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Teaming up for discounts

An important procurement tool for decades, cooperative purchasing may be more important than ever in today's economy.

BY JOSH CABLE

Judy Meisel is passionate about cooperative purchasing. As purchasing manager for Olathe, Kan., and a long-time buyer, Meisel sees cooperative purchasing as a powerful cost- and time-saving tool for public-sector procurement professionals.

Meisel, who was named the 2008 Purchasing Manager of the Year by NIGP's Mid-America Council of Public Purchasing, noted that the 10-county metropolitan Kansas City area "lends itself easily to promoting cooperative agreement for commonly used items," enabling smaller government entities to purchase goods at price points usually secured by larger entities.

For example, Olathe, a city of approximately 123,000 residents, participates in an annual cooperative vehicle bid that saves it 3 percent to 10 percent on purchases of police cars, pickup trucks and "anything with four wheels," Meisel says. The annual vehicle bid, which is made through the Mid-America Council of Public Purchasing, combines the purchasing power of more than 20 Kansas City-area governments.

While Meisel believes that cooperative purchasing always has been a useful tool in the procurement professional's toolbox, she sees it playing an even bigger role in today's economy, particularly for smaller government entities.

"We're a medium-size city, but we have a lot of other smaller entities — like a one-person shop or a small county — that can join in with the bigger entities and take advantage of those volume discounts and the arrangements we make," Meisel says.

A prerequisite for survival

For Keith Glatz, purchasing and contracts manager for Tamarac, Fla., cooperative purchasing delivers many benefits. Through its participation in the Southeast Florida Governmental Purchasing Cooperative — which pools the purchasing power of more than 40 Florida cities, counties, school districts and other entities — the city can tap into volume pricing on more than 60 contracts, covering items ranging from asphalt overlay to portable toilets to water-meter fittings.

Take sod, for example. "On the street," the city likely would pay 32.5 cents per square foot; through the cooperative, the city pays 20 cents per square foot, Glatz estimated. Likewise, when the purchasing department analyzed the city's unleaded gasoline expenditures this past fall, the department estimated that using the cooperative contract, the city was paying 50 cents less per gallon than consumers were paying at the pumps.

The Southeast Florida Governmental Purchasing

Cooperative, which is an offshoot of NIGP's Southeast Florida Chapter, uses a lead-agency approach to developing and maintaining contracts. Agencies that have expertise with (or an effective contracting process for) a particular product take care of the solicitation process for that item.

That "division of labor," as Glatz put it, allows the lead agency to become an expert on behalf of the other members of the cooperative — creating a "huge" time savings for the member agencies. "You can develop one expert in one agency," Glatz says.

For example, Coral Springs, Fla., is the expert on diesel fuel. "Purchasing diesel fuel and administering the contract is very time-consuming," Glatz says. "But, because [Coral Springs] was the lead agency for the diesel-fuel purchase, all I have to do is order the fuel and expedite orders."

He says his staff has become the expert in purchasing lime for water-treatment. "We handle the details on this contract, and the other [cooperative] members just worry about ordering the product without having to have experts on staff."

Glatz says members meet once a month as part of the NIGP chapter meetings, and they often turn to each other for help and advice when they need it. "When we're looking for information on specialized contracts, we're able to send an e-mail blast to the co-op members, and somebody will respond with an RFP and a contract — and they may even have a contract I can piggyback off of that day."

The value of cooperatives

When leading a session on cooperative purchasing at the Association of Schools Business Officials International's 2008 Annual Meeting in November, Darren Muci, director of the Wichita (Kan.) Public Schools' Operations Division, noted three forms of cooperative purchasing:

- Cooperative solicitation — Two or more agencies combining their requirements to obtain volume pricing, such as two entities purchasing from the same supplier using a single IFB or RFP.
- Cooperative contract — Multiple agencies "piggybacking" off a single contract award, such as a municipality buying rock salt through a state contract.
- Cooperative organization — Buying off a contract offered by an organization whose sole purpose is to promote cooperative purchasing, such as a school district buying classroom furniture through U.S. Communities.

Of the three, Muci has seen a growing number of public agencies taking advantage of contracts offered by cooperative organizations such as U.S. Communities, Educational & Institutional Cooperative Purchasing (E&I) and the Western States Contracting Alliance (WSCA). It's a trend that Muci has observed in his school district as well.

"We're seeing more buying from cooperative contracts, because either we don't have the staff to do it, we may not have the expertise to buy something, and there's a limited amount of time to get things done," Muci says.

WSCA, which was formed in 1993 by the purchasing directors of 15 Western states, extends state-contract pricing to cities, counties, townships, school districts, universities and other political subdivisions in the alliance's 15 states as well as in non-WSCA states.

According to his preliminary projections, Douglas Richins, WSCA's cooperative development director says purchases through WSCA in 2008 totaled roughly $6 billion — up from $4.5 billion in 2007 and $3.3 billion in 2006. While it is not clear yet if WSCA's growth can be attributed to the economy, Richins asserted that the organization's data "would probably be a lagging indicator rather than a leading indicator" of cooperative purchasing activity because of the economy. He says that a difficult economy should elevate the value of purchasing professionals. Nevertheless, he sees many states considering across-the-board personnel cuts, including those in purchasing organizations, even though "they're generally profit centers, not cost centers."

E&I is a not-for-profit buying cooperative that serves more than 1,600 colleges, universities, K-12 schools, teaching hospitals and other education-oriented organizations. Steve Spinelli, senior vice president of member services and communications, noted that E&I has seen "significant growth in member participation of E&I's competitively solicited portfolio. And, we think the economy is triggering some of that, as more schools start to realize that everyone is being asked to do more with less," Spinelli says.

The H-GAC Cooperative Purchasing Program, a government-to-government cooperative launched in 1973 by the Houston-Galveston Area Council (H-GAC), has seen more interest in its cooperative contracts as well. Over the past four years, HGACBuy has grown from 1,000 member agencies across 10 states to 3,000 member agencies across 38 states, according to Cooperative Purchasing Program Manager Val Toppin. "The end users benefit by the short process, because they don't have to do the bid, and because we subsequently create contracts from every bid solicitation we do," Toppin says.

One tool in the toolbox

While cooperative purchasing can save dollars and time — both of which are precious commodities in today's economy — Kenneth Hayslette cautioned that it is not a catch-all. Hayslette, who retired from public procurement to establish a DeLand, Fla.-based consulting practice, says that he has seen procurement railroad customer agencies into buying off a cooperative contract "because it's easier, it's quicker or they don't have the knowledge or the skills to do a good competition. Also, a lot of times, the clients will coerce the procurement person to use a co-op contract instead of going out for a formal solicitation because of time, when they know that maybe it's not the best solution," Hayslette says. "And, there have been a few cases where they've used it to circumvent the procurement process."

Still, in today's economy, it may be more important than ever to at least consider making buys via cooperative purchasing, Muci says. "There are so many options for buying things [now] that if you're in New Jersey and there's a vendor in California, with online buying, the vendor is actually as close as the computer is in front of you. As opposed to 10 or 15 years ago, when you only knew the person who was around the corner or down the street, if you have a computer on your desk, John's Widget Co. is right there."

About the author

Josh Cable is the former editor of Go Pro.