

COGs USE LED CONTRACT TO LEVERAGE SAVINGS AND GO GREEN!

Late in 2006, Stacy Richards, Director of the Energy Resource Center at the SEDA-Council of Governments (SEDA-COG), a Local Development District (LDD) which represents 11 central Pennsylvania counties, was looking for a project in which SEDA-COG could partner with the state to produce energy and cost-savings for her municipalities. She was particularly interested in Light Emitting Diode (LED) lighting. Her research had determined that LED technology produces substantial energy and cost savings over the traditional incandescent light bulbs. In fact, a typical traffic-lighted intersection costs a municipality \$1,000 per year in energy costs. That same intersection with LED lighting will cost less than \$200! Additionally, the life expectancy of incandescent bulbs is one year, while LED bulbs have a life-expectancy of seven to eight years. Although the initial cost of LED bulbs is substantially higher than incandescent bulbs, the maintenance costs for replacing bulbs and the dramatically reduced operating

costs produces a reasonable pay-back of the original investment. If the price of the LED bulbs could be reduced through quantity discounts, the pay-back time could be reduced even further.

In November, Stacy visited Tim Fulkerson, COSTARS Director of Marketing & Constituent Relations, in his office in Harrisburg to explore ideas. Tim brought to her attention that COSTARS had introduced an LED contract in 2006, proactively anticipating municipalities' energy-reducing needs. Tim noted that there was no need for SEDA-COG to recreate the wheel since the

COSTARS team had already done the legwork, written a contract, and attracted qualified suppliers. All SEDA-COG needed to do was to negotiate with the suppliers that were on the COSTARS contract. Tim worked with Stacy to interest other COSTARS members to join forces to help leverage pricing. In October 2007, Megan Epler joined the staff of SEDA-COG's Energy Resource Center, and began to manage the LED Traffic Signal Conversion Project. Through SEDA-COG's outreach, 36 municipalities passed resolutions indicating their intent to participate in the project.

SEDA-COG partnered with PennDOT Districts 2 (Clearfield) and 3 (Montoursville) to provide technical assistance to its municipalities. PennDOT assisted signalized municipalities to identify the LED equipment that they needed to purchase to fully convert their intersections to LED technology. The power of the bulk purchase was soon evident as SEDA-COG began to negotiate pricing with COSTARS vendors. A partnership soon formed with other LDDs, and as the bulk purchase grew, the price negotiations began.

The first to sign on was Brendan Carson, Economic Development Planner for the Southern Alleghenies Planning & Development Commission (which represented 11 interested municipalities with over 40 intersections), who serves with Stacy and Megan on a regional energy planning committee. Together with SEDA-COG, they leveraged their combined buying power and contacted each of the three suppliers that were then on the COSTARS-18 LED contract and began negotiating in earnest. COSTARS strongly encourages its members to negotiate with COSTARS-authorized suppliers to obtain the best value for their organizations. The negotiating team not only wanted better pricing, they wanted a choice of PennDOT-approved manufacturers (PennDOT approval is a requirement of all COSTARS suppliers under this contract) and quick delivery time. Each of the suppliers on the COSTARS contract carried only one manufacturer, although COSTARS contracts allow suppliers to source multiple manufacturers.



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MESSAGE FROM THE DIRECTOR

Scott Cross, Director—Programs & Systems

This year continues to present positive and progressive possibilities for our members and suppliers. While the marketing staff continues its outreach program to inform potential members of COSTARS benefits, those staff members also are working hard to assist existing members by not only responding to inquiries but also by establishing educational workshops. Tim Fulkerson and Bruce Beardsley have conducted countless workshops and attended numerous conferences, with laptops in hand, to present educational material and provide assistance in such areas as COSTARS website navigation, contract review, and contract/bidding opportunities.

I am pleased to announce that we will be providing training sessions for the Commonwealth's local governments through a partnership with the Department of Community and Economic Development, Center for Local Government Services. Through the use of DCED's contract with the Pennsylvania State Association of Township Supervisors, we will be able to establish a state-wide COSTARS training program for local government officials. We are working with these organizations to schedule these sessions beginning in the fall. More information will be forthcoming as we finalize the plan for this training.

Finally, I would like to highlight two articles within this newsletter that I think many readers will find relevant to their organizations. The front page article involving the LED contract describes the collaborative effort of multiple organizations that will result in savings to the communities, in which many of you live. It represents our efforts to work with the many organizations that are there to serve your communities. Dawn Eshenour has written an article that highlights one of the key components of our COSTARS contracts. This component is the ability to choose and determine the best value for you. I hope you find these articles interesting and beneficial.

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

WHO'S BUYING?

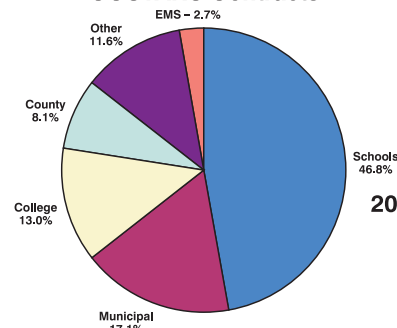
As they did in 2006, public and private elementary and secondary schools were the largest category of users of the COSTARS program in 2007. Municipal governments, colleges, emergency service agencies, public authorities, and non-profits all significantly increased their percentage of overall COSTARS spend. While K-12 educational institutions and county governments accounted for a smaller percentage of overall spend compared to 2006, their overall dollar purchases still increased by 91 percent.

More than 97 percent of schools' procurement expenditures in the program were through COSTARS-specific contracts. Municipal governments, on the other hand, spent more than 46 percent of their COSTARS purchasing through statewide agency contracts.

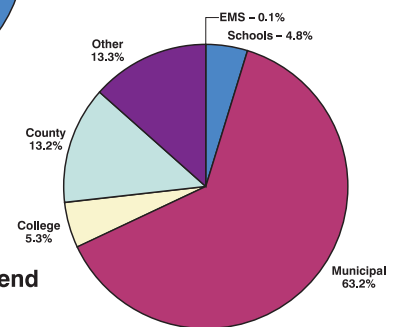
The "Other" category of COSTARS members, which includes non-profits and public authorities, almost tripled its percentage of the overall COSTARS spend, increasing from 4.4 percent in 2006 to 11.9 percent in 2007.

Overall, 71 percent of all COSTARS transactions were less than \$10,000, while 14 percent were more than \$25,000. "The increasing use of the COSTARS program for transactions under the \$10,000 public bidding threshold reflects our members' confidence in the ease of use and credibility of the program," according to Bruce Beardsley, COSTARS Marketing Manager.

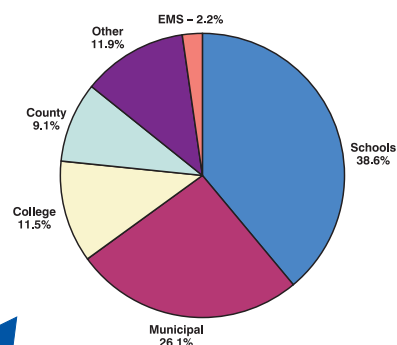
2007 Spend by LPPU Category, COSTARS Contracts



2007 State Contracts Spend



2007 Total COSTARS Spend



GUARANTEED SAVINGS ON EQUIPMENT MAINTENANCE

As we are all experiencing, today's difficult economic conditions bring with them extraordinary budget challenges. COSTARS, the Commonwealth's highly successful cooperative purchasing program, provides you a great opportunity to save money for your institution by "piggy-backing" on nearly 200 money-saving state contracts.

One example that your organization is able to utilize is a very unique state contract: Contract #440000631 Equipment Maintenance Program (EMP). According to Hilary Poepperling, Commodity Specialist in the Bureau of Procurement, this contract has identified more than \$800,000 in annual savings to Commonwealth taxpayers! The potential for similar savings compared to existing maintenance contracts for COSTARS members throughout the Commonwealth is even greater!

After a vigorous competitive bidding process, HT Results was chosen as the sole statewide supplier. They can replace your existing multitude of equipment maintenance contracts with a single point of contact and guarantee you in writing a minimum savings of 16 percent! This program allows you to reduce your own procurement and maintenance costs by leveraging the purchase power of the state with more than 5,500 of your fellow COSTARS members. In addition to the cost savings, this maintenance program can enable the end user to continue to use existing service providers, provide online review and audit reports, and maintain current equipment inventories. The program will reduce your number of purchase orders and vendor payments. It will increase time, machine, and energy efficiency. The contract covers:

- Communication systems, such as radio, telephone, audio/visual, intercom, and voice mail systems
- Computer hardware, including networks and servers, PCs and routers, hubs and scanners
- Office automation, including cash registers, copiers, facsimile machines, printers, time clocks, and CAD and CAM systems
- Security systems, such as alarm, card access, and protection systems
- Other industry-specific electronic equipment, including autoclaves, centrifuges, computers, microscopes, etc.

For more information contact Sherri Lloyd from HT Results directly at 717-236-7193, slloyd@htresults.com. Introduce yourself as a member of COSTARS and they will answer all your questions and even come to your site for a free, no-obligation consultation.

You can also review the contract online at: <http://www.emarketplace.state.pa.us/Uploads/440000631.pdf>.

Reducing the cost of state government has been one of the top priorities of the Pennsylvania Department of General Services. Utilizing cost-reducing state contracts to reduce the cost of local governments is the top priority of the Department's COSTARS program.

LED CONTRACT

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Meanwhile, Tim Fulkerson contacted other LDDs (Northwest, Southwest, and North Central Commissions), who all expressed interest, strengthening the hand of the negotiators.

In late 2007, SEDA-COG applied for and received a \$180,000 Department of Community and Economic Development (DCED) Shared Municipal Services grant to help pay for the initial investment of the bulk purchase of the LED traffic lights. The Southern Alleghenies Planning & Development Commission, as well as the Northwest, Southwest, and North Central Commissions, are considering applying for a similar grant. Fred Reddig, the Director for the Governor's Center for Local Government within DCED, has expressed enthusiastic support for these initiatives, which support intergovernmental and interagency cooperation as well as advance energy conservation and cost savings initiatives.

When the analysis was complete and the ensuing negotiations were mutually and successfully concluded, the HITE Company was chosen to be the key supplier. The HITE Company is a Pennsylvania-based company established in 1949, with 19 distribution points throughout the Commonwealth. It agreed to maintain local inventory of four brands at 15–20 percent lower cost than its original COSTARS contract bid price!

SEDA-COG expects to have all municipalities' traffic signals in their 11-county region installed with LED lighting by this fall. The new lighting is expected to save the municipalities about 80 percent in electric costs. This equates to an annual \$100,000 savings for the 36 municipalities participating in the SEDA-COG LED conversion project. As energy costs climb, the annual savings will be even more substantial.

The morals of the story:

- Discuss your requirements thoroughly with the contracts' suppliers;
- Do not hesitate to negotiate with suppliers;
- Whenever practical, try to join with other COSTARS members to leverage your buying power.

SPAM ALERT

COSTARS often communicates to our members and suppliers through mass emails which can be mistaken by your computer's SPAM protection as junk mail (which of course it isn't!) and block our message. To ensure that you are not missing important information from COSTARS, make sure your system allows email from GS-PACostars@state.pa.us to get through your SPAM filters.

CHOICES...

Did you know that as a registered COSTARS member you have choices? You have the option to purchase from COSTARS-specific contracts or from a large selection of statewide agency contracts for which suppliers have consented to participate. And, participation in any COSTARS purchasing is completely voluntary, meaning that each COSTARS member is also free to obtain products and services through its regular procurement procedures. Choices offer you the flexibility to determine the “best value” for your purchase; you decide what will best suit your needs.

COSTARS-specific contracts are for exclusive use by COSTARS members. (Commonwealth agencies may not make purchases from COSTARS-specific contracts.) The Department of General Services (DGS) has created these contracts especially for COSTARS members. Voting Systems, Emergency Responder Vehicles, and LED Signals are just three examples of contracts specifically created for our members in response to their specific requests and needs. You can review all of the COSTARS-specific contracts from the Members area of the COSTARS Web pages at www.dgs.state.pa.us/costars and using the link to “COSTARS Contracts.”

As previously mentioned, many contracts created by DGS for Commonwealth agency use (statewide agency contracts) are also available to COSTARS members. You can review statewide contracts from the Members area of the COSTARS Web pages and using the link to “View Statewide Contracts.”

Each statewide contract will specify whether the supplier has agreed to sell to COSTARS members. If within the COSTARS column you see “Yes,” it means that the supplier has agreed to sell to COSTARS members ... you have the option to purchase from the contract. However, if within the COSTARS column you see “No,” it means that the contract for a specific supplier is not available to COSTARS members.

As you know from the last issue of our newsletter, we have enhanced our Web pages to include new search capabilities so that you are able to search contracts by number, description, and supplier name, among other variables. To further assist you, we have published, “COSTARS & State Agency Contract Search USER INSTRUCTIONS.” You can access this guide for searching COSTARS and statewide contracts from the Newsflash box within the Members area of the COSTARS Web pages.

Because the Commonwealth awards COSTARS contracts and statewide agency contracts through its own

competitive bidding process, COSTARS procurements meet the cooperative purchasing requirements under the Commonwealth Procurement Code for local government purchasing. However, other statutory provisions, including without limitation, the requirement for prevailing wage determination, may apply. Government entities should consult their solicitors to determine if COSTARS contracts meet their procurement requirements. We suggest that private purchasers refer to their charters, by-laws, or other policies and/or consult with their boards of directors or legal counsel for guidance.

So, how do you determine the best value? Because of the multiple award nature, you may see that prices vary among suppliers. We encourage you to comparison shop ...

- Review offered products and pricing on our web-pages.
- Contact several suppliers to review products and pricing in detail.
- Some suppliers offer quantity discounts. COSTARS members may purchase jointly to mutually benefit from the quantity discounts.
- Negotiate! COSTARS-specific contracts permit contracted suppliers to reduce pricing BELOW the specified contract rates.

Other factors you might want to consider could include administrative cost-savings as well as time-savings (for example staff time, legal fees, advertising fees, etc., associated with your regular procurement procedures

versus using a COSTARS-specific or statewide agency contract), compatibility with existing equipment, delivery time, or keeping your spend in your local community, to name a few.

We hope you find the process to purchase from a COSTARS-specific or statewide agency contract to be simple. You order the product(s) and/or service(s) directly from the selected supplier using your purchase order. Be sure to include your Member name and the contract number on the

purchase order so that it is clear to the supplier that you are a COSTARS member purchasing from a COSTARS contract. DGS is not a third party to your purchase, so you do not have to notify us of your purchase or provide us with a copy of your order. Suppliers will report their sales. However, we do suggest that you maintain a copy of your purchase order as well as the contract for your future reference and in the event of an audit.

Thank you for your participation in the COSTARS Program!

Contract No.	Agency	Supplier	Category	Ending Date	Supplier	COSTARS	Commodity Specialist	Agency
4000122001	Agency	Commodity Specialist						
4000122002	Agency	Commodity Specialist						
4000122003	Agency	Commodity Specialist						
4000122004	Agency	Commodity Specialist						
4000122005	Agency	Commodity Specialist						
4000122006	Agency	Commodity Specialist						
4000122007	Agency	Commodity Specialist						
4000122008	Agency	Commodity Specialist						
4000122009	Agency	Commodity Specialist						
4000122010	Agency	Commodity Specialist						
4000122011	Agency	Commodity Specialist						
4000122012	Agency	Commodity Specialist						
4000122013	Agency	Commodity Specialist						
4000122014	Agency	Commodity Specialist						
4000122015	Agency	Commodity Specialist						
4000122016	Agency	Commodity Specialist						
4000122017	Agency	Commodity Specialist						
4000122018	Agency	Commodity Specialist						
4000122019	Agency	Commodity Specialist						
4000122020	Agency	Commodity Specialist						