Benefit Bank

Submitter Training

Agenda

- Benefit Bank Mission, Vision and Purpose

- When to Use Benefit Bank

  – Benefit Timeline

- Accessing Benefit Bank

- How do we:

  – Determine Benefit Components

  – Calculate a Benefit

  – Enter a Benefit

  – Demo

- Multi-Layer/Activity Benefits

  – Description

  – Use Case

  – Tips for Entry

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Benefit Bank

Vision — To be acknowledged as a high performing, strategic partner essential to the financial health of the UC
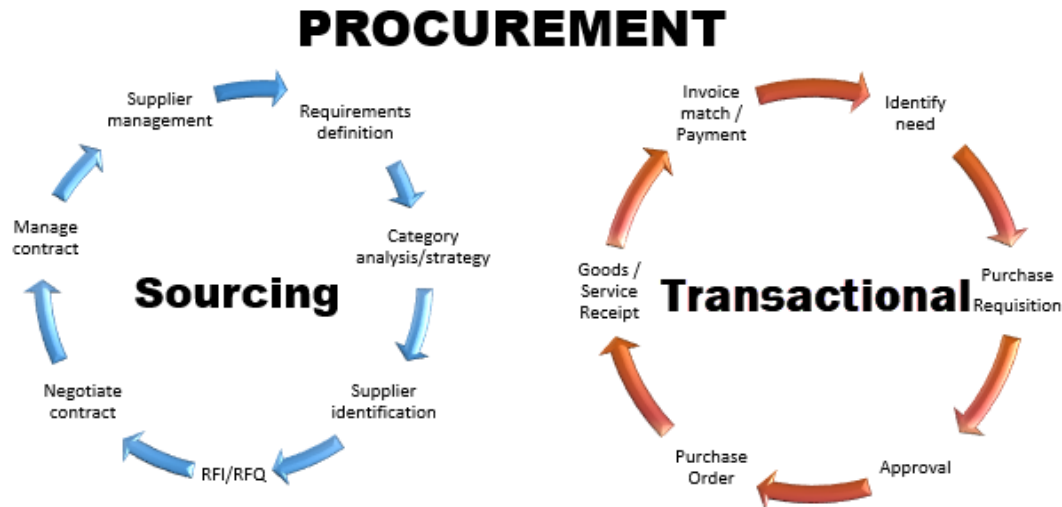
Mission — To expand University opportunities by delivering savings and efficient procurement services
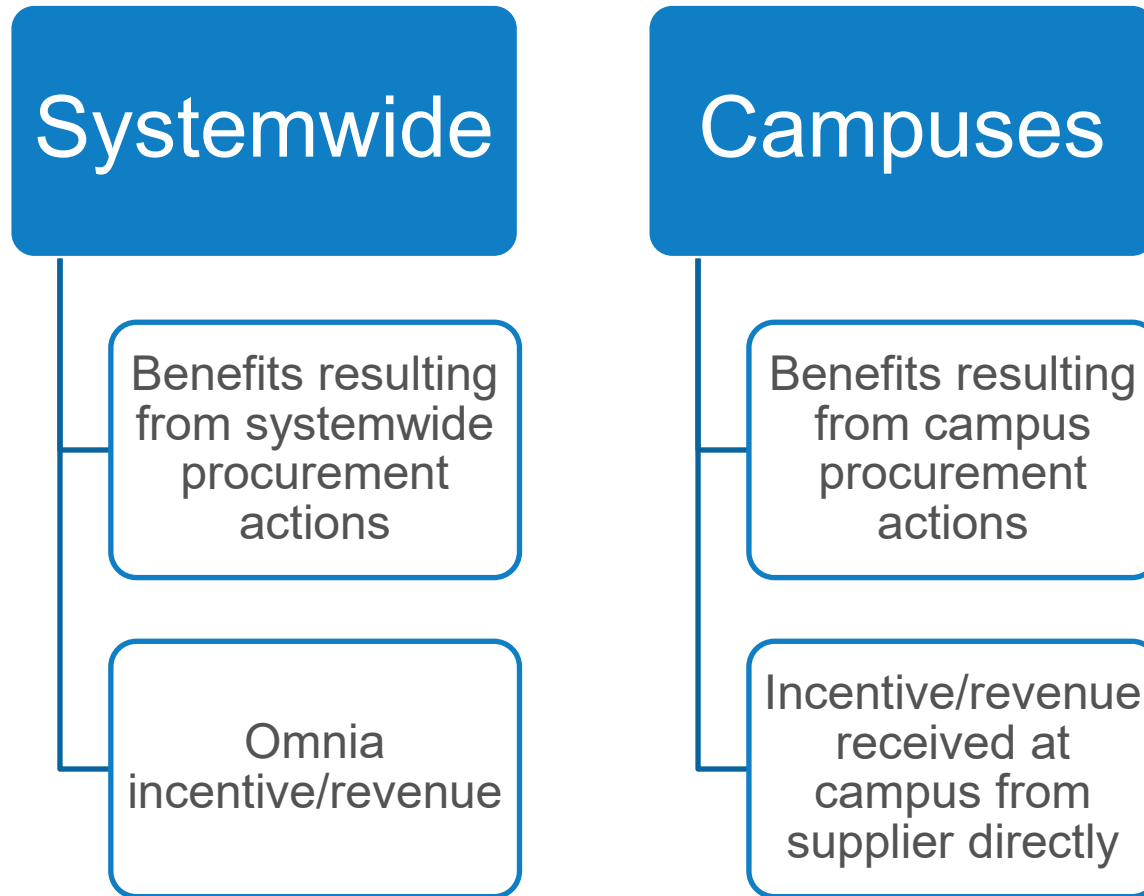
Purpose — To highlight and communicate the work achieved by UC procurement professionals consistently, accurately and verifiably

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When to use Benefit Bank

- Enter a benefit when:

  - you have completed a **sourcing/transactional action** that has generated a savings or payment to the university

  - a **sourcing/transactional action** resulted in an efficiency gain for the university

- Total UC Benefit is defined as the total annual benefit generated by procurement actions

Systemwide vs. Campus Benefit Entries

Systemwide

- Benefits resulting from systemwide procurement actions

- Omnia incentive/revenue

Campuses

- Benefits resulting from campus procurement actions

- Incentive/revenue received at campus from supplier directly

If you are unsure whether to enter your benefit, please reach out for assistance

Benefit Entry Timeline

- Benefits must be submitted and approved by the 10th business day of the following month

  - March benefits must be submitted/approved by the 10th business day of April

- Enter your benefit as close to the applicable agreement date as possible, or earlier if known

- Enter your benefit in the fiscal year achieved or prorate appropriately

- Benefit data is reported monthly to PLC via Procurement Dashboard

Sample Timeline:
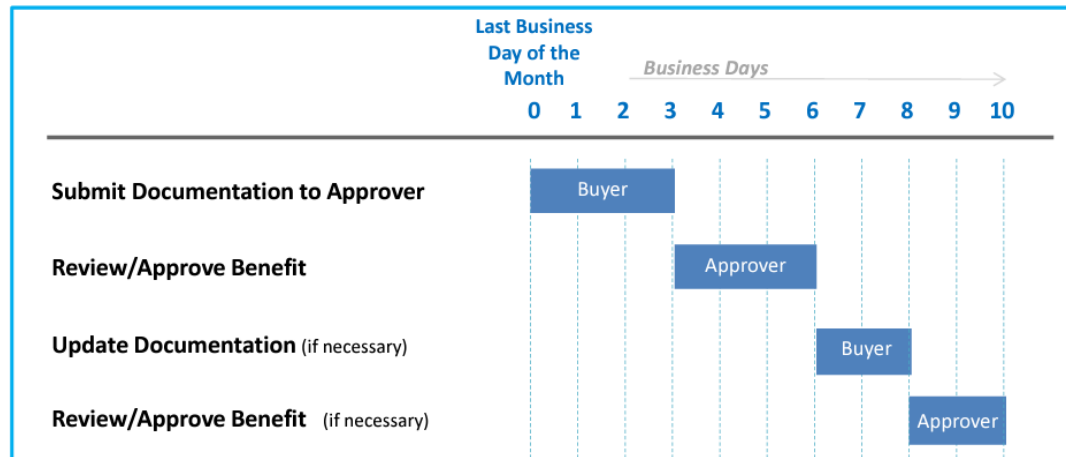
Accessing Benefit Bank

- Access can be requested for first-time users by emailing
  support@ucprocure.zendesk.com

- URL: **UC Procurement Services Benefit Bank**

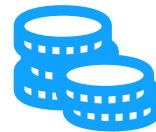- You will log in using your campus's SSO

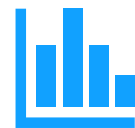# How To's:

Determining Benefit Components

Benefit Type:
5 ways that a benefit can be earned

Baseline Type:
the cost prior to the benefit being earned

Activity Type:
how the benefit was earned

Reporting Type:
whether the benefit is known or estimated

Prior to entering your benefit, ensure you have accurately determined each of these components

Cost Reduction – Benefit & Baseline Types

Cost Reduction

The new total cost is lower than the baseline cost for goods and services

Previously Contracted

The cost is specified in a pre-existing agreement

Historical Costs

There is a record of purchase, but no active agreement

Imputed Historical Costs

Use only when no previous spend exists

Supplier quote, average non-awarded RFP bids, budget, index, other benchmark

Cost Reduction Examples

- 10% discount off previous purchase price

- RFP awarded for new spend to supplier with lowest bid

- $3 off per SKU

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Cost Avoidance– Benefit & Baseline Type

Cost Avoidance

Cost Inclusive of Increase

The proposed additional or incremental cost is minimized or eliminated

Established by, listed in order of preference:
1. the supplier's request for a price increase
2. other contributing factors to an increased cost

Examples:

- Supplier asks for 10% price increase, negotiate down to 5%

- Negotiated free shipping or reduced training fee

- Tax exemption

Incentive – Benefit & Baseline Type

Incentive

Incentive

A payment is received based on a purchase

Total Spend - the total applicable spend over the incentive payment period

Incentive benefits can only be booked at the time of receipt

Examples:

- Supplier pays us $10K for every $1M spent
- Contract signing bonus

Revenue – Benefit & Baseline Type

Revenue	Income is received or generated based on external sales
Revenue	Net Sale - if UC sells the good or services externally, use $0

Revenue benefits can only be booked at the time of receipt

Examples:

- Brand licensing
- Surplus sale to external customer

Efficiency – Benefit & Baseline Type

NEW!

Efficiency	A new or enhanced technology and/or process(es) that results in increased productivity and/or additional value
Efficiency	Net Cost Pre-Change - the cost of activity before applicable change(s)

Examples:

- Implemented technology or new process that reduced FTE hours

- Prompt payment discount

- Negotiated value add

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Activity Types

Sourcing

- Generated from a multi-year agreement
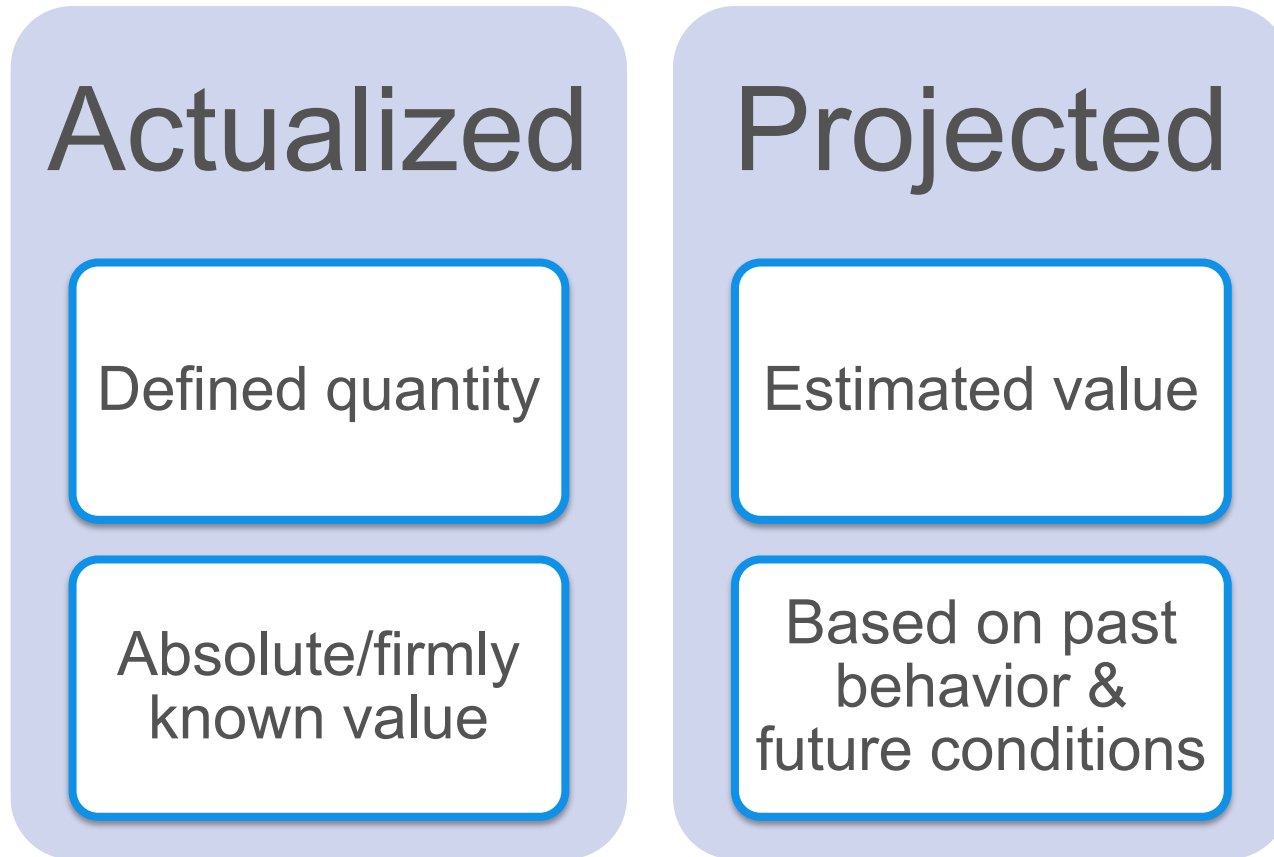- Established framework for recurring transactions

Transactional

- One-time purchase of goods/ services (PO)
- Known, not estimated, at agreement signing

Incentive and Revenue benefits can ONLY be Transactional benefits

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Reporting Types

Actualized

- Defined quantity
- Absolute/firmly known value

Projected

- Estimated value
- Based on past behavior & future conditions

Transactional benefits can ONLY be Actualized reporting types

Examples

- You negotiate a new contract with an existing supplier that includes a 10% price discount from previous costs over the next 5 years

  Cost Reduction, Previously Contracted, Sourcing, Projected

- You negotiate free shipping on a one-time PO

  Cost Avoidance, Cost Inclusive of Increase, Transactional, Actualized

- A check was received for a $5K incentive payment based off our $500K spend with a supplier

  Incentive, Incentive, Transactional, Actualized

- We signed a 3-year brand licensing deal that generates $30K each year for the campus and have just received the first payment

  Revenue, Revenue, Transactional, Actualized

- We negotiate a prompt payment discount with a supplier of 10% and project to spend $1M with them over the contract term

  Efficiency, Efficiency, Sourcing, Projected

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2/7/2024 | 18

Examples of Non-Benefits

- You award an RFP to the supplier with the lowest bid of $1M ($250K lower than the average of other bids). You have a previous agreement for the same services with a different supplier for $950K.

  - There may be another type of benefit that can be claimed (Cost Avoidance if inflation is a significant factor, etc.), but Cost Reduction cannot be used as a benefit type.

- We order 200 washers, but only receive 150. The supplier refunds us for 50 washers.

- The supplier includes a generally/publicly available add-on (access to a knowledge base, etc.)

Questions?

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How to Calculate Your Baseline Amount

Cost Reduction
- **Previously Contracted:** Previously contracted cost
- **Historical Costs:** Historical cost (spend)
- **Imputed Historical Costs:** Quote, avg. response non-awardees, index, budget, benchmark, etc.

Cost Avoidance
- **Cost Inclusive of Increase**: Previous cost plus fee/proposed increase

Incentive
- **Incentive:** Applicable spend to earn incentive

Revenue
- **Revenue:** $0

Efficiency
- **Efficiency:** Quoted value of the value add or Cost prior to implementation of efficiency

Baseline Amount – Things to Consider

- When calculating, ensure apples to apples with benefit calculation
  - Duration – enter **TOTAL**, not annual
  - Quantity
  - Quote vs. final order
- Baseline amount must align with baseline type selected

How to Calculate Your Benefit

Cost Reduction, Cost Avoidance, Efficiency

Baseline Amount − Negotiated/New Cost = Change In Cost Or Benefit

If there is a volume component:

Change in Cost × Volume = Benefit
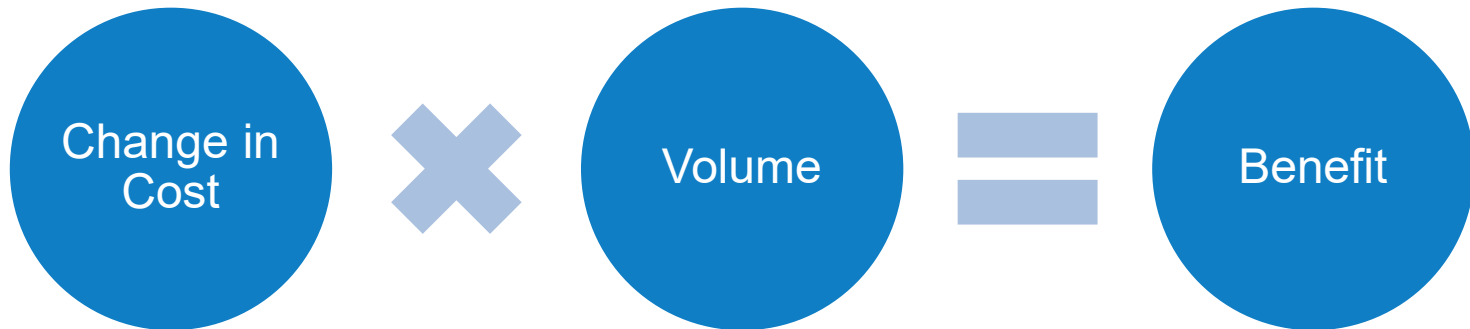
Benefit calculations cannot include tax, unless the benefit is for tax reduction

How to Calculate Your Benefit

Cost Reduction, Cost Avoidance

- You negotiate a new 5-year contract with an existing supplier that includes a $20/hour discount on consulting services. Your previously contracted rate was $95/hour. You expect to contract 100 hours/year.

  - **Previously Contracted Total Baseline:** $95 x 100hrs x 5yrs = $47,500
  - **New Cost:** ($95-$20) x 100hrs x 5yrs = $37,500
  - **Cost Reduction Total Benefit Amount:** $47,500 - $37,500 = **$10,000**

- You negotiate the inclusion of free training on a new software that you've procured, a savings of $15,000. The total contract value is $250,000

  - **Cost Inclusive of Increase Baseline:** $250,000 + $15,000 = $265,000
  - **New Cost:** $250,000
  - **Cost Avoidance Total Benefit Amount:** $265,000 - $250,000 = **$15,000**

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How to Calculate Your Benefit

Efficiency

- You sign a contract with a gas supplier that includes free delivery of gas cylinders to a campus department, which reduces the need for campus to deliver the cylinders. The deliveries currently take 10 hours/week and the FTE rate is $35/hour.

  – **Efficiency Baseline:** $35 x 10hrs x 52 weeks = $18,200

  – **New Cost:** $0

  – **Efficiency Benefit Amount:** $18,200 - $0 = **$18,200**

- The supplier offers a prompt payment discount of 5% if payment is received in 10 days of the agreement being signed. The agreement amount is $40,000

  – **Efficiency Baseline:** $40,000

  – **New Cost:** $40,000 x 95% = $38,000

  – **Efficiency Total Benefit Amount:** $40,000 - $38,000 = **$2,000**

How to Calculate Your Benefit

Incentive, Revenue

Payment Amount **=** **Benefit**
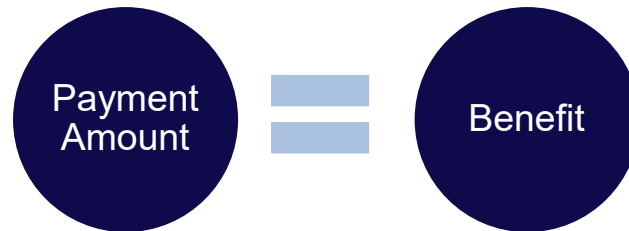
- You sign a 5 year contract that includes a $10K payment each year that you spend $1M. In year 1, you spent $1.2M on the contract and just received your first payment.

    - **Incentive Baseline:** $1.2M
    - **Incentive Benefit Amount: $10,000**

- You sign a 1-year brand licensing contract that includes a payment of $50,000. The first payment has been received

    - **Revenue Baseline:** $0
    - **Revenue Benefit Amount: $50,000**

Questions?

Break – 5 min
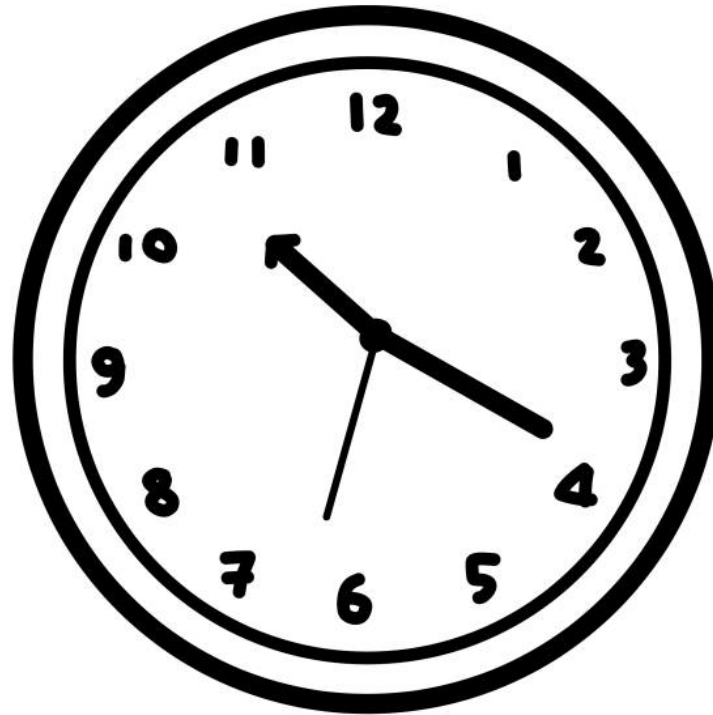
How to Enter a Benefit

Live Demo

How to Enter a Benefit

Use Case: You negotiate a new 5-year contract with an existing supplier that includes a $20/hour discount on consulting services. Your previously contracted rate was $95/hour. You expect to contract 100 hours/year.

- **Previously Contracted Total Baseline:** $95 x 100hrs x 5yrs = $47,500

- **New Cost:** ($95-$20) x 100hrs x 5yrs = $37,500

- **Cost Reduction Total Benefit Amount:** $47,500 - $37,500 = **$10,000**

- **Benefit Type:** Cost Reduction

- **Baseline Type:** Previously Contracted

- **Activity Type:** Sourcing

- **Reporting Type:** Projected

Step 1 – Add a Benefit

Step 1 - Add a Benefit

*Fields with * are required.*

Project Name *

UC Category * Select a Category... ▾

Supplier *

*To submit a new supplier request or search for generic supplier options, type *** above.*

Select Impacted Locations*

☐ UC Berkeley
☐ UC Davis
☐ UC Irvine
☐ UC Los Angeles
☐ UC Merced

1. Enter a Project Name, which should include the name of the good/service procured

2. Select a UC Category

3. Enter a Supplier Name and select from the dropdown

   1. If your supplier's name isn't listed or you need to use a <u>generic suppler</u>, type ***.

4. Select your Impacted Location(s) from the list on the right

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2/7/2024   31

Step 1 – Add a Benefit

1. Select Previously Contracted from the Baseline Type list

2. Enter $47,500 as the Total Baseline Cost Amount

3. Select Sourcing Benefit Identified from the Activity list

    1. This must be selected correctly prior to leaving this screen. If the wrong Activity type is selected, the benefit will have to be rejected and reentered.

4. Check Projected as the Reporting Type

Step 1 – Add a Benefit

1. Select the Agreement Date

2. Enter 60 as the Duration in Months (the contract is 5 years)

3. Enter the Agreement ID

Select Save and Next to move to the next screen

Step 2 – Add Organizational Units

Step 2 - Add Organizational Units

Activity: Sourcing Benefit Identified

Reporting Type: Projected

Project: Test

Supplier: AB & A TEST CO

Projected Benefit Amount | 10000

Search for Organizational Units
(Enter at least three letters into the search field)

Procurement | **Go**

1. Enter $10,000 in the Projected Benefit Amount field

2. Enter the lowest known Organizational Unit and select Go

Step 2 – Add Organizational Units

		Procurement	Go					

Select	Organizational Unit	Cost Reduction $	Cost Avoidance $	Revenue $	Incentive $	Efficiency $
☑	UC Office Of The President / Chief Financial Officer / **Procurement** Services	10000				
☐	UC Office Of The President / Chief Financial Officer / **Procurement** Services / **Procurement** Services					

Apply

1. Check the box next to the appropriate result

2. Enter the $10,000 benefit into the Cost Reduction box

3. Select Apply and then Save and Next

Step 3 – Add Attachments

Step 3 - Add Attachments   DRAFT

- A maximum of 10 files may be attached.
- Maximum file size is 10 MB.

Activity:	Sourcing Benefit Identified
Reporting Type:	Projected
Project:	Test
Supplier:	AB & A TEST CO

Attachment Type   **Document**

Contract ⌄   Choose File | No file chosen   Remove

Add Another Document

Current Attachments

Type	Document	Actions

1. Select the Attachment Type from the dropdown and then Choose File to add your attachment

2. Select Add Another Document to add subsequent attachments

3. This benefit should include, at a minimum, the previous contract and the current contract to demonstrate previous vs. current pricing

Step 3 – Add Attachments

Additional Details

Approver *	Williams, Paul ⌄
Benefit Description * *Explain what the benefit is about, the actions taken to generate the benefit, and how it was calculated.*	

Cancel   **Save and Next**

1. Your Approver will auto-populate, but you can select from the dropdown list if you need to choose another

2. Enter the full Benefit Description in the field

   1. This should include the entire background and justification for the benefit. A 3rd party should be able to read this description and fully understand how the benefit was negotiated and how the calculations were achieved.

3. Select Save and Next

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Step 4 – Preview

Step 4 - Preview   DRAFT

[Edit]
Status: Draft
Benefit ID: 34454-34780
Date Created: 09/07/2023
Submitter: Ivy Weirather
Approver: Paul Williams

[Save as Draft]   [Submit for Approval]

1. Review your benefit for accuracy

2. Select either Save as Draft to edit later or Submit for Approval

Questions?

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Research Tax Exemption – Best Practice

- If you have the capability, we recommend submitting tax exemptions en masse on a quarterly basis

- Supplier name = **** Tax

- Attach spreadsheet of applicable PO's with full tax vs. partial tax

- Benefit Components:

    - **Benefit Type:** Cost Avoidance

    - **Baseline Type:** Cost Inclusive of Increase

    - **Activity Type:** Transactional

    - **Reporting Type:** Actualized

New Supplier – Best Practice

If you do not find the supplier you need in our supplier list:

1. Select *** New Supplier Request from the dropdown

2. Enter the supplier name at the top of the benefit description

3. A ticket will be created and we will add the supplier into the system/onto the benefit

Multi-Activity or Layered Benefits

What is a Multi-Activity or Layered Benefit?

- **Activity:** a component of a benefit, which clearly defines a unique aspect of the benefit's value

  – Multiple activities can be generated by a single procurement action

  – Example: You negotiate a 3-year contract with a 10% price break, free shipping and a $20K signing bonus. This action results in cost reduction, cost avoidance **AND** incentive activities.

- **ONE** procurement action generates **ONE** Benefit, but potentially multiple activities

- If your benefit has multiple activities, you should enter each activity separately, but under a single benefit to ensure they are linked within the system -> this is called **Layering**

- Activities can **ONLY** be added on to Sourcing benefits

When to use a Multi-Activity or Layered Benefit?

- Sourcing event resulted in multiple benefit types

  – **Add each type as an individual activity**

- Sourcing event resulted in awards to multiple suppliers

  – **Add each supplier as an individual activity**

- Sourcing event resulted in a different benefit amount per year of the agreement

  – **Add each year as an individual activity**

Tips for Entry

- Enter subsequent activities once the first benefit/activity has been approved

- Once two activities have been connected under a benefit, either activity can have new activities added to it

- Only the original submitter can add new activities

  - If the original submitter is no longer with the team, create a new benefit and reference the original benefit in the benefit description

To enter a new Activity:
- Locate your approved benefit in your queue and select the magnifying glass
- Scroll to the bottom of the benefit and select Add Activity

Review Benefit

Status:	Approved
Benefit ID:	46_18187
Impacted	UCD 10_
Agreement Date:	09/01/2021
Agreement ID:	A20167 (formerly A11597)

Associated Activities

▶ [4699-4701] Sourcing Benefit Identified

▶ [4699-17395] Sourcing Benefit Identified

▶ [4699-17399] Sourcing Benefit Identified   **ACTIVITIES**

▶ [4699-17785] Sourcing Benefit Identified

▶ [4699-17787] Sourcing Benefit Identified

Use Cases

- You negotiate a one-year contract with a price break of a SKU from $35/item to $30/item. The supplier will also provide free shipping on each shipment, an estimated value of $10,000 total, and give a prompt pay discount of 10% when payment is received within 10 days. You expect to buy 1,000 units each month

  - **1st Activity**: Cost Reduction, Previously Contracted, Sourcing, Projected

    - Baseline Amount: $420,000

    - Benefit Amount: $60,000 ($420,000 – (30 x 1000 x 12))

  - **2nd Activity**: Cost Avoidance, Cost Inclusive of Increase, Sourcing, Projected

    - Baseline Amount: $370,000 (($30 x 1000 x 12) +$10,000)

    - Benefit Amount: $10,000

  - **3rd Activity**: Efficiency, Efficiency, Sourcing, Projected

    - Baseline Amount: $360,000

    - Benefit Amount: $36,000 (10% of $360,000)

Use Cases

- You negotiate a three-year contract for a brand new service with increasing discounts each year. In the first year, your discount will be $10K, then $20K in the second year and $30K in the third. The contract assumes spend is at least $500,000 each year.

  - **1st Activity**: Cost Reduction, Imputed Historical Costs, Sourcing, Projected

    - Baseline Amount: $500,000

    - Benefit Amount: $10,000

  - **2nd Activity**: Cost Reduction, Imputed Historical Costs, Sourcing, Projected

    - Baseline Amount: $500,000

    - Benefit Amount: $20,000

  - **3rd Activity**: Cost Reduction, Imputed Historical Costs, Sourcing, Projected

    - Baseline Amount: $500,000

    - Benefit Amount: $30,000

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Use Cases

- You negotiate a contract with a supplier to include free replenishment services – the supplier will manage your inventory on your behalf. This replenishment service costs $25,000/year and the total contract value is expected to be $300,000/year for 4 years. Because the supplier is handling replenishment, approximately 5 FTE hours per week will be saved, at a cost of $28/hour. The process usually takes 8 FTE hours per week.

  - **1st Activity**: Cost Avoidance, Cost Inclusive of Increase, Sourcing, Actualized
    - Baseline Amount: $975,000 ($300K + $25K x 3 years)
    - Benefit Amount: $75,000 ($25K x 3 years)
  - **2nd Activity**: Efficiency, Efficiency, Sourcing, Projected
    - Baseline Amount: $34,944 (8 hours x $28 x 52 weeks x 3 years)
    - Benefit Amount: $21,840 ($34,944 – (3 hours x $28 x 52 x 3))

Live Demo

Demo of Multi-Activity Entry

UNIVERSITY OF CALIFORNIA   Procurement Services Benefit Bank

Change My Name   Log Out

Welcome Ivy Weirather

Dashboard   Help   Search   Exports

FY '23-'24 Benefit by Campus **

Benefit Identified	Target	Approved
UC Berkeley	$0	$3,443,985
UC Davis	$0	$2,690,089

Search All Benefits

[   ]   Search

Helpful KBA's:

- What is an activity and when should it be used?

- How to Add Additional Activities to a Benefit (Layering)

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Questions?

Need Further Assistance?

- Submit a ticket: support@ucprocure.zendesk.com

- [Benefit Bank KBA resources](#)

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