

## 2015 NASPO George Cronin Awards for Procurement Excellence Nomination

### Introduction to Submission/ Executive Summary:

Early in 2005, the Department of Administrative Services (DAS), Office of Procurement Services (OPS) held individual trash contracts for various facilities. While some locations joined together due to close proximity to one another, there were in excess of 65 contracts being managed by OPS for waste management. There were literally hundreds of others managed at the agency level. This was very time consuming for everyone involved. Pricing varied greatly among vendors and locations, and getting the data necessary to get a true picture of what was happening in this industry was nearly impossible.

DAS was **Innovative** in its approach to create a process that knowingly would evolve over many years. They accepted the challenge and persevered until achieving the desired results. **Service Improvement** and **Cost Reduction** were only a few of the positive changes that were **Transferred** to the stakeholders. DAS continues to improve these service related contracts which benefit agencies, the State, and the public.

Over the past ten years, DAS has gathered reports from all possible sources, including the vendors, the users and the state accounting system to verify the dollars spent. The actual usage, number and frequency of pulls, types of waste, and other variables are becoming more evident.

In 2008, DAS began by issuing a bid and awarding by county. While the state recognized some savings there were still areas that saw a substantial increase. There were some agencies like the State parks that the new contract did not quite fit. With only a few small containers, seasonal use, and frequency of pulls, they were assessed large increases and eventually given a waivers from the contract. However the State was able to gather additional data which served as a stepping stone to the next phase of awarding to a Third Party Administrator (TPA).

In 2014, the State issued and awarded a contract for waste management to a TPA. To date, the TPA is servicing more than 600 locations and even with economical increases the State continues to see monetary benefits and other valuable rewards. The TPA is able to provide the manpower to bid each location and manage individual contractors, allowing time for the Office of Procurement Services to handle other contracts.

### **Innovation** (30 points)

Waste removal is a necessary service for all states. Not removing waste from a public facility has a direct impact on the health and welfare of the public. Every effort is made to ensure the continuity of service, at a reasonable cost. DAS recognized the many inefficiencies managing multiple contracts with constant price changes, variable rates across users, and no accountability of data recording.

In 2005, DAS began a long, protracted approach to develop a methodology to manage the State's waste management. The business impact to communities served and the transitional period required for such changes was considered. Many of these locations had been serviced by the same contractor for many years. After many onsite visits to facilities, DAS learned many pickups were for containers that had not been in service for years. There was many inefficiencies and excessive costs across the State.

DAS began by awarding contracts by agency. While a state park may see a slight price increase, the agency as a whole often saw significant decreases. This was the foundation for DAS to gather usage data that had not been previously been recorded.

DAS then took the next step in 2008 to bring all agencies under one contract, encourage any recycling efforts and mandate reporting efforts. The contract was awarded by each of the 88 counties in the State. The larger waste management vendors could focus on heavily populated areas while the smaller companies served smaller agencies while opening the doors to political subdivisions within that county. Overall, nine vendors serviced all 88 counties. This was positive progress and allowed more data to be gathered as well as lessons learned; what works and what doesn't.

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Although the State was now seeing more historical data, more continuity of service, and less need for price change amendments, we knew that there were many more vendors, and therefore more competition, to keep costs down and allowing local haulers to maintain business in their communities.

DAS finally took the final step in 2013 by issuing an RFP for a third party administrator to manage the waste contracts across the State. Each location would be individually bid and a decrease in costs overall was guaranteed as part of the performance of the Contract. While still in its infancy, DAS is happy to report much success on this ten year project.

This program now empowers the State of Ohio with a dashboard that assists in measuring our sustainability footprint in the areas of waste and recycling. With new on demand reports the ability exists to benchmark each agencies volume generation, diversion percentages, and overall cost savings. These tools will enable us to increase recycling, and reduce landfill volume while becoming more efficient by driving costs out of the waste program.

### **Transferability (25 points)**

The existing State of Ohio waste program is very transferrable to other states with no modifications to the existing model. When DAS sought to establish a new waste program they wanted it to be technologically advanced and flexible enough to not only serve the needs of all agencies but also establish value to users able to able to participate on the contract. In order for the program to benefit co-op users it had to be scalable, flexible, contain a high level of technology, bring industry expertise and be easy to join and use. Prior to devoting the time and resources to construct a program of this nature DAS researched the industry to see if entities existed to form a public / private partnership. Upon the completion of this analysis it was determined that a competitive RFP for a Third Party Administrator (TPA) could assist in forming a public / private partnership that would allow DAS to develop this type of program using minimal resource investments while significantly reducing time for implementation.

As such, the State of Ohio conducted a competitive RFP for a Waste Services Third Party Administrator. The TPA had to be willing to not perform the actual waste removal services to eliminate any bias. Through this process all submitting vendors were vetted and reviewed in order to arrive at the winning vendor. A contract was then established forming a public private partnership. With this contract the TPA established a database of all existing locations, containers, services and vendors. From there the TPA conducted a competitive RFP amongst all capable self-performing service vendors throughout the State in order to establish the most cost effective, sustainable waste program while ensuring that small local Ohio based vendors were able to compete for the services they were able to provide.

The TPA has a geographical footprint that includes all fifty States and the existing Ohio program has co-op language allowing other states to procure from the contract. As such this program is extremely transferrable to other states regardless of how their existing program is structured. Furthermore, the model could be used as a benchmark without modification for other State Procurement Agencies to establish a version of this program in their own state.

### **Service Improvement (25 points)**

One of the first improvements is an audited, verified web-based database of all agencies, locations, addresses, equipment information (owner, make, model, and size), service specifics, recycling information, vendor information and contracted rates. This database is available to all users of the contract including the facility, regional, agency and state wide managers based on their permissions. Through this process the State of Ohio was able to establish a benchmark of equipment, services and costs against which to measure results.

Second improvement is the ability for smaller local Ohio based companies to obtain State contract work that was not available to them previously. The new contract resulted in a significant increase in competition which drove rates down, increased the overall quality of service, while utilizing smaller companies who have lower overhead and take great pride in servicing customers in their home state.

The third improvement is that the TPA is able to work with each individual location based on their specific needs and costs. With this model they are able to “right-size” the containers ensuring that they are always full when picked up thus reducing costs. This

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process is done directly with the TPA and each facility manager who ultimately knows their needs best. Working with the TPA brings their deep industry knowledge and database of pricing which has been generated from their private sector clients.

The fourth improvement is overall cost savings which will be further detailed in the Cost Reduction section. Overall the program fulfills the specific individual needs of each location, state agency and all state wide officials. This is further demonstrated by the 20% (based on contract locations) increase in voluntary cooperative usage of the agreement since its inception in 2014.

Other improvements include the contractor being responsible for auditing all invoices from the various haulers to ensure contract compliance. Before an invoice is sent to an agency, the contractor has reviewed it and worked with the hauler to correct any mistakes. The Contractor has audited 5,863 invoices over the first nine months. Assuming 30 minutes to audit an invoice at an average administrative cost of \$15.00 per hour, this equates to \$43,972 saved in State administrative time for just this small piece of the operation.

In addition to auditing the invoices the Contractor also manages the individual haulers and works directly with each facility to resolve any issues. In the 9 months, 7,912 tickets were handled. Assuming the same administrative salary and approximately 15 minutes per ticket, \$29,670 was saved in administrative time. Coupled with auditing, administrative improvements saved \$73,642, while response time was decreased significantly.

Instead of one buyer managing all 7,912 service tickets, a company was able to respond to these inquiries within the contract limits of allowed turnaround time.

### Cost Reduction (20 points)

With the inception of this new approach, a database of all previous information was assembled by the TPA. This database included details on locations, equipment, services and existing costs. The TPA then performed a competitive Request for Proposal (RFP) from almost 200 vendors capable of servicing the State’s needs. The TPA was able to negotiate the rates individually with each vendor, thus meeting each locations specific individual needs while enabling the retention of numerous Ohio based small businesses. All newly awarded service vendors, equipment and pricing was then loaded into the same database making the measurement of savings specific and accurate.

Since the inception of the program in October of 2014 (9 months) the savings has been verified and can be presented as follows:

Savings Category	Savings (\$)	Savings (%)
<i>Negotiated Savings from Request for Pricing</i>	\$693,586.83	20.69%
<i>Bill Auditing Cost Avoidance (Invoice Errors)</i>	\$124,058.28	4.77%
<i>Administrative (Soft Cost)</i>	\$73,642.50	2.77%
<b>Grand Total</b>	<b>\$891,287.61</b>	<b>26.6%</b>

Per the contract, the TPA is now starting to implement optimization measures to increase tonnages and reduce pulls on compactors, right-size containers and increase the adoption of recycling programs. The State is expecting to realize a significant additional savings from these optimization measures over the next several years of the program.

Some specific agency resulted savings are:

AGENCY	FY	\$		FY	\$	% SAVED
ODMH (Mental Health)	2009	\$115,126		2015	\$98,339	15%
ODOH (Health)	2009	\$11,871		2015	\$3380	7%
ODRC (Prisons)	2009	\$1,705,978		2015	\$1,327,077	22%
ODYS (Youth Services)	2009	\$64,444		2015	\$56,894	11 %

OEXP (Fairgrounds)	2009	\$214,369		2015	\$201,029	6%
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While not all agencies spend large dollars on these services, the potential to reduce their bottom line is still possible.

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### Conclusion:

The most significant lesson learned is best compared to the old saying by US Army General Creighton Williams Abrams Jr.; “When eating an elephant take one bite at a time”. Don’t be afraid of the big problem in front of you. Break it down into manageable pieces and focus on one piece. Don’t move on to the next piece until you have successfully managed the current one.

Prior to issuing the RFP for the Third Party Administrator an initial audit of all the container equipment is a must. Otherwise it could be a costly endeavor to rely on the Contractor for this function. In addition, more time should be spent upfront with each location discussing their unique needs, their current providers and any special transitional requirements that might be necessary. Thus avoiding costly mistakes in transitioning from one vendor to another.