

CRONIN IT INNOVATION AWARD SUBMISSION

**NEW YORK STATE
OFFICE OF GENERAL SERVICES
PROCUREMENT SERVICES GROUP**

**ROAD SALT
AWARD # 18391, 18421, 02303, 19132**

**IMPLEMENTATION DATE:
SEPTEMBER 1, 2003 through AUGUST 31, 2006**

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Purchasing Officer**

**ASSISTED BY: Christine Hyer
Purchasing Team Supervisor**

CRONIN IT AWARD RECOMMENDATION

New York State Office of General Services - Procurement Services Group

ROAD SALT

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James Mastromarchi - Assistant Director
Christine Hyer – Purchasing Team Supervisor
Karol Garrison – Purchasing Officer

DESCRIPTION OF CONTRACT

The primary intent of this contract is to provide New York State Agencies, political subdivisions and municipalities with reliable sources of road salt on a timely basis at the lowest possible cost. This contract also offers other cost saving benefits to the contract users such as liquidated damages for untimely deliveries and buy against for instances when a salt contractor cannot provide and/or deliver salt. The New York State Road Salt contract has an annual value of \$100,000,000 and saves the State approximately \$14,000,000 annually by providing road salt that is 16% to 70% below other States/Locations pricing for road salt. We award by county to the lowest priced, responsive and responsible salt company for 3,000,000+ tons of road salt.

INNOVATION

This procurement is innovative in several different respects. The use of technology to conduct procurement saves resources and time. The first innovation involves the use of technology in setting up the Invitation for Bids and then tracking the customer usage through information generated from the PSG Customer Services Database. The second innovation is our Emergency Standby Road Salt Contract.

1. PSG Customer Services Database:

PSG Customer Services maintains a database which contains all customers who are interested in procuring road salt from our State contract. Once a year, a Requirement Letter for Road Salt is generated and mailed to customers using the Customer Services database customers' names and addresses. The requirement letter is a form whereby the contract user identifies the:

- delivery location(s) (street, city and zip code),
- amount of salt they can store,
- amount of salt they will purchase during the contract period,
- contact name, phone number, and fax number as well as any delivery restrictions such as size of trucks, days and hours of operation, etc.

These requirement letters have a deadline to be returned by.

The requirement letters are returned to Customer Services who logs in their return, verifies the addresses and contact information, and OGS customer ID. Customer Services then forwards them to the Road Materials Team. PSG staff enter the tonnage to be used, the storage capacity, the contact person, phone number, fax number, etc., into a database. When doing this input to the database, most often the changes from year to year are only to the contact person and tonnage to be used.

The database generates 3 reports/documents showing all of the counties and the tonnage filed for that county. The report becomes part of Invitation for Bid. The database also generates a delivery schedule. The delivery schedule shows, by county, each delivery point and the address including city and zip code, the phone number and contact name for each location, and the storage capacity and total quantity. For example, within Albany County, Albany County Department of Public Works is requesting salt be delivered to 8 delivery locations with 8 different contact people, and 8 different quantities. The delivery schedule is posted on the OGS Procurement Services website allowing the companies bidding to see the locations and tonnage to be bid and to allow the customers who have filed to verify the accuracy of the information contained in the delivery schedule.

The delivery schedule is then exported from the web site into an excel document. The delivery schedule in excel format is used to generate reports that are essential to managing the Salt Contract. Examples include:

Reports of Contract Usage: A contract usage report which is generated after the bid is awarded and is sent to each contractor who has won an award. This excel spreadsheet is sent by email every month to each contractor and they fill in the usage for each location. This report also keeps track of what percentage the customer has reached of their filed requirement. This is important because the terms of the road salt contract stipulate that customers must take 70% of their filed requirement, the price increases at 121% and 131% of the filed requirement and customers can be denied delivery at 150%.

Fuel Adjustment Report: This report reflects adjustments to the price per ton of salt if fuel prices increase. The fuel price adjustment is arrived at by entering the fuel index in effect on the bid opening date. Each week an entry is made for the new fuel price in effect that week and a report is produced showing the fuel price adjustment for each county. This report is converted into a Purchasing Memorandum that this published on the website for the contractors and contract users.

Another report generated by the database shows who hasn't filed for the current year that filed the previous year. Prior to the generation of this report, the procurement team would match the old delivery schedule against the new delivery schedule and go page by page to see who had and hadn't filed. This new report saves, at the minimum, a week of several people's time to go through the 135 page documents. In a matter of seconds, a report is generated showing who hasn't filed this year (that filed last year), the tonnage, and the contact info phone, fax and email address.

In 2004-2005 the delivery schedule was 135 pages long, there were 1,269 customers who submitted filed requirements, with total delivery locations of 1,663. To create the delivery schedule in excel without the use of technology would require a few people a month or more. With the use of technology, the quantities generated for the Invitation for Bids and the delivery schedule are accurate. The chance of inputting error is diminished nearly to zero with the use of the reports generated by the database.

The next planned phase of better utilizing technology in this process is to transition from a mailed, manual data entry into the database to an online tool permitting interactive entry via the web. The primary reason that this has not taken place is that the customer for these contracts is the local highway field staff, most of whom do not have computers and Internet access.

SERVICE IMPROVEMENT:

The proven success of the Road Salt contract clearly establishes the rationale for continuance for improved efficiency. The contractors who participate in the New York State Road Salt contract have told us that our use of technology in creating the delivery schedule that is posted on the website allows them to see the locations and the tonnages and any restrictions for each county. Vendors have told us that our bid is straightforward and they know what to expect when and if they are awarded a bid. They believe that the contract usage report, which is emailed monthly, is a timesaver for them. Rather than creating this usage report manually on a monthly basis, the electronic report keeps track of county totals and overall totals and percentages used. This would not be possible if the document were created and either mailed or faxed back and forth. The electronic validity and savings in time would be lost.

COST REDUCTION

The creation of the delivery schedule has saved New York State personnel hours by reducing the inputting time from nearly six weeks to a few days. The Road Salt contract, in general, has saved the State of New York approximately \$14 million.

New York State Office of General Services' Procurement Services Group (PSG) has been able to provide the municipalities and state agencies in New York State with lower overall pricing than any other state. PSG was able to renew 50 counties out of 60 with only a 6% price increase. This renewal accounts for 85% of the tonnage bid (461,022 tons will be rebid out of a total filed requirement of 3,071,056 tons).

Shown below are recent bid openings for rock salt for other states and locations. While New York's volume contributes to the cost savings, we are also aware that the reliability and specificity of delivery information that we have been able to produce since integrating technology into the process makes the contract more competitive. Contractors have agreed that the known facts, delivery schedules, etc. make it easier for them to know their costs and thereby be more competitive.

State/Locality	04-05 AVERAGE	05-06 AVERAGE	% increase	% NY less
State of New Jersey	\$ 44.05	Bid Opening in September		26%
State of New York	\$ 30.74	\$ 32.58	6.00%	
State of Pennsylvania	\$ 35.74	\$ 38.88	8.78%	19%
Minnesota State	\$ 32.09	\$ 39.34	22.5%	21%
Morris County, NJ	\$ 46.89	\$ 51.31	9.42%	57%
City of Philadelphia, PA	\$ 40.75	\$ 55.52	36.24%	70%
Town of Dartmouth, MA	\$ 45.17	\$ 49.06	9.90%	51%

Of the \$14 million saved, we believe that 80% of the savings is attributable to the volume of our bid and 20% is attributable to the time-saving measures from the use of Technology and the reliability of the information provided to contractors.

TRANSFERABILITY

The bidding of Road Salt exists in other states across the country. The opportunity exists for other states to develop this same type of data base to benefit their state's needs. This innovation could benefit other states, particularly because the contractors find our format very user friendly as opposed to the manual methods being used by some states.

AGENCY PARTICIPATION

All State agencies and certain non-state entities are eligible to use this contract. The Office of State Comptroller is also involved in approving the contract award.

INNOVATION

2. Emergency Standby Road Salt Contract:

The Emergency Standby Road Salt Contract controls pricing and supply. This contract allows bids on each county from all bidders except the awarded bidder on the "regular" Road Salt contract. Bid prices are evaluated using an average price bid per county. The average price is increased by 50% and any contractors over the 50% are removed from the average. A new average is taken and is increased by 10% and all contractors that fall within the 10% parameter receive an award. There could be several vendors for each county on this award.

If a customer cannot obtain salt on the regular salt contract, they contact PSG and send in documentation regarding the non-delivery of salt. PSG would then contact the contractor on the "regular" salt contract to verify if delivery can be made in a time acceptable to the customer. If delivery cannot be made, PSG would contact the lowest price vendor on the Emergency Standby Road Salt contract to obtain salt. If the lowest price vendor could not deliver, PSG would contact the second lowest price vendor. The price per ton on the "regular" salt contract would be subtracted from the price on the Emergency Standby Road Salt Contract and the difference in price per ton would be charged against the "regular" salt contractor.

SERVICE IMPROVEMENT:

The proven success of the Emergency Standby contract is that it was not utilized at all in 2004-2005 - the first year of existence. Vendors on the "regular" road salt award knew the prices that could be charged for failing to perform. During this contract period, a contractor on the regular salt contract was the successful contractor on more counties than PSG and the contractor felt the company was capable of handling. The contractor expressed a desire to "give up" certain counties and keep other counties that were more desirable due to geographic location. PSG, working with the contractor, was able to minimize the impact of the bidder's responsibility to have more counties than they could handle. The contractor was required to keep some of the counties they wanted to give up. It is our belief that the existence of the Emergency Standby salt contract prevented this contractor from defaulting in delivery to some of the counties.

UNIQUENESS AND ORIGINALITY OF INNOVATION

The New York State Road Emergency Standby Salt Contract prevents contractors from overbidding and low bidding every county because they are responsible for deliveries to those counties. If a contractor defaults on the regular salt contract, this contract allows charge backs to the contractor on the regular salt contract.

COST REDUCTION

The New York State Emergency Standby Salt contract was not used. However, in the past, with no emergency standby contract in place, customers could not obtain salt from their regular rock salt contractor and purchased salt in the open market at costs ranging from 149% - 200% over their regular salt pricing. The emergency standby road salt contract pricing was as much as 100% higher than the regular rock salt pricing.

TRANSFERABILITY

Since Road Salt is bid in other states, the opportunity exists for other states to develop this type of bid to save their state time and money from open market purchases. This bid could serve as a deterrent from overbidding and it does offer protection to the contract users as well provide incentive to the regular road salt contractors not to fall behind on the deliveries or let their customers run out of salt.

AGENCY PARTICIPATION

Only State agencies and non-state entities that participate in the Road Salt contract are eligible to use this contract. The Office of State Comptroller is also involved in approving the contract award.