



Sacramento County, CA is e-Procurement Pioneer

Project Stats:

County: Sacramento County, CA

Population: 1.2 million

Operating Budget: \$2.4B

Vendor Base: ~9,000

Software Provider: The Public Group

Benefits: reduced staff training cost, easier to manage surplus

Estimated Paper Reduction: ~40,000 pages/year

Estimated Efficiency Improvement:

- *Reduced staff time for:*
 - *Managing vendor database (bid lists);*
 - *Sourcing vendors;*
 - *Processing and approving documents;*
 - *Entering data for pricing analysis;*
 - *Evaluating pricing and bid responses; and*
 - *Folding, stuff and mailing documents*
- *Reduced processing time (all phases in the procurement process)*

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Overview

The County of Sacramento was a pioneer in embarking on the implementation of an e-procurement solution after thoroughly researching product options between 2005 and 2010. The County has increased operational efficiency as a result and learned key lessons about pilot-testing and training.

Profile

The Contract and Purchasing Services Division oversees the County's purchases and leases for goods and professional services and engages independent contractors and contracts for construction services on behalf of the County and its Departments. The Division is also responsible for managing surplus goods.

At the time of solicitation, the County did not utilize an electronic Vendor or Bid Management system. A wide mix of automation existed across the County's various departments. Many departments utilized office tools, such as Microsoft Word and Excel, to prepare procurement documents.

History

In the early 2000s, the California State legislature adopted policy that encouraged municipalities to adopt e-procurement solutions. Soon thereafter, Sacramento County added a commitment to source an e-procurement product in the County's Strategic Plan with the end goal to update and streamline its myriad of vendor and bid management processes across all departments—to reduce costs, improve operational efficiencies, and enable strategic management of its total countywide spend. County Leadership was keenly aware of the importance of using technology to conduct business efficiently and provide increased access to business opportunities.

As an initial step, County Leadership carefully researched the allowances provided by the state's policy to ensure that the County was able to achieve their goals within the parameters of the state's policy.

To make their commitment a reality, the General Services Department began growing a dedicated fund to pay for the new software and licensing fees.

Initial Solicitation

In 2006, the county issued an RFP to for an e-procurement solution. Included in the RFP was the requirement that the e-procurement system be able to fully integrate with their financial system, an SAP product. (At the time, SAP's e-procurement option was in its infancy)

The County received four responses to this initial bid. However, only one response was a viable option for the County, and that bidder wasn't direct in addressing integration. Realizing that e-procurement was still new on the market, the County cancelled the RFP and regrouped.

During the County's review time, SAP's eprocurement system matured. This "new and improved" product was released as Supplier Relations Management - SRM." At that time, Sacramento County's current licensing for their financial management system ensured free licensing for this new product. Purchasing Agent, Craig Rader, met with SAP engineers to view a demo. Rader was concerned about SAP's cost structure. While Sacramento County already owned the software licensing, the data engine costs were based on the County's total spend and number of vendors.

While Rader continued his product research, SAP executives reached out to the County's Executive, who had not previously been involved in the RFP solicitation and review, to inform

Expert Tip: County Commissioners and County Managers should partner with County Purchasers to research and solicit for an e-procurement solution. Product selection is high-stakes, as some e-procurement products cost millions. County Board members may be approached by corporate executives to discuss their products.

him that the County was missing out on approximately \$300,000 in savings per month.

Researching Options

Needing more assurance of cost-savings, Rader decided to seek out information from other e-procurement users and review market research studies. While fourteen other companies (no local governments) were using an eProcurement tool, none were bench-marking and tracking their savings with the product. Several market research firms, including The Gartner Group, were contacted for national research on e-procurement solutions. While the firms assured Rader that Sacramento County would experience savings, their assessment was not as high as \$300,000 per month. Rader decided to hold off on issuing another RFP until the market matured and clear cost-savings could be verified.

What to learn from other counties who have solicited for an eProcurement solution?

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Economic Downturn

In 2009, Sacramento County faced an economic crisis. Sacramento County's Executive was forced to make difficult decisions related to budget in order to continue many county services. The Board reallocated the funds that were set aside to purchase a new procurement solution to maintain essential County services.

Finding a Low-Cost Solution

Without dedicated funding, the County was forced to seek alternative no-cost solutions for its needs. Several low-cost software programs had emerged on the market that were free to public agencies, as their systems are maintained through transaction fees.

The County sought a virtual procurement system that would meet the following objectives:

- Operate through a Software as a Service (SAAS) model and be accessible from anywhere via Internet browser;
- Allow the County to take advantage of the latest technology to maximize the value of its procurement processes;
- Obtain visibility over all County purchases to leverage buying power;
- Process purchases electronically and efficiently to reduce administrative costs;

- Provide on Internet electronic portal for suppliers to access purchasing information and business opportunities and one standard to electronically conduct business with the County;
- Reduce the cost of goods and services through increased competition over the Internet and disciplined buying from pre-established, leveraged contracts;
- Would not cost the vendors/contracts wishing to participate in the sourcing process with Sacramento County
- Provide small, women, and minority-owned businesses more access to the County's business opportunities;
- Provide buyers more effective procurement tools such as e-Mall, Quick Quote, Reverse Auction, and e-procurement for Invitation for Bids (IFB) and Request for Proposals (RFPs);
- Ensure electronic procurement is self-funded through transaction fees based on the volume of purchases placed through the system; and
- Provide increased visibility and County accountability for the County's purchases.

Rader knew of the free product available through The Public Group—Public Purchase. Rader reached out to The Public Group directly and arranged a small group meeting. Rader and his staff analyzed the Public Purchase product based on Sacramento County's detailed requirements. While Public Purchase could not fulfill all of the specifications outlined in Sacramento County's RFP, none of unfulfilled items were deal-breakers. The Public Purchase software performed most Sacramento County's needs without any customization.

Adoption and Penetration

Sacramento County piloted the Public Purchase software with several staff and slowly began rolling out the product in 2011.

The employee response was typical of any project involving the replacement of existing processes and tools—some were pleased to have the new technology while others resisted for a variety of reasons. Common concerns included:

- Skepticism that the product would really work and be more efficient;
- “Big Brother” concern, as the County's purchase activities were now publicly visible;
- Fear of losing local autonomy; and
- Fear of change.

Rollout/implementation strategies focused on overcoming employee and organizational concerns by removing barriers with specific emphasis on setup and training. Training presented a significant challenge not only to teach the new system, but in some cases, to teach basic computer and Internet skills as well. To meet these challenges, the Public Group team stepped in to provide end-user training to county staff.

eProcurement functionality is being rolled out in phases. The first process to shift from paper to electronic was vendor registration and online sourcing. The Public Group hosts a national vendor registration database. Sacramento County's existing and interested vendors signed up through the Public Purchase online portal, with assistance from The Public Groups' support staff.

A vendor support team was established to get vendors setup in the system and trained on the system's functionality. Similar to staff, some vendors required basic training on computer and Internet use.

The County's deployment strategy was the following:

1. Prepare the Vendor Registration and Sourcing components first, as they would process the most transactions;
2. Anticipate barriers at all levels (Agency, Manager, End User, Vendor) and prepare solutions before barriers were encountered;
3. Staff up for fast deployment centrally to achieve rollout at basic level;
4. Staff up to "hand-hold" all vendors throughout start-up and catalog preparation;
5. Prepare fast-response strategies for problems (system, people, process, etc.) to resolve before resistance could take place;
6. Establish and execute rollout schedule for all other functionality, prioritizing the most used components first.

Best features

Craig Rader noted that the online vendor registration has provided the most benefit to the county to date. Previously, vendors registered by email or by phone. "There's no need to maintain bidders' lists anymore. It is the vendor's responsibility to put correct commodity codes on their profiles to receive notifications. We no longer manage vendor data," Rader said. The online system now allows vendors to register themselves. They can upload W-9 forms, business classification (NIGP codes) and insurance information. The County's previous manual process was resource-intensive for vendors wanting to do business with the County, and, as a result, higher costs were passed onto the County in the form of higher prices. A streamlined business process should allow more competitive pricing among County vendors.

The Public Purchase system has also increased the efficiency of bid material distribution. In the past, the Purchasing staff was required to send paper mailings to announce open bids. Sending items by mail meant that several days lapsed before the vendors would receive and review the bid solicitation materials. With Public Purchase, all County solicitation announcements are distributed by email. Vendors receive the announcements and have access to the documents immediately. Furthermore, vendors are able to submit questions electronically. Whereas, in the past, it was time-consuming to collect vendor questions and respond by mail to the vendor pool with response. Now, purchasing staff can respond in real-time by posting answers on the website.

Another benefit of the Public Purchase system is the tracking and reporting features. Rader said that the county now maintains better records of bid distribution and response rate.

Increase in Competition

More time will be needed to accurately assess whether the number of bid responses has increased. Rader has observed increases in responses for some products, but not others.

Increased Efficiency

During their economic downturn starting in 2009, Sacramento County was forced to cut 40% of their Purchasing staff to maintain County services. The electronic procurement system has enabled the County's smaller staff to manage their increasing work-load.

As the County no longer distributes open bids by mail, staff time is no longer needed for copying and stuffing enveloping, which has freed up staff time for other priorities.

While Rader has not calculated the financial savings that is a result of reduced paper use, he can attest that his Department has nearly eliminated their \$6,000 yearly postal budget.

Future Developments

Sacramento County has yet to integrate the program with SAP, although it may in the future.

Sacramento County also utilizes Public Surplus—another product offered by The Public Group—to sell the County's surplus office goods and equipment.

Sacramento's Purchasing staff are currently piloting The Public Group's Public Contract tool for public agency contract management. A buyer is currently testing the product, and County will perform an analysis to see if the fee-based program is worth the cost.

Lesson Learned

1. *Use a phased-in approach*
Sacramento County found that staff and vendors were more receptive to the e-procurement software when the functionality was rolled out in steps.
2. *Pilot the software program before full adoption.*
Several staff people piloted the e-procurement software and shared feedback, which was used in the County's final purchasing decision. Rader said, "Be sure to include non-technologically savvy individuals in pilot."
3. *Don't under-estimate the level of training needed both internally and by vendors*
Public agencies receive better pricing on goods and services when there is greater competition. For that reason, county staff should allow sufficient time to help ensure that vendors are engaged and comfortable with the new electronic processes. When a bid is awarded, both county staff and the e-procurement vendor should be clear about what training activities are handled by each party.

Sacramento County found a balance between county-offered and Public Group training. Sacramento County has integrated training and education about the County's e-procurement system into regular workshops about doing business with the County. Many County workshops have relocated to a computer lab so that

vendors can complete their online registration before leaving their training event and receive immediate assistance from county staff.

4. *Recommendations for Vendors*

- Use a generic email account (ex: sales@vendor.com) that feeds to multiple staff accounts when registering for bid notifications. This can help ensure that the businesses continue to receive notifications, despite internal staff changes.
- Regularly check SPAM and junk folders, as pre-generated emails will come from Public Purchase, rather than the County.
- Do not procrastinate. Filling out electronic forms may take more time than anticipated. If the bid submission deadline passes, vendors who have failed to complete the forms in their entirety will be blocked from submitting additional materials.