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# City of Detroit

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TO: The Honorable City Council

FROM: David Whitaker, Director  
Legislative Policy Division Staff

DATE: November 15, 2018

RE: **Ordinance to Add Detroit Supply Schedule to Purchasing Procedures**

An ordinance to amend Chapter 18, Finance and Taxation, Article V, Purchases and Supplies, by adding Division 11 to permit creation of the Detroit Supply Schedule has been submitted to the City Council for approval. The public hearing on the ordinance has been set for Tuesday, November 20, 2018. City Council's Legislative Policy Division has been directed, by the Budget, Finance and Audit Committee, to review and comment on this proposed amendment.

The Detroit Supply Schedule Program, according to the overview from the Office of Contracting and Procurement, is a procurement vehicle to be used for "recurring goods and services" by leveraging the buying power of the City to negotiate price discounts on commonly used goods and services. Creation of the Detroit Supply Schedule is based on the experience of Washington D.C., which has used Supply Schedules for the past 20 years.

The Supply Schedule Program establishes a 2-part solicitation from vendors. The Chief Procurement Officer is authorized to initially issue a Request for Proposals (RFP) for goods and services identified in that request. From this RFP, contracts for vendors will be recommended to the City Council, to be approved, for up to 5-year terms [with option to renew 5 additional years] to provide the goods and/or services, as needed, at prices established by the contract. City Council's approval of these contracts will establish the Supply Schedule. Additional vendors or acceptable contractors may be added to the Supply Schedule list of contractors at any time. The ordinance provides that at least three (3) responses must be received before a contract will be submitted to the City Council to establish the Supply Schedule.

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When the Office of Contracting & Procurement receive requisitions from City departments or agencies for specific goods and services that are needed, cost quotations, will be requested from the Supply Schedule of approved contractors. The lowest responsible bidder or bidders will be issued the authority to provide the goods or services for fulfill the specific request. Equalization credits will be applied to the cost quotations for eligible vendors. City Council approval will not be required for the agreement to deliver actual goods and services. The proposed Detroit Supply Schedule is meant to expedite the delivery of goods and services, make better use of staff time by eliminating frequent repetitive purchases of the same goods and services, reduce the City's cost for the procurement process, and reduce costs from vendors for required goods and services.

In addition to providing for the establishment of Supply Schedules, the ordinance also, provides that the Supply Schedule, guidelines and publications will be available on the website of the Office of the Chief Financial Officer; an Annual Review of the program shall be conducted by the Chief Financial Officer comparing prices of the City for goods and services with the market rates; and an overview of the Supply Schedule Program is to be provided, by the Chief Procurement Officer, to the City Council every five (5) years.

The ordinance further provides for the establishment of a "reserved bidding schedule" through which the Chief Procurement Officer shall reserve at least 30% of the Supply Schedule contracts to a reserved bidding schedule, for Detroit-based businesses only. The City Council shall review and approve the Supply Schedule – Reserved Bidding Schedule, every 5 years. The Chief Procurement Officer shall then obtain bids from vendors to fill the Reserved Bidding Schedule. However, if the results from vendors to fill the reserved bidding schedule are not satisfactory to the Chief Procurement Officer, he/she shall report to City Council the need to re-classify the Reserved Bidding Schedule as a regular Supply Schedule and comply with the general provisions of the Supply Schedule Program.

Section 18-5-177 of the Supply Schedule Ordinance directs the Chief Procurement Officer and the Director of Civil Rights and Inclusion Office to encourage participation of Detroit-based businesses and Detroit residents in the City's procurement process through the development of workshops, seminars and educational materials. Specifically, two (2) educational and outreach meetings are to be scheduled in each council district annually (for a total of at least 14 meetings). In addition, the City is to work with local colleges and the Detroit Public Schools Community District to encourage entrepreneurship and skills required to successfully participate in the bidding process.

There are clearly many benefits to the City and Detroit residents through the establishment of the Detroit Supply Schedule Program, as provided in the proposed ordinance. The City Council electing to approve the Supply Schedule vendors and give up the authority to approve the vendor's individual contracts for delivery of goods and services. The trade-off is designed to provide a process that is to expedite delivery of goods and services, and hopefully reduce some costs. It is not clear at this point how much of the total procurement will be done through the Supply Schedules. The Office of Contracting and Procurement (OC) has prepared a draft of 10 Supply Schedules, that appears to include almost all commodities purchased by the City, with the exception of vehicles.

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In summary, the Supply Schedules appear to be established with the approval of the contracts by the City Council. Contracts cannot be submitted to the City Council unless at least 3 responses to the Request for Proposals are received. The definition of the Supply Schedule does not include any minimum number of approved contracts to be established. A question may be if the Supply Schedule can be established with City Council's approval of one (1) contract. Or, if after three contracts are approved, as part of a Supply Schedule, should two contractors be unable to continue, can the Supply Schedule still be used?

At this time, the Supply Schedules, proposed by OCP, appear to be quite general. It is not entirely clear, from the ordinance, how the Requests for Proposals will be issued, for the entire Supply Schedule, or for portions of that schedule.

Equalization factors are **not applied** in the selection of qualified contractors for the Supply Schedules. This makes some sense, as this is only the establishment of a list of acceptable bidders. Equalization is **applied** to the Request for Quotations and the determination of the Lowest acceptable bid, to actually provide the goods or services.

City Council is to review and approve the Reserved Bidding Schedule, for Detroit Certified businesses, every 5 years. This does not seem to be frequent enough. The ordinance is requiring a concerted effort to reach out and encourage participation of Detroit businesses to participate in the City's procurement. Hopefully, the workshops and seminars will be successful, and will result in a significant increase in Detroit businesses submitting proposals to be part of a Supply Schedule.

Finally, the City Council is provided an overview, by the Chief Procurement Officer, of the Supply Schedule Program, once every 5 years, beginning in 2024. This does not seem to be frequent enough for City Council to have adequate oversight of the program, and provide the necessary information to assure City Council members, that goals are being met, especially as it affects the reserved bidding schedule.

The concerns raised in this report may be addressed by future amendments, once the Detroit Supply Schedule has been established and the operation of the Supply Schedules can be assessed. Concerns may also be addressed through Rules and Procedures. City Council may wish to request, and include in the ordinance, that Rules and Procedures developed to implement the Detroit Supply Schedules be submitted to the City Council for review.