

Report from the Secretary



Costars Program Benefits Pennsylvanians in many Ways

**Program Generates Jobs,
Saves Governments Money,
Promotes Economic Development**

Greetings to the more than 4,000 COSTARS members and over 3,400 supplier

partners who are receiving this inaugural edition of our COSTARS newsletter. On behalf of the Department of General Services, our best to you in 2007.

The COSTARS program exemplifies what state government should be. It provides a valuable service to thousands of local public and non-profit entities, saving them and their local taxpayers millions of dollars by eliminating the expensive costs of public bidding procedures, while taking advantage of highly competitive pricing. Furthermore, it provides increased opportunities for hundreds of businesses of all sizes in all locations to compete for millions of dollars of government business, working in tandem with Governor Edward G. Rendell's highly successful Strategic Sourcing Initiative for state agencies.

COSTARS gives local public agencies the option of keeping their procurement dollars in their local economy, thereby helping to maintain and generate jobs and advancing economic development. And, it generates additional volume on state agency contracts, thereby reducing bid-prices on subsequent state contracts, making our state government more cost-effective. On top of all that, the small user fees paid by successful supplier-bidders make the COSTARS program largely self-funded.

By providing cost-effective and customer-friendly service to its constituencies, promoting local economic development and generating jobs, and making more efficient use of taxpayers dollars, COSTARS without a doubt is a winner for the people of Pennsylvania. Congratulations and continued success!

James P. Creedon, Secretary, Department of General Services

Costars at PASBO

COSTARS representatives will staff an informational and training booth at the 52nd Annual Pennsylvania Association of School Business Officials (PASBO) Conference on March 13-16 at the David Lawrence Convention Center in Pittsburgh.

If your group, company, or association would benefit from a presentation or exhibit on the COSTARS program, please contact us at 1-(866)-768-7827 or GS-PACostars@state.pa.us.

Welcome to COSTARS CONNECTION

Welcome to this premier edition of COSTARS CONNECTION, a quarterly newsletter for our current and potential LPPU and Supplier participants.

Our goal is to provide our LPPU's (Local Public Procurement Unit) with current, useful information that will make it easier for your agency to save money by utilizing the Commonwealth's procurement system and to acquaint suppliers with the extra business and profit opportunities available by doing business with local public entities. This WIN/WIN proposition is the fundamental operating premise of the COSTARS program.

This newsletter is available in hard copy or can be found on our webpage at www.dgs.state.pa.us/costars.

We welcome your ideas, comments, suggestions, and criticisms. We're particularly interested in your reactions to your utilization of the COSTARS process. Send e-mails to bbearsley@state.pa.us.

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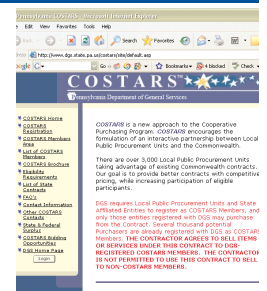
COSTARS Webpage Your one-stop Resource

The COSTARS website located at www.dgs.state.pa.us/costars is your easy-to-use, comprehensive resource for utilizing the COSTARS procurement process. Information and services on the website include:

- ★ Upcoming invitations to bid
- ★ List of COSTARS Members and their contact information
- ★ Template to provide feedback to COSTARS
- ★ Frequently asked questions (and answers) about the process
- ★ COSTARS administrators' contact info
- ★ Other useful links, including the DGS Surplus Property Program

Member Only

- ★ Register as a Member
- ★ Revise your Member profile
- ★ List of COSTARS contracts, including eligible vendors, their contact info and their products and pricing
- ★ State Contracts available to COSTARS Members, including contractor info
- ★ COSTARS members eligibility criteria



Emergency Responder Vehicles

Whether it's because the need is urgent, or there's the desire to save money, or just because they want exactly what they want and nothing less, Fire Companies, Rescue Squads, Municipalities, Airports, and other LPPU's all across the Commonwealth are utilizing COSTARS Contract #13-Emergency Responder Vehicles, to purchase their ambulances, fire trucks, and other emergency vehicles. The overall spend from this contract for 2006 was over \$9 million.

By forgoing the bid process, LPPU's save thousands of dollars in staff time and legal fees. "The whole purchasing process is so much easier and quicker with COSTARS," according to Robert Farrow, Pittsburgh's EMS Division Chief. "The vendors take care of most of the paperwork. We're very pleased." Pittsburgh recently needed two ambulances STAT (that's medical terminology for RIGHT NOW!) "We were in a bind," Farrow recounted. If Pittsburgh was forced to go the public bid route, they wouldn't get those ambulances for 4-8 months. Instead, through COSTARS, they ordered two production model ambulances and had them in less than 60 days, and also received a \$4000 quantity discount on top of it.

"A big problem with the bid process," Farrow said, "is that you may end up with a vendor you don't want, who underbids and receives the contract, and then tries to get away with 'exceptions' to the specifications. That requirement to go with the low bid burned us badly recently. On major purchases like

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rescue vehicles and ambulances, we want to deal with quality vendors with solid reputations, who will deliver on the specs that we require, even if it costs a little more." The good news is COSTARS members save money, even when dealing with higher priced, higher quality suppliers. That's because of the substantial savings to both buyer and seller by not going to bid. Kelly Baumgartle, of Glick Fire Equipment, representing Pierce Manufacturing, estimates that the City of Pittsburgh saved about \$10,000 on their recent purchase of two Pierce Arrow rescue trucks through no-bid savings alone. "Frankly, we (the seller) save a lot of money by not having to prepare bids, and we pass most of that savings along to the buyer," Baumgartle admits. Pierce recently closed another major sale to Allegheny Airport, a COSTARS member. "In the coming years, we expect that COSTARS sales will become a major part of our business," Baumgartle predicted.

Another way for larger buyers (or smaller LPPU's joined together in cooperative purchasing groups) to achieve savings is through quantity purchases. Pittsburgh saved about \$7000 by purchasing two Pierce Arrows instead of one and another \$4000 by purchasing two ambulances, according to the suppliers. The Medical Rescue Team South Authority in Allegheny County recently purchased 7 ambulances. Todd Pritchard, Operations Manager, estimates their savings, based



upon previous purchases, at 6%, or about \$60,000, which includes a quantity discount. Pritchard learned about COSTARS from the City of Pittsburgh. "It made our life so much simpler. We found the base model, went through the options, and built a vehicle that met our needs – all directly through the COSTARS webpage. It saved a lot of time." While perusing the COSTARS webpage, Pritchard noticed other opportunities. Medical Rescue Team South just received some grant money and will soon be purchasing laptop computers off the COSTARS-3 IT Hardware Contract.

The City of Johnstown's Fire Chief Tony Kovacic, who purchased a 104-foot ladder truck from Sutphen Corporation, is also a COSTARS enthusiast. "We had previously procured a Sutphen vehicle through the bidding process. We were happy with it and wanted a mate. If we went out to bid, we might have been stuck with an incompatible vehicle. Our finance division told us about COSTARS. We did our research and found out that Sutphen was an awarded supplier. From there, COSTARS made it simple. It expedited everything. It made folks be competitive. It's a terrific fit!" The savings for Johnstown's taxpayers was over \$20,000, according to Sutphen's Jeff Britt. The new vehicle was originally proposed in March, the purchase order was signed in May, and the truck should be ready in April.

Another huge fan of COSTARS is Bill Mascari, Director of Purchasing for Allegheny Airport Authority. He pronounces himself "ecstatic" about COSTARS. His department uses COSTARS "every day." In addition to the recent purchase of a \$446,884 Heavy Duty Rescue Vehicle from Pierce Mfg., Allegheny Airport heavily utilizes COSTARS Contracts for Office Furniture, IT Hardware, and Maintenance, Repair & Operation Equipment & Supplies. In addition to the time and money saved by not bidding, Mascari cites "the latitude that the COSTARS contracts bring." Another benefit is the itemization and pricing of offered products that are available on the members-only website. This has helped Mascari deal with his auditors, as well as making the whole process simpler. The opportunities for quantity purchases are another big plus, according to Mascari. Allegheny Airport is a member of a coalition of LPPU's in Allegheny County that join together to do joint purchasing under COSTARS in order to take advantage of quantity discounts.

Recently, Mascari was looking to purchase computers. His price with a technology co-op bidding program was \$12,000 (not counting the 1.5% surcharge for using this other program).

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Order Salt now for Next Winter



Spring is just around the corner. That means...it's time to order road salt for next winter!

We're about to prepare the State Contract for bid, to be awarded in June, 2007, so we need to know quantities. Local governments and other LPPU's are receiving their Salt Contract Participation Agreement in January. If you haven't applied and can't find the Agreement, you can download a copy from the COSTARS website (www.dgs.state.pa.us/costars). The agreement must be sent to DGS and postmarked no later than MARCH 31. We strongly encourage you to return the Agreement via certified mail to DGS to assure and confirm receipt.

You must be registered with COSTARS to participate on the Sodium Chloride (Road Salt) Contract. If you're not sure if your agency is registered, check on the COSTARS website (see page 1) and click on "List of COSTARS members." To register, see page 4 of this newsletter.

Although you may have participated in the sodium chloride contract in the past, you are NOT automatically included in the new contract. A new Agreement must be submitted each year.

Remember, you will be legally bound to purchase at least 60% of the "Tons Required" that you submit from the vendor. You may purchase up to 140% of the tonnage requirements.

Each autumn, DGS receives many calls to purchase salt from local governments that did not complete the Agreement. All we can do at that time is to refer them to a vendor and hope that they have adequate supply. Suppliers are under no obligation to sell to those not on the contract. Nonparticipants WILL pay significantly more per ton.

So, don't be left out in the cold! Plan NOW, submit your Agreement, and reap substantial savings for your taxpayers.

COSTARS CONNECTION is published by the Pennsylvania Department of General Services.

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

Emergency Vehicles (continued from page 2)

Using the COSTARS -3 contract, his price was \$8000 (no fees, no surcharges).

Donald Leshko, Deputy Fire Chief in Hazelton, recently purchased a \$282,000 fire truck. He estimates his savings by using the COSTARS contract at \$30,000-\$40,000! Hazelton had registered as a COSTARS member when the program first began, but this was their first purchase. Leshko is "very, very happy" with the process. "It was much smoother than the bidding process and saved weeks of work." The savings will allow the Fire Company to consider additional purchases sooner, according to Leshko. "I would recommend this process to everyone," Leshko added.

KME Fire Apparatus of Nesquehoning has been particularly successful utilizing COSTARS-13. They've recently sold vehicles to Hazelton, Pottstown, Bridgeport, Charleroi, and Pittsburgh totaling over \$2.5 million. Company spokesman Philip Gerace noted that several of his customers were able to save thousands of dollars by expediting their purchase through COSTARS before the 2007 price increase took effect. KME's secret, according to Gerace, is aggressive marketing. KME, along with another successful supplier, Glick Fire Equipment, regularly buys advertisements in Pennsylvania Fireman Magazine. Since the Department of General Services awards COSTARS contracts to multiple responsible and responsive bidders to guarantee competition, it is imperative that the suppliers differentiate themselves through various marketing initiatives, according to COSTARS Marketing Manager Tim Fulkerson. "Too many COSTARS suppliers just sit back and expect the business to rush in. That's a mistake," Fulkerson says.



One of KME's customers is Pottstown Borough's Fire Marshall Rich Langell. Langell heard about COSTARS from KME. Although he checked out the other COSTARS fire truck vendors, Langell chose KME because their trucks are manufactured in Pennsylvania. Langell chose the COSTARS process because of time and money. He estimates a \$50,000-\$60,000 savings plus a year's worth of time. "We needed the truck tomorrow and COSTARS saved us an immense amount of time," Langell asserted.

Another highly successful supplier is Hondru Fleet in Manheim, Lancaster County. They've sold over 75 vehicles to 55 different COSTARS Members totaling over \$2 million during the first nine months of 2006. Hondru's marketing efforts include a mass mailing to all COSTARS members and a booth at the Fire & Expo Show. Fleet Administrator Scott Gibson says, "We've used other piggy-back contracts. They were cumbersome with a lot of red tape. Not so with COSTARS. We never expected this to be as successful as it has been. We love the COSTARS Contract!"

Not Registered Yet?

Are you a “Local public procurement unit”?

An LPPU is defined as:

- ★ any political subdivision
- ★ any public authority
- ★ any tax exempt, nonprofit education or public health institution or organization
- ★ any nonprofit fire company, nonprofit rescue company, nonprofit ambulance company
- ★ and to the extent provided by law, any other entity, including a council of government or an area government, that expends public funds for the procurement of supplies and services.

If you meet one of these requirements, registering is easy. Just follow the steps below. (If you're not sure you are an LPPU, call COSTARS at 1-(866)-768-7827.)

1. Go to www.dgs.state.pa.us on the internet.
2. Click on COSTARS from the menu on the left.
3. Click on COSTARS Registration.
4. Complete the requested information.
5. Choose a password.
6. Click submit

Your application will be submitted for approval. Once approved (It takes about 48 hours), you will receive confirmation along with a COSTARS member number. And, YOU'RE IN!

Important Facts About COSTARS

Because the Commonwealth awards COSTARS contracts through its own competitive bidding process, the COSTARS contract fulfills the cooperative purchasing requirements under the Commonwealth Procurement Code for local government purchasing. However, other statutory provisions, including without limitations, the requirement for prevailing wage determinations, may apply. Government entities should consult their solicitors for guidance. When purchasing from a COSTARS contract, the Department of General Services (DGS) suggests that you review prices on the COSTARS website and contact several suppliers to receive the lowest possible price for your purchase. You should also be aware that COSTARS contracts permit contracted suppliers to reduce pricing BELOW the specified COSTARS contract rates for purchasers.

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