEs)</i>			
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.

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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.