

WARREN COUNTY BOARD OF SUPERVISORS

COMMITTEE: SUPPORT SERVICES (*INCLUDING COUNTY ADMINISTRATOR & PURCHASING*)

DATE: APRIL 11, 2012

COMMITTEE MEMBERS PRESENT: OTHERS PRESENT:

SUPERVISORS TAYLOR
 LOEB
 McDEVITT
 FRASIER
 VANSELOW

PAUL DUSEK, COUNTY ADMINISTRATOR
HERB LEVIN, DIRECTOR OF WEIGHTS & MEASURES
JULIE PACYNA, PURCHASING AGENT
JOAN SADY, CLERK OF THE BOARD
KEVIN GERAGHTY, BUDGET OFFICER
SUPERVISORS MASON

COMMITTEE MEMBERS ABSENT:

SUPERVISORS STRAINER
 WESTCOTT

MERLINO
THOMAS
MICHAEL SWAN, COUNTY TREASURER
DON LEHMAN, *THE POST STAR*
CHARLENE DiRESTA, SR. LEGISLATIVE OFFICE SPECIALIST

Mr. Taylor called the meeting of the Support Services Committee to order at 11:15 a.m.

Motion was made by Mr. Loeb, seconded by Mrs. Frasier and carried unanimously to approve the minutes of the previous meeting, subject to correction by the Clerk of the Board.

Mr. Taylor stated the first items on the agenda were two requests to attend meetings or conventions from Herb Levin, Director of Weights & Measures. He said the first request was for approval of out-of-State travel to attend the 2012 Annual Meeting of the Northeastern Weights & Measures Association in Seekonk, Massachusetts on May 14-16, 2012, utilizing his personal vehicle, with all expenses to be paid by the New York State Weights & Measures Association. Mr. Taylor said the second request was to attend the 2012 New York State Weights & Measures Association Annual Training School and Conference in Syracuse, New York on June 11-15, 2012, using a County Fleet vehicle, at a total cost of \$519.75 for accommodations, meals and conference fees.

Motion was made by Mr. Loeb and seconded by Mr. McDevitt to approve both requests as outlined above.

Mr. McDevitt questioned the scope of authority for the Warren County Weights & Measures Department and Mr. Levin replied that every device used commercially which weighed or measured a substance for sale had to be checked and certified for accuracy. Mr. Levin gave the examples of scales in a delicatessen or grocery store, gasoline pumps, truck scales at weigh stations and the scales used by stores which purchased gold from the public. He said the Office of Weights & Measures was the oldest form of consumer protection. He added he was the person in Warren County who certified the aforementioned devices by placing certification stickers following testing. Mr. Levin advised he was President of the New York State Weights & Measures Association and he noted the Northeastern Weights & Measures Association covered the states between Pennsylvania and Maine.

A brief discussion ensued.

Mr. Taylor called the question and the motion was carried unanimously to approve the requests as outlined above. *Copies of the Authorization to Attend Meeting or Convention and resolution request forms are on file with the minutes and the necessary resolution was authorized for the April 20, 2012 Board meeting.*

Julie Pacyna, Purchasing Agent, said the next item on the agenda was a presentation from Aeon Nexus Corporation pertaining to the Warren County Spend Assessment and she introduced Mark Cerro, Managing Director of Aeon Nexus Corporation.

Mr. Cerro thanked the Committee members for inviting him to the meeting. He recalled that at the end of 2011, the Board had authorized an agreement with Aeon Nexus Corporation to perform a Spend Assessment (Resolution No. 534 of 2011) for a fee of \$16,000. He distributed a report entitled, "Warren County Spend Assessment" to the Committee members which he reviewed in detail; *a copy of the report is on file with the minutes*. One of the first things they discovered during the assessment, he continued, was that there were many savings procedures which had already been initiated by the Purchasing Department. He said Aeon Nexus Corporation would accelerate and amplify the cost savings measures already in place and would make suggestions for additional cost savings measures.

Mr. Cerro stated he had reviewed the findings of Aeon Nexus Corporation in February with Ms. Pacyna and Paul Dusek, County Administrator. He reported they had worked closely with the IT (Information Technology) Department who had provided an extraction of accounts payable data. He remarked that data from the last three years had been analyzed and enriched in order to utilize the United Nations Standard Products and Services Code (UNSPSC) to categorize the spending. He apprised that when Aeon Nexus Corporation completed a Spend Assessment, it was with the understanding that they were looking for cost savings while keeping in mind the things that would be important to their client, such as utilizing local sourcing when possible. He mentioned that reverse auctions were allowed in other states but General Municipal Law (GML) in New York State did not currently allow this practice. Mr. Cerro advised the County's current procurement policies were centralized and appeared to work well. He said the biggest savings the County could realize would be from changes in the process of how goods and services were purchased.

Referring to Page 6 of the Warren County Spend Assessment Report, Mr. Cerro said this reflected the key findings of the study. He said the focus had been on the large dollar impacts which were achievable through process, policy and procurement strategy changes. He added some simple process changes in procurement strategies could garner potential savings of over \$1 million. Mr. Cerro commented that a review of the accounts payable data had determined there were approximately 4,851 transactions per year in which checks were issued for amounts less than \$100 and he added each check cut by the County cost approximately \$90 to process. He suggested Warren County begin utilizing P-Cards (purchasing cards) to complete the majority of their transactions, especially those which were under \$100. He advised the use of P-Cards would save approximately \$70 per transaction in processing costs and had the additional benefit of offering 1% rebates on the amount purchased. Mr. Loeb noted the costs involved in processing a check included variable costs, such as paper, ink and electricity and fixed costs, such as employee salaries. He asked the percentage of the \$90 that was attributed to variable costs compared to the percentage that was attributed to fixed costs. Mr. Cerro replied that a specific study on the cost of cutting checks in Warren County was not completed; however, he estimated the \$90 was approximately 25% variable costs and 75% fixed costs. He added the savings was in redeploying the services of the employees to complete other tasks. He mentioned the P-Cards also supplied a better level of reporting due to the receipt of detailed statements. Mr. Geraghty asked which office would control the use of the P-Cards and Mr. Dusek replied the responsibility would fall to the Treasurer's Office. Mr. Dusek stated the County Treasurer would need to review the available information on P-Cards to determine if it was feasible for the County to begin utilizing them. Mr. Cerro said he would offer his time to discuss the use of P-Cards with the County Treasurer.

Mr. Cerro commented that another area where Warren County could recognize significant savings would be by changing the payment terms from 30 days to 45 days. He explained that by setting the payment terms at 45 days, the County could request prompt payment discounts from vendors for earlier payment, such as a 1% discount for payment in 30 days and a 2% discount for payment in 15 days. He said a lot of Counties were making this change as it improved the cash flow and provided an opportunity for savings.

Mr. Cerro advised another recommendation for significant savings was the implementation of the use of Best and Final Offer (BAFO) in order to drive the best price during the RFP (Request for Proposal) process. He explained that BAFO was commonly used when the procurement team believed that they had not received the best prices from the bidders or as a strategy to encourage bidders to reduce attractive bids even further. He noted BAFO was an approved negotiation strategy by the New York State Office of General Services (NYS OGS). He recommended not utilizing BAFO on every RFP, as that practice would result in bidders building the concept into their first bid. He added the BAFO strategy should be used selectively on large dollar purchases.

Pertaining to Health Insurance, Mr. Cerro commented Aeon Nexus Corporation suggested a third-party healthcare analysis be performed to determine if the County's supplier was achieving the best possible cost.

Mr. Cerro reported savings could be realized on the purchase of road salt and he pointed out the current OGS prices for road salt for Counties in the Capital Region were listed on Page 12 of the Report. He said the current price per ton in the Capital Region ranged from \$48.80 in Albany County to \$59.87 in Warren County. He added the OGS prices per ton for road salt in New York State ranged from \$36.37 in Ontario County to \$69.50 in Essex County. He informed that pending legislation which had been proposed by Senator Betty Little would improve local municipalities ability to "piggy-back" onto the best contracts available. He stated the average price per ton in the Capital Region was \$53.07 per ton and if Warren County were able to purchase road salt at the average price per ton, there would be an annual savings of approximately \$29,079. A brief discussion ensued.

Pertaining to office supplies, Mr. Cerro remarked that Warren County spent \$175,685 on office supplies in 2010. He admitted this amount would be reduced by the current plan to implement centralized printing, as the majority of office supply spending was for the purchase of toner. He said his understanding was the office supply contract was competitively bid on a regular basis but he noted recent pricing structure changes among the key players would enable additional savings opportunities. He added switching providers could result in approximately 10% savings and he further added Aeon Nexus Corporation's analysis showed the best pricing could be achieved by switching to Office Depot.

Mr. Cerro stated he had looked at the possibility of savings derived from the purchase of asphalt which was a relatively competitively priced commodity. Typically, he continued, the savings derived from the purchase of asphalt was due to outsourcing the paving services and bundling the purchase of asphalt as a materials cost. He informed that a couple of the current Warren County asphalt vendors accepted P-Cards as a form of payment which would result in potential savings of 1% due to the rebates offered.

Another opportunity for savings, Mr. Cerro said was with outsourced services. He explained there were a number of services which were currently outsourced to local municipalities, such as snow removal, environmental services and road repair. He stated some municipalities were looking into

outsourcing these services to commercial companies. He suggested studies could be conducted to determine the potential cost savings from outsourcing to commercial providers, as well as selling the existing equipment to those providers. Mr. Cerro stated if the County was to consider the possibility of outsourcing, it was important not to focus solely on prevailing wages, but instead on the savings derived from wages, equipment, maintenance, benefits and financing.

Pertaining to asphalt savings, Mr. Dusek asked if the suggestion was for the County to outsource the paving services and Mr. Cerro replied affirmatively. Mr. Cerro added he often heard the argument that it made sense to have municipal labor complete the paving as the same labor crews completed the snow removal, etc. He said there might be factors that would justify the outsourcing of the paving such as the sale of the equipment.

Mr. Cerro stated the last sections of the Report focused on implementation of the suggestions and the use of P-Cards. Mr. Loeb asked exactly what a P-Card was and Mr. Cerro replied P-Cards were basically credit cards which were issued by financial institutions with limits and controls. Mr. Cerro stated the P-Cards also had the benefit of fraud protection and enhanced reporting services.

A brief discussion ensued.

Mr. Taylor thanked Mr. Cerro for the presentation and noted the Committee and the Board would review all of the information provided.

Ms. Pacyna presented a request for authorization for herself and Jason Shpur, Deputy Purchasing Agent, to attend the New York State Association of Municipal Purchasing Officials Annual Professional Development Conference at the Fort William Henry Resort in Lake George on May 9-11, 2012 at a total cost of \$250. She noted one of the classes being offered pertained to P-Cards and she planned to attend. Mr. Loeb asked if both Ms. Pacyna and Mr. Shpur would attend and Ms. Pacyna replied affirmatively and added they would divide the classes in order to obtain the most information possible.

Mr. Taylor stated that Mr. Dusek had advised a motion was necessary in order to authorize payment to Aeon Nexus Corporation for completion of the Warren County Spend Assessment. Mr. Dusek said the original resolution had been subject to Committee approval. Mr. Loeb asked the amount and Mr. Dusek replied \$16,000. Mr. Loeb questioned if the Spend Assessment had gone beyond what had been anticipated and Mr. Dusek responded that Aeon Nexus Corporation had guaranteed savings suggestions of at least \$160,000 and he felt the County had received the full value of the contract. Mr. Dusek stated that the suggestions for the P-Card usage and road salt purchases had merit. He commented that the Report affirmed that the Purchasing Department was already generating a significant savings for the County. Ms. Pacyna apprised that one of the reasons she had not implemented the use of P-Cards in the past was due to a concern that there would be less control.

Following a brief discussion, motion was made by Mr. McDevitt, seconded by Mr. Loeb and carried unanimously to authorize payment in the amount of \$16,000 to Aeon Nexus for completion of the Warren County Spend Assessment. *The necessary resolution was authorized for the April 20, 2012 Board meeting.*

Mr. Taylor noted a motion was necessary to approve the request to attend the Conference previously mentioned by Ms. Pacyna.

Motion was made by Mr. Loeb, seconded by Mr. McDevitt and carried unanimously to approve the request to attend the New York State Association of Municipal Purchasing Officials Annual Professional Development Conference as outlined above. *A copy of the Authorization to Attend Meeting or Convention form is on file with the minutes.*

Mr. Dusek apprised that the surplus New York State vehicles which were being sold by OGS on Ebay did not appear to include any that would be useful to Warren County. He noted Ms. Pacyna had been researching the issue and had printed out a list of the vehicles that were available. He said Ms. Pacyna had reported they were all older vehicles and she had provided him with a list of the best available as far as year and low mileage. He gave an example of a 2001 Chevy which only had 21,000 miles and said although the mileage was low, the vehicle had little value to the County. Mr. Dusek asked Ms. Pacyna to list the best vehicles and Ms. Pacyna responded there was a 2006 Ford Crown Victoria with a current bid of \$8,200; a 2006 Ford Taurus with a current bid of \$4,250; and a 2005 Ford Focus with a current bid of \$5,000. Ms. Pacyna noted the auction for the vehicles would remain open for another day and the current bids would likely increase. Mr. Dusek said when they had first become aware of the New York State surplus vehicles it was believed there would be newer vehicles available. He opined there were no surplus vehicles available which could be appropriately used as a Health Services Fleet vehicle.

As there was no further business to come before the Support Services Committee, on motion made by Mr. Loeb and seconded by Mrs. Frasier, Mr. Taylor adjourned the meeting at 12:08 p.m.

Respectfully Submitted,
Charlene DiResta, Sr. Legislative Office Specialist