

NEW FLEET CARD PROGRAM

On August 21, 2012 the Commonwealth's Bureau of Procurement fully executed its new Fleet Card Fuel Program by awarding contract number 4400009775 to Wright Express Financial Services Corporation. This new contract replaced state contract number 4400002458 (Voyager's Universal Fleet Card Services contract) effective 10/1/2012. The new Wright Express contract features several new benefits for COSTARS members that wish to participate. Since the commonwealth's contract with Voyager has expired, **COSTARS members should no longer make purchases off their Voyager contract. However, existing obligations to Voyager must be remitted to Voyager.**

In general, fleet cards offer significant advantages compared to traditional credit cards, including overall fuel budget cost savings. According to Wright Government Account Executive Janet Hunnewell Webb, "Public sector organizations which add a fleet card program gain the tools they need to manage their fleet. These powerful tools include tighter purchasing controls, real time alerts, customizing reports, and higher tax exemptions on fleet related purchases." Webb quickly adds that "it's free to apply and sign up and there are no restrictions on the number of cardholders that may participate. You can also add additional cards throughout the life of the contract." The amount of stations or "stations coverage" is also impressive. All the national brands plus Pennsylvania based stations like Rutter's, Sheetz, Turkey Hill, Royal Farms and Giant are all participants with this program. In fact, over 90 percent of U.S. retail fuel locations accept Wright Express. With the use of the fleet card, every dollar spent is immediately tax-exempt, saving members the cost and time of seeking year-end refunds. A new exciting benefit provides a 1.6 percent rebate (distributed annually) as an incentive to members that pay in full within the terms.



Existing Voyager accounts should have received correspondence from Wright Express and the state's Bureau of Procurement explaining the transition. **A new application must be completed by current Voyager accounts,**

as well as new Wright Express Sunoco Universal Fleet Card accounts. COSTARS members are encouraged to address questions and request the new application from Ms. Webb either by phone at 1.866.527.8870 or by email at janet_webb@wrightexpress.com. Applications are also available at www.wrightexpress.com/government-fleets/states/pennsylvania. **COSTARS members should not contact Voyager.** Existing Voyager accounts should have been automatically cancelled

by Voyager on 9/30/12 or soon thereafter. When establishing your **Wright Express** account, you can get as detailed as you want.

When establishing your account, you can get as detailed as you want. For example, you can restrict what time of day the card(s) can be used. Each card is secure and safe from getting in the wrong hands and is assigned a special code known only by the participating member. Finally, Wright Express has developed an "octane" application for your i-Phone or android that shows your location

as well as the participating stations near you with their listed prices. "We have come a long way in giving our customers useful ways to manage their fuel expense and in this economy every cent helps", says Webb.

To learn more about Wright Express, please visit their website at www.wrightexpress.com.

Whether you are signing up for a fleet card for the first time or transitioning from the expired contract, Webb wants everyone to know that she is available to help you set up, to apply, or to answer any questions that you may have. This new state contract is effective through September 30, 2017.

MEMBERS' SURVEY

A COSTARS member survey will be emailed to all members in October. The survey will attempt to gauge members' interest in possible new COSTARS-exclusive contracts. In addition, the survey will ask members to assess the COSTARS program, its vendors, and its service levels. We encourage your suggestions and comments. All members are urged to complete the survey electronically and submit it as soon as possible.

The survey will also be available in the Newsflash section of our website or upon request.

MESSAGE FROM THE DIRECTOR

Scott Cross, Director Program & Systems

On past occasions, I have asked for member feedback to enable our COSTARS staff to engage in a review of our efforts to provide a viable and sustainable cooperative purchasing program.



While we have, from time to time, received your insight into potential enhancements, as well as an acknowledgement of various successful offerings, we are soliciting your responses through a formal survey that you will be receiving in the very near future. We hope that you will take the time to respond to this survey. A review of these responses will enable us to gauge how successful we have been in meeting the member's needs, in addition to identifying the needs that remain unfulfilled. The accumulation of this information will also enable us to allocate our COSTARS marketing and contract staff's time in order that we may accomplish the objectives of the majority of our members. The current economic climate only emphasizes and reinforces the need to be prudent in the procurement of our materials and services.

COSTARS strives to provide a cost effective procurement vehicle that provides varied choices and opportunities for our purchasing members and the suppliers that may serve them. Your feedback at the conferences and workshops that we attend and conduct has been welcome and fruitful but your response to the survey would be a significant and welcome addition in our efforts to allocate our resources to serve you.

BIDDING THRESHOLD REMINDER

NOTE: The chart printed in last quarter's newsletter included a typographical error.

PA PROCUREMENT LAW		
COMPETITIVE BIDDING REQUIREMENTS (as of January 1, 2012)(adjusted annually based on Consumer Price Index)		
	General Contracts and Purchases	Exempted Categories (such as insurance and personal & professional services)
Contracts Below \$10,000	No advertising or competitive bidding or price quotations are required	No advertising or competitive bidding or price quotations are required
Contracts Between \$10,000 and \$18,500	Three informal (written, telephonic, electronic) price quotations are required, with award to lowest	No advertising or competitive bidding or price quotations are required
Contracts Over \$18,500	Advertising twice and formal competitive bidding is required (Unless utilizing COSTARS or other acceptable cooperative purchasing program)	No advertising or competitive bidding or price quotations are required

ENERGY EFFICIENCY INCENTIVES EXPIRING

Act Now to Qualify

Energy efficiency incentive programs administered by Pennsylvania's major utility companies under Act 129 will expire on May 31, 2013. This historic state energy saving legislation was signed into law in October, 2008. COSTARS members are encouraged to submit project applications to their utility as soon as possible to secure incentives. Incentives are available on a first-come, first-served basis so apply now.



Under Act 129, government (federal, state, county or municipal), institutional, and not-for-profit customers can apply for cash incentives to help offset the cost of purchasing energy efficient equipment for their facilities. In addition to the initial cost savings, customers will save annually on their electric bill. Incentives are available for outdoor and indoor lighting, heating, cooling, refrigeration, compressed air, energy management, commercial kitchen and more energy efficient equipment. Previously un-submitted projects with equipment invoices dated October 28, 2009, or later may be eligible for incentives, as well as planned or future projects. Funds are available on a first-come, first-served basis. Available programs include:

- The **Non-Standard Lighting Incentives** program covers various energy saving lighting measures, including high-efficiency linear fluorescents, compact fluorescent light bulbs (CFLs), Light Emitting Diodes (LED) exit signs and lighting controls.
- The **HVAC Incentives** program covers high-efficiency heat pumps, chillers, unitary/split systems and packaged terminal systems.
- The **Specialty Equipment Incentives** program offers incentives for high efficiency refrigeration, food service and miscellaneous equipment.
- The **Custom Incentives for Business** program supports projects not fitting into other programs.

These Act 129 programs are designed to help meet the state's goals to reduce electricity usage and peak demand, while encouraging customers to save energy and money. The cost of these programs is recovered through non-residential customer electric rates.

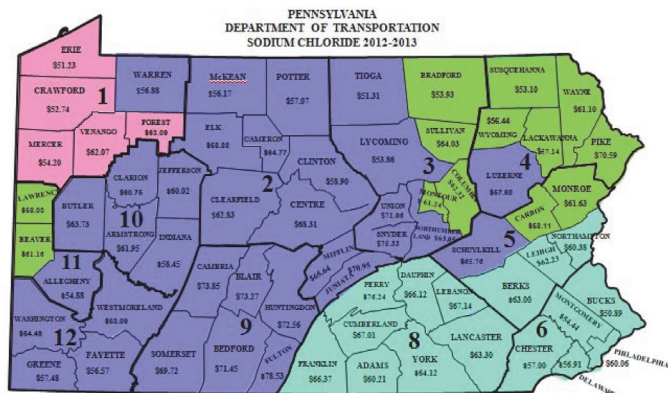
COSTARS members can purchase energy-efficient equipment at discounted prices without the necessity of public bids by purchasing through various COSTARS contracts, including COSTARS-8 Maintenance, Repair, and Operation Equipment and COSTARS-28 Energy Conservation Management Supplies. In addition, COSTARS members can "piggy-back" off of statewide agency contracts, such as the Commercial Grade Foodservice and Laundry Equipment contracts.

2012-2013 ROAD SALT AGREEMENT: PREDICTING MOTHER NATURE

As reported in our last edition of COSTARS CONNECTION, the past winter season gave us some of the mildest temperatures seen in years. In turn, many COSTARS members were left with an unexpected salt surplus. The Department of General Services (DGS) reacted to this salt surplus by renegotiating with the suppliers to reduce and, in some cases, completely eliminate the storage fees.

The 2012-2013 numbers reflect the unexpected surprise from Mother Nature. Many COSTARS members ended last season with their stockpile bins stuffed to capacity. "We're going into this season with 100 tons of salt already on site", said Jeff Dunlop of Indiana University of Pennsylvania. At the time of this publication, 1,439 members are participating in the road salt agreement this season adding up to 681,319 tons of road salt required. That's a 7 percent decrease in member participation and a 17 percent decrease in tons required.

According to DGS Transportation Team Manager Joel Shiffler, "Renewing at what amounts to stable pricing while being able to renegotiate the COSTARS storage charges was the correct way for the Commonwealth to go in 2012-2013. While it is very tempting to bid and see where prices end up, we were very cognizant of the roughly \$1,000,000



storage charges for not fulfilling 2011-2012 minimums that the COSTARS members would have been liable for." From a national perspective, the 2012-2013 pricing does fall in line with the United States Department of Labor & Industry's Producer Price Index (PPI) that is showing a slight increase for Rock Salt. "That would be consistent with our renewal negotiations this year where 21 counties will see a 1 percent increase but 46 counties will see either stable pricing or a 1 percent decrease in costs," Shiffler noted. "Traditionally, our pricing is better than what can be achieved through local bidding. We have much more volume and when we hear of a local unit getting better pricing, we usually find that they may have greater delivery windows or less minimum/maximum salt requirements."

The pricing for 2012-2013 can be seen on the PENNSYLVANIA DEPARTMENT OF TRANSPORTATION

SODIUM CHLORIDE 2012-2013 county-by-county map (see below left). To review your county's and supplier's monthly fuel adjusted pricing, please go to www.dgs.state.pa.us/COSTARS, click on the yellow members button and click on the 2012-2013 Sodium Chloride (Road Salt) Contract found on the left hand side of the page.

So what about this upcoming 2012-2013 season? Will we have another mild winter? Not according to AccuWeather Lead Long-Range Forecaster Paul Pastelok. He forecasts above normal snowfall for the Commonwealth. Cold temperatures are expected to accompany big storms during January and February with the potential for "large snowstorms to make headlines and create travel headaches" for the unprepared. No matter what kind of weather season we are going to have, DGS's Joel Shiffler and his team will always do their best to work on behalf of COSTARS members.



COSTARS CONNECTION

is published by the Pennsylvania Department of General Services.

Editor: Bruce Beardsley

Sheri Phillips, Secretary

Kenneth A. Rapp, Deputy Secretary for Procurement

Michael Richart, Chief Procurement Officer

Scott Cross, Director, Programs & Systems

Bruce Beardsley, Marketing Manager

Richard Zuber, Marketing Manager

Dawn Eshenour, Program Manager

Further information on the COSTARS program is available by phone (866) 768-7827 or on the web at <http://www.dgs.state.pa.us>

TOP SUPPLIERS SOUND OFF

In a series of interviews with COSTARS' most successful suppliers, their representatives share their views about the economy, future prospects, and reasons for their success. Not surprisingly, they also have good things to say about COSTARS.

Hunter Truck Sales and Service, headquartered in Butler County but serving the entire state, was the top supplier on the COSTARS-25 Municipal Work Vehicles contract in 2011 with almost \$4 million in sales to COSTARS members. The man responsible for most of that business was Hunter's sales representative Mike Miller.

"We love COSTARS," Miller says. "It's a no-hassle contract – very easy for our municipal customers to access and use." Hunter, which specializes in heavy, single-axle trucks, is experiencing a slight downturn in government business in 2012. However, according to Miller, he expects business to increase in 2013. "Because of the economy, a lot of local governments are running with poor equipment – having to put band-aids on them to keep them going." Because of that pent-up demand, Miller is looking for "sales to explode in 2013!"



Randy Bitting

Randy Bitting, President of Bitting Recreation in Harrisburg, agrees that business was "off a little" in 2012. However, he foresees a recovery next year. Bitting was the top supplier on the COSTARS-14 Recreation and Fitness Equipment contract for the past two years. The COSTARS logo is on every Bitting catalogue and they attend and exhibit at many of the conferences sponsored by COSTARS member affiliated associations, such as Pennsylvania State Association of Township Officials Pennsylvania State Association of Boroughs, etc. "COSTARS is great!" Bitting explained. "It's great for our customers. By using COSTARS contracts, the customer gets what they want and we can sell the features and benefits of our products and services."

Beans-Class Ford, Mercury, Inc. doing business as New Holland Auto in Lancaster County has been a COSTARS-authorized supplier for several years. They currently hold three COSTARS-exclusive contracts: COSTARS-13 Emergency Responder Vehicles (ranking second in sales in 2011), COSTARS-25 Municipal Work Vehicles, and COSTARS-26 Passenger Vehicles, where they led all suppliers in COSTARS sales in 2011. They are having a "record year" in 2012, according to Government and Fleet Sales Manager Steve Weaver. He expects it to be "just as good next year" based on a lot of budget quoting that should translate into sales in 2013. "The program is very user-friendly and allows the customer to get their vehicle a lot more quickly than if they had to go through the bidding process," Weaver says. "For our part, we quote the quote as quickly as possible and offer a fair price."

Another supplier that holds more than one contract is Kurtz Bros. from Clearfield County. Kurtz has been the leading supplier on our COSTARS-4 Office Supplies contract for the past two years and they also hold a COSTARS furniture contract. Jeff Pistner, who manages Kurtz's Schools Division, says:

COSTARS is a real blessing for us. It's a tool we can compete with. We're located in Pennsylvania and we maintain close relations with schools and that helps us a lot. We have six sales reps throughout the state that visit the schools regularly. Customer service is our greatest strength. We find that schools need to be educated about COSTARS and we try to educate them on how to use the contracts to their advantage. There are no advertising costs, no bid evaluation costs. Buying from one company reduces purchasing costs. They can buy year-round, instead of just buying during a three-month bid window. Our customers tell us that we have reduced their ordering process time by three weeks. All of these savings more than make up for any perceived price savings resulting from a formal bid process.

Marketing Manager Ben Reichley of L/B Water Service, the top 2011 supplier on COSTARS-16 Water/Waste Water Treatment Plants -Components /Equipment, says "COSTARS provides additional opportunities for our COSTARS-member customers and adds options to our selling and marketing strategies. We get a lot of repeat buying through COSTARS." L/B Water Service is located in Selingsgrove and has several satellite offices throughout the Commonwealth. Reichley indicates that business is up from last year, with a lot of new business coming from western Pennsylvania. He credits the program with increasing awareness among members in all 67 counties. In addition to appearing at conferences and proudly displaying the COSTARS logo, L/B sales representatives use the logo in their email signatures. "The COSTARS program is a very positive sales and marketing tool for our company," Reichley said.

Furniture reseller Corbett, Inc. has been the top supplier on COSTARS-2 Office Furniture for the past two years. Vice-President Doug Kimenhour is "thrilled with the program." He has "never heard a bad thing about COSTARS." He is also very pleased with the service he receives from COSTARS staff. "I've never asked a question that was not answered expeditiously," he said. Kimenhour was also happy to see the expansion of the scope of the furniture contract beyond just office furniture to include all types of furniture and window coverings. "That has made the contract better for us, with our broad product line." Corbett covers the entire state with seven sales representatives. A successful sales tool that they developed is the "Top Ten Reasons to Use COSTARS", which outlines the benefits of the program to COSTARS members.



Steve Weaver

COSTARS SPEND NEARS \$575 MILLION

Saves \$134 million

COSTARS suppliers reported that members spent \$573,687,634 in 2011 using the COSTARS program – an increase of 19 percent over 2010. Based upon this spend, COSTARS members saved their taxpayers more than \$134 million! The reporting reflects a substantial 39 percent growth in the use of statewide agency contracts by COSTARS members, popularly known as “piggy-backing”.

Among COSTARS-exclusive contracts, COSTARS-3 IT Hardware, COSTARS-25 Municipal Work Vehicles, and COSTARS-8 Maintenance, Repair & Operations Equipment & Supplies (MRO) remained the top three contracts, with \$172.9 million, \$60.8 million, and \$29.4 million in spend respectively. Those contracts also had the largest number of authorized suppliers. COSTARS-13 Emergency Responder Vehicles edged out COSTARS-2 Office Furniture for fourth place with a reported spend of \$20.9 million. The contract with the largest increase was COSTARS-10 Voting Systems, which increased 225 percent over 2010.

COSTARS-EXCLUSIVE SUPPLIERS								
	2006	Aug 2008	Apr 2009	Dec 2009	Jun 2010	Dec 2010	Jan 2011	Jan 2011
# of Suppliers	455	588	655	535	716	832	863	953

Among statewide agency contracts, the most popular contracts for COSTARS members were Sodium Chloride (\$48.2 million spend) and Wireless Communications (\$37.4 million spend).

SPEND BY MEMBER CATEGORY AS A PERCENT OF TOTAL		
Category/Year	2011	2010
Schools, etc.	31.0%	39.8%
Municipal	30.2%	27.3%
College	14.3%	10.3%
County	9.1%	7.5%
Authority	9.1%	8.7%
Health	1.1%	2.2%
EMS	2.1%	2.0%
Other	2.7%	2.4%

The average supplier reporting spend recorded \$654,895 in sales to COSTARS members under their respective contracts!

Of the \$135 million in savings, \$100 million reflected product/service discounts and \$35 million was saved by public entities by not having to go through the formal bidding process (process savings). The contracts that saved members the most dollars through lower prices were the COSTARS-exclusive MRO contract and the state’s Small Package Delivery contract.

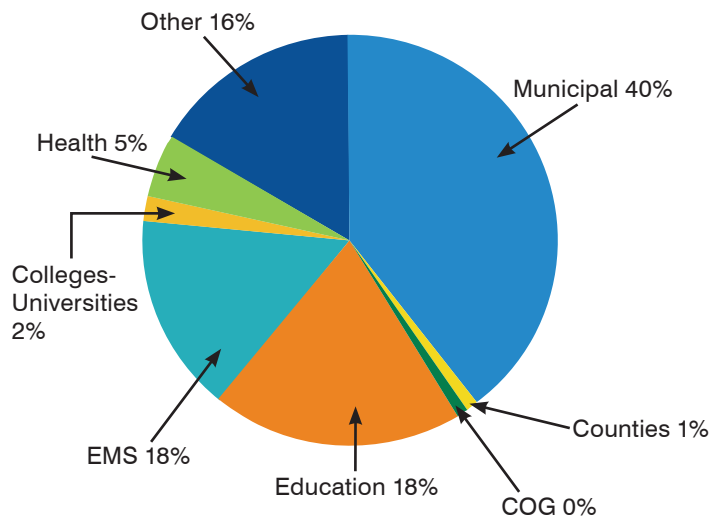
84 percent of all COSTARS sales transactions under the program were below the 2011 bidding threshold of \$10,000, reflecting the use of the program by members even when there was no process savings to be realized.

As they have since the beginning of the program, educational entities (not including higher education units) were the largest users of the program, representing 31 percent of the total spend. Their overall share of the spend has been diminishing over the years, while other types of member classifications has been growing (see chart).

Membership grew by 5.3 percent in 2011 to 7454. Townships represent the largest membership category with 19.5 percent (1457) of the total. Non-profit health institutions grew the most in 2011 – a 9.7 percent increase.

Members with the largest spend in 2011 were Allegheny County (\$7,942,253), Penn State (\$6,663,445), Pennsylvania Turnpike Commission (\$6,454,807), Bloomsburg University (\$4,529,844), and Geisinger System Services (\$4,189,054).

COSTARS MEMBERSHIP



CPO TALKS COSTARS



We sat down with Chief Procurement Officer for the Commonwealth Mike Richart to ask him a few questions concerning the COSTARS program.

Q: *From a broad perspective, how do you view the COSTARS program and how does it fit within the Bureau's mission?*

A: The COSTARS program is one of the bureau's most successful programs. It has saved countless man hours and many millions of dollars for our purchasing members. It provides opportunities for an endless number of suppliers to participate. COSTARS fits nicely within the Bureau's mission, which is to ensure the effective and efficient procurement of quality goods and services.... through simple, transparent and customer-friendly procurement processes.

Q: *How often do you hear about COSTARS in your travels? What do you hear?*

A: The feedback I received to date related to COSTARS has been very positive. Members and suppliers have conveyed their support for the program and the positive benefits it has provided. It affords the members an array of contracts to choose from, including the many statewide agency contracts that are made available to supplement the exclusive contracts awarded just for the use of our members.

Q: *From your perspective, how can we improve the COSTARS program?*

A: We need to continue to work hard to promote and alert eligible entities that COSTARS exists, the benefits it provides to purchasing members and suppliers, and ensure we maximize our resources to offer as many contracts as feasible.

Q: *In your view, why has the COSTARS program met with such acceptance, growth, & popularity?*

A: As I stated, it supports our mission because it embraces our core values of simplicity, transparency and opportunity. It provides the members a simple, transparent procurement method, it is cost efficient, and it provides a significant opportunity for suppliers to market their goods and services to approximately 8,000 entities throughout the Commonwealth. Saving dollars, offering choices, and affording opportunity is a foundation for success.

CONTRACT NEWS

Pest Control

The solicitation for bids for COSTARS-21 Pest Control Services has been released and is accessible to potential suppliers at <http://www.dgs.state.pa.us/COSTARS> > Bidding Opportunities. This contract covers general indoor/outdoor pest and rodent control, termite control, and fumigation services. Interested suppliers are urged to submit a bid.



For additional information, contact Commodity Specialist Emanuel Williams at 717-703-2946 or ewilliams@pa.gov.

Telephone Equipment

The Commonwealth has awarded a new contract for PBX & Key Telephone Systems, Equipment and Other Related Services contract effective September 1, 2012. In addition to PBX and key telephone systems and equipment, this contract includes other related services such as cabling, installation, maintenance, and training. This is a multiple vendor contract that has been made available for COSTARS-participation. Those suppliers having agreed to sell to registered COSTARS members are designated on the "Search Contracts" page of PA eMarketplace. "Yes" within the COSTARS column means the supplier has agreed to sell to COSTARS members. "No" within the COSTARS column means the contract for a specific supplier is not available to COSTARS members.



For additional information, please view contract number 6100022456 on PA eMarketplace at

<http://www.emarketplace.state.pa.us/BidContracts.aspx>.

Please direct any questions regarding this statewide agency contract to Joe Millovich at 717-346-3824 or jmillovich@pa.gov.

Aggregates & Anti-skid Materials

A new "How to Guide for Aggregates Search" link has been posted to the COSTARS Members page and the Resource Center link from the COSTARS Home page at <http://www.dgs.state.pa.us/COSTARS>. This is a step-by-step tutorial to "Piggyback" purchase of aggregates. Please direct any specific questions to Jamon Fogarty at 717-346-3848 or jafogarty@pa.gov.

WHERE DO I FIND...

VEHICLE LIFTS - Recently added to the scope of COSTARS-25 Municipal Work Vehicles

FIRE EXTINGUISHERS - COSTARS-12 Emergency Responder Loose Supplies

EVIDENCE LOCKERS & GUN RACKS - Included in the scope of COSTARS-12 Emergency Responder Loose Supplies and COSTARS-35 Furniture & Window Treatments. Also, law enforcement agencies should check out the Bureau of Surplus' 1122 New Property Program at GS-fedsurplus@pa.gov or 717-787-6197.

BITUMINOUS - Refers to road materials, such as asphalt and tar. Can be found among state contracts by typing bituminous under description.

GENERATORS - COSTARS-8 Maintenance, Repair, & Operations Equipment & Supplies

CHAIRLIFTS - COSTARS-19 Medical Supplies