COOPERATIVE PURCHASING IN PRACTICE

PRESENTER
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Introduction

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MRESC BACKGROUND

- MRESC is a Public School Agency
- Established in 1977 under Title 18A Education
- The mission of the Middlesex Regional Educational Services Commission is to provide excellence to students in partnership with New Jersey school districts, and coordinate cost efficient purchasing opportunities for educational institutions and government agencies to limit the tax burden on New Jersey residents
WHAT DO WE DO?

- Operate seven special education schools for:
  - Students with Multiple Disabilities
  - Pre-School Disabled Students
  - Students with Autism
  - Students with Emotional Disabilities
  - Students with Psychiatric issues
WHAT DO WE DO?

- Provide educational and support services to non-public schools in five counties
- Provide transportation services for over 13,000 students on a daily basis
- Provide itinerant educational services to public, charter and non-public schools
WHAT DO WE DO?

- Operate the largest Cooperative Pricing System in the State of New Jersey with almost 900 members including:
  - Counties
  - Municipalities
  - Public Schools
  - Colleges and Universities
  - And other Public Agencies
Why Am I Here?

- I’m here to have a conversation about using cooperatives as a resource within your procurement strategies. How many of you are members of a coop?
- What’s available:
  - Cooperative Pricing Systems
  - Joint Purchasing Systems
  - Commodity Resale Programs
  - County Cooperative Contract Purchasing
  - Regional Cooperative Pricing Systems
  - State Contracts
  - Government Services Agency or GSA contracts
  - National Cooperative Purchasing Systems
IT ALL STARTS WITH THE GUIDE

- COOPERATIVE PURCHASING A GUIDE FOR LOCAL OFFICIALS
- Department of Community Affairs
- Division of Local Government Services
- This is the road map we follow to ensure compliance with the rules
Introduction

- When local governments put aside provincial interests in exchange for the broader benefits to be achieved through Cooperative Purchasing, they can secure the provision and performance of goods and services at a lower cost. Cooperative Purchasing has demonstrated a strong ability to serve as an effective tool to assist local officials in saving taxpayer dollars.

  Cooperative Purchasing presents viable alternatives to the conventional “go-it-alone” bidding process.
COOPERATIVE PURCHASING IS FOR YOU!

- Participation in a Cooperative Purchasing System does not relieve a local government of its mandated legal responsibilities.
- Determine exactly what it is you want to buy.
- Items purchased through a Cooperative Purchasing System are not always cheaper than what you can purchase yourself.
- Once a determination is made that a Cooperative Purchasing System is desirable, make sure you go about it properly.
COOPERATIVE PURCHASING IS FOR YOU!

- Networking - A secondary benefit
- Beyond Cooperative Purchasing
TYPES OF COOPERATIVE PURCHASING

- COOPERATIVE PRICING

“Cooperative Pricing” is a purchasing system in which a Lead Agency advertises for bids; awards a master contract to the vendor providing for its own needs and for the prices to be extended to registered members; and notifies the members of the contract awarded. The registered members then contract directly with the vendor for their own needs, subject to the specifications in the master contract.
JOINT PURCHASING

- In a Joint Purchasing System, two or more local contracting units agree that one of them will serve as the Lead Agency or “purchasing agent” for the system, at least with respect to certain specified categories of purchases. The Lead Agency, in its capacity as purchasing agent, does the purchasing for the members of the System. It prepares the formal bid specifications; advertises for and receives bids; and executes a contract with the lowest responsible bidder for the full amount of the commodities or services needed by all participants.
COMMODITY RESALE

With the implementation of stricter environmental standards for underground gasoline storage tanks, many local governments removed their tanks and closed their gas dispensing facilities. As an alternative, they entered into contractual relationships with neighboring governments for the purchase of gasoline and diesel fuel.
COUNTY COOPERATIVE CONTRACT PURCHASING

County Cooperative Contract Purchasing is a Cooperative Purchasing System that may be created only by a county government. The county advertises for bids and awards a contract to the successful bidder. With the approval of both the county and the successful vendor, local contracting units located within the geographic boundary of the county may purchase under the contract subject to its specifications, terms and conditions. It is similar in concept to the State Cooperative Purchasing System.
Regional Cooperative Pricing is a Cooperative Pricing System composed of two or more registered Cooperative Pricing Systems and their participating contracting units that have agreed to join together for the provision and performance of goods and services, including the purchase of energy.
STATE CONTRACTS

- Contracts issued by the state of New Jersey for the procurement of goods and services the State requires.
- Public Agencies are permitted to use these contracts based on the terms and conditions set by the State.
- State contracts may be found on the Treasury website at [www.state.nj.us/treasury/purchase](http://www.state.nj.us/treasury/purchase).
- National contracts adopted by the State may also be used by public agencies.
GOVERNMENT SERVICES AGENCY
CONTRACTS

- Contracts issued by the federal government
- Contract use is limited to agencies specifically noted in the GSA award (General Services Administration)
- These contracts are most commonly used for acquisition of copy machines
NATIONAL CONTRACTS

- Contracts issued by a National Cooperative Pricing groups
- Use of National Contracts is controlled by Local Finance Notice 2012-10
- Be careful as these agencies represent complete compliance with N.J. law when in fact they are not in compliance
LEGAL BASIS FOR COOPERATIVE PURCHASING

- Additional guidance is found in N.J.A.C. 5:34-7 et seq.
OBTAINING STATE APPROVAL

- Lead Agency submits an application to local Government Services (LGS) for review and approval
- Application includes authorizing resolutions from the Lead Agency and system member(s), a copy of the Cooperative Purchasing Agreement and the Cooperative Purchasing Form
- After approval LGS issues an Identification Code
USE OF PRE-EXISTING CONTRACTS

- New members may use existing contracts when permission is given by the Lead Agency and the Vendor.
- We include language within our specifications to authorize the use of existing contracts by new members.
- Vendors are always willing to extend their pricing to new members.
Sample documents, including membership agreements and resolutions are provided within the co-op guide.

Using these sample documents expedites approvals and makes record keeping easy.
HOW TO USE A COOPERATIVE PURCHASING SYSTEM

• You must pass an authorizing resolution
• You must execute a participation agreement
• Your lead agency must submit your enrollment to Local Government Services
• Local Government Services must approve your membership
• Once approval is received you may participate
HOW TO USE A COOPERATIVE PURCHASING SYSTEM

- How you participate depends on what type of program you have joined
  - Cooperative Pricing Systems
  - Joint Purchasing Systems
  - Commodity Resale Programs
  - County Cooperative Contract Purchasing
  - Regional Cooperative Pricing Systems

Remember! Each system has its own guidelines.
HOW TO USE A COOPERATIVE PURCHASING SYSTEM

• Cooperative Pricing Systems are the most common. To use these systems, you contract directly with the vendors to order and pay for the goods & services received.

• Joint Purchasing Systems require the Lead Agency to pay vendors and members pay the Lead Agency.
HOW TO USE A COOPERATIVE PURCHASING SYSTEM

- Commodity Resale Programs allow members to purchase certain items from the Lead Agency
  - Gasoline
  - Diesel Fuel
  - Snow Removal Chemicals
  - Public Works Materials
HOW TO USE A COOPERATIVE PURCHASING SYSTEM

- County Cooperative Contract Purchasing is limited to contracting units within the geographic boundary of the county and should not be used as a substitute for Cooperative Pricing
- Regional Cooperative Pricing Systems allows existing Cooperative Pricing Systems to join together to aggregate their energy needs
HOW DO WE DETERMINE WHAT TO BID FOR?

- We evaluate our own needs
- We respond to member requests or suggestions
- We respond to vendors currently providing services to members
- We use Survey Monkey to prioritize needs and establish potential expenditures
HOW DO WE RESEARCH OUR BIDS?

- We ask our members for bid specs they may have used in the past
- We meet with vendors to help define the technical requirements of the specs
- We ask who are your competitors?
- We reach out to multiple vendors for input
- We use consultants when necessary
WHAT TYPES OF BIDDING DOES A CO-OP UTILIZE?

- Bidding
- Competitive Contacting
- Extraordinary Unspecifiable Services (EUS)
HOW TO PROPERLY ADVERTISE FOR A COOPERATIVE BID

- Advertisements must be published for a minimum of ten (10) days in a local newspaper
- They must include their designated State identification number in the advertisement
- Language should note that contracts will be awarded throughout the State of NJ to participating Members
- Bid numbers, dates and times of receipt should be included, along with other pertinent statutory language noted in standard bid advertisements
CO-OP COMPLIANCE

- Cooperative Pricing Systems must advertise its status as the Lead Agency in a newspaper each year. The advertisement includes the State identification number, the term of the co-op, and it must provide information pertaining to the members of the co-op.
HOW DO VENDORS GET INVOLVED?

- Vendors must participate in a public bid to be considered for award
- They may submit product or brand literature for Co-op review
- Vendors are encouraged to participate in bids if they can offer better, more competitive pricing than they would typically offer to a standalone entity
- Vendors must be in good standing and possess required documentation, including a NJ Business Registration Certificate
WHAT TO LOOK FOR IN A CO-OP

- Transparency – Do they make their specifications available to members?
- Do their specifications comply with LPCL and PSCL?
- Do their specifications provide enough technical detail for bidders to properly respond?
- Do their specifications provide proprietary advantages to specific bidders?
- Do they respond to your questions and assist you in using contracts?
WHAT TO LOOK FOR IN A CO-OP

• Do they post all required documentation online for easy access?
• Do they post a listing of all available contracts?
• Do they post contact information for awarded vendors?
• Do they post pricing information including market basket pricing and catalog discounts?
• Do they provide you with specific catalog dates?
WHAT TO LOOK FOR WHEN USING A STATE CONTRACT

- Is the vendor listed on the Purchase and Property website
- Did the vendor provide you with a T number for their contract
- Did the vendor provide proof that the items you are purchasing are on their contract
- When using an adopted National contract make sure it is listed on the Purchase and Property website
- Make sure to check the award notice for any restrictions and addenda
WHAT TO LOOK FOR WHEN USING A GSA CONTRACT

• Check the notes and make sure you are permitted to use the contract
• Make sure the items you wish to purchase are on the contract
• Make sure you comply with the reporting requirements for using GSA contracts
WHAT TO LOOK FOR WHEN USING A NATIONAL CO-OP

- First, read LFN 2012-10
- “Using National Cooperative Contracts”
- Did they advertise their bid in New Jersey or did they do a regional advertisement that included New Jersey?
- Determine potential for cost savings after all factors considered: service changes, material and delivery, etc and prepare report(s)
- Review national contract in consideration – determine if NJ standards can be met. Assure it meets NJ “fair and open” criteria (where applicable)
WHAT TO LOOK FOR WHEN USING A NATIONAL CO-OP

- NJ Business Registration Certificate
- Statement of Corporate Ownership Disclosure Statement
- Proof of NJ Public Contract EEO Compliance
- Compliance with Political Contribution Disclosure Laws (Pay-to-Play)
- Non-Collusion Affidavit
- NJ “Buy American” Law
- Americans with Disabilities requirements
WHAT TO LOOK FOR WHEN USING A NATIONAL CO-OP

- W-9 Form
- Certificate of Liability Insurance with the MRESC named as the certificate holder
- Statement of Suspension or Debarment Form
- Disclosure of Investment Activities in Iran Form
- Contracts to be issued exceed $10,000,000 report proposed award to the Office of the State Comptroller thirty (30) days prior to the anticipated date of award.
- Publication of “Notice of Intent to Award Contract under a National Cooperative Purchasing Agreement” in an official newspaper and on the Contracting Unit’s website.
- Allow a minimum of ten (10) days between date of advertisement and award for affected providers to protest the award. Provide term and dates. Consider comments received prior to award and act accordingly. (Include any documentation revealing comments or requests for information, protests, etc.)
WHAT TO LOOK FOR WHEN USING A NATIONAL CO-OP

- Allow a minimum of ten (10) days between date of advertisement and award for affected providers to protest the award. Provide term and dates. Consider comments received prior to award and act accordingly. (Include any documentation revealing comments or requests for information, protests, etc.)

- Prepared contract and related documents (ex. Certificate of Availability of Funds, etc.) by governing body action. Include State Comptroller’s language requiring the vendor to maintain records for five (5) years in the Contract document.

- Execution of Contract pursuant to routine practices. If contract is over $2,000,000 but below $10,000,000 report contract to the Office of the Comptroller within twenty (20) business days of award.

- Maintain documentation of award on file for audit purposes.
CO-OP MEMBER OBLIGATIONS

- Participate in co-op surveys
- Report vendor noncompliance
- Report vendor service issues
- Participate in vendor audits if requested
CO-OP VENDOR OBLIGATIONS

- Honor the terms of their bids
- Respond to members in a timely manner
- Market their contracts and the co-op
- Report sales on a quarterly basis
- Report conflicts with members
- Maintain up to date documentation
SAVINGS

- Participation in a co-op produces two types of savings
- First direct dollar savings as prices should be driven lower by the opportunity vendors receive having access to a large pool of potential clients
- Second members have an immediate savings because they do not have to research, write and award bids. This savings is often overlooked by purchasing departments but it is real and measurable.
QUESTIONS

• Questions
• Comments
• Observations
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