

BUDGET FISCAL ANALYSIS TASK FORCE
Meeting Notes
February 8, 2010

A. Call to Order: The meeting was opened at 5:12 PM. Present were Task Force members Joe Kask, Tim Sullivan, Lyle Wray, and Yvon Alexandre. Also present were David Panagore, COO, Lydia Rosario, Procurement Division, Council members Jim Boucher and Larry Deutsch, members of the public, and Linda Bayer, scribe. Yvon Alexandre Kask chaired the meeting.

B. Minutes: It was moved and seconded (Sullivan, Kask) that the minutes of January 25, 2010 be accepted as presented. The motion passed unanimously.

C. Presentation & Discussion of Procurement Function: Lydia Rosario explained that she is the Deputy Director of Finance. The Chief Operating Officer is the chief procurement officer for the City of Hartford. He had delegated that responsibility to the Procurement Manager who retired several months ago. While the recruitment process for a new procurement manager is underway, Lydia is temporarily serving in that role. The Procurement Office is responsible for all purchasing for both the City government and the Board of Education. There are four buyers in the division.

Linda distributed a copy of the Charter requirements governing purchasing. Lydia distributed information about the procurement function as well as the purchasing ordinance passed in March of 2009. She indicated that there is not a purchasing manual, since such a document becomes out of date quickly. There is a procurement calendar on-line. Currently, Lydia has signing authority for purchase orders worth less than \$25,000 while the COO signs all purchase orders of \$25,000 or greater value. Department set their own requirements and process for actions that take place prior to items going to the Procurement Division.

The Task Force asked Lydia to provide the total amount of expenditures annually (both General Fund and grants) and a breakdown of purchases, for the purpose of seeing where opportunities for savings might exist. She will send the information to Linda who will distribute it to the Task Force members.

Lydia indicated that there is a system by which departments can purchase items with a credit card. It is called a "P-Card". However, use of those cards has been severely restricted recently. Currently, primarily department heads have the use of such cards. Lydia noted that P-Cards are good for making small purchases, e.g. a part needed for a vehicle repair, and for travel costs, such as hotels and meals. In response to a question, Lydia noted that most of the hotel costs formerly charged to the P-Cards were for homeless individuals being housed by the City in motels while more permanent housing is being sought. Task Force members asked for the following figures: Total P-Card charges in 2008-09 and the amount of conference costs that were charged during that time.

Lydia explained that there are two types of processes used to supply the City's purchasing needs. A sealed bid is used primarily for commodities. The lowest responsible bidder is selected. The term "responsible" can include factors such as timeframe or customer service. A request for proposals is usually used for services and the price and terms can be negotiated.

For both processes, the department works with Procurement to develop the criteria for the purchase prior to issuance of a bid packet or RFP.

In response to a question, Lydia indicated that the City does not maintain an approved bidders list. Bidders/proposers must qualify based on the particular bid or RFP. The City does sometimes have firms under contract on an on-call basis. For instance, architects are under contract for quick small jobs. David Panagore advised the Task Force that in many municipalities, a contract will contain provision for one or two one-year renewals. The current City ordinance requires Council approval of all renewals. He also indicated that it would be advisable to look at pre-qualification of bidders.

Task Force members asked if the Procurement Division did a cost-price analysis. Lydia indicated that the department seeking the service did so. The question was also asked as to whether the City audited contractors to assure that the statements made in their bids/proposals are accurate. For instance, if a contractor quoted a G&A percentage, is that the percentage they are actually using? Lydia noted that the City basically relies on the bonding or insurance companies to verify such information. It is not common practice to conduct financial audits on contractors. It was noted that the budgetary authority belongs to the department, not Procurement. Staff does their best to secure the highest quality service or product for the least cost.

Task Force members asked if the City used State purchasing contracts. This has been done, but staff noted that the City has a variety of goals for its purchasing. Such goals may include achieving low costs, awarding contracts to small and minority/women-owned businesses, spending money in the local economy, assuring that workers are paid a living wage, etc. Sometimes those goals conflict or compete with one another.

Task Force members asked whether buyers are evaluated on cost savings. Lydia noted that the buyers look at trends, the market, the experience of other communities, and other types of research. In response to a question, David indicated that there is no employee evaluation process in place in the City. Lydia indicated that buyers are driven by pride to get the best deal. They are active in the Public Purchasing Association of CT. In response to a question about receiving gifts, staff replied that that is prohibited by the City's Ethics Ordinance.

Task Force members asked for recommendations on the procurement function. Lydia stated that efficiencies could be increased dramatically if the system was automated. The City did have a purchasing software system, but when the finance system was changed to Munis, the City could not continue to work with its existing provider and there was not a purchasing software available with Munis. Therefore, all actions are manual. Lyle mentioned that, not only does an automated system save time and money, it frees up buyers to think and that saves money also.

D. General Discussion: Following discussion with staff, the Task Force discussed several ideas for cost savings and efficiencies. They discussed either immediate installation of an automated procurement system, including on-line electronic bidding, or utilization of CROG's system. They also discussed creation of an innovation challenge fund through which managers could submit a business plan demonstrating how money can be generated or saved by taking certain actions. Those actions would be financed through the challenge fund and savings would be used to replenish the fund.

In preparation for the Task Force's meeting with the Superintendent of Schools on February 22nd, a series of questions was developed.

- How much autonomy does a principal have over his/her budget? How does the school-based and student-based budgeting work?
- What are the major drivers of cost increases and what actions are currently being taken to address these increases? What suggestions do you have for addressing these increases over the next 3 to 5 years?
- What benefits package(s) do teachers have? Are there opportunities for cost-savings?
- What consolidations of services between municipal government and the School System, e.g. human resources, facilities maintenance, fleet management, might result in cost savings and/or efficiencies?

Questions developed at previous meetings include:

- How much ARRA funding has the Hartford Public Schools received and for what purpose?
- What are the specific requirements of the minimum education funding law?

Linda was reminded to check with Human Resources to determine if retirees, when they turn 65 years old, become insured through Medicare or retain their City health insurance.

E. Meeting Schedule: On behalf of Council President Segarra, David Panagore advised the Task Force about a series of Committee of the Whole meetings being held by the Mayor and Council to discuss and come to consensus on initiatives to reduce expenditures or increase revenues in order to address the projected deficit of \$40 million in the 2010-11 budget. He suggested that the Task Force present its findings and recommendations to the COW at its meeting of March 18th.

In addition to its already scheduled meeting on February 22nd, the Task Force decided to meet on February 24, 2010 at 5 PM to work on its recommendations.

F. Public Comment: The public had been invited to participate throughout the meeting and no further comments were offered at this time.

G. Adjournment: It was moved and seconded (Wray, Sullivan) that the meeting be adjourned at 6:55 PM. The motion passed unanimously.

Respectfully submitted,

Linda A. Bayer
Scribe