

Goodyear Tire & Rubber lets dealers offer U.S. General Services Administration pricing. As a result, Red Wing, Minn., deputy public works director Jay McCleary (right) gets the same low prices on tires for the city's 250 vehicles that federal agencies pay. "Public works is a business just like anybody else," says director Denny Tebbe (left). Photo: City of Red Wing



Since 1990, the number of national purchasing cooperatives has increased dramatically, expanding the range of goods and services beyond what's available through state contracts. A public works department can get virtually everything it needs, from copy machine paper and telecommunications systems to road salt, dump trucks, and vehicle lifts to construction equipment.

In theory, the concept of group purchasing has wonderful potential for multitasking, time-pressured managers: better pricing while eliminating the bid process.

But as group-purchasing models evolve, the ramifications of buying off a contract negotiated by another party become complex. Cooperative purchasing substitutes a government agency's bid process with that of either another government agency or a third party. To prevent potential liability, the alternate process must meet the same standards as the original process.

For example, many public works departments buy equipment off state contracts, a process known as "piggy-backing." This

is an informal version of cooperative purchasing in which a contract between a government entity and a vendor already exists. Since they didn't originate the contract, local entities should make sure their governing body authorizes them to use the state's contract.

Formal cooperative purchasing programs, on the other hand, involve a contractual, legal membership process that automatically takes care of the approval process.

Every state except New Jersey and New York allows for "interlocal contracting" or

# Prudent purchasing

Here's what you need to consider before signing a cooperative contract.

## 'But my vendor said . . .'

Dispelling the biggest myths about cooperative purchasing.

There's no reason to reinvent the wheel if someone else has already taken the time and effort to specify a product you need. But before you sign anything, make sure you read the contract. The following are three common misconceptions about cooperative purchasing:

**Myth #1: If my vendor offers U.S. General Service Administration (GSA) pricing, I can use that in lieu of competitive bidding.**

Not necessarily. By law, only federal agencies are allowed to use prices established by GSA ([www.gsa.gov](http://www.gsa.gov)).

States can get around that by writing and approving legislation enabling local governments to use GSA prices. About a decade ago, Texas passed legislation that allowed cities and counties to use GSA pricing. But since the law failed to establish a mechanism for actually procuring the products, local governments still had to go

through the standard bid process.

Several years later, the legislature developed a state version of federal procurement standards that cities can use to acquire products—if their governing bodies allow it.

**Myth #2: My council won't let me use a co-op because it doesn't include local businesses.**

Call the co-op and ask that a local dealership or business be added to the list of potential vendors. If the business agrees to the co-op's terms on pricing, delivery, installation, and warranty, it generally will be added to the vendor list via formal contractual assignment.

**Myth #3: My sales rep says I can get this product through the local co-op, so I'm good to go.**

No! The vendor may indeed participate in the local co-op, but your governing body has to take some type of action allowing the department to join the cooperative and purchase through its contracts.

"That's the No. 1 fallacy: that your vendor understands what you need to do to buy through a particular co-op," says Mike Ryan, chief purchasing officer for the city of Plano, Texas. The city is a multiyear recipient of the National Purchasing Institute's ([www.npicconnection.org](http://www.npicconnection.org)) Achievement of Excellence in Procurement award. "The sales rep isn't purposely misleading you; it's just that he doesn't understand the procedure.

"If you're going to use somebody else's contract to make a purchase, get a copy of the contract to see what the terms and conditions are—because that's what you're going to have to adhere to."

Co-ops are the first source Ryan turns to when public works has money to spend at the end of the fiscal year. Normal processing time runs up to 120 days, so "if you haven't got the specs yet, the first thing I do is look at a co-op so we don't lose the money."

"joint powers" authority through which local governments can buy off each other's contracts if they sign a "cooperative" purchasing contract. To join, members of national cooperatives such as HGACBuy must sign such a contract.

HGACBuy ([www.hgacbuy.org](http://www.hgacbuy.org)) is a cooperative purchasing program available to local governments nationwide that was formed 30 years ago in Houston. Since it is a unit of local government, HGACBuy writes its own specifications, issues bids, and lets the contracts. Members then place orders for which an average administrative fee of 0.7% of the purchase price is assessed to cover the co-op's operational costs.

HGACBuy also solicits bids through mass-circulation and minority-emphasis media, which satisfies most public works departments' formal competitive bid requirements. Many of the contracts HGACBuy makes available are for heavy equipment and vehicles for construction and public works applications.

Other national cooperatives, like U.S. Communities Government Purchasing Alliance ([www.uscommunities.org](http://www.uscommunities.org)) and the Western States Contracting Alliance ([www.aboutwsca.org](http://www.aboutwsca.org)), exist to generate interest in and market the contracts, which are solicited by lead governmental agencies. Typically, vendors pay for this service, about 1% to 2% of sales, which they

ultimately pass on to buyers through a slight price increase.

"Regardless of whatever model you choose, you need to be comfortable with what the cooperative is doing to put that contract in place—as well as all fees involved, be they supplier-paid or government-paid," says HGACBuy manager Bob Wooten.

### INTERAGENCY TEAMWORK

"Cooperative purchasing is a great thing, but there are several avenues you'll have to explore to make sure you can accomplish what you want," says Jay McCleary, deputy public works director for the city of Red Wing, Minn., and one of the few public works managers to be certified as a professional public buyer by the National Institute of Governmental Purchasing ([www.nigp.com](http://www.nigp.com)).

McCleary saved almost \$10,000 on a new Caterpillar motor grader by buying it off the state's cooperative purchasing contract (see photo on page 45). The city pays \$500 each year to belong to the Minnesota Cooperative Purchasing Venture.

McCleary also uses Minnesota's Joint Powers Act to set up purchasing agreements with other government agencies. For about a decade, the city of Red Wing, the Red Wing School District, and Goodhue County have used the same contract to maintain common building elements such as elevators, alarm systems, and sprinkler systems.

"It was silly for all of us to contract out the same services separately," McCleary says. Policies were passed by the three entities' governing bodies allowing them to use the same contract for such services. The contracts typically are for three years, and renewable for an additional three years. Vendor participation on each bid has been as low as two and as high as six.

Collaborative purchasing like this requires strong, consistent communication and the desire to share the associated administrative burden.

"Sometimes the savings are insignificant to us, but very significant to one of our partners," says Red Wing public works director Denny Tebbe. "Sometimes it's the other way around.

"Either way, it's our job to deliver services to all our citizens as economically as possible. Working together allows us all to leverage our resources." **PW**