UCOP Procurement Services

Mission

- Provide efficient and effective procurement services in support of the University’s mission of teaching, research and public service
- Source the highest quality of products and services at the least total cost
- Leverage University buying power through strategic and collaborative sourcing, adoption of proven technologies, and supplier performance management
- Create a culture that expects continuous improvement in cost, quality and service
Guiding Principles

- Support the University's missions of teaching, research and public service
- Take a university-wide view when making financial and strategic decisions
- Always look for new ways to make the sourcing of goods and services more cost-effective and efficient for the University
- Actively manage suppliers to the University, holding each to appropriate standards of price competitiveness, quality, responsiveness and innovation
- Operate in accordance with all applicable University policies, State and Federal Laws and Governor's Executive Orders

Critical Success Factors

- Focus on Total Cost of Ownership (TCO)
- Pursue suppliers that deliver the best overall value (cost, quality and service)
- End User focus and involvement
- Simplified, streamlined and automated processes
- Customer Satisfaction

UC Strategic Sourcing Initiative

Cost Savings
($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>Spend</th>
<th>Savings</th>
<th>US Bank Rebate</th>
<th>Total Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2006/07</td>
<td>$211.3</td>
<td>$25.0</td>
<td>$3.7</td>
<td>$28.7</td>
</tr>
<tr>
<td>FY 2007/08</td>
<td>$273.1</td>
<td>$41.6</td>
<td>$5.2</td>
<td>$46.8</td>
</tr>
<tr>
<td>FY 2008/09</td>
<td>$301.8</td>
<td>$49.0</td>
<td>$4.9</td>
<td>$53.9</td>
</tr>
<tr>
<td>FY 2009/10</td>
<td>$328.0</td>
<td>$61.7</td>
<td>$5.6</td>
<td>$52.6</td>
</tr>
<tr>
<td>FY 2010/11</td>
<td>$411.7</td>
<td>$55.8</td>
<td>$6.6</td>
<td>$53.1</td>
</tr>
<tr>
<td>FY 2011/12</td>
<td>$517.3</td>
<td>$82.0</td>
<td>$10.2</td>
<td>$92.0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$2,041.3</td>
<td>$300.6</td>
<td>$35.2</td>
<td>$335.8</td>
</tr>
</tbody>
</table>

1. The Strategic Sourcing Initiative currently underway at the University of California has been designed as a comprehensive program to reduce the Total Cost of Purchased Products and Services by fully leveraging the University's combined purchasing power without compromising quality or service and to build an internal infrastructure at UCOP and campuses that can sustain and continuously improve the process.
2. Incentives include patronage/earned incentives from 146 strategic sourcing agreements. US Bank rebates (P-Card program) do not include additional $4.2 million in signing bonuses negotiated with US Bank.
3. From Program inception through June 2006 the UC Strategic Sourcing Program generated over $78 million in total cost savings.
IT Procurement Services

• Responsible for system-wide:
  ➢ IT contracts & licenses (new, renewals/extensions)
  ➢ IT RFP’s, RFQ’s and RFI’s
  ➢ IT central purchasing/recharges

• FY 2011/12 Accomplishments:
  ➢ Spend Under Contract - $225 million
  ➢ Incentives - $5.7 million
  ➢ Savings - $40 million

IT Procurement Services – Stakeholders

• Materiel Management & Campus Strategic Sourcing
• Extensive collaboration and consultation with system-wide IT communities sponsored by the ITLC (IT Leadership Counsel of UC CIO’s)
  ➢ TAS (Technical Acquisition & Support)
  ➢ ITPS (IT Privacy & Security)
  ➢ JDCMG (Joint Data Center Management Group)
  ➢ CPG (Communications Planning Group)
  ➢ ITAG (IT Architecture Work Group)
  ➢ EALT (Electronic Accessibility Leadership Team)
  ➢ CTG (Collaboration Tools Group)
  ➢ ETLG (Educational Technology Leadership Group)

IT Procurement Services – Ongoing Activity

• 103 system-wide IT contracts
  ➢ Hardware
  ➢ Software Licenses
  ➢ IT Professional Services
  ➢ IT Temp Labor
  ➢ IT Audit Services

• System-wide support, maintenance and license renewals
• Hardware “sweet-spot” refreshes
Procurement Services Responsibilities

• Non-IT Sourcing and Commodity Management
  ➢ Life Sciences
  ➢ Food Service Operations
  ➢ Facilities, MRO, Flooring, Janitorial & Fleet
  ➢ HR, Benefits & Professional Services
  ➢ Office Environment and "Other"

• UC Procurement Policy Coordination
• Contract Compliance and Management
• Electronic RFP/RFI Systems
• Equipment Management Coordination
• Legislative Impact Analysis/Change

Procurement Services - Responsibilities

• Materiel Management Policies
• Procurement Technology and Systems
• Small Business Coordination
• Sustainable Procurement
• Systemwide Support and Coordination for all UC Procurement operations (Campuses and Medical Centers)
• UCOP Procurement Support

• FY 2011/12 Accomplishments:
  ➢ Spend Under Contract  $292.0 million
  ➢ Incentives $ 5.9 million
  ➢ Savings $ 30.4 million
  ➢ US Bank Incentives $ 10.2 million
  ➢ Total Non-IT Contracts 215

Analytics and Reporting - Responsibilities

• Systemwide Reporting
• RFP support
• Contract Analytics
• Ad hoc requests
• Project support
• P200
The Analytics Program consists of three distinct initiatives: Spend Radar Solution, Performance Management and Utilization.

The P200 Challenge:

Within 5 years, the University will redirect $500 million from administrative costs to the academic and research missions. http://workingsmarter.universityofcalifornia.edu/

P200 Challenge:
Deliver $200 million in annual cost savings across all funding sources through the sourcing, implementation, and utilization of competitive contracts and innovative supply chain strategies for procured goods and services.

P200 Vision:

Sourcing & Commodity Management Transformation

Procurement Infrastructure

Leadership Commitment

Existing Categories

Non-traditional Categories

Sourcing Technologies & Analytics

Procurement Infrastructure

Organizational Alignment

Sourcing & Technology

Procurement Infrastructure

Leadership Commitment

Support \& Culture Change

Procurement Infrastructure

Champion P200
P200 Proposed Project Framework

P200 Program Projects

- Organizational Alignment
- Spend Analytics
- Sourcing Technology
- Cost Analyses
- Sourcing, Commodity and Supplier Management
- Utilization

Program Management
Change Management

P200 Program Projects

- UCOP Organizational Alignment
  - Review current organizational structure to support strategic sourcing [KPMG Assessment]

- Sourcing, Commodity and Supplier Management
  - Leverage SciQuest technology and improve the sourcing process

- Data Analytics
  - Leverage Spend Radar to assemble system-wide spend data for analytical and decision-making purposes

- Commodity Management
  - Improve commodity management for existing commodities and initiate new opportunities

- Large Category Sourcing Opportunities
  - Collaborate with campus counterparts to realize savings in areas traditionally outside the procurement scope, e.g., construction, professional services/HR, risk management, legal

- Increase utilization to 80%

P200 Progress to Date

- Three projects were initiated in FY11-12

<table>
<thead>
<tr>
<th>Project</th>
<th>Description</th>
<th>Current Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>UCOP Organizational Alignment</td>
<td>Align the UCOP procurement organization to deliver services under a new sourcing and commodity management model</td>
<td>Completed KPMG assessment in July 2012</td>
</tr>
<tr>
<td>Spend Analytics</td>
<td>Deploy the Spend Radar analytics solution systemwide with 2+ years of spend data to support sourcing, performance management and utilization</td>
<td>Data from each campus has been normalized, classified and validated. Phase 1 went live for all campuses January 2013</td>
</tr>
<tr>
<td>Sourcing Technology</td>
<td>Implement the SciQuest supplier management and sourcing event management solution systemwide</td>
<td>Phase 1 went live for all campuses November 2012</td>
</tr>
</tbody>
</table>
P200 Future Projects/Phases

• These projects will build the procurement foundation

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Speed Analytics</td>
<td>Phase 2 (2013): expand Spend Radar analytics capabilities - a) identify business process changes and improve data quality, b) integrate line-item detail from other systems, and c) expand user access to other procurement stakeholders. Participate in the sourcing and commodity management redesign to incorporate analytics.</td>
</tr>
<tr>
<td>Performance Management</td>
<td>Develop common definitions for key performance indicators, and then build the functionality in Spend Radar to support these KPIs and other performance management tools and reports.</td>
</tr>
<tr>
<td>Sourcing Technology</td>
<td>In subsequent phases deploy functionality to address contract management, a contract repository, campus-specific configurations, and integrations between campus ERP systems and the SciQuest vendor master. This will allow us to quickly source all campus, regional and systemwide events using the same technology, processes and templates.</td>
</tr>
</tbody>
</table>

P200 Proposed Timeline

<table>
<thead>
<tr>
<th>Project</th>
<th>FY 12-13</th>
<th>FY 13-14</th>
<th>FY 14-15</th>
<th>FY 15-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>UCOP Org Alignment</td>
<td>In Progress</td>
<td>In Progress</td>
<td>In Progress</td>
<td>In Progress</td>
</tr>
<tr>
<td>Org Management</td>
<td>In Progress</td>
<td>In Progress</td>
<td>In Progress</td>
<td>In Progress</td>
</tr>
<tr>
<td>Performance Management</td>
<td>In Progress</td>
<td>In Progress</td>
<td>In Progress</td>
<td>In Progress</td>
</tr>
<tr>
<td>Utilization</td>
<td>In Progress</td>
<td>In Progress</td>
<td>In Progress</td>
<td>In Progress</td>
</tr>
<tr>
<td>Sourcing/Commodity Mgmt</td>
<td>In Progress</td>
<td>In Progress</td>
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<td>In Progress</td>
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<tr>
<td>Program Management</td>
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<tr>
<td>Change Management</td>
<td>In Progress</td>
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1/17/2013
P200 Program Critical Success Factors

• The success of this program requires the commitment from UCOP, campus executive leadership, the Procurement Management Board, and the Procurement Leadership Council (PLC) to:

  ✓ Change the culture from one that supports the use of multiple vendors, products, payment options to fewer
  ✓ Source commodities using small, expert teams
  ✓ Evaluate and pursue sourcing opportunities in non-traditional areas
  ✓ Secure external expertise with best-practice procurement knowledge
  ✓ Build a highly-effective and efficient procurement organization
  ✓ Implement and utilize enabling technologies