As the role of government procurement changes, so too is the role of cooperative procurement.
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Contractual Results and Risks

Stephen B. Gordon, Ph.D, FNIGP, CPPO

Recently I was invited to deliver a presentation on government procurement to a group of program managers and other very carefully selected officials who had been carefully selected from the business units of a very large and well known corporation. Many of the officials who sat in on my session work in capacities related to DoD contracting.

During the session I asked those who work in areas related to DoD contracting, if they believed that, despite their presence on the supply side, they saw themselves as public servants with responsibility for assuring the public interest. The room went silent; then, several people said “No, our first responsibility is to assure the interests of our company.” As I probed, it became clear that there was no recognition (or at least, no acknowledgment) that these two goals are not mutually exclusive; that they can and should be compatible.

Of course, I am not so naive as to believe that making these two goals compatible would be easy. However, there are some things that we as public procurement officials can do to optimize the results and minimize the risks associated with the procurement of goods and services, and especially the procurement of technology solutions and public infrastructure. I wrote my dissertation in the mid-1980s on a topic related to contracting-out for local government services. All the local officials I interviewed for the case studies that were part of my research said that the ability to maintain what they called “control” over the production of the services. By control they meant the ability to be able to manage results and risks as well as possible.

As I write this column, the world is still learning more about the tragedy that occurred yesterday (Aug. 14, 2018) when several sections of an enormous, highly-traveled bridge in Genoa, Italy, causing scores of people to plunge to their deaths in their cars and trucks. One of the potential causes that has been identified at this early point is insufficient maintenance of this piece of public infrastructure, which was constructed in the 1960s. Responsible for maintaining the old bridge belongs contractually to a private firm that manages the Italian highway system under a privatization contract.

As this story has developed, I have been taken back in time to when I was the Purchasing Agent for the Metropolitan Government of Nashville and Davidson County and a European firm with strong support from local lobbyists made a strong push to privatize the operations of Metro’s very substantial Water Services Department. Among the points the administration advanced in opposition to privatization of the department’s operations was a concern that maintenance and product/service quality would be sacrificed for profit. The push for privatization failed.

What can and should we as professional public officials do to assure the ongoing quality of governmental operations, service delivery, and infrastructure in an age when governments have contracted out so many activities and services and our nation’s infrastructure ages?
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As public procurement professionals, you may think that it is important to increase your visibility and credibility with C-level leaders – the CIO, CTO, city manager, or mayor/governor. They are driving very high-profile and innovative government modernization initiatives that demand specific procurement capabilities. Without their cooperation and support, it can be challenging to define the requirements needed to successfully issue solicitations and make contract awards that will deliver their desired outcome. At the same time, you may put effort into strengthening your bond with your finance and budget peers. These are the people that will ultimately approve and release the funds for your purchases, which means they can either be very helpful in meeting customers’ procurement deadlines or they can become a roadblock. However, there are really two other groups of people that influence your procurement performance capabilities much more than a C-level leader or finance/budget gatekeeper: Your suppliers and your end-user customers.

FOUR REASONS WHY YOU MUST STRENGTHEN THE PROCUREMENT-SUPPLIER-END USER RELATIONSHIP

The NIGP Business Council recently convened for an honest conversation about the state of “The Procurement-Supplier-End User Relationship” and made it our mission to bolster the bond between these three parties. Not because we want everyone to get along, but because we need everyone to get along. Collaboration and cohesiveness are mandatory if we want to meet rising government procurement demands, especially now that the ever-changing (i.e. increasingly lean) acquisition workforce is putting a strain on resource capacity while the growing use of technology is pushing the envelope on procurement capabilities.

Without trust, communication and a shared toolset with both suppliers and customers, it will be all but impossible for procurement to sustain the purchasing tempo of “everyday” buys much less advance anyone’s modernization agenda. A strong supplier-procurement-customer relationship is necessary to navigate the inherent and new-age complexities of traditional, advanced, and services procurement processes. We must learn to rely on both customers and suppliers to educate us on the availability of new marketplace products and ultimately gain access to those products. We must also work in concert to develop and implement new strategies in the delivery of services. In doing so, you will gain four key benefits:

> A broader knowledge and experience base from which to inform your actions
> Extra help to accomplish work
> Access to experts who are well-informed on current marketplace and supplier capabilities
> Independent, unbiased perspectives on procurement strategies and industry standards

These are not the only reasons why you should embrace a private sector-public sector teaming mindset, though.
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IN THE NAME OF SERVICE: HOW RELATIONSHIPS IMPACT SERVICES PROCUREMENT

State and local services procurement equates to $70 billion annually, making it the second largest spend category. It is arguably one of the categories whose spend value is most impacted by the quality of the supplier-procurement-end-user relationship. That is because the evaluation of service capabilities is often tricky, and the delivery of quality state and local government services is reliant on a well-coordinated execution model. Plus, the performance of services suppliers can be very subjective, with evaluations heavily reliant on feedback from both the customer and the supplier about what is working and what is not—and why. Just consider the involvement and responsibility of each party in the four stages of a typical services procurement lifecycle:

> **Scope Development:** Procurement typically identifies and enlists the support of stakeholders across multiple public sector agencies (or across multiple departments for a single-agency solicitation) to define intended outcomes. Once everyone is in agreement about what they want the service to accomplish, then the procurement will (or should) start to solicit input from both suppliers and customers to define specifications and requirements based on need and actual marketplace capabilities. If the scope is developed in a silo, without both supplier and customer input, then you risk making incorrect assumptions about the performance criteria, price schedule or other evaluation factors that should be included in the solicitation—or you risk omitting details that will help suppliers submit accurate proposals.

> **Procurement Strategy Development:** Procurement teams should frequently solicit input from both internal stakeholders and industry experts when determining which procurement strategy is best suited for the requested service. Once you understand how a service should be performed, how many potential sources exist, the industry’s fair and reasonable pricing thresholds, and other factors that influence selection and award criteria, it will be easier to match the contract type to the service’s characteristics.

> **Evaluation:** Procurement should also consider supplier and customer feedback when determining the importance, or weight, of each evaluation defined factor. For example, should “best value” criteria always be used for professional services or solution-oriented services—as is
typically the case? And should the “lowest cost” proposal receive a higher ranking for ancillary or easily-defined services. Third-party input can also help you determine if and when cooperative purchasing vehicles should be used for a service and how to properly select from that supplier pool.

> Ongoing Contract Management: Without a clear understanding of minimum service capabilities, industry quality standards, and customer expectations, it will be very difficult to set the key performance indicators (KPIs) that will be used to measure the selected contractor’s performance delivery. It is not enough to rely on customer requirements, as they may not be fair in terms of actual service capacity. That is why you must tap into those relationships you’ve built on both sides of the supplier-customer spectrum to gain an unbiased perspective of realistic performance expectations. In the course of your conversations with subject matter experts, you should also be able to derive the information needed to properly link KPIs to the requirements and payment schedule. It may be recommended that you conduct regular meetings to discuss KPIs and contractor performance. You may also learn from either suppliers or customers how to employ certain technology tools to better manage performance.

In other words, teamwork is essential to strategic procurement. And open, honest communications regarding expectations and outcomes are non-negotiable in the services procurement lifecycle. So, while procurement is technically leading the charge for services procurements, it is important to recognize procurement’s less-credited, but highly meaningful role as a communications facilitator and – in the case of service performance issues – a mediator. Inviting others to contribute to the strategic procurement and performance review process fosters the transparency and collaboration required to build strong, trusting supplier-procurement-customer relationships. And, it is those relationships that will enable you to extract the greatest value from every solicitation – whether it is a traditional, advanced or service procurement.

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PART FIVE: MATERIAL CHANGES

By Bob Wooten

We are now on the final piece in our series on negotiating energy supply agreements – material change language. This wraps up the five-part discussion, which also offered our insights in the other four keys:
1. Payment terms
2. Termination fees
3. Adding and deleting accounts
4. Usage bandwidth

Material change language is something of a “catch-all” with regards to whether the customer is charged the contracted rate, or a different rate based on “material changes” in energy usage, perhaps due to operational or business changes.

CLARIFY COLLATERAL REQUIREMENTS
Many times material change language is broad enough that it touches upon several aspects of the supply agreement. If there is a change in the operations of the company, such as increases in production lines or shutting down of a facility, this can be interpreted as a material change by the energy supplier. Other times this is defined by a change in credit standing.

The supply agreement often includes the requirement of “performance assurance” or collateral in the event of material change, and these situations of change in standing can cause the supplier to seek adjustments in the contracted supply rate.

Unfortunately for the buyer, the language is often left to the interpretation of the supplier. This can lead to unforeseen – and unbudgeted – costs. If the contract language asks for collateral, this typically takes the form of two to three months’ worth of bills posted as performance assurance. This often creates a battle over whether these measures are warranted in situations where a “negative” change in the customer’s standing is not clearly defined.

UNDERSTAND CHANGE IN USAGE AND BANDWIDTH LANGUAGE
The more common use of material change language has to do with changes in the customer’s operations that result in changes in usage. Let’s say you are a manufacturer, and your production has dramatically increased such that your energy usage is now doubled on a regular basis. This would be considered a “material change” in usage as defined by the supplier.
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Remember that there is a distinction between “usage bandwidth” (which we discussed at length in the fourth installment of this series) and “material change.” Usage bandwidth applies to adjustments in your actual energy usage, given you are still operating as you normally would; material change deals with adjustments in your organization’s operations that are considered a more permanent change resulting in drastically higher or lower energy usage.

A material change comes about when your operations have changed on a regular and/or permanent basis, and this results in an ongoing increase or decrease to your usage. For most energy (electricity or natural gas) contracts, the supplier purchases the energy based on the estimates of your future use. If you suddenly – or consistently – use more or less than expected, the supplier must then either buy extra energy in the market or sell unused energy back. This can result in a potential loss for the supplier.

So even though your contract may have language saying that you have 100 percent usage bandwidth, a material change can trump that language and result in fees, penalties, or even a change in price that will have an effect on your overall budget.

**DEFINE THE “MATERIAL CHANGE”**

As we mentioned during our discussion about changes in a company’s standing or energy usage, the key consideration is how that situation is measured. Material change language in a supply agreement can be very gray, leaving the definition – and resulting actions – up to the supplier’s assessment. In these cases, there is usually a significant back and forth between lawyers that leads to more time and cost.

Therefore, it is always a good idea for you, as the energy procurer, to push for a tighter definition of material change in the agreement before signing. Begin by requesting specific contract language to state that the energy usage must exceed a certain

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percentage of the estimated usage to qualify as a material change. You can further clarify your contract by adding verbiage stating that this change must take place for several months in a row, which would then be more indicative of some type of company change leading to more or less usage.

The result of a material change can range from the supplier updating the contract to reflect a different price to the supplier assessing a fee very similar to an “early termination fee.” Either way, you should pay attention to how this is defined so that you don’t end up paying something that is not reflective of the actual damages to the supplier.

REACH A GOOD COMPROMISE

All of the five key factors we have discussed throughout this series are crucial to address before you sign any supply agreement with an energy supplier. By leaving these considerations unaddressed, you are really at the mercy of an agreement that most assuredly is written by the suppliers’ lawyers and puts much of the risk onto you as the buyer.

Price moves with risk. If you put all the risk on the supplier, you will pay a higher price. Avoid the temptation to get the very lowest price by agreeing to less favorable terms that put all the risk on you. If you, as the buyer, bear the risk with each of these five key factors, you have a very good possibility of paying more than you anticipated through the associated fees that come along with it. This then undoes your goal of getting the lowest price.

The goal is to arrive at a mutually agreeable compromise where each party is shouldering an appropriate amount of risk. A good compromise is where both parties are sharing risk and the price is then reflective of this. Now that you know what to consider, you can avoid the possible loopholes that pushes the risk onto your shoulders.

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Boca Raton Streamlines its Fleet Purchases with Cooperative Purchasing

City leaders create efficiency with familiar choices and cooperative purchasing source
Su Breslow, Fleet Contract Administrator for the City of Boca Raton, Fla., understands the equipment procurement process, working closely with the city’s purchasing division to manage a fleet of 1,000 vehicles ranging from automobiles to heavy equipment.

Breslow is responsible for the procurement of vehicles for all of Boca Raton’s public departments including utility services, municipal services, recreation, and sanitation services.

For Su, Sourcewell contracts are a helpful tool to evaluate equipment costs and features. The process also offers competitively solicited pricing through the contract.

The Sourcewell contract is structured so that participating agencies can review the awarded contract, the equipment options, and the awarded pricing.

In addition to evaluating cost and equipment options to make the best investment for the city, Su works with the end users of each department to gather feedback on their equipment needs.

Recently, Boca Raton utilized the Altec contract through Sourcewell to purchase utility equipment.

“It’s been a positive experience,” Breslow said of working through Sourcewell. “The contract includes a wide variety of vehicles and equipment to choose from depending on the scope of what you’re looking for.”

Learn more about Sourcewell and Altec at sourcewell-mn.gov.

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We have only to observe the communication of a newborn as it becomes a toddler, child, teenager and adult to witness the evolution and importance of language and the ability to communicate. Newborns quickly learn the results from a whimper, which can quickly escalate to tears; toddlers often take it up a notch to full-blown writhing-on-the-floor tantrums; children learn the art of whining and pleading; teenagers, the effect of one-word responses or an eye roll; the communication palette of an adult ranges from a single, silently-arched eyebrow to direct and compassionately-inflected dialogue.

Then there is the often-neglected listening side of language. Just as we can show empathy by mirroring the physical stance or gestures of the speaker, so too can we show attention by using the words of the speaker to let them know we have heard them. Part of listening is allowing the other person to speak and complete their thoughts. How often have you been in a conversation where you absolutely knew where the conversation was headed, even to the point of predicting the exact words to be used? How often did that lead you to interrupt the speaker, thereby depriving them of the complete processing and expression of their thoughts?

A crucial premise of conversation is that it requires effort from both the speaker and the listener. As listener, the more we push away our own thoughts to better allow in the words of the speaker, even remaining calm and silent through a pause, the more surprised both speaker and listener may be at the ideas that surface. Conversation can then transition from knowing what the speaker will say and planning a response to an open, receptive mind that listens with curiosity rather than assumption.

In some ways, the art of listening can be compared to an invitation for bids (IFB) and a request for proposals (RFP). With an IFB, we know the requirements and are looking (or listening) only for the best price. With an RFP, we may know what we wish to achieve, but we may not know how to get there. We are curious to know the proposer’s approach.

Context, i.e., the environment, situation, associated words and concepts, or experience, give meaning to words. This meaning contributes to communication. When the art of listening is integrated into communication, innovation is possible.

We know from homonyms, words that are spelled and pronounced the same, but have different meanings, that context can determine the meaning of a word. “Table” can mean a stable piece of furniture...
or a motion to set aside an agenda item. There are also homographs, words with the same spelling but a different sound and meaning. Sow is what farmers do with seeds in the spring or it’s the mother of piglets. Within your entity, SOW may mean Scope of Work or Statement of Work. “Bid” may mean a solicitation, response, or the action taken to issue a solicitation or offer a response. Without context and a history of how the terms are used, confusion can result.

Just as the vocabulary of a child grows as they are exposed to new words and concepts, so, too, does the language of procurement expand as the profession incorporates new methods, skills, and processes. With each new word such as best value, the concept and processes associated with the term are added to the knowledge of the practitioner and the profession. As entities and their stakeholders become more global and varied, the importance of accurate and consistent use of a professional language increases.

The success of a procurement relies in great part on communication. When we truly listen, we acknowledge the speaker and give them the gift of our attention. Ideally, we create a conducive, relaxed environment for the speaker. When conducting market research or hosting demonstrations, we want to listen carefully to learn what’s available and how the supplier sees their product as addressing entity needs. Specifications, too, will more accurately reflect requirements when we offer our customer, the end user, sufficient time, space, and attention to tell us how a product is used or what they must achieve to support their mission. Clarifying questions should be asked when necessary, but in a way that minimizes interruptions and contributes to the speaker’s ease. How many times have protests been avoided just by the procurement professional listening and letting the supplier vent? Experiment with turning assumptions into questions. When you find yourself thinking, “I know where she’s going with this,” turn that thought into “I wonder where she’s going with this.”

Assumptions and expectations define many of our conversations. We come to a meeting with an agenda of prepared items and an assumption of who will speak and who will not. The words we use trigger expectations. If we refer to “bid,” the listener conjures up low price and known requirements while proposals may suggest best value. When we leave assumptions and expectations behind, innovation can emerge. Try it. You may be surprised.

LISA PREMO, NIGP global practices manager, collaborates with public procurement practitioners and academics to conduct research and develop useful guidance on public procurement topics.

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Lisa Premo’s excellent article “Language Matters: Distinguishing Between Responsive and Responsible” (Government Procurement, June/July 2018) inspired me to contribute additional points to consider regarding use of the terms “responsive” and “responsible.” During the latest iteration of my research into best practices in state and local government procurement, I added two best practices titled “Define ‘responsive proposal’ in RFP” and “Define ‘responsible contractor’ in RFP.” The best practices were restricted to RFPs, for this research project, because the best practices were developed for inclusion in the second edition of my book, “Contracting for Services in State and Local Government Agencies” and solicitations for service contracts are made, by most state and local government agencies, through RFPs and not IFBs. If the book addressed IFBs, as well as RFPs, the best practices would have been titled “Define ‘responsive Bid/Proposal’ in solicitation” and “Define ‘responsible contractor’ in solicitation.”

The reason for including the definitions for “responsive” and “responsible” in solicitations is that most solicitations include a statement like, “the contract will be awarded to the responsible contractor that submits the lowest priced responsive bid,” or “the contract will be awarded to the responsible contractor that submits the best value responsive proposal.” If responsible and responsive are not defined in the solicitation and a contractor with the lowest priced bid or best value proposal is eliminated from the competition due to not being responsible or not submitting a responsive bid/proposal, a protest may be filed. The reason a protest might be filed in either of these instances is that the aggrieved contractor may have a definition for one or both of these terms that differs from the government’s definition. When eliminating a business entity or individual for a nonresponsive bid/proposal or for not being responsible, the government should ensure that the reason given for such contractor’s elimination clearly meets the government’s “responsive” and “responsible” definition(s) as stated in the solicitation. Adhering to this practice should discourage protests and simplify the defense against those protests that were not discouraged.

The definition in the NIGP Dictionary of Procurement Terms for “Responsive Bid/Proposal” is exactly what I would recommend for inclusion in the solicitation. With respect to the definition for “Responsible Bidder/Proposer,” however, I would add a sentence regarding the prospective contractor’s integrity. The statement regarding the prospective contractor’s integrity would be along the line of “Responsible bidders/proposers shall not have been convicted of, or pled guilty to, crimes involving procurement fraud or damage to the environment during the previous five years and shall not currently be included on any list of debarred or suspended business entities or individuals.”

The definitions to be included in the solicitation, therefore, include the following which are identical:
to the NIGP definitions except for the final sentence in the “Responsible Bidder/Proposer” definition:

“Responsive Bid/Proposal: A bid or proposal that fully conforms in all material respect to the Invitation for Bids (IFB)/Request for Proposals (RFP) and all its requirements, including all form and substance.”

“Responsible Bidder/Proposer: A business entity or individual who has the capability and financial and technical capacity to perform the requirements of the solicitation and subsequent contract. Responsible bidders/proposers shall not have been convicted of, or pled guilty to, crimes involving procurement fraud or damage to the environment during the previous five years and shall not currently be included on any list of debarred or suspended business entities or individuals.”

While the disqualification of contractors for not being responsible is normally identical when either an RFP or IFB is used as the solicitation document, most states and local government agencies approach responsiveness differently for bids and for proposals. When bids do not meet the government’s definition for responsiveness, such bids are normally rejected summarily. When proposals do not meet the government’s definition for responsiveness, however, the government normally offers the prospective contractor an opportunity to make minor adjustments to its proposal that will render it responsive. For example, if a bid includes a delivery date that is beyond the required delivery date in the IFB, the bid is normally rejected summarily. If, however, the proposed delivery date is beyond the stated delivery date in the RFP, the prospective contractor is normally offered an opportunity to modify its proposed delivery date to make its proposal responsive.

Government agencies that make this distinction in the treatment of nonresponsive bids versus nonresponsive proposals are urged to include their treatment of nonresponsive bids in response to an IFB and their treatment of nonresponsive proposals in response to an RFP in their solicitations. The statement in IFBs might read “bids that the agency deems to be nonresponsive shall be summarily rejected,” while the statement in RFPs might read, “The agency may offer prospective contractors an opportunity to make minor adjustments to nonresponsive proposals to render them responsive.”

WILLIAM CURRY, CPCM, NCMA has over 45 years’ experience in federal, state, and local government contracting. He’s also the author of “Contracting for Services in State and Local Government Agencies.”

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Cooperative Procurement’s Evolution
As the role of government procurement changes, so too is the role of cooperative procurement

By Tammy Rimes

Seeking greater value for each taxpayer dollar is always a goal for public procurement teams. However, the old days of “low bid” are slowly fading. While price will always be a driving consideration, it’s not the only one to be evaluated. Other factors might include viability of the chosen supplier, responsiveness and customer service, standardization across the agency, attaining social goals, or unique customer expectations for client departments, like public safety, IT or fleets.

The type of due diligence required in a public procurement process – with its requirements of transparency and competition - takes considerable time and resources. Saving staff time and obtaining products and services quickly are gaining higher importance in the procurement process. This perspective was echoed in a recent survey of state, local and education agency buyers conducted by the SLED Market Analysis team at Deltek reported that “nearly 40 percent of agency buyers and procurement staff are overworked and their number one top specific challenge was pre-bid research and planning, followed by lack of staff and resources.”

Meeting these daunting challenges has resulted in exponential growth in the use and choices of cooperative procurement. The idea is simple. A public agency establishes a contract through a competitive procurement process for other agencies to “piggyback” on or adopt as their own contract. The saving advantages include: 1) price savings due to the increased leverage of combined spend from multiple agencies and 2) the savings in time and resources realized by the piggybacking agency in having the contract already solicited and awarded.

Departmental customers enjoy the benefits of getting the products and services that they want, when they need them, in less time. Piggybacking also allows agencies greater flexibility to select from the very newest technologies – which may not be available if they were limited to a single vendor on a long-term contract. Procurement teams, recognizing these benefits, have been a key driver in growth and utilization of cooperative purchasing.

With limited resources, quickly changing technologies, and higher customer expectations, public procurement’s role within their organizations is evolving and becoming more strategic in nature. Thus, the next evolution of cooperative procurement is approaching, with government teams leveraging this tool in new ways.
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CONCENTRATING CONTRACTS INTO ONE COMPREHENSIVE OPTION

Denver International Airport, the fifth-busiest airport in the United States — with more than 53 million passengers each year — needed to streamline their internal processes and reduce the number of contracts it manages. Each contract requires its own solicitation process, management, insurance renewals and monitoring. These administrative tasks, including managing individual vendor relationships, can become extremely resource intensive over multiple contracts.

The airport recognized their need for a more streamlined purchasing strategy and began researching other options. They decided to consolidate their data communications contracts into one contract — a WESCO Distribution cooperative contract. The result saved countless personnel hours issuing their own solicitation and executing the contract management processes. In addition, to leverage greater pricing, Denver International participated and combined spend with 65 surrounding city and county entities. By moving from a line-item contract with limited products to expanded product lines with more robust options available through the cooperative contract, each procurement department can meet their needs for electrical, lighting, voice and data communication, and maintenance, repair and operating supplies.

Having one contract that is used by multiple agencies is also helpful from the supplier side. “Our ability to support the broad array of products we distribute through one contract with a lead public agency creates a great offer that has been competitively bid. Making this available to all eligible agencies looking to streamline their vendor base creates leverage for both sides in the supply chain,” says Rob Bezjak, WESCO director and general manager for the commercial, institutional and government market.

COMBINING COMMODITIES WITH SUPPORTING SERVICE

Uniforms are required for most government organizations — police, fire, utility and government personnel to clearly identify their roles to the public. And in some cases, labor union agreements require regular replacements and laundry options. One way to meet this need is the bundling of services with goods. Long Beach, Calif.’s uniform needs are extensive. With an annual budget of $446,000 uniforms are needed for departments across the entire organization, including airport, fleet services, gas and oil, harbor, library, police, parks and recreation, public works and water department, with service components such as rental, laundry; delivery and pick up. With a complex number of service requirements, it would be extremely difficult for the city to go out to bid to address every expectation, as well as cover all possible unknowns.

In this case, the city chose a cooperative solution with Prudential Overall Supply through a rental program covering uniforms for 900 employees, roughly accounting for 19,800 garments.

Long Beach, Calif.’s uniform needs are extensive so it chose a cooperative contract with Prudential Overall Supply through a rental program covering uniforms for 900 employees, roughly accounting for 19,800 garments. Karla Lopez, buyer for the city’s procurement services division, says, “There are benefits of time savings in having the solicitation already done, and that helps us take a strategic look at what may be needed for the future. An additional benefit is that the contract is already in place and being used and vetted by other agencies nationwide.”
Knowing that it is a proven contract, with the ability to conduct reference checks, provides additional comfort in the ability of the awarded firm to handle our needs.”

**USING COOPERATIVES FOR CONSTRUCTION**

Construction is a major category of spend for most governments and it is often a lengthy contracting process. Lubbock, Texas, is comprised of a population of more than 252,500 people, three universities and 380 facilities. Dallas, the largest nearby city is a five-hour drive and most surrounding communities reside within a three-hour vicinity. Because of this relative isolation, Lubbock suffers from limited competition amongst its construction contractors. This is problematic since many of the structures around the city were built nearly half a decade ago. Lubbock began seeking out new alternatives to get its construction projects completed.

The city looked to cooperative procurement options for a possible solution and discovered job order contracting to expedite repairs and renovations of its facilities and infrastructure. Specifically, Lubbock has benefited from Gordian’s ezIQC solution – an alternative construction procurement method available through various national and regional cooperative purchasing networks. Since its introduction over a decade ago, project timelines have been reduced significantly and the number and use of local contractors has increased.

Wes Everett, director of facilities for Lubbock, states “It’s tough if you only have one bidder, and then after award, things go bad. Having multiple contractors participate raises the quality of the responses, and competition helps maintain higher standards. We expect the highest value for the taxpayer dollar.” The auditability of the process has been crucial in ensuring taxpayer dollars are going to best use. To date, Lubbock has spent $14 million on 725 ezIQC projects.

**CHANGES ON THE HORIZON FOR THE COOPERATIVE INDUSTRY**

With the recognition of cooperative procurement as a best practice, coupled with the increase of cooperative choices, there has been evolution within the cooperative industry itself. On June 6, 2018, the National Joint Powers Alliance (NJPA), based in Staples, Minn., officially launched a re-branding effort. According to Executive Director and CEO, Chad Coauette, “We’ve been working to reshape our brand, as we recognize that much can happen in the life of an organization over the course of 40 years. The change of our name (NJPA) to Sourcewell is part of a complete branding evolution that demonstrates how we are purpose

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**TECHNOLOGY IS CONTINUING TO MOVE AT AN IMMENSELY FAST PACE, AND CITIES MUST KEEP UP WITH THIS CHANGE BY PROGRESSING THEIR IOT INITIATIVES.**

Taking place Oct. 29-30, 2018 in Atlanta, the Smart Cities Summit will be co-located for the first time ever with Industrial IoT World and IoT Blockchain Summit.

The event will explore topics such as new disruptive technologies, data & connectivity, innovation procurement, seamless transportation and 5G/Cybersecurity. Hear thought-provoking case studies from speakers across the ecosystem, including AVIS Budget Group, City of Miami, FedEx and more. Backed by over 600 key players from global enterprises, city leaders and technology professionals, Smart Cities Summit is where resilient and responsive cities are made.
driven, attentive, and relationship oriented with our members. We are rallying around these concepts and several other organizational projects focused on providing an exceptional experience for members.” With this re-branding effort, Coauette says, “We have started a new chapter in our history that will renew and refresh our journey and commitment to service. Our new name and logo help us better communicate what we hope to be for our members.”

Acquisitions and merging talents and companies is another change on the horizon. In May 2018, OMNIA Partners finalized the purchase of Communities Program Management, (CPM), the organization that staffs and manages the operations of the U.S. Communities Government Purchasing Alliance (U.S. Communities). OMNIA Partners is a national group purchasing organization composed of four subsidiaries: National IPA, Prime Advantage, Corporate United and now, U.S. Communities.

“As the procurement industry evolves, it is important to provide incremental value to all stakeholders,” says M. Todd Abner, President & CEO of OMNIA Partners. “In the public procurement sector, we have found these two companies to be highly complementary, which will become even more clear as we take a methodical approach to operate the organizations.”

While some cooperatives strive to provide contracts across all sectors, some have chosen a different route. Focusing primarily on one sector – education - is the central theme for E&I Cooperative Services, based in Jericho, N.Y. E&I believes that concentrating on one sector ensures the contracts offered to higher education and K-12 institutions meet their unique needs, both in terms of products and services, as well as contract terms and conditions. Taking that focus one step further, E&I’s approach is to select a category such as sciences and develop a full suite of contracts to meet its members’ needs across that entire category.

For example, a university research and development lab may cover all their laboratory and scientific equipment purchases within a focused set of contracts. According to Sabra Schell, E&I’s executive director of marketing, “In this way, end user departments can leverage E&I contracts across the entire spectrum of their procurement needs, creating efficiencies and making contract consolidation easier.”

The cooperative industry has also formed a new Association – the National Cooperative Procurement Partners (NCPP) - to serve as the educational arm and legislative advocate for cooperative procurement. Formed just two years ago, its growing membership established a mission to “support all stakeholders in leveraging and utilizing a cooperative procurement strategy to best serve the public good.”

With educational materials such as the “Road Map to a Cooperative Procurement Strategy” and an active speaker’s bureau, NCPP strives to keep abreast of all activities related to cooperative procurement and to serve as a free resource in this ever-developing marketplace. Crosby Grindle, NPPGov president and NCPP board member states “no longer is the idea of cooperative procurement a “fringe” idea for government. It is now regularly exercised as a mainstream procurement option and will continue to evolve as a time and money saving tool essential for government procurement teams to meet their increasingly complex demands.”

TAMMY RIMES is Executive director of the National Cooperative Procurement Partners.
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Recently, I taught a construction contracting class in Phoenix and we discussed the issue of cost overruns in public procurement. My Arizona chapter colleagues had some great ideas about how to manage contract costs and change orders. I was impressed to find out that Central Arizona Project, a quasi-public organization, typically managed contracts within a 2.5 percent increase. Quite impressive!

So, how much cost overrun is acceptable in our contracts (construction or otherwise)? For many years I operated under a rule of thumb that a 20 percent increase was allowable. According to a study by the National Association of State Procurement Officials (NASPO), holding contract increases to this amount was within an industry standard. There were many times when I used this benchmark when reporting contract cost overruns to my own agency leadership and governing boards.

We have all heard stories of when this did not occur, and unfortunately, it happens much too often. The aerial tram is a very cool part of the landscape in Portland, Ore. It connects the south waterfront to the local health sciences university. A 30-minute drive in rush hour traffic is now a three-minute commute. The downside? The original contract value for the tram construction was $15 million, and the final cost came in at $58 million.

So how do we keep costs in check? In my experience, the right project manager (PM) can definitely improve your odds for success. Whether it is a seasoned PM that works for your agency as an employee, or a contracted PM through a consulting firm, this is a key partnership. Having the technical and people skills to manage our selected contractor is important, as well as a willingness to actively work with the agency’s procurement team. I have found this to be a powerful one-two punch.

If you combine this duo with a capable architect-engineer (A/E), then you are putting your agency in a strong position. The A/E will provide invaluable design services throughout the life of your project, including the procurement stage and during contract performance. By the way, make sure they weigh in on any proposed change orders. Remember, they know the design and project specifications better than anyone.

The data tells us that the majority of projects we contract for (technology, construction or other) experience schedule delays and cost overruns. Not long ago, a U.S. senator had this to say about the management of federal contracts. “We have a reputation of over-promising and under-delivering.”

My advice is to not let your agency develop such a reputation. Stay involved with your contracts, even after award. Make sure you are not the last one to know about any changes or increases. Be diligent and hold the line for your agency; work effectively with your PM to get the best performance possible out of your contractor. Finally, if you have the ability, keep track of your awarded contract value vs. final contract value. It’s a valuable metric that can demonstrate the value we provide.
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