Cite policy requirement, or explain why item is on the Board agenda: The collaborative sourcing initiative has laid the groundwork for recurring savings of several million dollars per year for Minnesota State Colleges and Universities. This report gives a short overview of the savings potential.

Scheduled Presenter(s): Laura M. King, Vice Chancellor – Chief Financial Officer

Outline of Key Points/Policy Issues: In the past 12 months, the Collaborative Sourcing Team has followed their mission on a broad range of purchasing programs that have resulted in significant hard dollar cost savings (several hundred thousand dollars) and have laid the groundwork for recurring savings of several million dollars per year.

A contract with Office Max Inc. allows campuses to purchase office supplies at prices which are less than the current State of Minnesota Department of Administration program. The Office Max, Inc. contract includes rebates ranging from a minimum of 5% up to 8.5%. In addition, this contract allowed the team to negotiate an additional incentive of 2.5% per year (based on volume of at least $3,000,000).

If embraced by all colleges and universities in the system, this program has the potential to produce savings in excess of $1 million dollars annually.

Background Information: In 2008 the Collaborative Sourcing Team was established to search for collaborative purchasing options that could produce significant savings and value for the system. The 15 participants on the core team were volunteers representing both 2 and 4 year institutions from all regions of the state.
BACKGROUND

In 2008 the Collaborative Sourcing Team (CST) was established to demonstrate that significant savings and value can be achieved by leveraging the human resources and the financial spend of the system. The team was created with volunteer leadership representing both 2 and 4 year institutions with team members from all regions of the state (15 participants were on the core team). To ensure maximum stakeholder involvement and to recognize the unique needs of colleges and universities the CST uses “special project contributors” or subject matter experts from the campus level to ensure that the programs meet or exceed the individualized customer needs.

The Collaborative Sourcing Team’s mission is: “We collaborate, to seek innovative strategic sourcing solutions to achieve sustainability and best value by the leveraging the system's buying power.”

In the past 12 months, the CST has followed their mission on a broad range of purchasing programs that have resulted in significant hard dollar cost savings (several hundred thousand dollars) and have laid the groundwork for recurring savings of several million dollars per year.

System projects include the following:

- Mattress program, designed to exceed the specifications of all campuses.
- Computer Disposition: change from an expense to revenue while enhancing security.
- Facilities Cleaning Assessment, a powerful automated program to better manage work distribution and assignments, equipment deployment and planning for future facility changes.
- Freight program pilot to save money on the shipment of textbooks.
- Procurement web site developed to reduce duplication of efforts and highlight best value contracts.
- Office Supply Program (as described below).
Minnesota State Colleges and Universities Collaborative Sourcing Team has solicited input system-wide from procurement departments regarding opportunities to reduce costs, achieve best value and sustainability, and effectively leverage the system’s buying power. Office supplies were identified as an effective way to reduce costs (both hard and soft) and to reduce inventory. Currently Minnesota State Colleges and Universities is using over 55 different office supply/paper vendors with estimated spend in excess of five million dollar on paper, toner, ink, and general office supplies. The CST pursued the most appropriate program available by piggybacking on existing programs competitively bid by approved cooperative purchasing ventures, specifically in the higher education arena.

The Collaborative Sourcing Team negotiated a system-wide membership with the Educational & Institutional (E&I) Cooperative for $525. This membership would have cost at least $25,000 if colleges and universities had signed up individually. The E&I membership allows access to many vendors offering purchasing programs including an office supply program with Office Max, Inc. Office Max is one of many vendors offering purchasing programs under the E&I contract.

The Office Max contract allows campuses to purchase office supplies at prices which are less than the current State of Minnesota Department of Administration program. The Office Max, Inc. contract includes rebates ranging from a minimum of 5% up to 8.5%. In addition, this contract allowed the CST to negotiate an additional incentive of 2.5% per year (based on volume of at least $3,000,000). This office supply program will save money and increase efficiency while allowing for campus customization. The contract is available to any Minnesota State College and University institution that chooses to participate. Office Max, in particular, recognized Minnesota State Colleges and Universities as one of the largest educational systems in the country with an additional incentive commensurate with our status.

The entire Collaborative Sourcing Team participated in the review of program options and the decision was unanimous. The Office Max Program, under the current E&I contract, represented the best overall value of the alternatives while providing for customization and flexibility at the campus level. Research indicates the most campuses are using Office Max to some extent. Several campuses understand the benefits of this program and have expressed the desire for implementation. However, we realize that complete adoption of this program will require training, some disruption of current practices either due to changing buying relationships or changing campus procurement practices.

If embraced by all colleges and universities in the system, this program has the potential to produce savings in excess of $1 million dollars annually.