* ČÖŠTARS Connection

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Tom Wolf, Governor
Curt Topper, Secretary



The Commonwealth's Cooperative Purchasing Program - Passport to Business Opportunity and Procurement Savings

Reverse Auctions The Newest Trend in Public Procurement

By Bruce Beardsley, COSTARS Marketing Manager

The buyer's objective in a simple public procurement transaction is to pay the least amount for a specified material or service to a qualified supplier, thus maximizing taxpayer savings. However, in the traditional formal bidding process, the supplier tries to submit a price that is just low enough (but no lower) to win out over the competition, while maximizing profit. Of course, since the bids are secret and a supplier gets only one chance to submit a price, the game is to guess what the competition will bid. While this system is fair to each supplier, this process may not achieve the public policy objective of garnering the lowest profitable price, since a bidder might have submitted a lower price knowing what the competition bid.

This is why the COSTARS model of gathering several qualified suppliers and negotiating with them, giving each the opportunity to underbid the other during multiple "rounds of bidding" until no one provides a better quote, when done honestly and correctly, does result in the better value to the taxpayer. In addition, the COSTARS model saves additional money by foregoing the expensive, timeconsuming, and less effective formal bidding process and also allows the buying entity to make certain qualitative judgments.

Road Salt Auction Saves Millions

By Bruce Beardsley, COSTARS Marketing Manager

All eyes are focused on the "score" posted on the large screen, and suddenly cheers erupt. The scene does not take place at a ballpark at the end of the regular season as the crowd realizes their chief rival has lost and the home team is in the playoffs.

Actually, the "crowd" is a group of Pennsylvania Bureau of Procurement (BOP) administrators in a Harrisburg conference room watching a big screen that just displayed that a road salt supplier located in another conference room 400 miles away just submitted a bid one full dollar per ton lower than the previous bidder to supply road salt for PennDOT and COSTARS members in Erie County.

As a BOP participant mentions, that dollar represents more than \$50,000 in taxpayer savings (\$27,500 for PennDOT and \$23,500 for COSTARS members)!

Continued on page 4

Procurement professionals are beginning to recognize that the traditional formal bidding process with secret one-time bids is neither the most competitive, nor the most effective, procurement process for many commodities. Here in Pennsylvania, under the leadership of the Wolf administration's Chief Procurement Officer (CPO), Jenny Doherty, the state is making increasing use of an advanced procurement tool called "reverse auctions". This process, allowable under the Pennsylvania Procurement Code, has been around for about 20 years, but with limited use. Now, technology and the Internet are making the process easy, fair and transparent. In fact, Doherty began helping private sector companies use reverse auctions in 1997 and is a co-holder of a patent on an electronic platform for conducting procurement auctions.

Equipment Maintenance Program Available to COSTARS Members!



Did you know you can save 27% off your current Original Equipment Manufacturer (OEM) service agreements?

The Commonwealth of Pennsylvania's Equipment Maintenance Contract 4400014325, awarded to The Remi Group, LLC, is a single-source statewide contract to provide equipment maintenance services for all commonwealth agencies under the governor's jurisdiction. It is a COSTARS-participating contract and is open to all COSTARS members.

This contract is provided to reduce costs, increase accountability, increase management control and improve coverage. All eligible equipment, e.g. financial, general office, IT, laboratory, medical, etc., under Remi's program will automatically receive an immediate 27% price reduction. The more equipment on the program, the more money saved. Those taxpayer savings can then be allocated to other areas of the budget.

Did you know the state's Equipment Maintenance contract with Remi can help to make your job easier?

In addition to the 27% savings, Remi's Equipment Maintenance Program replaces multiple OEM service agreements with one maintenance agreement. The program enables COSTARS members to more effectively analyze the performance of their equipment and service provider through real-time, online reports.

Did you know you can get started in one easy step?

Send your current equipment service agreements to Greg Schuster, Remi Business Development Representative, at greg.schuster@theremigroup.com and reference contract #4400014325. Greg will work with Remi's pricing department to assemble and deliver a quote, highlighting the potential savings under Remi's Equipment Maintenance Program.

For further information about this contract, you can find the bid contract details at: http://www.emarketplace.state.pa.us/
BidContractDetails.aspx?ContractNo=4400014325.



Is your parking lot in need of a NO PARKING sign or two? Are your EMERGENCY PARKING ONLY signs looking a bit under the weather? Are vehicles entering your property where they shouldn't? Perhaps a DO NOT ENTER sign would do the trick.

For all of your traffic signage needs, be sure to check out the COSTARS-24 Traffic Signs contract (see inset for signs that are available through this contract). Currently, there are four awarded suppliers under this contract ready to help you find the perfect sign!

Custom Products Corp (CPC)
E.J. Breneman L.P.
Protection Services, Inc.
U.S. Municipal Supply, Inc.

Vendor Contract #024-007 Vendor Contract #024-008 Vendor Contract #024-009 Vendor Contract #024-002

- Chevrons 18" x 24"
- Do Not Enter Signs 30" x 30"
- Emergency Parking Only Signs (R8-4) 30" x 24"
- Left Curve Ahead Signs 30" x 30"
- Left Turn Sign 30" x 30"
- No Parking Signs (R8-3A) 12"
- No Parking Signs (R8-3A) 24"
- No Turn on Red (R10-11) 24" x 30"
- Railroad Warning Signs (W10-1) 36"

- Right Curve Signs 30" X 30"
- Right Turn Sign 30" x 30"
- Speed Limit Signs 24" x 30"
- Speed Limit Signs 30" x 36"
- Stop Signs 24"
- Stop Signs 30"
- Street Name Signs 6" legend
- Street Name Signs 8" legend
- Weight Limit Signs 24" x 30"

If you have questions about this contract, you may contact Commodity Specialist Emanuel Williams at telephone number 717-703-2946 or email him at emwilliams@pa.gov.



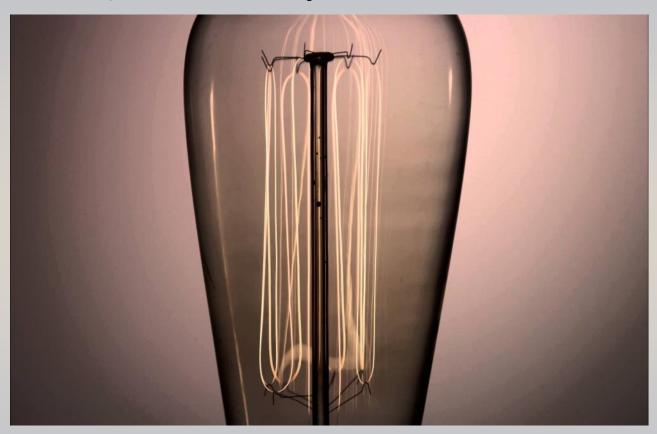
Electricity

You're Probably Paying Too Much!

By Bruce Beardsley, COSTARS Marketing Manager

Choosing an electricity provider in today's deregulated market provides customers with an added ability to save money, control costs and manage risk. It also adds complexity to what used to be a simple process.

Many members purchase their electricity through brokers who claim to deliver the lowest price because of their exclusive relationships with the electric generation suppliers. What most customers don't realize (because the Pennsylvania Public Utility Commission doesn't require disclosure) is that the electric supplier has agreed to add \$.003 to \$.008 per kilowatt hour as a brokerage fee in their price quotes, making it appear that there is no brokerage fee. (How do you think brokers make their living?) The broker only shows the customer the quotes from those suppliers who are willing to agree to the fee arrangements demanded by the broker, thus stifling competition. That brokerage fee can add thousands of dollars to the electric rates of even a mid-sized institution, without the customer even knowing it!



Through COSTARS-participating Pennsylvania state government contract 4400002702, the commonwealth collaborates with the Penn State Facilities Engineering Institute (PSFEI) to conduct bid events with pre-qualified electric suppliers to get the lowest cost. Since 2009, facilities of state government, including state colleges, along with a handful of participating COSTARS members, have saved over \$100 million in rates and brokerage fees. This is a great untapped source of financial savings for many COSTARS members.

In addition, current electric futures market pricing is below today's rates, presenting an ideal opportunity for COSTARS members to secure low, long-term, fixed-price contracts. The only cost to COSTARS members is a \$.001 per kilowatt hour fee, well below market broker fees, which would be included in the member's electric commodity rate.

By utilizing this procurement initiative, COSTARS members will have access to low-cost electricity through a program that utilizes knowledgeable energy and procurement professionals and provides transparent pricing from all interested and qualified suppliers.

The best time to conduct the COSTARS bid event is during the fall, so consider signing up now. For further details, COSTARS members should contact: Energy Commodity Manager Greg Knerr, 717-703-2935, gknerr@pa.gov.



Reverse Auctions The Newest Trend in Public Procurement, cont'd.

A reverse auction is a type of auction in which the roles of buyer and seller are reversed. In an ordinary auction, buyers compete to obtain a good or service by offering increasingly higher prices. In a reverse auction, the sellers compete to obtain business from the buyer and prices will typically decrease as the sellers underbid each other. In Pennsylvania's formal reverse auction process, suppliers respond to a bid solicitation and submit their "starting" bid. The state confirms the qualifications of the bidders, determines the lowest "starting" bid, and conducts a live auction, with the bidders in one location or (more often) connected electronically.

Beginning with the lowest "starting" bid, the suppliers are invited to submit sequentially lower prices, each lower than the previous bid, within a specified period of time, which is extended each time a new bid is submitted. When there are no additional lower bids, the event is completed and, pending review, the award is made to the final lowest bidder. (If that sounds like a more formalized COSTARS negotiating process, it is!)

The state has already conducted 18 reverse auctions, according to CPO Doherty, including a highly successful recent road salt auction (see side bar for more information).

"The use of reverse auctions is a transformative technique that reduces costs through the magic of 'pure' competition," Doherty said. "We've already saved Pennsylvania taxpayers nearly \$40 million annually using this process, and that doesn't include process costs and time expenditures savings. Reverse auctions have been an important tool in helping to reach our \$100 million share of Governor Wolf's goal of achieving \$150 million in lower government costs through his GO-TIME savings program. In addition to cost savings, reverse auctions virtually eliminate any chance or appearance of unethical practices."

Road Salt Auction Saves Millions, cont'd.

The bidding continues for about another hour, with several salt suppliers (each from their own conference room, but connected via the Internet) compute and re-compute their costs and battle for the right to service Erie County. The bids come fast and furious – sometimes a penny, sometimes a nickel, occasionally a dollar. Suppliers must submit their bid within a minute of the previous bid or else the event ends for that county and the low bidder is designated. Several times, BOP personnel count down the seconds remaining (9...8...7... 6...5...), only to have another bid entered within the last seconds. It's exciting!

Finally, as the clock counts down to zero, another cheer erupts. Erie County is complete and the taxpayer savings is tabulated at over one million dollars!

The process continued over the next four days as all 67 Pennsylvania counties were awarded (Due to legal niceties, formal awards are not made until late July and typically announced on Aug. 1).

BOP established the 2015-16 road salt contract prices as ceiling prices, so no county will experience a price increase for next winter! Price decreases ranged from 39 percent where competition was fiercest to only a one cent decrease where only one supplier submitted a bid. Statewide, prices will decrease more than 16 percent, amounting to more than \$20 million in taxpayer savings, including \$10 million to participating COSTARS members' taxpayers!

Let the snow begin!

Members Earn Extra Fuel Rebate

By Bruce Beardsley, COSTARS Marketing Manager

More than 170 COSTARS members shared a total of \$16,450 in additional fuel rebates as a result of the recent special incentive offered by Wright Express (WEX), the awarded supplier for the Commonwealth's Fleet Card Program. The rebate, which was earned during the first quarter, 2016, is in addition to the members' regular rebate, which totaled \$339,956 for FY 2014-15.

Congratulations to the COSTARS members who earned the largest special rebate: PA Turnpike Commission, City of Harrisburg, Tredyffrin/Easttown School District in Chester County, and East Lampeter Township in Lancaster County.

Kevin Green, Manager at WEX had very positive things to say about the incremental savings delivered by the first quarter incentive:

"The Commonwealth of PA Fleet Card Program with Sunoco and WEX saves participants a meaningful amount of money on every gallon of fuel they purchase. With the Q1 2016 incentive, we wanted to further emphasize this benefit. The incentive served as an opportunity for Sunoco and WEX to express their appreciation to Program participants for their business and loyalty, and to give participants an opportunity to increase their savings by fueling at Sunoco locations more often. We hope the rebate will encourage other COSTARS members to take advantage of the Commonwealth's statewide contract with Sunoco and WEX."





Small Business? Self-certify Annually for Reduced COSTARS Administrative Fee! By Kim Bullivant, COSTARS Marketing Manager a Small Business?

Did You Know?

- There are nearly 28 million small businesses in the U.S. Of those 28 million, 22 million are operated by a single employee.
- Over 50 percent of the 120 million Americans in the workforce are employed by a small business.
- Approximately 543,000 new businesses are started each month.
- It takes as little as five days to start a business in the U.S. That same business startup in Brazil would take 107 days.
- The average revenue for a small business is \$44,000.*

Is your company one of those 28 million small businesses in the U.S.?

If the answer is yes and you are an approved COSTARS supplier, your company qualifies for a reduced administrative fee of \$500 per year. However, you must self-certify annually at the Small Business Contracting Program website to ensure you are only paying the \$500 fee upon contract renewal each year.

To self-certify, visit the Small Business Contracting Program Web page on the DGS website at: http://www.dgs.pa.gov/Businesses/ Small%20Business%20Contracting%20Program/Pages/default.aspx and follow the instructions for self-certification by selecting the Before You Self-Certify link under the Resources/Application & Instructions

Does your Business Qualify as

Businesses interested in participating as a small business in the Small Business Contracting Program must first register to do business with the Commonwealth of Pennsylvania and self-certify as a "small business."

To self-certify and participate in the Small Business Contracting Program, a business must meet each of the following requirements:

- The business must be a for-profit, United States
- The business must be independently owned.
- The business may not be dominant in its field of operation.
- The business may not employ more than 100 fulltime equivalent employees.
- The business, by type, may not exceed the following three-year average gross sales*:
 - Procurement Goods \$20 million
 - Procurement Services \$20 million
 - Construction \$20 million
 - Building Design Services \$7 million
 - Information Technology Goods and Services -\$25 million

*If a business has not existed for three years, the average gross sales are computed for the period of the business' existence. For newly formed businesses, the determination is based upon projected gross sales. In order for a business to operate in more than one of the five general business classifications, its combined operations cannot exceed the lowest three-year average gross sales for the business types selected.

Please note: After you have successfully self-certified as a small business, you will also have the opportunity to verify as a Small Diverse Business (SDB). The Bureau of Diversity, Inclusion & Small Business Opportunities (BDISBO) is no longer certifying companies as Minority, Woman, Veteran, or Service Disabled owned; therefore, your business must have a current certification from one of several approved third party organizations to verify as a SDB. You can find the list at www.dgs.pa.gov under the Businesses tab/Minority, Women & Veteran Businesses/Small Diverse Business Verification.

If you have any additional questions regarding self-certifying as a small business, please contact BDISBO at 717-783-3119 or ra-smallbusiness@pa.gov.

^{*} https://www.hiveage.com/blog/20-facts-about-small-businesses-that-will-keep-you-up-at-night/



Where Do I Find....

By Claire Osborne, COSTARS Marketing Manager

In the latest COSTARS Member Survey, many new contracts were requested by our members. Thank you! However, most of the suggestions were for contracts that are already available to COSTARS Members! We have compiled a "where do I find..." list from some of those suggestions.

COSTARS-Exclusive Contracts at

http://www.costars.state.pa.us/SearchVendor Contract.aspx

Appliances (Ranges and Refrigerators)

COSTARS-22 Weatherization Materials

COSTARS-36 Appliances, Cafeteria Equipment and Supplies

Commercial Replacement Windows

COSTARS-22 Weatherization Materials

Construction Materials

COSTARS-8 Maintenance, Repair & Operation

Equipment & Supplies

COSTARS-22 Weatherization Materials

Emergency Responder Supplies

COSTARS-8 Maintenance, Repair & Operation Equipment & Supplies (Safety Equipment & Supplies category)
COSTARS -12 Emergency Responder Loose Supplies including

Ammunition, Breathing Systems, Emergency Medical Equipment and Supplies, Emergency Warning Lights, Lightbars and Sirens, Firefighting and Rescue Equipment, Law Enforcement Equipment and Supplies, Personal Protective Equipment, Public Safety Equipment, etc.

Generators

COSTARS-12 Emergency Responder Loose Supplies

Grass Seed Fertilizer and Weed Control

COSTARS-29 Grounds Keeping (Grounds/Turf Maintenance)

Parks and Recreation Materials & Supplies

COSTARS-14 Recreational and Fitness Equipment

Pool Chemicals, Water Treatment Chemicals

COSTARS-15 Water and Waste-water

Treatment Consumables

Road Signs

COSTARS-24 Traffic Signs

Signs

COSTARS-24 Traffic Signs

COSTARS-32 Signage

Uniform Rental/Cleaning Services

COSTARS-37 Uniforms

Vehicles

COSTARS-13 Emergency Responder Vehicles

COSTARS-25 Municipal Work Vehicles

COSTARS-26 Passenger Vehicles

Vehicle Maintenance

COSTARS-12 Emergency Responder Loose Supplies (Miscellaneous Category includes maintenance supplies for fire, rescue and ambulance vehicles, including but not limited to batteries, belts, bulbs, fluids and hoses, but excluding vehicle filters and tires.)

Continued on page 7

Survey Responses Addressed

By Bruce Beardsley, COSTARS Marketing Manager

Many members added comments and responded to the open-ended questions on our recent COSTARS Members' Survey. We appreciate those comments and we'd like to reply to some of them.

A number of members suggested new contracts that would be beneficial.

Most of those proposals are covered by existing contracts. See the adjacent "Where Do I Find..." article.

"The website is not user-friendly." "There should be a listing of materials and vendors available." "You have to know the exact word the vendor uses to find the product." "Provide more member training." "Need to search by location of vendor." "A training video on how to use and navigate the website."

Through the years, this has been the most common complaint about the program. We have continued to try to make our website easier to use and remain committed to that effort. Recent enhancements include:

- A keyword search in a drop-down list of hundreds of common language descriptions. Drop us an email to suggest additions.
- We've added an online Training Center with modules describing step-by-step directions for searching and reading contracts, as well as for all other website functions.
- We've added a video, also available on our Resource/Training Center page, which includes instructions on how to search contracts.
- On our search engine page, there is a drop-down listing of all COSTARS-authorized vendors, which can also be sorted by particular contract. Also, on the Contract Overview page for each contract, there is a more detailed listing of vendors, including their location and products offered.
- We offer Member workshops and webinars throughout the state (see our Resource Center page for a full schedule of upcoming events). Call us and we'll schedule one near you.
- Our search engine now includes the ability to search vendors by the county in which they are located, as well as the counties they service.

"We don't use the types of products you provide."

There are more than 200 COSTARS and Statewide Contracts that offer a huge selection of products and services – from AED's to wireless communication services- and new products and services are constantly being added.

"We purchase elsewhere and get better prices."

Prices on COSTARS-exclusive contracts are <u>ceiling</u> prices. In fact, 99.5% of our vendors are willing to negotiate lower prices! If someone offers a lower price, contact some of our vendors and request that they beat the price. They probably will! Members should <u>always</u> negotiate with several COSTARS vendors to get the best value. Since we have so many different vendors, the chances that one or more of them will provide a lower price is highly likely.

"Remove the log in requirement to look at contracts."

You are not required to log in to search contracts. The only time a log in is required is to sign up for the road salt contract or to change the member profile.



Where Do I Find....cont'd.

COSTARS-Participating Statewide Contracts at http://www.emarketplace.state.pa.us/BidContracts.aspx

Appliances (Ranges and Refrigerators)

Commercial Grade Food Service Equipment - 4400011918

Cell Phone Service

Wireless Communication Services - Voice and Data - 4400010315,4400010316,4400010317,4400013854

Concrete

Truck Mixed Cement, Concrete and Cement - ITQ 5610-49

Construction Materials

Bridge and Highway Maintenance - CN00030482

Truck Mixed Cement, Concrete and Cement - ITQ 5610-49

Emergency Responder Supplies

Ammunition - 4400013024

Body Armor - 4400015323

Fire Extinguishers, Maintenance & Repair Services - 4400010647

Less Lethal and Duty Gear - 4400013168

Statewide Radio Systems Network (Voice/Data Radio

System Equipment) - 4400005698

Two-Way Radio Communications Equipment and

Accessories - 6100017908

Fleet Fuel System

Commonwealth Fleet Card Program - 4400009775

Fuel

Various Fuels, Tank Wagon Delivery - 4400011997

Fuels, Truck Transport - 6100035752

Fuel Additives - 4400013855

Fuel Tank Cleaning and Fuel Purification Services -

4400009725

GIS Software

GIS Software and Services - 2008MPS1177

IT Software and Equipment

Enterprise Software - 6100012054

Servers, Data Storage Equipment, Integrated Systems and

Related Services - 6100027000

Workstation Computing Devices, Monitors, Options and Related

Services - 6100031153

Modified Road Material

Aggregate & Anti-Skid Material - ITQ CN00038692

Bituminous Materials Plant Mix - ITQ 561036ITQ

Bituminous Stockpile Patching Material (Cold Mix) - CN00038402

Pool Chemicals, Water Treatment Chemicals

Water Treatment Chemicals - 4400011261

Portable Toilets

Portable Toilets and Septic Waste Removal Services - 4400010643

Postage Meters

Mailroom Equipment and Maintenance - 4400008696

Signs

Media Display Systems, Accessories and

Design Services - 440015020

Tire:

Tires, Auto, Truck, OTR & Farm - 251701

Re-Tread Tires - 251703

Vehicles

Passenger Vehicles - 4400013672

Police and Specialty Vehicles - 4400015104

Snow Plows - 4400015112

Light Duty Pickup Trucks and Cargo Vans - 4400014956

Truck Tractor and Trailer - 4400015455

Used Vehicle Auction & Related Services - 4400010785

Wheelchair Vehicles - 440008412

Vehicle Maintenance

OEM Parts - 4400012480

OEM Heavy Duty Parts - 4400013309

Parts, Truck and Equipment - 251705

Plow Maintenance & Repair Parts - 3830-01

Vehicle Lifts and Garage Equipment WSCA 06405 - 4400002105

COSTARS Commonwealth Credit Card Follow Up Survey



Due to the overwhelming response to our previous Commonwealth Credit Card Survey, we are developing a COSTARS-exclusive procurement for Credit Card Services. At this time, we are requesting more information regarding this subject to ensure we meet your specific needs. If you are not currently using a credit card, please complete the survey telling us what your needs would be.

Thank you for taking the time to complete this follow up survey. We are requesting responses by July 14, 2016. Please use the following link to take this survey: https://www.surveymonkey.com/r/costarsccsurvey.

If you have any questions or need assistance, please contact us at 1-866-768-7827.



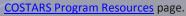
COSTARS On The Road

COSTARS Marketing Managers make it their mission to spread the message about the COSTARS Program, recruit new members and suppliers, and provide training about the program. Marketing Managers Bruce Beardsley, Kim Bullivant and Claire Osborne travel throughout the commonwealth speaking at conferences, workshops and seminars sponsored by associations, suppliers, universities, legislators, chambers of commerce and others.

Recent Events Attended By COSTARS Staff

April 25	Lycoming County Commissioners Member Workshop - Williamsport	June 2	JARI/PTAC Showcase for Commerce Government Procurement Expo
April 26-27	Schaedler Yesco Expo 2016 - Hershey		Johnstown
April 28	Crawford County COG Members' Workshop	June 5-6	PA State Association of Boroughs
	Meadville		Annual Conference - Hershey
May 18	17th Annual West Branch COG	June 16	NEPA Alliance PTAC Government
	Equipment Show and Training Day		Contracting Showcase - Wilkes-Barre
	Lycoming	June 23	PA Association of Housing &
May 25	Moshannon Valley COG		Redevelopment Agencies - Hershey
	Equipment Show and Training Day	June 23	Philadelphia Housing Authority
	Clearfield		"Doing Business with PHA" - Philadelphia

To submit a request for a COSTARS representative to speak or conduct a training session for members or suppliers at an upcoming event, please contact Bruce Beardsley at 717-214-3432 or bbeardsley@pa.gov; Kim Bullivant at 717-346-2678 or kbullivant@pa.gov; or Claire Osborne at 717-346-3838 or cosborn@pa.gov. The COSTARS Marketing Team's Calendar of Events is also available on the COSTARS website on the







Like us on Facebook and follow us on Twitter to begin receiving COSTARS updates! Remember, this does not replace important updates we send to you via email, so please be sure to maintain your member and supplier information in the COSTARS system.

Visit our Facebook page at:

https://www.facebook.com/pages/Costars-PA-Department-of-General-Services/904261462952351? ref=hl

Visit our Twitter page at:

https://twitter.com/COSTARSNews.

At DGS, our mission is to help government operate more efficiently, effectively, and safely - delivering exceptional value for all Pennsylvanians.

COSTARS Connection

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Ken Hess - Deputy Secretary for Procurement
Jenny Doherty - Chief Procurement Officer
Dawn Eshenour - Chief, Supplier Dev.& Support Div.
Bruce Beardsley - Marketing Manager
Kim Bullivant - Marketing Manager
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Further information on the COSTARS program is available by phone at 1-866-768-7827 or by visiting the <u>COSTARS</u> website at <u>www.costars.state.pa.us</u>.

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