



The Fine Print

The Newsletter of the Maryland Public Purchasing Association, Inc.

March / April 2004

PRESIDENT'S MESSAGE

George F. Dietsch, CPPO

My fellow members, as we change leadership, I am honored to be President for 2004. I will endeavor to continue the excellent leadership that we have been so blessed with in the past.

You can't look forward without examining the past and I thank Karen Luther for the time, energy and professionalism in adding her name to the list of outstanding leaders of MPPA. I thank all outgoing board members, chairman and all who worked so diligently to make the Region I Conference in Annapolis a huge success. Cindy Sennett went beyond the call of duty and I thank her. I welcome all new board members and chairpersons and look forward to working closely with everyone.

Each year brings new challenges and we will face them head on. Our mission is to teach our trade through NIGP educational programs. This year NIGP will "LEAP" into a new teaching mode. We will have to adapt to these new changes and set a course of direction that will make our chapter more successful than ever. To enable us to reach our goals, I submit a request to all managers to lead the way with your personnel and set aside funding, in tight budget times, to train or retrain your staff. Managers can also help by allowing time for members to attend meetings and workshops. We are unique in that our networking allows face to face discussions with peers having similar contractual problems, solutions and processes. It is a call to help this organization and in return reap the benefits for your own staff.

The education chair, Rich Shelton, has scheduled a full training agenda to fit the association's educational needs and one jurisdiction signed on for a full training slate at their location. I thank Baltimore City for seeing the value of professional procurement training provided by MPPA through NIGP.

We will work diligently to bring fresh, interesting and meaningful programs to our meetings. As started last year, the meetings will move to different locations. This is keeping with the board's decision to be inclusive to all provinces. So please check the MPPA web site for any changes and updates to our schedules.

I decided as many have before me, to give something back to our organization and thus I have volunteered my time the past five years. Since my membership in MPPA in 1986, I have enjoyed

the educational process and the camaraderie shared with our members. As a group, we have an outstanding organization. I ask all members to search inward to see what they can do to continue the growth and leadership of MPPA for the future procurement professionals.

"Nothing will work unless you do." - Maya Angelou

MARCH GENERAL MEMBERSHIP MEETING & FOOD DRIVE

WHEN: **Thursday, March 11th, 2004**

11:30 Networking
12:00 Lunch

WHERE: **Olive Grove Restaurant**

705 N. Hammonds Ferry Road (Exit 8 from Beltway 695)
Linthicum, MD 21090
Telephone: 410-636-1385
Web Site for Directions/Local
Map: www.olivegroverestaurant.com

COST: \$20.00 – With Advance Reservation
\$23.00 – Payable at the Door

Food Drive: Please also donate an item for the **Food Drive**. Agencies are encouraged to place a donation box at their agencies for everyone to be able to donate to the cause even if they are not able to attend the March general membership meeting. Someone from the agency who attends the meeting can then bring all donations.

RESERVATIONS ARE NECESSARY TO INSURE APPROPRIATE SEATING AND FOOD ALLOWANCES. THANK YOU FOR YOUR COOPERATION.

Due to MPPA's increasing costs, meals must be paid for at the time of reservation or at the door on the meeting day. The number of attendee's must be submitted prior to the meeting. Please notify Facilities Chairperson, Deborah Meehan, at telephone number 410-887-4637, fax: 410-828-7914, or dmeehan@co.ba.md.us if you plan to attend. Special diets can be accommodated upon request.

Buffet Menu will consist of these items...

Chicken a la Milanese (white sauce w/broccoli); Beef Tips Burgundy; Shrimp Creole with Rice; Vegetable; The Famous Olive Grove Salad; Homemade Breadsticks; Assorted Sweets; Coffee or Hot Tea

Directions:

Beltway 695 to exit 8 (Nursery Rd. to Hammonds Ferry Rd.) After the exit veer to the Right. First light make a Right (Nursery Rd. West). Then at the next light make a Left on to Hammonds Ferry Rd. The Olive Grove is a short distance on the Left.

RECOGNITION REPORT

Pam Jones, CPPB, MBA

Introduction:

I am excited to serve you this year as the Chairperson of the Recognition Committee and look forward to hearing all about your professional accomplishments and personal successes. I'm also excited and pleased to announce that Tom Savoie, Procurement Specialist I, Montgomery County, MD, Office of Procurement, will serve as a member of this committee.

Also, a special thanks to John Wall, CPPO, C.P.M., for an outstanding job as the 2003 Recognition Committee Chairperson. John was kind enough to visit with Tom and I this month and share his experiences and offer helpful advice. He also passed "The Book" to me, which I promise to take care of and guard. J "The Book" is filled with historical recognition committee information and also outlines duties, includes forms, etc.; a wonderful tool to bestow on a new chair.

If you'd like to forward information to be published, please contact me at pam.jones@montgomerycountymd.gov or Tom at thomas.savoie@montgomerycountymd.gov.

Appointment:

It is with pleasure that Clolita M. Williams, Esquire, Assistant Vice President for Administrative Services – University of Maryland - Baltimore County (UMBC) announces that John Blecheisen, C.P.M., CPPO, has been appointed as Director of Procurement and Procurement Officer for UMBC. Many of you have known John and worked with him over the years. He has over 30 years of procurement experience at UMBC in procurement and is a valuable member of the UMBC community. The Department of Procurement will still be reporting to Ms. Williams as the Assistant Vice President. Ms. Williams will remain available to assist the System and the Procurement Officers in any way that she can, particularly on matters related to legislation and policy. Please join Ms. Williams in congratulating John on this promotion.

Mark your calendar:

NIGP Professional Buyer and Manager of the Year Awards Nominations

If you are interested in nominating yourself or someone else deserving, please submit your application for candidacy to my attention at pam.jones@montgomerycountymd.gov. I will collect all electronic applications and forward them to the MPPA Board for review and consideration. Candidates for each award (Buyer or Manager) will be selected from nominations submitted by NIGP Chapter affiliates, and winners announced at the 2004 NIGP Annual Forum, at Biloxi, Mississippi.

NIGP requires all forms and documentation requested to be presented in electronic format. Therefore, when forwarding your submission, please remember to submit them to my attention in electronic format for ease of submission to the Board as well as meeting NIGP's requirements. The criteria, directions, and entry forms are available on NIGP's website at <http://www.nigp.org/chapter/AwardProgram.pdf>.

The due date for submission of the Buyer or Manager of the Year Award is March 31, 2004, for consideration by the MPPA Executive Board during its April meeting; please send it to my attention at the e-mail address above.

2004 Best Practices Award

NIGP is considering entries for the 2004 Best Practices Award. Entries must be on behalf of a government agency and not by an individual; multiple entries are allowed. If your agency is interested, please visit NIGP's website at <https://www.nigp.org/common/restrict/bestpractice/submit.asp>. Please note that you will be required to login, as this site is restricted to members only. Submission should be made directly to NIGP, as instructed.

E-MAIL TO THE EDITOR FROM THE ZEMANSKY AWARD RECIPIENT—

Joseph D. Zissimos, CPPO, C.P.M.

Karen, please feel free to share this with any of the co-conspirators.

Perhaps it showed a little bit... I was absolutely stunned. Shortly after arriving, I began looking around for the tell-tales of the Z-Award... you know things like someone's extra family on hand... or someone who very rarely attends *- but then, I finally read the Program and it was settled. No Award this year, again.

Then, up comes Jack, in his inimitable way, began talking about historical events that could have applied to many in the room. When he mentioned serving those two years as Secretary... the air got real dense and I don't know what the h*** he said after that! Time slowed... there's been a mistake... what did he say? ...quite an ethereal and heady experience.

Yes, that was quite a surprise. My family keeping quiet was unbelievable.

You and all the others that helped set this up did 'real good' in making a very special memory. It will always be remembered.

Thank you all!

THANK YOU!

Could you please add a Thank You for all the Get Well cards and calls I received during my recent recovery from a heart attack. I also appreciated the lovely plant from MPPA. I'm back to work and on the road to recovery.

Thanks, Bill Schull (Anne Arundel County Government)

REVERSE AUCTIONS WORK!

Rick Gay, RSBO – Purchasing Manager and

Debbie Groat, Supervisor of Purchasing

Anne Arundel County Public Schools Purchasing Division

Public Schools Group - Paper Purchase

The Baltimore Regional Council Purchasing Committee Public Schools Group held the first reverse auction for a public school system in Maryland on November 24, 2003. There were four participating school systems in the auction, Anne Arundel County, Baltimore County, Harford County, and Howard County. The solicitation was for 1,259,650 reams of Xerographic paper in several sizes and colors valued at approximately \$2,345,663.00.

In a reverse auction, buyers and sellers swap roles. The sellers compete for the opportunity to supply a product, in this case paper, or service and as bids come in online the price comes down. A reverse auction allows the client (auction originator) to purchase supplies and/or raw materials at the lowest price possible, without sacrificing quality. By putting these auctions online, buyers can streamline the process of collecting bids and deal with many sellers at once.

Bidders (suppliers) are pre-qualified and delivery requirements are specified prior to the date of the auction. Therefore, when the auction begins vendors bid what they will charge to supply the commodity as specified. As the auction proceeds the best price to the client is actually the lowest price, hence the name reverse auction. At the end of the auction, the final price is the lowest price at which the winning supplier will provide the material to us.^[1] For example during our reverse auction we started with a price of \$2.50 per ream for Premium #4 Xerographic paper, mill brand, white 20lb. 8.5" X 11" and it dropped to \$1.649 per ream.

Future reverse auctions will allow us an opportunity to reduce the cost of the supplies and materials we purchase by pitting all potential qualified suppliers against each other. With the power of the Internet, we can expand and qualify potential bidders from throughout the world, thus ensuring that we would get the most exposure possible, so that we could purchase supplies and materials at the lowest price.

Initially we have had to bring in a consultant who specializes in this process. The consultant we selected for this first auction was Mr. Rick Bazaco with auction4Biz.net. Fees can be set up in a variety of ways depending upon the situation and client's preference. Normally the auction organizer will charge fees for reverse auctions based on the value of what the client saves as a result of the auction, or they can pass their costs on to the winning bidder. Normally the participants can for really big buys negotiate a cap to the fee. BRCPC did not pay a fee.

While the preparation work for the reverse auction took a little over a month to complete, the BRCPC reverse auction bidding took place in a single day, over four hours. We issued the bid through Anne Arundel County Public Schools on October 29th and held the auction on November 24th. In order to ensure that the suppliers and/or buyers are of the highest quality, they were pre-qualified on or before November 20th. For this and every auction we started with our current vendor's list and then proceed to supplement that list with additional suppliers as they made their intentions known to us. All suppliers were then subjected to an established pre-qualification process on the basis of the firm and products to be supplied.

The auction was split because of delivery requirements between Anne Arundel, Harford and Howard, and Baltimore County Public Schools. Anne Arundel, Harford and Howard County Public Schools realized savings of up to 9%, with a dollar value of \$114,091.00, while Baltimore County realized an approximate 3% savings with a dollar value of \$28,437.00 for a total savings of \$142,528.00 or 8% for all participants. We credit 3% to the effect of the actual reverse auction procurement method.

Baltimore County Public Schools had bid pricing for the same quantities that were only 4 weeks old. Therefore, the 3% savings was credited to the effectiveness of the actual auction. During an after the auction survey and review with the firms participating in the auction we learned several things that would help us to conduct a better auction in the future.

1. Two responses from the unsuccessful firms indicated that the auction should be by the "lot" because they could negotiate better pricing.
2. One line item for 8.5 x 14 paper was not awarded because it was the only line item that the low bidder won. The quantities were too low to hold the pricing. While the specifications reserved the right to award by line item or group, the winner of all other line items did not bid that line item, and those that did bid offered pricing that the mill would honor on a group award basis only.
3. Group A^[2] accepted warehouse deliveries in bulk within 60 days with the exception of HCPSS, who will accept in March 2004. Group B^[3] accepts warehouse deliveries over a 12-month period. Group A, roughly realized a 9% savings measured from prices that were 1 year old. The auction demonstrated in our analysis that of that 9%, 5% was a deflationary factor^[4], 3% was the affect of the reverse auction, and 1% was due to the delivery requirements. We expected to have a greater percentage for accepting bulk delivery within 60 days. This will cause us to rethink this delivery strategy.

As a result of the success of this procurement, other reverse auction procurements are being planned. Potential areas where this might be applicable could be fuel oil, gasoline, electricity, milk, bread, frozen foods etc.

Observations Summary - The following observations were made:

- v Baltimore County Public Schools had pricing for the same quantities that were 4 weeks old. Therefore, their 3% savings was credited to the effectiveness of the actual auction.
- v I surveyed the firms participating in the auction. Two responses from the unsuccessful firms indicated that the auction should be by the "lot" because they could negotiate better pricing
- v One line item for 8.5 x 14 paper was not awarded because it was the only line item that the low bidder won. The quantities were too low to hold the pricing. While the specifications reserved the right to award by line item or group, the winner of all other line items did not bid that line item, and those that did bid offered pricing that the mill would honor on a group award basis only. Based upon the small quantities in this line item and the extraordinarily low price per ream, their request to withdraw was considered reasonable and honored.
- v Group A^[5] accepted warehouse deliveries in bulk within 60 days with the exception of HCPSS, who will accept in March 2004. Group B^[6] accepts warehouse deliveries over a 12-month period. Group A, roughly realized a 9% savings measured from prices that were 1 year old. The auction demonstrated in our analysis that of that 9%, 5% was a deflationary factor^[7], 3% was the affect of the reverse auction, and 1% was due to the

delivery requirements. We expected to have a greater percentage for accepting bulk delivery within 60 days. This will cause us to rethink this delivery strategy.

WEB SITE ADMINISTRATOR'S NOTES

Please take time to review your personal membership information as listed in the "Membership" section of MPPA's web site at www.mppainc.org. Contact Kristy L. Heim at klheim@co.ha.md.us with any corrections or the addition of any information.

25TH ANNIVERSARY OF ASSOCIATION'S CHARTER

MPPA, Inc. will celebrate 25th anniversary in 2005 of the Association's Charter. If any member has any memorabilia such as stories, pictures, programs, etc. that they would like to contribute to the celebration event, please contact the event's organizer, Cindy Sennett (MPPA Director), so that the Association can begin compiling a list of items and ideas for the 2005 celebration event.

MEMBERSHIP

Darla H. Herbold, CPPO

The following professional purchasing practitioners were accepted into membership at the MPPA Executive Board Meeting on February 10, 2004:

Karen A. Downs, Procurement Director

College of Southern Maryland

Piper S. Dunston, Procurement Administrator I

Maryland Port Administration

Alfred M. FitzSimons, CPPB - Agency Procurement Specialist II

Maryland Department of Health & Mental Hygiene

Kathy Goodman, Purchasing Agent

Anne Arundel Community College

Rose Harrell, Projects Administrator

Maryland Food Center Authority

Mark E. Krysiak, C.P.M., Procurement Officer

Maryland Port Administration

Allan D. Schwartz, Contracts Administrator

Maryland Port Administration

EDUCATION

Richard L. Shelton

SEMINARS 2004 (Tentative Partial Schedule)		
March 17, 2004	Specification Writing	1 Day
March 18, 2004	How to Write Request for Proposals	1 Day
March 19, 2004	Contracting for General Construction Service	1 Day
April 15,16, 2004	Competitive Sealed proposal/Competitive Negotiations	2 Days
May 19 or May 21, 2004	Basic Legal Principles – at Montgomery County	1 Day

TREASURER'S NOTES

Mark A. Pemberton, C.P.M., CPPB

Please note that any payments formerly sent to Stephen Ports as the Association's Treasurer should now be sent to the 2004 Treasurer, Mark A. Pemberton, C.P.M., CPPB – Chief Procurement Officer, Maryland Department of Transportation, The Secretary's Office, Office of Engineering, Procurement and Emergency Services, 7201 Corporate Center Drive, P. O. Box 548, Hanover, MD 21076.

With Deepest Sympathy:

MPPA extends its deepest sympathy to the family and co-workers of long-time member, Eric Alan Packheiser, 47, who passed away on February 23 as a result of injuries received in an auto accident. Eric had recently moved from a purchasing position with Howard County Government to Frederick County Government.

[1] "Smart Ideas on Reverse Auctions", Kwak, Mary, Harvard Business Review – Working Knowledge, September 9, 2002.

[2] Anne Arundel County Public Schools, Harford County Public Schools & Howard County Public School System

[3] Baltimore County Public Schools

[4] This was determined from Baltimore County Public Schools bid pricing four weeks earlier for similar quantities as those contained in Group A.

[5] Anne Arundel County Public Schools, Harford County Public Schools & Howard County Public School System

^[6] Baltimore County Public Schools

^[7] This was determined from Baltimore County Public Schools bid pricing four weeks earlier for similar quantities as those contained in Group A.