

# **From Pandemic to An Emerging Regional Local Agency Contract Exchange**

Stephen A. Hamill  
Jack Pellegrino  
Sean Behan  
Gerald Plummer

## **Challenge to Opportunity**

The 2020 COVID-19 pandemic represented the single most difficult period in modern Public Procurement history, including unprecedented demand, shocking price increases, trusted suppliers without inventory, broken supply chains, and more. Existing cooperative purchasing options offered no relief from these unprecedented challenges. In response, San Diego County (COSD) and Los Angeles County (LACo) formed a regional joint local agency purchasing effort to confront pandemic challenges, secure supplies that were in short supply, and ensure that pricing was fair and reasonable and not subject to gouging. In the aftermath of the pandemic, this collaboration has inspired a paradigm shift – a regional local agency intergovernmental initiative to establish a new and transformative cooperative purchasing model.

## **National Cooperative Purchasing Model Evolution & Challenge**

Three decades ago, the U.S. Communities Government Purchasing Alliance (U.S. Communities) and the Western States Contracting Alliance (WSCA) established the National Cooperative Purchasing Model (NCPM), which now serves some 90,000 state and local government agencies.

The NCPM aimed to save government agencies time and money. State joint powers statutes authorized a single Lead Government Agency to conduct a competitive solicitation and then offer the contract award for joint use by other government agencies. Consolidating contract use across multiple government agencies ensured a commitment to the best value and price. The reduction in multiple solicitations for the same products resulted in economy, effectiveness, and efficiency for both suppliers and public agencies.

The NCPM proved popular, evolving over the years from two to several dozen Cooperatives and from fewer than 50 to more than 5,000 contracts. As Public Agency dependence on NCPM contracts steadily increased, driven by more general acceptance, convenience, and use, a few large cooperatives came to dominate the NCPM market.

More importantly, the proliferation of NCPM contracts with the same suppliers without a value and pricing commitment for similar products and quantities represents a transparency and due diligence challenge for Public Procurement Professionals. Determining the best value and pricing contract among multiple cooperatives with the same suppliers and thousands of contracts in multiple product categories is a complex, time-consuming, and confusing exercise. The current structure undermines public agency confidence in achieving the best public pricing value through a cooperative.

### **Pandemic Sets the Foundation for the Local Agency Contract Exchange (LACE)**

During the pandemic, COSD and LACo, together with other state and local agencies, experienced a near-complete meltdown of access to critical personal protective equipment (PPE). Trusted suppliers lacked inventory as well as essential manufacturing support to meet PPE demand. Traditional supply methods and assurances of supply failed, and just-in-time delivery collapsed. Prices for the limited PPE supplies available were beyond reason. For example, the price of a single mask that cost cents on the dollar to produce became \$9.00 overnight. In addition to uncertain inventory and delivery, as well as unprecedented price inflation, the pandemic pressures on suppliers in many cases also compromised quality control.

The NCPM proved ineffective when faced with these new challenges. The system had become overly distributed, lost inventory and delivery transparency, and was without a clear commitment to best value and pricing.

In response to these overwhelming pandemic supply challenges, COSD and LACo turned to each other. They established a regional local agency partnership designed to identify potential PPE resources and then share PPE products, supply information, and research. The COSD and LACo partnership built public-private partnerships with the supply and manufacturing capacity to meet PPE demand at fair and reasonable pricing. They shifted traditional transactional Supplier relationships to strategic partnerships based on guaranteed supply and best pricing outcomes.

### **Local Agency Contract Exchange (LACE) Concept & Vision**

*Unless Things Change, they Stay the Same.*

The success of the COSD and LACo regional partnership suggested its continuation beyond the pandemic. In 2022, COSD and LACo formalized a draft LACE concept and vision that differentiated it from the NCPM. This new model drew on the shared characteristics and core public procurement principles that had guided the pandemic-era collaboration:

- **Leadership.** Public Procurement Professional Leadership, Implementation & Oversight.
- **Competition.** Full and Open Competition for Single Supplier Awards by Product Category.
- **Public Benefit.** Due Diligence-Simplicity, Convenience, and Transparent Best Value and Pricing.

The pandemic-era achievements of the COSD and LACo partnership raised the possibility of expanding the partnership to include three additional local agencies: Orange County, Riverside County, and San Bernardino County (SoCal Counties).

The SoCal Counties provided an ideal region to test the potential benefits of the LACE as they share common characteristics, including size, budget, and population. In addition to geographic proximity (place), they share similar statutory authority, structure, challenges, and operations. The SoCal Counties have a population greater than 21 million and combined budgets greater than \$76 billion—larger than all but a handful of states. COSD, LACo, and the SoCal Counties represent not only the five largest counties in California but five of the ten largest counties nationwide.

#### **Local Agency Contract Exchange (LACE) Proof of Concept**

COSD and LACo agreed to take a leadership role in testing the viability of the LACE vision and establishing a proof of concept.

COSD, as the Lead Government Agency, in cooperation with LACo and Orange County, issued a joint competitive Maintenance, Repair and Operations (MRO) solicitation. COSD and LACo aggregated usage, and LACo served on the COSD solicitation evaluation team. They received and evaluated multiple competitive Supplier proposals.

Ultimately, the partnership awarded a comprehensive single award best value and pricing contract to Global Industrial (GI), a nationally recognized industry-leading MRO supplier for more than 70 years, which offers some 250,000 products. This initial contract is now available for the benefit of the SoCal Counties as well as any

additional County, City, Education, Special District, or Non-profit Agencies (collectively Purchasing Government Agencies or PGA) that elect to participate. Other shared contract opportunities are being evaluated.

As a direct result of the successful joint regional MRO solicitation and award, LACo received a request from Staples to make the LACo Staples contract and pricing available through LACE. A comparative cost analysis confirmed the best value and pricing with annual savings of \$1.8 million for the other four SoCal Counties. Savings ranged from 6.4% to 15.3%, or \$365,000 to \$620,000 per County, compared to the current NCPM contracts—another extraordinary public benefit proof of concept. COSD has adopted the LACo Staples contract, and further implementation of the Staples LACo contract through LACE is in process.

At the request of Safeware, through a Maricopa County award, a security and safety contract is also available through LACE, featuring a commitment to best value and pricing.

The proof of concept measured against the core procurement principles successfully demonstrates a future for LACE as a new and improved model of Public Procurement Leadership, competitive single supplier awards in three separate product categories, and transparent best value and pricing commitments.

### **LACE Technology Partnership**

The Public Purchasing Exchange (PPEX) serves as the technology hub and distribution channel for the joint COSD and LACo award. Through a single registration, the PPEX assures open online access, streamlined shopping and ordering, and full transparency as to the best value and pricing in one location for all LACE Suppliers. The PPEX hub is now live and processing orders with the flexibility to adapt to individual agency technology capacity and internal requirements:

- **EzMarket.** COSD launched the GI contract through the PPEX hub EzMarket. Over 700 buyers and users were trained on the GI and Staples contracts and PPEX. Related shipping and billing addresses were auto-uploaded.
- **EzShop.** LACo launched GI, Safeware, and Staples through EzShop, a customized version of EzMarket. EzShop automates workflow and accommodates and facilitates supplier orders through LACo's legacy ERP system.

### **Inspiring Others & Measuring Performance**

The next phase of LACE implementation, which will further validate the proof of concept, is to engage a select group of leading California Public Agencies and Public Purchasing Professionals, inviting them to join the LACE shared leadership and governance, implementation, and oversight team. This group will include agencies and professionals inspired by and committed to improving:

- **Public Benefit.** Supplier commitments to transparent best value and pricing.
- **Competition.** Competitively solicited single award contracts by product category.
- **Access.** Accelerate access and use through the LACE technology hub powered by PPEX.

The successful completion of the LACE validation phase will be followed by the engagement, recruitment, and rollout of other leading California Public Agencies and Purchasing Professionals.

Based on results from the proof-of-concept phase, a key metric to measure LACE effectiveness is a 5% LACE savings over other available cooperative options, representing a \$5 Million savings goal for every \$100 Million of contract spend.

### **Intergovernmental Change Leadership**

COSD and LACo have jointly exercised their collective purchasing power and influence to establish a new and transformative regional intergovernmental procurement model with the potential to benefit a significant number of other public agencies. In doing so, COSD and LACo have demonstrated the effectiveness of the **LEAP** model as applied to intergovernmental change leadership:

- **Love.** Establish love for a new concept and a better way.
- **Energy.** Generate energy to pursue a new concept and better way.
- **Audacity.** Inspire audacity among others to want to make a change.
- **Proof.** Provide proof that the new concept and change is a better way.

### ***About the Authors***

*Stephen Hamill is a Fellow of the National Academy of Public Administration and a Founder and administrator of the Public Purchasing Exchange.*

*Jack Pellegrino is the Director of Purchasing & Contracting for the County of San Diego*

*Sean Behan is the Chief Operations, Purchasing & Contracting, County of San Diego*

*Gerald Plummer is the Division Manager, Purchasing, County of Los Angeles*

1/12/23