

Board of Regents Purchasing Efficiency Report

June 2012

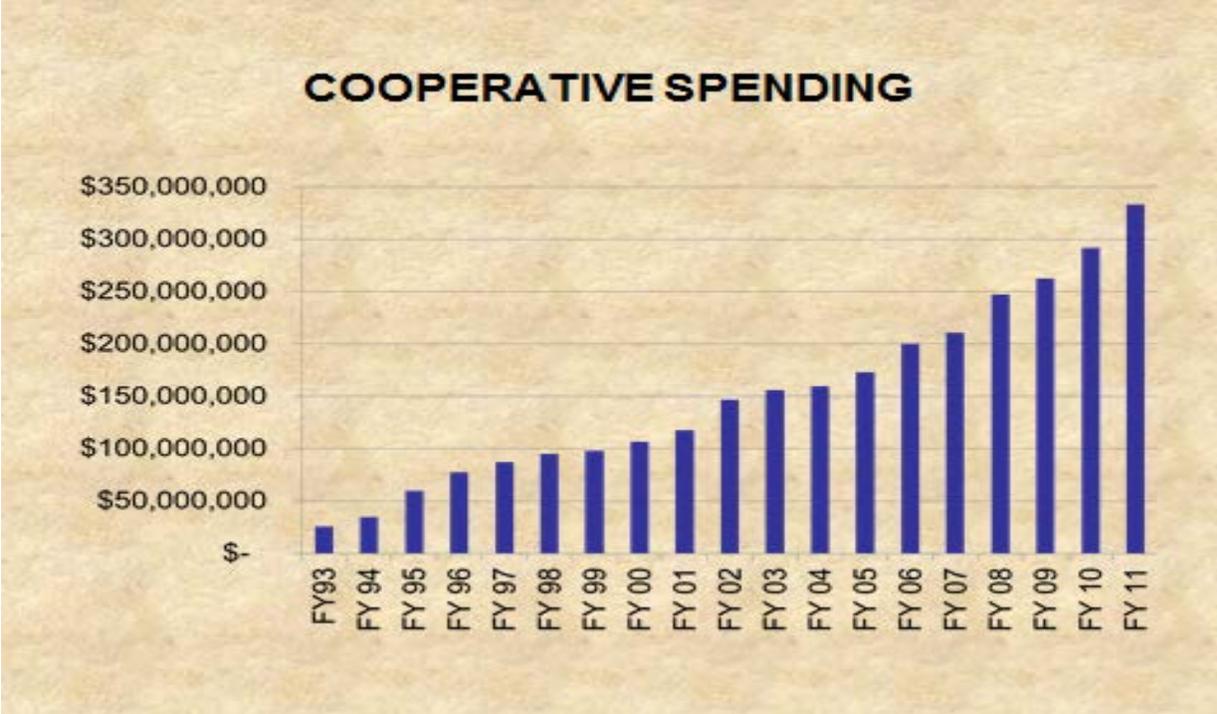
As you know, the typical consumers buying patterns have changed over the past few years. 10 years ago, the primary method of making purchases was at a physical location or from a paper catalog. Today's consumer is now engaging in on line shopping as their preferred method of purchasing. As this change has occurred, our purchasing departments have also transitioned from paper to electronic transactions between our vendors and departments. Because of this, the Regent Procurement departments are some of the most efficient and cost conscious purchasing departments across the country. ISU recently received an award from the National Purchasing Institute Achievement of Excellence in Procurement for the 7th year in a row.

HISTORICAL REVIEW REGENTS/STATE COOPERATION

- FY 83: Cooperative Purchasing – Regents/ State Agencies
- FY 86: Joint Regent Pricing Agreements
- FY 89: Joint Regent Cooperative Contracting
- FY 92: Regents Targeted Focus on Cooperative Spending
- FY 94: Joint Contracting through IBA



The Regent institutions have a history of cooperation with the state, each other, as well as other organizations such as the Iowa Biotech Association, Big Ten purchasing consortium and group purchasing organization Novation. We have a proven record of sharing our best practices, as well as our contracts, with state agencies and others to aggregate and leverage our spend. For over, 30 years, the Regent Purchasing leaders have and continue to meet quarterly with Department of Administrative Services, Department of Transportation, Iowa Prison Industries and Iowa Communication Network to discuss these opportunities and efficiencies.



Our demonstrated efforts to grow our cooperative agreements have resulted in over 50 joint regent agreements. Our total spend on joint contracts has grown to over \$330 million during fiscal year 2011. In addition to our spend on joint contracts, the Regent institutions also purchase from national education cooperatives, Big Ten purchasing consortium, as well as other purchasing organizations which are not represented in this slide.

While we are able to aggregate and leverage a great majority of our spend, we have also been able to support the Iowa economy with nearly \$325 million in purchases from Iowa businesses. Balancing the need for savings and supporting the Iowa economy has always been difficult as the small and local businesses cannot always compete against the national corporations.

COOPERATIVE CONTRACTS

- Cellular Technology
- Flexible Spend Administration
- Office Furniture
- Emergency Disaster Response Services
- Equipment Maintenance Services
- VM Ware Software
- Green Cleaning Supplies
- Maintenance, Repair and Operational Supplies
- Computer Desktops/laptops
- Copiers
- Fleet Overflow Vehicle Rental
- Library Book Binding
- Office Supplies
- Laboratory Equipment, Supplies & Casework
- Hazardous Waste Disposal
- International Travelers Insurance & Emergency Evacuation Services
- Plumbing Supplies

Here is a snapshot of our latest contracts. These contracts alone have saved millions over the course of the last couple years.

| New Joint Regent Contracts | Savings | Time Frame |
|--------------------------------------|--------------|--------------|
| Emergency Disaster Response Services | \$ 1,554,000 | Over 2 years |
| International Travelers Insurance | \$ 178,000 | Over 5 years |
| Flexible Spend Administration | \$ 393,000 | Over 5 years |
| Cellular Technology | \$ 100,000 | Over 5 Years |
| Event Security Services | \$ 116,000 | FY 2011 |
| Computer Desktops/laptops | \$ 2,400,000 | FY 2011 |
| Copiers | \$ 937,000 | Over 5 years |
| Library Book Binding | \$ 31,000 | Over 5 years |

In addition to these joint contract savings, the Purchasing departments also saved more than \$10 million in FY 2012 with competitive bids and negotiated contracts.

OPERATIONAL EFFICIENCIES

- Electronic & Web-Based Requisitions and Purchase Orders
- Procurement Card and Electronic Travel Systems
- Electronic Invoices and Payments
- Web-Based Market Place
- Electronic Catalogs
- Competitive Bid Systems
- Spend Analytics Tools
- Bid Documents are Publicly Available to Download by Bidders

While the spend at our institutions has increased, our purchasing staffs have remained fairly static. The efficiencies have come from eliminating paper, duplicate processes and implementing the best in class systems that allow our researchers to spend more time doing research and less and less time searching for the best prices.

ISU and University of Iowa have a market place that allows our departments to search for the products they need in real time, similar to Amazon.com. We have dissected our spend to understand what our campuses are purchasing and then contracted with key suppliers for the best pricing. These key suppliers then provide access to their catalogs via our market place, bringing the products to the consumer instead of our faculty spending hours calling and visiting vendors. After the purchase is made, the payment to these suppliers is also seamless and electronic, allowing our Accounts Payable staff to also be as efficient as possible. Working with the vendors in this fashion allows them to drive prices lower because of the reduced administrative costs our systems provide to them.

Further efficiencies included:

1. Using an outside firm to help us analyze our spend.
2. Implementing UI's Procurement and Travel system at UNI
3. Sharing UI's competitive bid system with DAS
4. UNI saved over \$300,000 the last 2 years in air charter for athletics.
5. UNI has grown their procurement card program by 40%.

PLANNED COOPERATIVE EFFORTS

- International Consulting Services
- Telecommunication Supplies
- Audio Visual Equipment
- Dental Supplies
- Long Term Group Care Insurance

Not content to stop at 50 plus joint Regent agreements and finding greater efficiencies, , our purchasing departments have additional opportunities we are exploring. We are currently working on a cooperative bid for audio visual equipment with our state agencies and Regent Institutions that will also be made available to the Big Ten Institutions. We are also working with the Iowa Biotech Association on the bid renewal of scientific supplies and casework.

While we've made cooperative purchasing look fairly easy and simple to everyone, the effort to create joint contracts should not be underestimated. Joint procurements often take longer and require concerted dedicated resources to ensure a timely and beneficial outcome. Fewer and fewer new opportunities exist as we reach an unprecedented percentage of spend on contracts. In the case of the University of Iowa, 74% of purchases are made from a contract.

However, we continue to provide efficiencies in every aspect of our department. Recently UI has piloted an departmental assessment tool that reviews the spend by department or organization to alert departments to where they can save additional money by using the best in class contracts and where they can gain efficiencies by using the right procurement tools. While this assessment tool is in its pilot stage, we anticipate this tool to be highly successful and will help grow our campus' use of contracts to an even higher rate.

Regents Institutions

Iowa Braille & Sight Saving School

Iowa School for the Deaf

Iowa State University

University of Iowa

University of Northern Iowa