

WARREN COUNTY BOARD OF SUPERVISORS

COMMITTEE: SHARED SERVICES

DATE: APRIL 3, 2015

COMMITTEE MEMBERS PRESENT:

SUPERVISORS CONOVER
WOOD
DICKINSON
FRASIER
SIMPSON
MERLINO
THOMAS

OTHERS PRESENT:

KEVIN B. GERAGHTY, CHAIRMAN OF THE BOARD
PAUL DUSEK, COUNTY ADMINISTRATOR
JOANN MCKINSTRY, ASSISTANT TO THE COUNTY ADMINISTRATOR
JOAN SADY, CLERK OF THE BOARD
SUPERVISORS BROCK
SEEBER
TAYLOR
VANSELOW
SEAN CARROLL, DIRECTOR OF PURCHASING, ONONDAGA COUNTY
ANDREW TROMBLEY, DEPUTY DIRECTOR OF PURCHASING, ONONDAGA COUNTY
JULIE BUTLER, PURCHASING AGENT
MICHAEL SWAN, COUNTY TREASURER
BRIAN LAFLURE, DIRECTOR OF THE OFFICE OF EMERGENCY SERVICES
DARLENE GUNTHER, VILLAGE CLERK, VILLAGE OF LAKE GEORGE
DEBRA MCKINNEY, VILLAGE OF LAKE GEORGE
JODI CENTERBAR, LEGISLATIVE OFFICE SPECIALIST
CHARLENE DiRESTA, SR. LEGISLATIVE OFFICE SPECIALIST

Mr. Conover called the meeting of the Shared Services Committee to order at 9:30 a.m.

Motion was made by Ms. Wood, seconded by Mr. Merlino and carried unanimously to approve the minutes of the previous Committee meeting, subject to correction by the Clerk of the Board.

Copies of the agenda packet were distributed to the Committee members; *a copy of the agenda packet is on file with the minutes.*

Commencing the agenda review, Mr. Conover commented the first item pertained to a presentation on the concept of shared or consolidated purchasing services. Paul Dusek, County Administrator, introduced Sean Carroll, Director of Purchasing for Onondaga County, and he informed that Julie Butler, Purchasing Agent for Warren County, had been exploring the possibility that efficiencies and savings could be achieved by centralizing the purchasing for the County and its municipalities. He reminded the Committee members that Governor Cuomo had enacted the Freeze Credit which required municipalities to realize a 1% savings to the tax levy and to submit their Government Efficiency Plan for doing so by June 1, 2015. He said they had discovered that Onondaga County had a very significant and involved purchasing program which included a number of their municipalities, school districts and special districts. Mr. Dusek stated that Mr. Carroll would explain how this program was initiated and what their experiences had been with the transition. He apprised that Onondaga County's purchasing program was entirely consolidated; however, he continued, for Warren County they were not currently considering a full consolidation but rather transitioning the purchasing program in phases. He said he wanted to ensure the municipalities and districts were comfortable with the concept and the pace at which the program proceeded. He commented there would be options for the municipalities and districts as to what degree they desired to become involved. Pertaining to the Government Efficiency Plans, Mr. Dusek pointed out, if a particular Town was unable to achieve a 1% savings on their own, by joining with the County on their plan, the Town

would be considered eligible to have met the requirement as long as the entire plan achieved a 1% savings. He commented the most likely areas to achieve the 1% savings on a County-wide basis would be shared or consolidated purchasing and animal control services. He pointed out they were looking into efficiencies beyond what was being required by the State in order to find programs which would be beneficial to the Towns.

Mr. Carroll provided a Power Point Presentation entitled "Consolidation Outline" to the Committee members and discussed it in detail; *a copy of the Power Point Presentation is on file with the minutes*. He introduced Andrew Trombley, Deputy Director of Purchasing for Onondaga County, and he thanked the Committee members for inviting them. Mr. Carroll said they were very proud of their program and hoped to share some of the things they had learned along the way. He informed the Onondaga County Purchasing Program made his Office the Purchasing Office for the City of Syracuse, the Syracuse City School District, several dozen Towns and Villages and almost half of the fire districts in the County. He said they were not currently serving the independent school districts because this had not been part of the original plan adopted by the legislature. He added the school districts had expressed interest in the program but the details had not been worked out. Mr. Carroll stated that Mr. Trombley took care of most of the day-to-day operations of the program while he spent time speaking about the program to legislators of other Counties.

Mr. Dickinson entered the Committee meeting at 9:37 a.m.

Mr. Carroll apprised he had assumed the position of Director of Purchasing in 2011 and had been in the position for less than a week when the County Executive informed him that she had sent a letter to all of the municipalities to let them know the County was willing to assume their purchasing operations. To some extent, he continued, the Onondaga County Purchasing Program was based on a shared balance sheet model but he had some other models to share, as well. He stated the biggest problem that Onondaga County wanted to solve was that the Villages were paying more than the Towns or the County for the same products. He said that buying in volume for all of the municipalities ensured the best price was obtained. He apprised the most important directive he had received from his County Executive was that the program should not impact the autonomy of any municipality or organization. He noted that each municipality, district and organization chose the level of program involvement they were comfortable with.

Mr. Carroll stated that Onondaga County had Intermunicipal Agreements (IMA's) with multiple organizations, the City of Syracuse and the Syracuse City School District where these entities no longer had purchasing departments. He said that was why the Onondaga County Purchasing Program was considered a consolidation program. He commented there were a number of Towns and Villages which participated in the program as a shared service and not as a consolidated service. Mr. Carroll listed the reasons to consolidate, as follows:

- ▶ Volume Savings - this was the number one objective of the program to purchase items or services in volume to achieve a significant savings;
- ▶ Centralized Purchasing Intelligence - the State Purchasing Laws had been changed 9 times in the last 4 years and having centralized purchasing services meant that fewer employees were required to stay current with the changing laws;
- ▶ Reduced Administrative Overhead - public bids and purchase orders cost money for advertising and staff time and a centralized office reduced the amount necessary for the same items or services;
- ▶ Reduced Participation Costs for Vendors - it was expensive for vendors to prepare purchase orders and bid responses and their preference would be to prepare one purchase order or bid response for multiple municipalities;

- ▶ Increased Competition Between Vendors - previously vendors could try to be awarded a bid from the Towns if they failed to do so from the County but under a consolidated program the vendors would need to present the best pricing in order to be awarded the bid for all of the municipalities included in the program;
- ▶ Reduced Number of Solicitations - this fell under the same category as reduced administrative overhead;
- ▶ Increased Cost Avoidance - an Article 78 Proceeding was a challenge to the integrity of the bid specifications and these challenges were expensive; by centralizing the purchasing services the likelihood of an Article 78 was reduced;
- ▶ Decreased Reliance on Consultants - if Towns or Villages were currently paying consultants to design their bid specifications, even when an engineer's stamp was not required, then a centralized program would eliminate this cost; and
- ▶ Decreased and Standardized Risk Exposure - this pertained to ensuring that the most current rules and laws were incorporated into the bid documents.

Pertaining to volume savings, Mr. Carroll stated that because the salt vendor only had to draft one contract, the participants of the Onondaga County Purchasing Program had saved 10% on salt purchases. He noted the volume savings on office supplies was about 4% since the program was initiated in 2011. He said there were more than 100 municipalities included in the program which resulted in lower pricing due to volume purchasing. Concerning Article 78's, he informed that since the establishment of the program an Article 78 Proceeding had been filed against them for one of the Town and Village bids; however, he continued, this was immediately dismissed because the process had been intact. He commented that the year prior, one of the Towns had the same Article 78 Proceeding filed against them and had lost because of a difference in the terms and conditions within the bid.

Mr. Carroll stated that a consolidated or shared purchasing program required a commitment from all of the participating municipalities. Whether it was just for one commodity or an across the board consolidation, he continued, the closer the relationship was, the stronger the commitment needed to be for each of the participating municipalities. He mentioned there was usually not a lot of concern from members of the public pertaining to the concept of consolidated or shared purchasing because most people were not aware their municipality had a purchasing department. He expressed it was very important to have the support of the upper level management for each municipality if the program was to be successful. Mr. Carroll said it was important to have realistic expectations about the savings which would be realized with a consolidated or shared purchasing program; he added it had taken Onondaga County three years to get excited about the results of initiating their program. He apprised the program should be viewed as a long term sustainability plan for the municipalities. He suggested a plan be developed before the program was initiated and he added it was important to establish a plan which would continue regardless of the election cycles. He opined that IMA's and Service Level Agreements between the municipalities were important to de-personalize the consolidation of purchasing services.

Mr. Carroll informed there was more than one model for shared or consolidated purchasing services and he listed them, as follows:

- ▶ Shared Balance Sheet Model with a Lead Agency - this was the model used by Onondaga County where the County extended these services to the municipalities for free and achieved their savings by way of the discounts received through volume purchases;
- ▶ BOCES (Board of Cooperative Educational Services) Model with a Board - BOCES had a purchasing office which did some consolidated purchasing and the member school districts paid a fee for these services;

- ▶ Piggybacking Model - this model was more beneficial for the entity that was "piggybacker" than it was for the "piggybackee"; piggybacking language was added to bid specifications and contracts to allow other municipalities to forego the competitive process and buy off the existing contract; and
- ▶ Complete Outsourced Model - the City of Syracuse used this model when they shifted all of their purchasing services to Onondaga County.

Mr. Carroll stated that shared or consolidated purchasing services required some decisions, such as which entity would bear the costs and responsibilities, as well as the liability. He pointed out that procurement was subject to rules from the Federal, State and local governments, as well as field specific rules and rules related to grant funding. He informed that his Office was assisting Otsego County with their purchasing; he explained the Onondaga County Purchasing Office was completely centralized and any purchases in excess of \$200 by participating entities were required to be completed through his Office. He further explained that Otsego County was completely decentralized meaning that each of their department heads were individually responsible for maintaining their purchasing operations and policies. He expressed the importance of integrating the technology and paperwork to gain efficiencies with a centralized purchasing system. He mentioned the importance of obtaining benchmark spending data from each of the municipalities in order to be able to appropriately measure the savings achieved in the future. He noted there were benefits of the program which would be difficult or impossible to measure, such as cost avoidance. Mr. Carroll mentioned that he and Mr. Trombley had committed to support Mrs. Butler and Warren County with any assistance they could provide in establishing a shared or consolidated purchasing program in Warren County.

Mr. Conover thanked Messrs. Carroll and Trombley for the presentation and he asked that they convey Warren County's appreciation to the Onondaga County Executive, as well. He said he felt that what had been accomplished in a short period of time by Onondaga County was incredible. Mr. Carroll remarked that they appreciated the compliment and it was nice to hear. Mr. Conover asked if Mr. Carroll found the savings realized by the Onondaga County Purchasing Program continued to increase each year and Mr. Carroll replied affirmatively. Mr. Carroll explained that Onondaga County had released an RFP (Request for Proposals) for Medicare Part B which included piggybacking language resulting in the City of Syracuse saving approximately \$1 million on the same bid. He noted that he was having difficulty quantifying the savings realized through their program because baseline spending had not been established before it was initiated. A brief discussion ensued.

Mr. Taylor asked if Onondaga County charged a fee to the municipalities and districts for the purchasing services and Mr. Carroll replied in the negative. Mr. Carroll commented a 5% fee on online auction listings was charged to municipalities which did not have an IMA with Onondaga County for purchasing services; however, he added, this fee was waived for participating municipalities. He mentioned this model worked well for Onondaga County because of the amount of staff within the Purchasing Department. Mr. Conover asked if they were able to beat State bid prices and Mr. Carroll responded they were not always able to beat the State bid pricing but he found it was worth the time and effort to release their own RFP's. He pointed out the State contract price for road salt was approximately \$1 more per ton than the amount they had contracted for as a result of an RFP. He informed that he had recently met with the four organizations which managed the water systems for Onondaga County and part of Oswego County because their chemical purchases had not been consolidated. He mentioned that some of the other organizations had obtained lower pricing than the County and they would re-issue those bids with piggybacking language to obtain the lower pricing. Mr. Carroll informed the State did not re-bid glass spheres (the glass in the reflective paint for highways) for 2015 because of confusion on municipality

discretionary spending. He said when the State did not renew a contract it became challenging for the local municipalities; he expressed it was more difficult to write the bid specifications when his understanding of the commodity was lacking.

Mr. Brock said when he had previously been a member of the City of Glens Falls Common Council someone had presented an offer to assist the City with reducing their purchasing costs; however, he continued, the Mayor at that time had not pursued the option because he had felt it would be a threat to local vendors. He asked how this type of issue would be handled under the Onondaga County Purchasing Program. Mr. Carroll responded the public bidding and RFP processes eliminated some of the preferences but there were things which could be done to drive local business. He commented that the bidding lists for the County and the municipalities were combined and all of the vendors were able to bid. He noted there were some cases where the outcome was good for City based businesses and some cases where the outcome was beneficial to County based businesses. He mentioned that he did not advertise in the *New York State Reporter* which was free but rather he placed paid advertisements in the local newspapers in order to reduce the number of State bidders. He noted it was necessary to "cast a bigger net" if there were only a few local companies providing a product or service in order to create competition. He informed that New York State was allowed to preference local companies but local municipalities were not allowed the same option. A brief discussion ensued.

Mr. Conover commented that Onondaga County had achieved a significant savings on road salt purchases and Mr. Carroll pointed out their close proximity to a salt mine and he stated he did not want to give the impression that every municipality would achieve the same amount of savings with volume purchases of road salt. He said he had waited until after the consolidation of purchasing services to release the RFP for road salt in order to achieve the best possible pricing. Mr. Brock asked if there was a centralized storage facility or if items were shipped to each municipality. Mr. Carroll responded the bids or RFP's were released by his Office but the items were drop shipped directly to the municipalities or districts.

Mr. Conover thanked Messrs. Carroll and Trombley again for taking the time to travel to Warren County for their presentation. Mr. Carroll thanked the Committee members for the invitation.

Mrs. Butler apprised that she had been employed by Warren County for almost 20 years; 8 years in the County Attorney's Office and 12 years in the Purchasing Department, so she was very familiar with the operation of the County. She explained she was looking at establishing the consolidated purchasing program by phasing it in, starting with commodities. She further explained that the Purchasing Department was already utilizing the piggybacking model by completing the bids at the County level and extending those bids to the Towns. She agreed that knowing the volume to be purchased beforehand would result in additional savings. She pointed out the agenda packet contained a list of specific purchasing categories which presented a general idea of the commodities, public works and professional services currently handled by the Purchasing Department. Pertaining to the concept of phasing this program in, Mrs. Butler stated they would commence with the commodities, then the public works and finally the professional services. She opined the commodities would most likely realize the greatest savings. She apprised the Purchasing Department was currently comprised of 2 full time employees and 1 part-time employee and at some point it would be necessary to review the staffing of the Department. She pointed out that an Article 78 Proceeding had never been filed against the Purchasing Department in the 12 years she had worked there.

Mr. Conover commented the waste and recycling transportation services had been one of the more involved bids which included most of the municipalities and Mrs. Butler interjected that bid would be up for renewal this year. Mr. Conover asked if the contract had been extended for one additional year and Mrs. Butler replied this was the last extension. Mrs. Butler commented that a lot of the commodity bids were completed in the fall and she would work with the Towns to determine their volumes on commodities before that time. She noted that great communication between the County Purchasing Department and the participating municipalities and districts would be vital to the success of the program.

Mr. Dusek stated they were not proposing that the school districts be included in the Purchasing Program at this time but they did want to include the fire, water and sewer districts, the Village, City, Towns and County. He said they would like to determine if there were municipalities or districts that currently purchased items on the commodities list and wanted to participate in the County purchasing program. He commented that if the municipalities and districts informed of their current volume of purchases for a particular commodity, this information could be included in the County's bid specifications to achieve better pricing. Mr. Dusek said municipalities and districts were also encouraged to inform of commodities which they currently purchased which were not included on the list. He apprised that if the purchasing program was initiated, it would count towards the required 1% savings to the tax levy and would be included in the Government Efficiency Plan. He noted there was a limited amount of time to submit the Government Efficiency Plan so it would be necessary to receive feedback from the municipalities and districts concerning their desire to participate as soon as possible.

Mr. Dusek mentioned there were currently two surveys which had been sent to the Town Supervisors; one of which requested information on any current shared services initiated since 2012 and the cost savings associated with them; and the second of which pertained to shared or consolidated animal/dog control services. He noted that page 11 of Publication 1030, which outlined the requirements of the Freeze Credit, was included in the agenda packet and contained a box which listed examples of shared and consolidated services between municipalities. He stated if Warren County was successful with the sale of Westmount Health Facility, a sufficient amount of savings would be realized to cover the 1% required for all of the municipalities and districts in the County; however, he continued, conversations with representatives from NYSAC (New York State Association of Counties) clarified that the State would not find this one sale to be sufficient for the required Government Efficiency Plan. He said the State would want to see shared or consolidated services from the individual Towns, as well as the County. He reiterated the shared or consolidated purchasing program would qualify towards the requirements. He added he wanted to get as many municipalities and districts into the purchasing program as possible, as well as include any shared services already in place in the municipalities since 2012. He stated he felt comfortable that this would be acceptable to the New York State Department of Budget. He reminded the Committee members that the chief financial officer of each local government must certify that the Plan would result in a savings and that full implementation of the agreements would result in savings over the aggregate tax levies for fiscal years beginning in 2014 and savings of at least 1% would occur in 2017, 2018 and 2019. Pertaining to the animal/dog control survey, Mr. Dusek requested these surveys be returned within the next two weeks. He apprised that he wanted to schedule another Committee meeting within the next two weeks to have a presentation on shared or consolidated animal control services. He said Jim Fitzgerald, President of the Warren County Society for the Prevention of Cruelty to Animals, Inc./Animal Control Officer for the Town of Queensbury, would be invited to attend as part of this discussion. Mr. Conover requested that the list of specific purchasing categories provided by Mrs. Butler be disseminated to the Town Supervisors with a request for them to inform which commodities they currently purchased, as well as a list of any additional

commodities they would want to include. Mr. Dusek said he would also want the Town Supervisors to include baseline spending information which would assist in tracking the amount of savings achieved. A discussion ensued.

Mr. Brock informed the City of Glens Falls controlled the sewer system for both the City and the Town of Queensbury and the purchasing for the sewer system was consolidated in the sense that the City took care of it. He asked about the possibility of joining with Onondaga County for the purchase of chemicals for the joint Glens Falls/Queensbury sewer system. Mr. Carroll responded they would be happy to answer any questions that Mrs. Butler had and if there was a possibility of being successful through joint purchases, they would be happy to entertain the concept. Mr. Dickinson commented there were many sewer districts in Warren County which could be included in the purchase of chemicals. Mr. Carroll responded that he would want to discuss this option with his water chemical experts to ensure there were similarities and overlap; however, he continued, Onondaga County would be willing to participate in any of these conversations which Warren County requested. A brief discussion ensued.

Mr. Conover requested Joan Sady, Clerk of the Board of Supervisors, to draft a letter of appreciation to the Onondaga County Executive for their support of Warren County's efforts to establish a purchasing program.

Pertaining to the water, sewer and fire protection districts, Mr. Dusek mentioned the representative from NYSAC had informed that the County should be looking into ways to achieve savings with these districts. He said he had been told that when the Towns completed their 2% tax cap calculations they included these districts and he asked if this was true. Chairman Geraghty noted the fire districts were separate but the fire protection districts were included. He added that lighting districts were also included in the Town taxes. Mr. Dusek stated he had been told that if the districts were included in the Town taxes they should try to show savings for them in the Government Efficiency Plans. He presented an example of a Town with a zero tax which had a sewer district with a tax and he said it would be necessary to show a 1% savings to the tax levy for the sewer district. He mentioned the next stage was to gather more information and he reiterated his recommendation that the Committee meet again within the next two weeks.

There being no further business to come before the Shared Services Committee, on motion made by Ms. Wood and seconded by Mr. Thomas, Mr. Conover adjourned the meeting at 10:40 a.m.

Respectfully submitted,
Charlene DiResta, Sr. Legislative Office Specialist