PROCUREMENT SERVICES BRAG BOOK
FEBRUARY 2015

UNIVERSITY
OF
CALIFORNIA

A Message from the Chief Procurement Officer…

Dear Colleague,

Each year, our 230 University of California procurement professionals partner with fellow administrators, faculty and students to purchase nearly $7 billion in goods and services in support of our institution's missions of teaching, research and public service.

While the procurement team's mission begins with meeting the needs of our clients, we also strive to deepen our relationships and expertise to serve as a high performing strategic partner.

As of the end of FY'15 Q2, we have captured $108.9M in benefit or 78% of our $140M goal for the year. The following pages contain stories which illustrate just some of the ways we are achieving that goal. The stories demonstrate the power of our collective spend as well as the power of collaboration and application of strategic problem solving. The creative solutions are a far cry from the paper pushing, back office, "gatekeepers," historically typical of higher-ed purchasing.

On behalf of all of our team members, we thank you for your engagement and partnership and look forward to our continued success by working smarter together. Your continued investment in us **will** continue to provide a tremendous return on investment!

Very truly yours,

William M. "Bill" Cooper

Associate Vice President and Chief Procurement Officer

In Support of the University's Core Missions…

The following are highlights of recent UC Procurement initiatives that model the team's mission and strategic objectives *by delivering savings and efficient procurement services* to help expand opportunities for teaching, research and public service.

P200 PROCUREMENT SERVICES
The power of our collective spend

Working Smarter P200 Challenge:
$200 Million in annual savings to teaching, research, and public service

IBM Software Negotiated Amendment

Clients: All campus IT Organizations, UCOP Information Technology Services (ITS)

Opportunity

As computing infrastructure at the UC transition away from mainframe computing to more flexible infrastructure, modifications to enterprise agreements are necessary to reflect the changing needs of campus IT. Working with campus IT and UCOP's ITS organization, Procurement Services negotiated aggressively to manage the cost, increase benefits, and capture new discounts with an amendment to the current enterprise contract for the three-year period from 2015-2017.

Results

- 70% discount on new software, extended to any purchases up to 6/1/15 (to include large UCD project)

- Maintenance costs for new software frozen for three years

- 5% discount on maintenance and support renewals for 2015

- Negotiated specific credits: UCLA $54,054; UCDMC $66,603; UCOP $14,741; UCI $8,912; UCSF $11,039

Total Benefit = $7,531,104

The Team

Robert Baum—UCOP ITS

Diane Lombardo—UCOP ITS

All Campus IT Departments

Dianne Yoder—Procurement Services

Category Expertise   Power of Collective Spend   Cost Savings

Super Computer Purchase Financing

Clients: UCSD Super Computer Center (SDSC)

Opportunity

The UCSD San Diego Super Computer Center (SDSC) received an NSF grant to purchase a new Dell based super computer cluster called Comet. The acquisition cost of that cluster was $10.5 million dollars. Upon shipment of materials, Dell expected payment based upon Net-30, while the NSF would not release the funding until the system had been tested and accepted, which was estimated to take up to 120 days. That left a gap of approximately 90 days between when the invoices were due and the funding became available. Dell proposed that we finance the purchase cost for that 90 day period through Dell Financial Services at the interest rate of 3.25%. The interest at this rate was deemed to be unacceptably high.

Approach

While discussing how to deal with the 90 day gap described above, UCSD Commodity Manager Bryan Hurley suggested the short term financing option through UCOP. Working with UCOP, the SDSC and the Campus Budget Office, Procurement & Contracts was able to arrange for $10.5 million in short term financing at 1.99% per year, pro rated to 90 days.

Results
Q2 Benefit = $298,967

The Team

Bryan Hurley - UCSD Procurement & Contracts (Buyer)

UCSD San Diego Super Computer Center (SDSC)

Category Expertise   Meeting Client Needs   Cost Savings

Super Computer Storage

Clients: UCSD Super Computer Center (SDSC)

Opportunity

The UCSD San Diego Super Computer Center (SDSC) received an NSF grant to purchase a new Dell based super computer cluster called Comet. As part of that system, they needed to purchase 7.68 petabytes of performance storage (1000 terabytes = 1 petabyte). Since storage is a commodity, we wanted to ensure the lowest cost per terabyte (TB)

Approach

UCSD's Procurement and Contracts conducted an RFP for the SDSC's storage requirements. For the RFP, there were eight vendors who submitted pricing: Aeon, Aberdeen, Advanced HPC, Coastline Micro, Fusion Storm, ACS, Sigma Net, and International Computer.

Results

Overall savings for this order was calculated from the average cost of the seven proposals not chosen, by calculating the cost per TB of storage, and then averaging the seven supplier's scores.

Q2 Benefit = $127,411
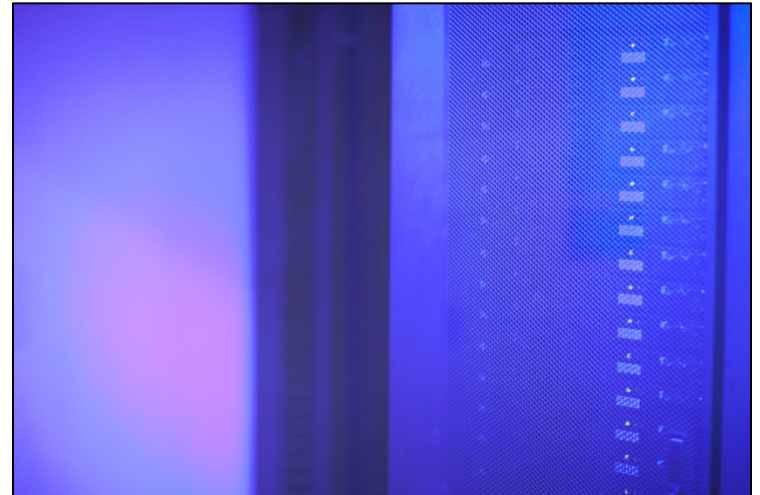
The Team

Bryan Hurley - UCSD Procurement & Contracts (Buyer)

UCSD San Diego Super Computer Center (SDSC)

Category Expertise   **Cost Savings**

Prime Vendor

Clients: All Dining at UCSD, UCR, UCM, UCSC and CSU Chico

Opportunity

Campus dining halls had their own prime vendor agreements, some of which were with the same prime vendor, but with separate agreements and different price structures. Campuses were purchasing same items at different prices!

We saw an opportunity to get the campuses to collaborate and leverage the volumes of all campuses under a single prime vendor program.

Approach

UCOP conducted a 'mock RFP' with several prime vendors to demonstrate the savings of leveraging collective spend and benefits of collaboration. As a result, 4 UC and 1 CSU campus agreed to participate in a statewide prime vendor RFP.

Results

The team awarded the S. California prime vendor business to Sysco for UCSD and UCR. The N. California prime vendor business went to Performance Food Group for UCSC, UCM and CSU Chico. Both were rolled out on January 2, 2015.

Total benefit = : $701,000 (annually)

The Team

Dining Directors - Steve Casad (UCSD), Cheryl Garner (UCR), Scott Berlin (UCSC), Jason Souza (UCM), George Rankin (CSU Chico)

UCOP Procurement – Eric Pollock

Category Expertise   **Power of Collective Spend**   **Cost Savings**

Campuswide Printer Replacement

Opportunity

An analysis of the UCSD printer fleet across campus gave Procurement & Contracts insight into the aging, inefficient printers that were resulting in excess energy costs and waste for departments. These printers were nearing the end of their life-cycle and needed replacement.

Approach

UCSD partnered with HP to replace the older printers with new, high-efficiency, Energy Star certified printers using previously accumulated HP points. These printers reduce the campus carbon footprint by reducing energy usage, waste production, and paper usage. Departments save money on printing costs.

Results

	Q2	Total
Cost avoidance	$3,262	$23,242
projected annual savings in energy	410 kWh	505 lb.
projected annual savings in CO_2-equivalents	3,362 kWh	4,141 lb.

The Team

Stakeholders: Hewlett Packard, Integrated Procure-to-Pay Services Leadership, Campus Departments

Team Members: Procurement & Contracts, Moving Services, Receiving & Distribution, and Surplus Sales

Strategic Partnerships   **Cost Savings**   **Sustainability**

ReadyTalk Negotiated Amendment

Opportunity

UC's use of audio and video conferencing services supports collaborative efforts in many disciplines. The use of these services has increased year over year as a cost effective alternative to travel. The market place has offered a proliferation of products, but the service used most often across all campuses is ReadyTalk. At the time of agreement renewal, ReadyTalk requested a cost increase, but Procurement Services negotiated aggressively to decrease per minute cost.

Results

- 26% discount on per minute charge
- Effective for 1 year
- The IT COE plans to undertake an RFP for this commodity area in 2015 to further drive down costs and increase benefit to UC.

Total Benefit = $280,983

The Team

Dianne Yoder—Procurement Services

Meeting Client Needs   **Power of Collective Spend**   **Cost Savings**

Sales Tax Reduction

Opportunity

A California State Board of Equalization enacted a reduced sales/use tax rate on equipment purchased for manufacturing, research and development. This legislation allows UCSD to take advantage of a reduced sales tax rate for qualifying research equipment purchased between July 2014 and June 2022. The rate reduction applies to machinery and equipment that will be used for research and development at least half time, and for over one year, anywhere in California, including leased equipment, special purpose buildings, and non-inventorial equipment.

Approach

The challenge was how to identify qualifying purchases in order to ensure the reduced tax rate was utilized. In the UCSD instance of SciQuest, a 'Research Equipment' check box was added for selection during checkout. If a department believes their purchase qualifies for the tax exemption, they can check the box and the requisition is automatically routed to a Professional Buyer for review and to potentially adjust the tax rate. All invoices with the 'Research Equipment' designation are automatically routed to Tax Advisory Services for review prior to payment.

Results

Q2 Benefit = $311,912

Total FY Benefit = $614,339

The Team

Stakeholder Groups: UC San Diego Integrated Procure-to-Pay Solutions Leadership, Campus Departments

Team Members: UC San Diego Procurement & Contracts, Tax Advisory Services, Disbursements

Collaboration   Cost Savings

CPSM Bootcamp

Clients: Campus Procurement Teams

Opportunity

The Certified Professional in Supply Management (CPSM) is considered to be the gold standard in Supply Management professional certification. In addition to significant work experience in Supply Chain, applicants to CPSM must take and pass three, three hour exams in 30 days, covering a broad range of Supply Management topics.

Approach

David Gee and Matt Burke coordinated and sponsored a 3-day CPSM preparation or "boot camp" course at UCR. The CPSM Boot Camp will prepare 36 UC Procurement Professionals to successfully pass the certification exams.

Results

- UC Procurement Professionals attain CPSM, elevating the knowledgebase and reputation of the Procurement Services organization

- The bootcamp tuition, which is normally $1,595 was successfully negotiated down to $999 per person

Q2 benefit = $35,928

The Team

David Gee & Matt Burke from UCR Procurement

Category Expertise   **Invest in Talent**   **Cost Savings**

THANK YOU