

**TESTIMONY FROM CHIEF PROCUREMENT OFFICER SERGIO PANEQUE  
EXAMINING NYCHA'S CONTRACTING AND HIRING PROCESSES  
COMMITTEE ON PUBLIC HOUSING WITH THE COMMITTEE ON CONTRACTS  
TUESDAY, SEPTEMBER 20, 2022 – 10:00 AM  
COUNCIL CHAMBERS, CITY HALL, NEW YORK, NY**

Chairs Alexa Avilés and Julie Won, members of the Committees on Public Housing and Contracts, other distinguished members of the City Council, NYCHA residents, and members of the public: good morning. I am Sergio Paneque, NYCHA's Chief Procurement Officer, and alongside me are Eva Trimble, Chief Operating Officer; Shaan Mavani, Chief Asset and Capital Management Officer; and Shanna Castillo, Senior Director of the Office of Resident Economic Empowerment & Sustainability (REES). I am also joined by my colleagues at the Mayor's Office of Contract Services: Chief of Staff Kim Yu and General Counsel Anne Meredith.

I have been provided the opportunity to present to you an overview of NYCHA procurement. I joined NYCHA in November 2020 with the charge to reengineer the Supply Management & Procurement department and introduce best practices as part of NYCHA's Transformation Plan. Thank you for the opportunity to discuss the progress we have made regarding NYCHA's contracting and hiring processes.

### **Restructuring and Procurement Policy**

My first order of business upon joining NYCHA was to conduct an agency assessment of NYCHA's procurement operations through the lens of NYCHA's Transformation Plan to identify immediate issues that needed to be addressed to meet residents' needs.

NYCHA's Transformation Plan, which is on our website, calls for a redesign of the procurement, inventory, and vendor management processes to improve performance. We engaged outside experts who assisted us in conducting a procurement assessment and analysis of our current policies and processes, which resulted in the development of a Strategic Plan for implementing key recommendations.

### *Strategic Plan*

NYCHA's new Procurement Strategic Plan establishes our values and maps out specific goals, objectives, and activities to transform the procurement function in a way that fulfills our mission to meet NYCHA's needs. Our core values are:

- Focus on customer service,
- Start with the resident,
- Foster a culture of empowerment,
- Procure as one NYCHA,
- Use data to plan and evaluate, and
- Enhance NYCHA's appeal as a partner.

Our strategic plan goals are to:

- Transform procurement/purchasing structure,
- Improve procurement and contract management processes,
- Expand staff capabilities,
- Broaden and improve NYCHA's vendor pool,
- Implement enabling technology, and
- Source procurements strategically.

### *Procurement Policy Manual*

With the roadmap in place, the next step was to memorialize those values and goals in a new procurement policy for NYCHA. At that time, NYCHA was using a procurement policy document that had not been revised for many years. We looked at other public authorities' procurement policies for best practices and developed the first comprehensive revision, resulting in the Procurement Policy Manual (PPM). Examples of significant additions to the PPM include the use of pre-qualified lists as provided in the Code of Federal Regulations and incorporation of the design-build procurement method pursuant to the design-build legislation enacted by the State Legislature in 2019. The PPM took effect on January 1, 2021, and streamlined and consolidated policies into a single, centralized source. The PPM has since been revised twice, the latest version of which was approved by the NYCHA Board in April 2022. We continue to evaluate policies and look for opportunities to revise and improve to meet the Authority's needs.

## **Procurement Policies, Challenges, and Legislative Reform**

The governing statutes for NYCHA's procurements are set forth in the Code of Federal Regulations at 2 CFR 200 and in Sections 151 and 151-a of the State Public Housing Law (PHL). Both the CFR and the PHL are prescriptive and provide an overarching framework for how procurements need to be conducted, and in most instances, they are complementary to each other. However, we find that the sealed bid requirements applicable to the acquisition of commodities and DECAR – contract services for Demolition, Excavation, Construction, Alteration, and Renovation – in PHL 151 is rather restrictive and is not current with procurement best practices. NYCHA continues to seek legislative changes that would mitigate these challenges and allow for “best value” procurement of goods and in construction services that take into account total cost of ownership, as well as qualifications and value-based selection, to improve the value realized from our contracting dollars.

Please note that neither the sections of Article 5-a of the General Municipal Law addressing procurement by certain governmental entities in New York State nor certain relevant provision of the NYC Charter and Procurement Policy Board Rules apply to NYCHA. Therefore, there are considerable differences between statutory and regulatory frameworks governing NYCHA and the City with respect to procurement.

### *Reorganization*

Now I will discuss the restructure of the Supply Management & Procurement department. We undertook a comprehensive reorganization starting in April 2021, and the department is now organized into four service verticals: 1) Procurement; 2) Purchasing, Logistics & Inventory; 3) Procurement Policy & Performance Management; and 4) Procurement Ethics & Vendor Responsibility.

- The Procurement department is now organized according to the types of goods and services being procured: Capital & Construction; Services & IT; and Goods. Staff are being trained to be end-to-end buyers, and we have also consolidated support functions into a centralized administrative group.

- The Purchasing, Logistics & Inventory department combines the previous Materials Management group with a newly formed Purchasing group, which is staffed by dedicated buyers who support NYCHA in each borough to align more closely with NYCHA's Neighborhood Model and help provide timely assistance and bridge any gap between the developments and Central Office. This team provides last-mile support – so to speak – for delivering goods and services to the developments.
- The Procurement Policy & Performance Management department leads the overall expansion and development of NYCHA's diversity initiatives, namely Minority and Women-owned Business Enterprises (M/WBE) and Section 3 requirements. It is also responsible for strategic sourcing capabilities, establishing and implementing procurement data and management policies, and working closely with IT to improve integration of procurement-related technology. We are focusing on improving planning and forecasting tools as part of our Contract Management Initiative in order to build out a strong spend analysis and strategic sourcing capacity.
- Lastly, the Procurement Ethics and Vendor Responsibility department is responsible for advising and training on procurement ethics, both to internal NYCHA employees as well as the vendor community. This department is also responsible for ensuring NYCHA is contracting with responsible vendors.

The goals of this restructure are to support the strategic procurement transformation efforts to deliver greater value, customer service, visibility, efficiency, accountability, and more diverse vendor participation.

## **Outlining Some Policy and Process Improvements to Date**

### *Vendor Diversity*

In addition to the organizational improvements mentioned above, the Supply Management & Procurement department also launched a formal M/WBE goals program. Previously, NYCHA's M/WBE program was aspirational, and the shift to the current goals program mirrors the City's endeavors and reflects NYCHA's commitment to diversity initiatives. We also strengthened our Section 3 activities, including developing a "Section 3 and M/WBE First" policy for micro and small procurements, identifying categories of spend under the Neighborhood Model as an element of strategic sourcing, and focusing on localized Section 3 opportunities. We are in the process of integrating a new technology platform to track both M/WBE and Section 3 utilization and compliance.

### *Other Improvements*

Other significant initiatives and improvements currently in progress include creation of the Procurement Helpdesk for centralized intake of procurement inquiries; improved internal and external communications through monthly internal newsletters and quarterly vendor newsletters; inventory management and optimization efforts; requisition-to-pay process improvements; e-commerce integration (aka punchout); contract management initiative; and enhancement of the vendor responsibility framework, including the use of the Dun & Bradstreet supplier risk manager tool enterprise-wide.

## **Going Forward**

Going forward, as part of our vision for continuous improvement efforts, Procurement will look to improve the Authority's contract management function, including enhancing the contractor performance evaluation and monitoring tools; incorporating vendor diversity in selection criteria where allowable; upgrading procurement technology; developing a formal sustainable procurement policy; procurement training to support the Neighborhood Model; professional development and certification; and continued pursuit of excellence. Lastly and consistent with

our values, we would like to strengthen ties with residents and ensure their feedback is incorporated into our operations and vendor performance.

Thank you for your continued partnership and support of our work to transform NYCHA and strengthen the community. We are happy to answer any questions you may have.