



STATE OF TENNESSEE
DEPARTMENT OF GENERAL SERVICES

STEVEN G. CATES
COMMISSIONER

BILL HASLAM
GOVERNOR

AGENDA
ADVISORY COUNCIL ON STATE PROCUREMENT MEETING #002
WEDNESDAY, JANUARY 18, 2012 – 1:00 PM
TN TOWER – 3RD FLOOR - DAVIDSON ROOM

- I. Welcome and introduction of new members: Hugh Holt, Jay Garrison
- II. Common form for businesses to submit for procurement opportunities with government agencies (Mike Perry)
- III. Proposed legislation changes
- IV. Other business

CENTRAL PROCUREMENT OFFICE

312 ROSA L. PARKS AVENUE, 3RD FLOOR • NASHVILLE, TENNESSEE 37243
(615) 741-1035 • FAX: (615) 741-0684 • WWW.TN.GOV/GENERALSERV/



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DEPARTMENT OF GENERAL SERVICES

STEVEN G. CATES
COMMISSIONER

BILL HASLAM
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MINUTES
ADVISORY COUNCIL ON STATE PROCUREMENT MEETING #001
WEDNESDAY, NOVEMBER 9, 2011 – 1:00 P.M.
TN TOWER – 3RD FLOOR – DAVIDSON ROOM

Members in Attendance:

Jessica Robertson, Sondra Howe, Kelly Smith, Buddy Lea, Jason Mumpower, Mark Choate, Steve Hillis, Melissa Kmiecik, Matt Thompson, Jim Thompson

Members Absent:

Hugh Holt

Others in Attendance:

Steve Cates, Melinda Parton, Thad Watkins, Mike Perry, Charles Key, Charlotte McKinney, Terry Quillen (Capitol Strategy Group)

- I. Welcome and Introductions:** Before the meeting was officially called to order, Jessica Robertson, Chief Procurement Officer, Department of General Services, welcomed all members and visitors to the meeting. She introduced the Central Procurement Staff, as well as other Department of General Services staff and asked that all members give a short introduction of themselves. Steve Cates, Commissioner, Department of General Services, was introduced and gave a short background on the selection process for filling the Chief Procurement Officer position. He thanked Melinda Parton, Director, Office of Management Services, Comptroller of the Treasury; and Buddy Lea, Assistant Commissioner, Department of Finance and Administration, for their assistance in providing him some critical background information when he joined the state as Commissioner of the Department of General Services.
- II. Orientation by Legal Counsel:** Thad Watkins, Legal Counsel, Department of General Services, provided an orientation to the legal guidelines governing the creation and operation of the Advisory Council on State Procurement (Advisory Council). He also provided the definition of the “Sunshine Law” and reviewed the duties and responsibilities of the Advisory Council as outlined in the Tennessee Code Annotated. He emphasized that the Advisory Council is a public body and that two or more members cannot deliberate on issues or make decisions on issues in private.

CENTRAL PROCUREMENT OFFICE

312 ROSA L. PARKS AVENUE, 24TH FLOOR • NASHVILLE, TENNESSEE 37243
(615) 532-7279 • FAX: (615) 532-6257 • WWW.TN.GOV/GENERALSERV/

III. Review Advisory Council Notebook Contents: Jessica briefly discussed the information provided in the binders prepared for each Advisory Council member, which included the following:

- Conflict of Interest Form
- Contact Information and Member Biographies
- Legislation
- Links to TCAs and Rules
- Town Hall Meeting Presentation

Jessica asked each Advisory Council member to sign the Conflict of Interest Statement and return it to Charlotte McKinney, Executive Administrative Assistant, Central Procurement Office, before leaving the meeting. If any member has a question regarding the form, please contact Thad Watkins.

At this point, Jessica officially called the meeting to order. A quorum of members was present. She called a five-minute recess and then continued with the agenda as follows:

IV. Current Chief Procurement Office Initiatives: Jessica reviewed a slide presentation outlining Central Procurement Office initiatives (see attached).

V. Future Priorities: (see attached slide presentation).

VI. General Discussion: Jessica opened the floor for any comments/questions regarding the meeting or her presentation. Issues discussed included the following:

- The number of vendors (app. 120,000) and the number of statewide contracts (app. 160) the state currently has on file
- Statewide contracts and who uses them – problems/issues with them
- How state agencies have made purchasing decisions in the past and how we hope to change the process
- Importance of negotiation
- Issues with multi-year contracts
- Changing the mindset to go to market for a category and not an individual product
- Partnerships/relationships with local government and vendors
- Use of cooperative contracts as a tool
- Contract terms and conditions and issues with liability and indemnification terms – concept of master terms and conditions
- Reaching out to sister states to take advantage of their ideas and best practices that are working well as a result of reform, in addition to developing our own new procedures and policies
- Proposed legislation for the upcoming session and following session
- The importance of the task ahead of the Advisory Council and the possibility of splitting into subcommittees or smaller working groups based on areas of expertise

VII. Other Business: Jessica thanked all the members for their willingness to serve and asked for their honest feedback/comments as we go forward to improve our system and processes.

She announced that the next Advisory Council meeting is tentatively scheduled for Wednesday, January 11, 2012.

A motion to adjourn the meeting was made by Jason Mumpower, Executive Assistant to the Comptroller, and seconded by Kelly Smith, Assistant Commissioner, Department of General Services. All members voted in favor of adjourning – none opposed. No other votes were taken at this meeting.

Attachment

Advisory Council Meeting

November 9, 2011



Background

- Procurement Reform was initiated through Public Chapters 1098 and 295.
 - Transparency in the public procurement and contracting process
 - Maximize savings creation
 - Appropriate balance of cost and quality considerations
 - Simplify process and create efficiencies
 - Efficient oversight and control



Background (cont'd)

- Centralize procurement functions
 - Create opportunities for strategic sourcing
 - Source and establish state-wide contracts
- Establish central grant management system
 - Central database of grant information
- Create infrastructure to support agencies
- Establish central bidder relations process
 - How we represent ourselves to the vendor community
- Break down the barrier between goods and services



Background (cont'd)

- Meaningful dates
 - November 2011: Creation of Advisory Council
 - 12 member council
 - 5 voting, 7 non-voting members
 - Comprised of state employees, vendor community and local units of government
 - January 2012: Central Procurement Website established
 - April 2012: Public Chapter fully in effect

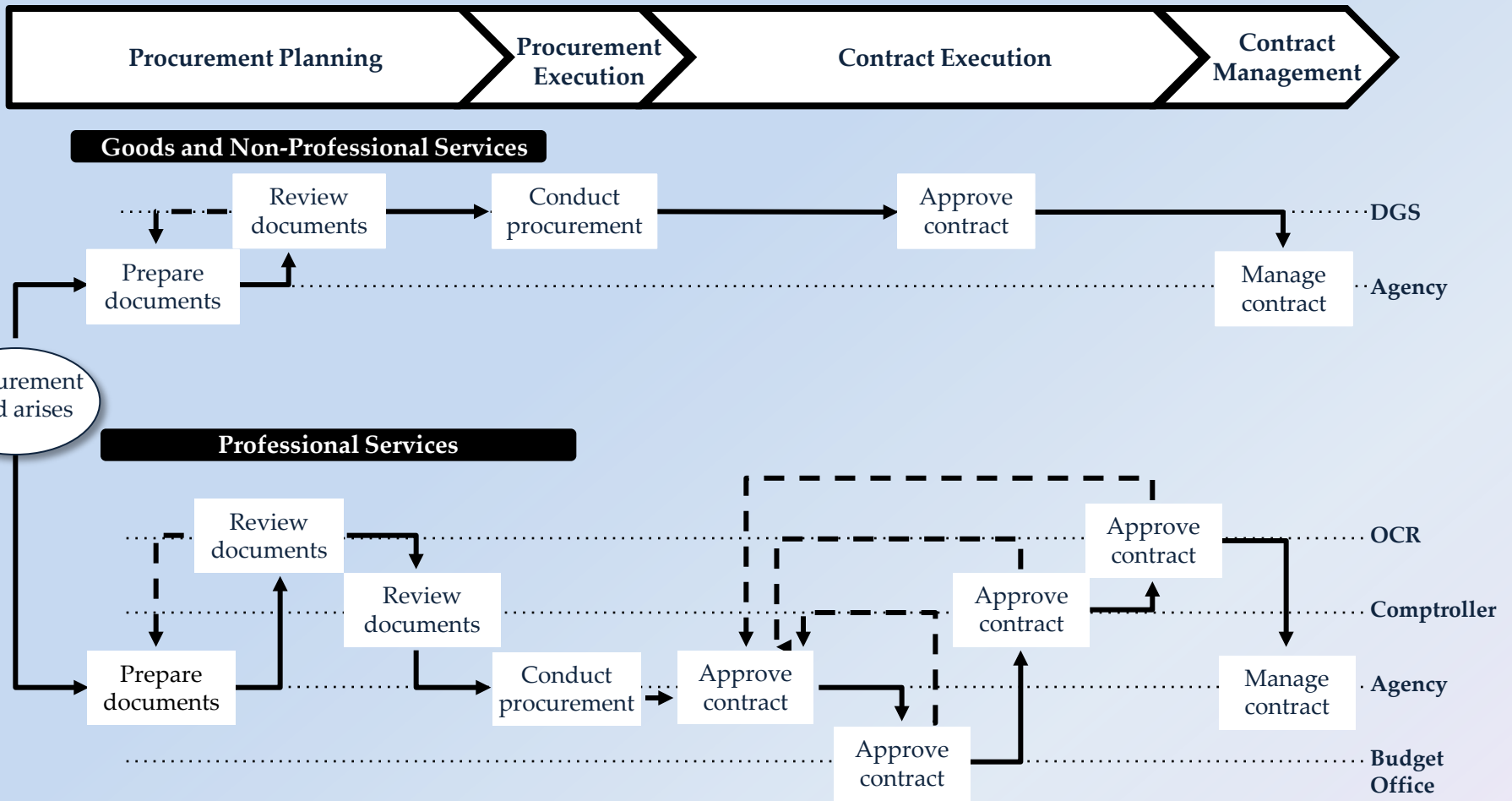


Updates

- Town Hall Meetings conducted in October
 - Over 300 state employees
- Reviewing how work is organized and services are delivered to state agencies
- Initiatives to streamline procurement and contracting thresholds
- Reduce number of methods
- Simplify contracting process



EXAMPLE TENNESSEE PROCUREMENT CYCLE¹



¹ Goods and non-professional services process shown is for non-Statewide term contracts. Professional services process shown is for competitive negotiations and RFPs. Pre-approval steps (e.g., OIR) are not included.

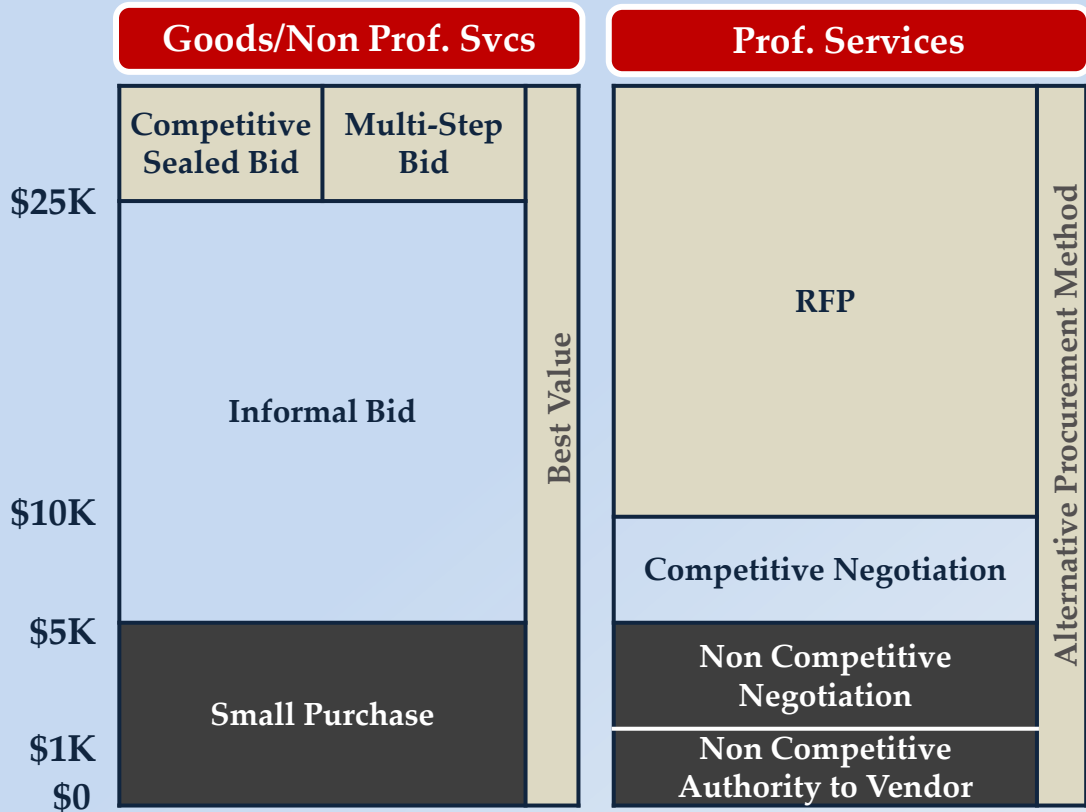


Streamline Procurement Methods

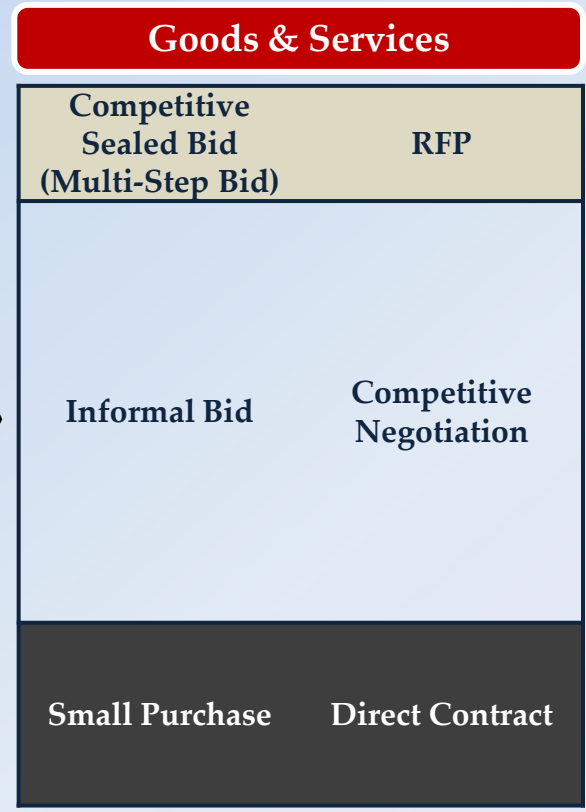
- 10 procurement method options available today
 - Between goods, non-professional services and professional services
- Reduce number of procurement methods to 6
- Ability to use competitive negotiation process for purchases \$25K and below (effective now)



Current¹



Recommended¹



¹ Graphic excludes emergency purchase method



Standardized procurement threshold

- Establish clear delegation for all purchases and contracts under \$25,000 (or higher)
 - ✓ Applies to commodities, non-professional services and professional services
 - ✓ Agency responsible for solicitation
 - ✓ Agency responsible for vendor selection



Future Initiatives

- Study of all state-wide contracts
 - Benchmarking
 - Data Analysis of state spend
- Rule Review
 - Process to begin in November
- Ensure high customer service is delivered
- Utilize Edison to notify vendors of opportunities



Future Initiatives (cont'd)

- Develop agency resources
 - Training, manuals, etc.
- Ensure changes are communicated
 - State employees
 - Vendor Community
- Investigate the possibility of expanding the use of the procurement card





Attachment 1



BILL DUNN
16TH LEGISLATIVE DISTRICT

115 WAR MEMORIAL BUILDING
NASHVILLE, TENNESSEE 37243
PH: 615-741-1721 FAX: 615-253-0276

5309 LaVESTA RD.
KNOXVILLE, TENNESSEE 37918
(865) 687-4904

rep.bill.dunn@capitol.tn.gov
TOLL FREE: 1-800-449-8366, EXT. 11721

House of Representatives State of Tennessee

NASHVILLE

COMMITTEES

CALENDAR AND RULES, Chairman
EDUCATION
STATE AND LOCAL GOVERNMENT

SUBCOMMITTEES

GENERAL SUB-COMMITTEE OF
EDUCATION

December 20, 2011

Ms. Jessica Robertson
Chief Procurement Officer
TN Dept. of General Services
WRS Tennessee Tower, 24th Floor
Nashville, TN 37243

Dear Ms. Robertson:

Thank you for attending the meeting last week to discuss the possibility of developing a common form for businesses to submit for procurement opportunities with government agencies. In order to help streamline the process for everyone, we are asking the Advisory Council on State Procurement to look at the possibility of coming up with a common form for businesses to complete that any governmental agency could access. The idea is similar to the Common Application that many colleges and universities accept.

We are asking as a first step that a form be composed that can then be shared with interested parties to get their input. It is our understanding that the Council will be meeting in January. We would like for this to be discussed at that time, and please report back to Rep. Tindell and myself by the end of January of the Council's thoughts.

Please feel free to contact either of us for additional information.

Sincerely,

Bill Dunn
State Representative

Harry Tindell
State Representative

BD:met

cc: Mike Perry, Deputy Chief Procurement Officer

Attachment II

1. Increased use of Multi-Step Bidding as a procurement method

Impacted: 12-3-203(a)(2) (Multi-Step Sealed bidding)

Current Language:

"Multi-step sealed bidding may be used on any acquisition, subject to the approval of the board of standards."

Proposed Language:

"Multi-step sealed bidding may be used on any acquisition, subject to the approval of **the chief procurement officer.**"

Goal:

Increase use of the multi-step bidding and competitive negotiation processes provides the Central Procurement Office and state agencies with flexibility in administering procurements. These changes remove limitations imposed on the Central Procurement Office.

- a. Removing the Board of Standards approval from the multi-step bidding process will eliminate an unnecessary step, and will therefore streamline the procurement process as a whole.
- b. Part of long-term goal to standardize and reduce procurement methods

2. Increased use of competitive negotiation as a procurement method

Impacted: 12-3-208 (Competitive negotiation)

Current Language:

"Except as provided in 12-3-207 and 12-3-209, and as otherwise provided by law, a contract may be entered into by competitive negotiation only in cases when the state is unable to obtain needed goods and/or services by competitive sealed bid. Each use of competitive negotiation shall be in accordance with rules of the department approved by the board of standards."

Proposed Language:

"Except as provided in 12-3-207 and 12-3-209, and as otherwise provided by law, a contract may be entered into by competitive negotiation **when the chief procurement office deems such methods in the best interest of the state.** Each use of competitive negotiation shall be in accordance with rules of the department approved by the board of standards."

Goal:

Increase use of the multi-step bidding and competitive negotiation processes provides the Central Procurement Office and state agencies with flexibility in administering procurements. These changes remove limitations imposed on the Central Procurement Office.

- a. Removing the Board of Standards approval from the multi-step bidding process will eliminate an unnecessary step, and will therefore streamline the procurement process as a whole.
- b. Part of long-term goal to standardize and reduce procurement methods

3. Contract term flexibility

Impacted: 12-3-203(g)(2) (Competitive sealed bidding- Term Contracts)

Current Language:

“Every invitation to bid issued for the purpose of establishing a term contract or contracts shall include the total estimated purchase requirements by agencies of state government for the current contract period, if applicable, and for the new contract period. More than one (1) term contract may be let for the supply of any given class or type of supplies, equipment, or service and any term contract may provide for the cancellation thereof by either party. Term contracts executed or proposed to be executed for period of term of more than twelve (12) months shall be subject to the rules of the department, as approved by the board, and meet the following conditions:

1. Such term contracts must contain a provision giving the state the right of cancellation at any time with no more than one (1) year’s notice, and at the end of any fiscal year without notice, in the event that funds to support the contract become unavailable; and
2. No term contract may be let for periods of time in excess of sixty (60) months.

Proposed Language:

“Every invitation to bid issued for the purpose of establishing a term contract or contracts shall include the total estimated purchase requirements by agencies of state government for the current contract period, if applicable, and for the new contract period. More than one (1) term contract may be let for the supply of any given class or type of supplies, equipment, or service and any term contract may provide for the cancellation thereof by either party. Term contracts executed or proposed to be executed for period of term of more than twelve (12) months shall be subject to the rules of the department, as approved by the board, and meet the following conditions:

1. Such term contracts must contain a provision giving the state the right of cancellation at any time with no more than one (1) year’s notice, and at the end of any fiscal year without notice, in the event that funds to support the contract become unavailable; and
2. No term contract may be let for periods of time in excess of sixty (60) months, **unless approved by the chief procurement officer.**

Goal: Enable the Chief Procurement Officer to allow commodity contracts for periods exceeding the current statutory limit of 60 months provides flexibility to ensure state operations are efficient and creates an opportunity to negotiate lower pricing.

- Provide flexibility in operations of state government
- Allows renewal negotiation
- Projected to save state money, but savings are not quantifiable at this time
- Allows focus on high risk contracts

4. Threshold Change for commodity and non-professional services

Impacted: 12-3-210 (a) (Small purchases and delegated purchases)

Current Language:

“Any procurement not exceeding twenty-five thousand dollars (\$25,000), for which a source of supply has not otherwise been established, shall be made without requisitioning such goods or services through the department;”

Proposed Language:

“Any procurement not exceeding **fifty thousand dollars (\$50,000)**, for which a source of supply has not otherwise been established, shall be made without requisitioning such goods or services through the department;”

Goal:

- Raising the procurement threshold from \$25,000 to \$50,000 dollars could increase the volume handled by user agencies, this change allows the central procurement office to focus its efforts toward more strategic, high risk initiatives, rather than low dollar, low risk purchasing activity.

5. Signature Authority for professional service contracts

Impacted: 12-4-110(a)(5) (Execution- Exceptions)

Current Language:

“Purchases of services, the total cost of which is less than an amount determined pursuant to policy established by the commissioner of finance and administration and approved by the comptroller of the treasury, need not be approved by the commissioner; provided, that such purchases are still subject to applicable provisions of the rule promulgated pursuant to 12-4-109. Notwithstanding the above language in this subdivision, contract that have a total cost exceeding fifteen thousand dollars (\$15,000) must be approved by the commissioner; this fifteen thousand dollars (\$15,000), however, is subject to change July 1 of each year, based upon the calendar year change for the previous calendar year in the consumer price index as published by the United States bureau of labor statistics;”

Proposed Language:

“Purchases of services, the total cost of which is less than an amount determined pursuant to policy established by the commissioner of finance and administration and approved by the comptroller of the treasury, need not be approved by the commissioner; provided, that such purchases are still subject to applicable provisions of the rule promulgated pursuant to 12-4-109. Notwithstanding the above language in this subdivision, contracts that have a total cost exceeding **fifty thousand dollars (\$50,000) must be approved by the commissioner;**”

Goal:

- Changing the signatory threshold of professional service from \$15,000 dollars to \$50,000 dollars aligns delegated purchase threshold for services with proposed threshold for commodity procurements.
 - Additionally, it will reduce the number of small value, low risk transactions processed through the central procurement office
 - This change supports our efforts to streamline the procurement and contracting process and eliminate steps that fail to add value
 - This fosters a “user friendly” environment to the Agency services contracting staff
 - Many states have established similar thresholds and have proven successful.
 - Training will be provided by the Central Procurement Office to educate impacted state agencies