Dear Colleague,

Each year, our 230 University of California procurement professionals partner with fellow administrators, faculty and students to purchase over $7 billion in goods and services in support of our institution’s missions of teaching, research and public service. While the procurement team’s mission begins with *meeting the needs of our clients*, we also strive to deepen our relationships and expertise to serve as a high performing strategic partner. We aim to *expand opportunities* for the University by leveraging the power of our collective spend and lowering total cost of ownership, redirecting resultant savings to support the University’s core missions.

Join me in recognizing our clients and team members who model the way every day with their spirit of service, collaboration, and strategic problem solving to deliver great results and value.

On behalf of all of our team members, we thank you for your engagement and partnership and look forward to our continued success.

*William M. “Bill” Cooper*

*Associate Vice President and Chief Procurement Officer*

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The following are highlights of recent UC Procurement initiatives that model the team’s mission and strategic objectives *by delivering savings and efficient procurement services* to help expand opportunities for teaching, research and public services.

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UC Santa Barbara Multi-Site Solar PV Power

Team: Calli Price, UCSB Procurement and Jordan Sager, UCSB Facilities

Opportunity
The campus 66KV electrical rate ($/kilowatt-hour) increased by 13 percent in 2014 and will experience an additional increase in 2015, with incremental increases every year thereafter. Faced with increased costs campus wide, UCSB posted a bid to solicit solar power suppliers to install solar panels on 6 campus building rooftops and parking structures totaling 4.86 megawatts.

Approach
A cross-functional team from Facilities Management, Real Estate Services, Procurement, and Design and Construction was created two years in advance of the December 2016 impending solar tax break. The team worked collaboratively to research existing RFPs from around the country for best practices and sample Power Purchase Agreements, and created a comprehensive RFP for the six separate sites on campus.

After posting the RFP, performing a job walk, and selecting an apparent awardee, the team entered into contract negotiations for twelve different contracts, six each for the Power Purchase Agreement, and six each for the Solar License Agreement to match up to all the sites. The team also worked with the Coastal Commission to receive an approved Environmental Impact Classification (EIC), which included some minor tree mitigation for just one of the sites.

Results
• **Sustainability** - Solar energy is an environmentally sustainable, cost-saving commodity
• **Reducing Carbon Footprint** - This contract reduces the campus’ Scope II greenhouse gas emissions by approximately 10% and will earn future project LEED points in the category of Energy and Atmosphere throughout the life of the 20-year agreement
• **Cost Avoidance** - Avoided costs of $17.5 Million over 20 years, as a result of generating power instead of pulling from the “grid”

**Total Benefit: $17.5MM over 20 years**
Opportunity
UCSF has nearly 200 conveyances (elevators, dumbwaiters, and wheelchair lifts) that require routine, ongoing maintenance; needs at least 25 complete upgrades to modernize older equipment; and forecasts installing a minimum of 24 new elevators for new buildings to be constructed in the next 10 years. UCSF wanted to have one long-term partner who could help improve reliability and performance while reducing total cost of ownership throughout the entire equipment life cycle.

Approach
A cross-functional team from Facilities Services, Capital Projects, Supply Chain and the Finance Service Center was formed to execute a comprehensive RFP for all three components of scope (Maintenance, Modernizations, and New Equipment). A new contract type was formed combining both construction and service needs to adhere with the Facilities Manual and BUS 43 policies. The team broke down the organizational silos to collaborate and do something never done before.

Results
- **Cost reduction** – Negotiated savings of $4.5MM for annual maintenance price & $4.55MM in new conveyances; came in $500K under budget for modernizations
- **Cost avoidance** – Bundling modernizations saved $1.4MM in internal process costs
- **Incentives** – Contract includes performance incentives and penalties
- **Collaboration** – Facilities, Construction and Procurement collaboration allows for coverage of the entire asset life cycle from new purchase, maintenance and modernization upgrades with one long-term supply chain partner
- **Innovation** – Early assignment increases value engineering opportunities for UC to realize savings beyond contract pricing

**Total Benefit:** $11 Million
Opportunity

The UC San Diego procurement card has traditionally been known as a payment mechanism for low dollar, infrequent purchases that do not require a purchase order. The Integrated Procure-to-Pay Solutions’ Payment Services (IPPS) team recognized the need for expanding the usage of the procurement card as a payment option. Prior to procurement card customization, staff were funding expenses out-of-pocket, then getting reimbursed which took 5-7 days to process. This posed a significant administrative burden.

Approach

In an effort to provide campuses with more options to better meet their purchasing needs, the Payment Services team led a customized approach. Seven different procurement cards were rolled out in a series to meet specific department needs. These cards include: Payroll, Accounts Payable, Travel Manager, Invoice Processor, Resident Assistant, Advancement Operations and Campaign, and the Human Subject Express Card. Introducing these customized cards has made a positive impact on campus departments. The customized cards eliminate out-of-pocket expenses for campus staff and reduce administrative burden. Additionally, UCSD’s financial institution provides us with incentives with each use of these cards, ultimately increasing our revenue.

Results

- **Streamlined Payment Process** - Growing the procurement card program and meeting campus needs has created a streamlined and more efficient form of payment for campus clients
- **Collaboration** - Collaboration between IPPS and multiple campus departments has improved campus purchasing needs
- **Incentives** - The consolidated purchases through the use of these cards drives up our percentage of incentives thereby increasing revenue
- **Reduced Administrative Costs** - The new card options have provided staff and students different ways of processing payment, reducing the need for out-of-pocket expenses that have to go through a reimbursement process

Total Incentive Benefit for 2015: $22,855 + Administrative Savings
Opportunity
The University of California and Lawrence Berkeley National Laboratory use 120,000 liters of liquid helium every year. That’s equivalent to the helium used in 10 Macy’s Thanksgiving Day parades.

Approach
The idea of a better deal started to take shape when Supply Chain Management at UC Berkeley/UC San Francisco, in 2015, negotiated a price of $8.30 per liter that saved the two campuses between 25 percent and 30 percent on the cost of helium. Butler thought by joining forces with LBNL, as well as other campuses, additional cost savings could be had systemwide.

Bausone and Butler made a pitch for a systemwide deal to the UC Procurement Leadership Committee and with the PLC’s buy-in on the project, they moved on to a Request for Proposal and reverse auction.

Winning the bid was Matheson Tri-Gas, a subsidiary of Taiyo Nippon Sanso Corporation. Matheson signed a three-year deal and deliveries started at the end of November 2015.

Results
• **Cost Reduction** - Negotiated price reduction to $6.30 per liter, saving $756,000 systemwide.
• **Collaboration** - New collaboration fostered across UC campuses and LBNL
• **Future Benefit** - Bausone and Butler are looking to bundle other liquid gases – nitrogen, argon and carbon dioxide – to gain additional cost savings systemwide

**Total Benefit: $756,000**
Opportunity
At UCSB, the University Center (UCen) serves up to 10,000 meals daily on campus, offering a wide variety of cuisines across numerous venues. When their Grocery Supply agreement came up for renewal, they asked Procurement to go to market for competing bids from suppliers who could meet their growing business demands. Three vendors responded and were guided through the UC bid process, leaving two eventual candidates. In the end, a longtime local provider won the bid.

Approach
The Procurement Group utilized existing vendor histories to do service comparisons prior to the award ensuring that, in addition to lowered cost, product quality and timely delivery schedules were addressed by all candidates. This resulted in a balanced and fair “Cost Per Quality” award to the winning supplier, who won out in nearly every qualification category.

Client Quotes
“Thank you – this is a great way to start 2016!!”
“Great news, we are overjoyed!! Thank you all very much!!!”

Results
- **Cost Savings** – A 5-year contract was accepted with a locked-in annual cost savings of $22,223
- **Lower Delivery Fees** - New “case rate” delivery fee is more cost effective than the “invoice percentage” fee in former agreement
- **Collaboration** - Bidding process united Housing and Dining Services staff- a collaboration that will be used for future Food Service RFP events at UCSB

Total Benefit: $111,115 over 5 years
UC Los Angeles Relocation of Film and TV Archive

Team: Ty Haubrich, UCLA Strategic Sourcing and Eddie Richmond, UCLA Curator

Opportunity
UCLA needed to relocate all its archive general collection and preservation collection holdings from UCLA to a new location 45 miles away. The collection consisted of 80,000 items of film reels, video tapes, cassettes, digital formats, audio disc recordings and miscellaneous media materials. The client had conducted bidding on their own and received a quote in excess of $500,000 from our incumbent mover. The Strategic Sourcing team approached the customer to request that they run a formal bid process.

Approach
UCLA Strategic Sourcing worked closely with the client to develop and run a competitive bidding process that had stringent mandatory requirements as well as a clear scope of work which included a job walk. Experience and history has proven that a competitive bid process for medium-large size moves can gain better financial benefit.

Client Quote
"The Chipman workers are very efficient and conscientious. Their team leaders are really responsible. The safeguards they have taken to prevent any damage to the PHI Stoa are excellent. Everyone has shown up each day on time and has worked very hard. We are really very pleased".

- Eddie Richmond, UCLA Curator

Results
• **Cost Reduction** - Low bid created cost reduction of $336,000
• **Better Service** - Outstanding supplier performance resulting in on-schedule delivery and no losses or claims
• **New supplier** - strengthened supplier pool for future projects

**Total Benefit: $336,000**
Opportunity

UCLA’s pricing for items purchased from McKesson Medical-Surgical through the use of Novation contracts were being priced at cost, plus 15% mark-up. Spend had grown from $1.6M to $4.0M which prompted the UCLA team to assess the opportunity by conducting market research. After extensive data mining and information gathering, the team approached McKesson with a negotiation plan to improve pricing and processes.

Approach

Through collaboration between UHC/Novation and UCLA, a thorough benchmarking analysis was conducted by looking at spend data and service models from other Universities. Findings confirmed that the pricing UCLA was getting was not appropriate based on their spend levels and projected growth. Other Universities had more favorable pricing. With the results of this market research, a fact-based negotiation plan was developed requesting the mark-up be reduced from 15% to 6%. Another request was that several automated process improvements be implemented.

Results

- **Cost Savings** - Achieved $194,000 in product cost savings per year
- **More Efficient Processes** –
  - Improved procurement accounts payables processes including: electronic ordering, EDI invoicing, and electronic payment
  - Installed scanners to read UPC bar codes which were fully integrated into electronic ordering system
  - Reduced Days Sales Outstanding (DSO) to 30 to apply 2% 10n30 payment terms in April ($80,000 additional cost savings)

**Total Annual Benefit:** $194,000
Opportunity
The University needed to replace seven single-pass sterilizers in Genentech Hall with new water-saving units. These units needed to be replaced in accordance with UC’s policy prohibiting single-pass, water-cooled equipment.

Approach
UCSF wanted to use an existing agreement with Getinge to replace and standardize its sterilizers throughout the campus. Supply Chain Management reviewed the agreement, and despite having only a couple of months, negotiated replacement of the seven units at Genentech Hall and two other types of sterilization equipment for other UCSF labs at a discounted price. Getinge sterilization equipment is also used in the new Mission Bay Hospital.

Working closely with the UCSF Sustainability Group, and with cooperation from the UCSF Life Science labs, Supply Chain was able to aggregate multiple buys at one time, resulting in cost savings, standardization and labs that now have ‘state-of-the-art equipment.’

Results
• Cost savings – $63,000 for the seven units and more savings is expected when additional units are replaced
• More sustainable – The units at Genentech use considerably less water and the money saved will allow Facilities to replace additional on-campus water-hog sterilizers
• Future savings - UCSF is currently metering water consumption to find out how much further savings will be incurred through less water use

Total Benefit: $63,000
Opportunity
UC Berkeley was purchasing V-belts from various suppliers at various price points. There was an opportunity to consolidate all product under UC’s strategic sourcing agreement with Grainger for reduced pricing and internal efficiency. In addition to consolidating under Grainger’s program, Grainger also provided a full line program for their belts.

Approach
Rather than concentrating on what had been purchased in the past, the team looked at a full-line program to bring in belts that had been purchased from other suppliers based on cost. By doing so, the team was able to obtain better pricing on the full line of belts, increasing Grainger’s sales and decreasing the bottom line costs of the belts for UC Berkeley.

Results
• Cost savings – Cost savings of $34,162
• Convenience – Ability to track program under one supplier
• Rebate – Additional cost savings from Grainger rebate
• Win-win for both Grainger and UC – Increased sales for Grainger and decreased costs for UC Berkeley

Total Benefit: $34,162
Opportunity
The department submitted a sole source justification assuming that it would avoid the length involved in a competitive bid RFP.

Sole source justifications may not always make for a faster transaction, but in fact, may take more time to document cost analysis, particularly if the purchase is federally funded. In this case, there were two prominent and competing suppliers that could deliver the needed product. The RFQ provided a competitive environment which helped obtain the lowest possible price.

Approach
Working with both competing suppliers and the department, our end user agreed to allow Procurement to post the RFQ with a one-week turnaround. This quick approach and solid communication plan provided for a smooth transaction.

Client Quote
“Thank you for all your help. I’m glad we put it out for bid after all, looks like this will bring down the cost quite a bit!”

Results
• **Cost Reduction** – Cost reduction of $16,386
• **Full 5-Year Warranty Added** - Up from the traditional one-year factory warranty
• **Collaboration and Client Buy-in** – Procurement was able to show a new faculty member that the RFQ process can be quick, efficient, and ultimately save in start-up funds

**Total Benefit: $16,386**
Thank You

benefit
sustainable
efficient
leverage
strategic
commitment
systemwide
collaboration
expand
opportunities
category expertise
efficient
leverage
cost avoidance
strategic
expand
power of collective spend
commitment
benefit
sustainable
cost savings
incentives
partnership