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# Public Procurement and the New Shared Services Environment — Opportunities and Challenges



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# Shared Services Concepts

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# Shared Service Introduction

- The New York State Comptrollers Office has published the following reports regarding Shared Services among Local Governments:
  - Local Government Management Guide – Shared Services in Local Government
  - Shared Services among New York’s Local Governments – Best Practices and Tips for Success



# Shared Service Introduction

- With the economy recovering slowly from a prolonged recession and many major local government revenue sources in decline, there is a heightened interest in exploring innovative ways to control local government and school district costs by eliminating duplicative services.



# Shared Service Introduction

- Concepts of shared services and functional consolidations are not new; however they are receiving greater attention in the media and from taxpayers and policy leaders at all levels of government.
- In addition, there is a greater emphasis on exploring approaches to providing services at a regional level.



# Shared Service Introduction

- New York has approximately 3,175 local governments, including counties, cities, towns and villages, school districts and fire districts.
- Shared services present a viable option for reducing costs or slowing growth in spending without necessarily impacting service quality.



# Shared Service Introduction

- The concepts of cooperation through shared services and consolidation of government functions have been well studied.
- Many of the obstacles to successful outcomes have already been identified.
- There are numerous success stories from around the state that can be used as models for future success.





# Shared Service Introduction

- There are numerous statutory provisions that authorize specific types of cooperative activities.
- General Municipal Law, Article 5-G, provides broad authority for municipal corporations and districts to enter into cooperative efforts with each other.



# Shared Service Introduction

- Under Article 5-G, municipal corporations and districts are authorized to, among other things, enter into intermunicipal cooperation agreements in which one municipal corporation or district provides a service to another (sharing agreement), or in which two or more municipal corporations or districts perform a joint service (joint activity arrangement).



# Shared Service Introduction

- Joint activity arrangements occur when two or more municipal corporations or districts share in the performance of a function (e.g., creation by town and village of joint police department; joint purchase of sand or salt) or the construction of a building (e.g., joint construction and operation of a neighborhood recreation center by a group of municipalities).



# Shared Service Introduction

- As local governments face the challenges of closing budget deficits now and in the foreseeable future, shared service opportunities should be closely examined, particularly where service duplication can be eliminated without risking a decline in the level or quality of public services that citizens demand.



# Types of Shared Services

- **Administrative Functions**
  - Accounting functions (staff, payroll processing, software)
  - Procurement
  - Personnel and Human Resources
  - Benefit Management
  - Insurance and Risk Management
  - Real property tax collection and assessment
  - Records management



# Types of Shared Services

- **Insurance**
  - Health insurance cooperatives
  - Workers Compensation cooperatives
  - Liability
  - Cyber Insurance



# Types of Shared Services

- **General Operations**
  - Equipment sharing
  - Fuel facilities – cooperative fuel agreements
  - Road Maintenance & Snow Operations
  - Animal Control & Sheltering
  - Wastewater Treatment
  - Water Treatment
  - Youth
  - Recreation
  - Refuse/Garbage/Recycling



# Types of Shared Services

- Information Technology Functions
  - IT administration
  - IT asset management (procurement, maintenance, support)
  - IT security

# Shared Services Opportunities

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# Shared Service Opportunities

- Begin by creating an inventory of potential areas of opportunity where their municipality could share services with one or more local governments – perhaps a new piece of equipment needs to be purchased or a vacancy is about to be created.
- These opportunities are a good first step for local governments interested in exploring shared services.



# Shared Service Opportunities

- One easy way to think about shared service opportunities is to first think about the various functional areas of local government operations and group them according to areas where the approach and/or guidance for cooperation may be similar.
- Procurement is certainly one of those functional areas.



# Shared Service Opportunities

- **Administrative Functions**
  - Accounting functions (staff, payroll processing, software)
  - Administrative services (clerical support, data entry, janitorial services)
  - **Procurement**
  - Real property tax collection
  - Records Management
  - Research, studies
  - Training and education
  - Utility services (billing and collections)





# Shared Service Opportunities

- **Human Capital Management**
  - Health insurance Cooperative
  - Human resources/personnel (employee benefits management)
  - Professional Services (engineering, architectural, legal services)



# Shared Service Opportunities

- **General Operations**
  - Equipment sharing
  - Facilities maintenance – buildings, grounds
  - Fuel facilities – cooperative fuel agreements
  - Motor pool – maintenance, equipment, operation
  - Parks - maintenance



# Shared Service Opportunities

- **IT Functions**
  - IT administration
  - IT asset management (procurement, maintenance, support)
  - IT security





# Shared Service Opportunities

- Infrastructure
  - Parks Facilities
  - Physical plant sharing (e.g. municipal building)
  - Solid waste (landfills)
  - Utility infrastructure (maintenance and construction)



# Shared Service Opportunities

- **Public Safety Services**
  - Emergency management/coordination
  - Fire services
  - Jail facilities
  - Police services





# Shared Service Opportunities

- **Constituent Services**
  - Aging - programs for seniors (meals, transportation, facilities)
  - Real property assessment



# Shared Service Opportunities

- **Other Services**
  - Highway services - snow plowing contracts, vendor contracts
  - Public transportation (existing operations)
  - Solid waste (collection)
  - Youth programs



# Shared Service Opportunities

- **Regional Development**

- Airports
- Public facilities – cultural centers, libraries, museums, monuments
- Economic development (operation of Business Improvement Districts)
- Planning and/or zoning – activity, administration  
Tourism
- Transportation system (highway design, traffic control, public transportation)





# Shared Service Opportunities

- Consolidation
  - Annexation
  - Consolidation
  - Dissolution



# Shared Services Challenges

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# Shared Services Challenges

- Can local governments agree to standardize certain supplies and equipment? (*Easier said than done*)
- Concerns over local identity
- Concerns regarding loss of jobs,
- Concerns over diminished control and quality of service
- Who will take the lead?



# Procurement and the Shared Service Environment

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# Why Consider Procurement Shared Services?

- Dedicated procurement staff at town, village or school district level of government may not exist
- Local government employees receive little or no training in procurement laws and procurement best practices
- NYS Comptroller Audit reports frequently cite non-conformance to procurement laws and best practices at the local government level
- Procurement is often decentralized at lower levels of government resulting in a lack of accountability



# What Stops Local Governments from implementing Procurement Shared Services

- Fear of the unknown
- Fear of losing control
- Fear of losing local vendors
- Not understanding your annual spend
- No one willing to take the lead





# Benefits of Procurement Shared Services or Consolidation

- Saves local municipalities time and money through shared contracts and leveraging volume savings with a larger government entity
- The larger government entity likely has professional procurement staff (Certified) that specialize in certain commodities and services and can solve problems quicker, more efficiently and save all local governments time and money (Certified Public Procurement Officers & Certified Public Procurement Buyers)





# Benefits of Procurement Shared Services or Consolidation

- The larger government entity most likely has procurement software systems that provide efficiencies to the procurement process that smaller local governments do not have (Empire State Purchasing Group, ERP Systems, Smartprocure, Bonfire, NYS Contract Reporter)



# Benefits of Procurement Shared Services or Consolidation

- Larger entity's procurement staff have knowledge of available federal, state and national cooperative contracts that are available for use
- Larger entity maintains responsibility that the process is done correctly
- Cooperative or Joint contracts can replace many of the NYS Contracts discontinued over the past several years
- Cooperative Purchasing programs are a fiscally responsible approach for local governments, school districts and fire districts to realize savings for themselves as well as their taxpayers



# Benefits of Procurement Shared Services or Consolidation

- Cooperative contracts produce lower prices. By bidding similarly purchased items and aggregating requirements, governments can benefit from the combined economies of scale of multiple agencies.
- Cooperative contracts are especially advantageous for smaller governments because they benefit from the greater quantities required by the larger government consumers.



# Benefits of Procurement Shared Services or Consolidation

- The ability to use/share procurement professionals from a larger entity allows the smaller agencies to reallocate their own resources who may be performing various roles within their own agency.
- With one contract serving multiple agencies, cooperative contracts reduce administrative costs by avoiding duplication in advertising, reproduction and labor costs.





# Benefits of Procurement Shared Services or Consolidation

- Cooperative contracts are convenient. Instead of seeking quotes and bids, the local government agencies can place orders from the established contract. This saves the agencies time and effort.
- Citizens benefit from cooperative purchasing through lower total cost of government, better use of resources and more efficient government operations.





# Piggybacking vs. Joint or Cooperative Procurement

- All local governments, school districts, and fire districts located in New York State can utilize contracts that are awarded by other government agencies, which is called “Piggy Backing.” This saves other local governments the time and costs associated with bidding the needed items. However, piggybacking does not leverage purchasing volume



# Piggybacking vs. Joint or Cooperative Procurement

- A cooperative contract is created when all agencies establish their requirements together and go out to bid for those requirements in a coordinated effort.
- Cooperative purchasing leverages purchasing volume and provides greater savings



# How can we expand Procurement as a Shared Service?

- Expand the use of Joint and Cooperative Bidding
- Implement Shared Service Agreements
  - Various models based on need
  - Full service or A la cart service?



# Commodities/Services ideas for Joint or Cooperative Bidding

- Law Enforcement Supplies & Equipment – police cars, uniforms, tactical equipment
- Highway Supplies & Equipment – work trucks, uniforms, sign material, drainage supplies
- Parks & Recreation Supplies & Equipment – landscaping supplies & equipment, uniforms, camp supplies, pool supplies & equipment, golf course supplies & equipment, playground, etc.
- Facilities Supplies & Equipment – industrial supplies, electrical, plumbing
- Wastewater Treatment Supplies & Equipment – chemicals, pumps, uniforms and other equipment





# Procurement Shared Service Model Examples

(a few for consideration & discussion, not a complete list)

- Audit Model
- Co-location Model
- A la Carte Model
- Full Service Model





# Audit Model

- A City/County/Regional Procurement Organization can audit a local government's prior years' purchases to determine if the most advantageous contract was used and if they are obtaining the best value
- Review of current procurement policy with recommendations for improvement
- Identifies areas for future cost savings and increased compliance to state law and the local government's procurement policy
- The local government retains all responsibilities for conducting their own procurements



# Co-location Model

- The City/County/Regional Procurement Organization audits the local governments prior years' purchases to determine if the most advantageous contracts were used and if they are obtaining the best value
- Review of current procurement policy with recommendations for improvement
- Local government's procurement personnel co-locate at the City/County/Regional Procurement Organization which provides oversight and commodity/service expertise. Personnel remain employees of the local government.
- The local government awards solicitations, processes all purchase orders and contracts and makes all payments through their own financial system



# A la Carte Model

- The City/County/Regional Procurement Organization audits the local governments prior years' purchases to determine if the most advantageous contracts were used and if they are obtaining the best value
- Review of current procurement policy with recommendations for improvement
- Local government retains some staff for lower dollar procurements
- All procurements over an identified threshold are processed by City/County/Regional Procurement Organization
- The local government awards solicitations, processes all purchase orders and contracts and makes all payments through their own financial system





# Full Service Model

- The City/County/Regional Procurement Organization audits the local governments prior years' purchases to determine if the most advantageous contracts were used and if they are obtaining the best value
- Review of current procurement policy with recommendations for improvement
- Local government staff may be consolidated into the City/County/Regional Procurement Organization's staff
- All procurements are processed by the City/County/Regional Procurement Organization
- Purchase Orders, Contracts and Payments are processed by the City/County/Regional entity through integration with the local governments financial system or the local government using the City/County/Regional entity's financial system as a shared service



# Procurement as a Shared Service Success Stories

- Onondaga County
  - City of Syracuse
  - Syracuse City School District
  - Syracuse Regional Airport Authority
  - Otsego County
  - Oswego County
  - City of Oswego
  - Town of Clay
- Westchester County
  - Established Procurement Shared Services Coordinator
- City of Yonkers
  - The City of Yonkers and Yonkers Board of Education have combined, centralized procurement functions and the Purchasing Department is responsible for issuing all contracts and purchase orders for acquiring the goods and services that support each of these agencies' departments





# Examples of Savings in Onondaga County

Commodity	2011-2012	2012-2013	2013-2014	Total
Paper	\$7,030.60	\$10,132.24	\$15,115.23	\$32,278.07
Trucks	\$214,048.60		\$103,031.65	\$317,080.25
Salt	\$160,000.00	\$304,000.00	\$310,400.00	\$774,400.00
<b>Total</b>	\$381,079.20	\$314,132.24	\$428,546.88	\$1,123,758.32

In addition, Onondaga County has eliminated 22 bids through reducing duplication. The cost of public bids, including staff time, advertising and ancillary administrative costs average 2534.60 per bid. This additional savings is \$55,761.20, making the total savings \$1,179,519.52.

The personnel and administrative costs to Onondaga County over the same period total \$669,659 making the net savings to the participants and the County \$509,806.52.





# How do you and your entity proceed?

- Can local governments agree to standardize certain supplies and equipment? **THE TIME IS NOW!**
- Support from Elected Officials is critical to the success of this effort. Each interested agency must appoint a Shared Service Champion to spearhead this effort
- Schedule meetings for those interested in participating in some form and start data collection
- Create email distribution list for those interested in participating



# Realities

- Some will step forward for the initial effort
- Some will join you later
- Some will prefer to remain on their own
- Savings and efficiencies will be realized by those who participate
- **The question is not “Why” but rather “Why Not”**

