Agenda

- Introduction to “CPRREM”
- What is procurement?
- Procurement methods
- Strategic sourcing
- Q&A/panel discussion
CONTRACTS AND PROCUREMENT/RISK AND REAL ESTATE MANAGEMENT

INTRODUCTION

Our functions:
- Contracting and purchasing
- Risk management
- Real estate management, due diligence and transactions

Logic:
- All of these functions involve contracting, risk management and policy compliance
CONTRACTS AND PROCUREMENT/RISK AND REAL ESTATE MANAGEMENT
INTRODUCTION (CONT’D)
WHAT IS PROCUREMENT?

The act of obtaining or buying goods and services. The process includes:
(1) purchase planning
(2) specifications development
(3) supplier research and selection
(4) value analysis
(5) financing
(6) price negotiation
(7) making the purchase
(8) supply contract administration
(9) inventory control and stores, and
(10) disposals and other related functions.
WHAT IS PROCUREMENT? (CONT’D)

Other procurement functions:

- Policy compliance
- Internal control
- Risk management
- Strategic sourcing
PROCUREMENT METHODS

Definitions:

- Low-value purchases: Goods and off-campus services under $2,500
- ProCard: Corporate credit card program
- Direct Buy: Allows for direct invoicing of goods and off-campus services under $2,500
- Reimbursement: Allows for staff reimbursement for authorized purchases of goods and off-campus services under $2,500
PROCUREMENT METHODS (CONT’D)

- Guest Lecturer: Allows for direct invoicing of certain guest speaker and performance fees up to $1,000
- Requisition: Official request for acquisition of goods or services
- Purchase order: An official offer to a vendor
- Formal bid threshold: Goods and services over $50,000 (non-IT); $500,000 for IT hardware and services
- Request for Proposals (RFP)/Invitation for Bids (IFB): Formal process for soliciting proposals/bids
Low value purchasing methods:
- ProCard
- Direct Buy
- Reimbursement
- Guest Lecturer
- Petty cash

Purposes:
- Administrative efficiency
- Convenience
LOW VALUE PURCHASING METHODS

- **ProCard**
  - ProCard program administered by CPRREM
  - All purchases must be for a bona fide University business purpose
  - ProCard transactions are highly scrutinized
  - Approved ProCard statement and receipts submitted to Accounts Payable for review and payment
LOW VALUE PURCHASING METHODS

- Direct Buy Form
  - Used to pay vendors directly, or to reimburse faculty, staff and students*
  - Limited to purchases of tangible goods not to exceed $2,500
  - Limited off-campus services allowed (see form for details)
  - Requires signature approval from your approving official
  - Direct Buy Form and supporting documents submitted to Accounts Payable for review and payment
LOW VALUE PURCHASING METHODS

- **Guest Lecturer Form**
  - Used to pay for guest speaker and performance fees up to $1,000
  - Speaker engagements exceeding $1,000 require contract issued by CPRREM
  - Approved Guest Lecturer Forms are submitted to Accounts Payable for review and payment
LOW VALUE PURCHASING METHODS

- Petty cash
  - Reimbursement requests should not exceed $50
  - Vendors with high frequency of transactions should not be paid via petty cash
  - Approved reimbursement requests, with supporting documentation are submitted to the University Cashiers Office
PROCUREMENT METHODS (CONT’D)

eBuy online purchasing platform:
- Allows for self-service purchasing from select vendors under favorable contract terms and pricing
- Payment made via ProCard
- Catalog portfolio to be expanded
PROCUREMENT METHODS (CONT’D)

High value purchasing methods:
- Informal solicitation
- Formal solicitation
- State/CSU/Federal contracts
- Consortium contracts
- Sole source
PROCUREMENT METHODS (CONT’D)

Total Spend YTD
as of 6/30/2014

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<tr>
<th>Category</th>
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<td>Purchase Order</td>
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$84,332,284
##花销分类2012-2013

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<td>建设</td>
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<td>公共部门机构</td>
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总计消耗：$84,911,111
STRATEGIC SOURCING

Change you can believe in?
Show me the money!!!
Colleges See Big Savings in Centralized Buying

By SCOTT CARLSON

Whenever there is a question about what drives the costs of college, there is an obvious answer: Colleges employ a lot of people. But colleges also buy a lot of stuff. At a typical college, payroll and benefits might make up 60 to 70 percent of the operations budget, but purchasing constitutes the next-largest chunk: about a quarter of an institution's annual budget, spent on copy paper, toilet paper, food for the dining halls, grass seed for the quad, wrenches, fuel, beakers, and much more.

Because purchasing makes up such a big portion of an institution's spending, it offers great potential for savings. And during the recent lean years, more colleges have put their procurement departments under new management, started "strategic sourcing" programs to negotiate the best prices with suppliers, and set multimillion-dollar goals for savings. Just over a year ago, for example, the University of California system hired William Cooper, a chief procurement officer from Stanford University, and set a goal to save $200-million in purchasing by 2016. Mr. Cooper says that the system is already on track to save $120-million this year.

"I look at purchasing as a revenue-generating organization," Mr. Cooper says. Institutions have all sorts of analytical tools they can use to track their spending and seek deals on the biggest purchases—technology that wasn't available in the past. "For years, we had been trying to do intelligent procurement without intelligence."

But the technical hurdles are the least daunting challenge. Centralizing a college's purchasing decisions, especially in the typically decentralized environment of higher education, can be a tough subject—a battle that university leaders are often reluctant to wage.

AN UNDervalued ROLE

"There is a mentality of many that says, I did the fund raising, this is my budget, so I should be able to do what I want to do with that money," says Ralph Maier, who advises colleges for R&I Cooperative Services, a nonprofit purchasing cooperative for education and other institutions. "That is a culture largely unique to higher ed."

The typical college purchasing department's position, compared with the private sector, doesn't help matters, Mr. Maier says. Before he worked in higher education, mainly as a purchasing officer at the University of Pennsylvania, he worked in purchasing at Johnson & Johnson.

"When I was at J&J, purchasing had a seat at the highest level," he says. "If you look at higher-ed org charts today, purchasing departments are buried within the organization."

Given the financial pressures on colleges, that culture is changing. Ithaca College, for example, brought in consultants to find all the places on campus where the college could save or make more money. Increase retention, draw more students for high-demand programs, eliminate redundancies in staff, charge for parking,

Continued on Following Page
Where higher education procurement has been:

- Transactional
- Non-strategic
- Passive
- Compliance oriented
STRATEGIC SOURCING (CONT’D)
STRATEGIC SOURCING (CONT’D)

Where Cal Poly and the CSU are going:

- Value-added
- Strategic
- Minimize administrative burden
- Proactive “partnership” model
- Collaborate with other campuses, systems and local agencies to maximize efficiency and purchasing power
STRATEGIC SOURCING (CONT’D)

What is Strategic Sourcing?

Definition: A systematic and fact-based approach for optimizing an organization’s supply base and improving the overall value proposition.

<table>
<thead>
<tr>
<th>What it is</th>
<th>What it is NOT</th>
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<tbody>
<tr>
<td>Focused on the Total Cost of Ownership (TCO) incorporating customer needs, organizational goals, and market conditions</td>
<td>Focused ONLY on cost</td>
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<td>Getting the best product/service at the best value</td>
<td>Getting the cheapest product/service</td>
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<td>Driven by a rigorous and collaborative approach</td>
<td>Ad-hoc activities involving only purchasing</td>
</tr>
<tr>
<td>Addresses all levers for savings</td>
<td>Focused on “beating up suppliers”</td>
</tr>
<tr>
<td>Decisions based on fact based analysis and market intelligence</td>
<td>Decisions based on opinion, unjustified preference, or complacency</td>
</tr>
<tr>
<td>A continuous process</td>
<td>A one-time project or decision</td>
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</table>
STRATEGIC SOURCING (CONT’D)

Objectives of Strategic Sourcing?
Objectives of strategic sourcing surround the reduction of cost while maintaining or improving quality.

- Improve the value-to-price relationship (i.e., achieve cost reductions while maintaining or improving quality/service)
- Examine supplier relationships across the entire organization
- Leverage entire organization’s spend
- Understand category buying & management process to identify improvement opportunities
- Develop & implement multi-year contracts with standardized terms and conditions across the organization
- Share best practices across the organization
Scope of Strategic Sourcing?

The scope of strategic sourcing extends beyond supplier price negotiation and takes into account the total cost of ownership.

- Amount paid to suppliers
- Purchase Price
- Total acquisition cost
- Internal Policies & Procedures
- Operational Practices
- Internal Processes
- Inventory Practices
- Procurement Practices
- Specifications
- Demand Drivers
STRATEGIC SOURCING (CONT’D)

What can you do?

- Plan major purchases well in advance
- Consult with CPRREM at the earliest stages
- Do not engage with vendors without CPRREM involvement
- Request sole source only when absolutely necessary
- Consider the big picture; be patient and cooperative as we ramp up strategic sourcing effort across campus, the CSU and the state
THANK YOU!

- We appreciate the opportunity to support your operations and to help advance our greater institutional goals

- GO MUSTANGS!!!