

Georgia's Progressive Procurement

A systematic approach encompasses three state agencies to leverage the larger spend on a preventive and corrective maintenance contract.

BY DAVID YARKIN

Before Georgia's recent procurement of facility maintenance services, state agencies maintained the equipment in their facilities with three different types of workforces. The Department of Corrections (DOC) maintained its facilities using an entirely in-sourced workforce, consisting of DOC employees and supervised inmates. On the other extreme, the Georgia Bureau of Investigation (GBI) completely outsourced maintenance of its facilities. The Department of Juvenile Justice (DJJ) had a hybrid approach with 70 percent of the maintenance work performed by contractors and a handful of employees performing the remaining work.

The strategy of the Georgia Department of Administrative Services (DOAS) was to combine the spend of these three agencies to build a critical mass of volume that would drive more aggressive rates. "We thought we should start with a few substantial agencies and then allow others to join," says Darryl Mitchell, group category manager, infrastructure, who led the facility maintenance procurement effort. GBI and DJJ had nearly simultaneously asked DOAS to conduct maintenance procurements for them, so it made sense to combine those two requirements into a larger procurement in order to leverage the increased spend. It then made sense to approach DOC to encourage them to participate in the procurement.

While it may have been a no-brainer to combine their volumes, as anyone who has conducted a multiagency bid for complex services will tell you, it rarely is that easy. The same was true in Georgia. "Each agency thought it was unique and was at first resistant to combine the contract," says Mitchell. There was some truth to the assertions. Corrections, for example, had to be particularly restrictive in the type of access it gave outside contractors because of the heightened security levels.



But the other agencies were unwilling to pay a premium for additional costs that suppliers would incur working in a prison environment. Furthermore, given the younger demographic of its population, the DJJ was more prone to damage by vandalism than the other agencies.

Mitchell and Terry Doumkos, director of strategic sourcing at DOAS, knew that if the procurement was to be successful, it had to be multiagency, and these issues could not become deal-breakers. Achieving compromise required good procurement skills and good communications skills. To ensure that the other agencies did not pay more because of Corrections' security requirements, DOAS added additional line items in the RFP for special security requirements in order that base rates for other agencies were not impacted.

Identifying agency commonalities

Once the three agencies were on board, DOAS built a working group for the procurement, which ultimately became the evaluation committee. The team met several times with the commissioners of the three agencies to answer their questions, address concerns and to get a commitment of resources. Each agency was asked to lend one or two subject-matter experts – typically maintenance managers or engineers – to the working group. Since this was Corrections' first procurement of maintenance services, representatives from DOC's procurement staff also participated.

Once the team was in place and the agency heads were on board, Mitchell and his working group began developing a scope of services. "We first wanted to identify commonalities across the agencies. Then we looked at unique requirements and how to make them agreeable across all the participating agencies," says Mitchell. "Each agency had its scope of services from previous solicitations. We tried to make each item something that everyone could live with. For example, in setting service levels for our HVAC equipment, we had to get everyone to agree on a common specification, like the amount of time that suppliers had to respond or the engineering and maintenance standards," Mitchell says. In general, Mitchell and his team tried to get the agencies to agree to loosen their strictest requirements, without compromising critical operations, to allow a more attainable service level that would be less costly for a supplier to meet.

Doumkos credits Mitchell for the leadership role he played

in getting relatively autonomous agencies with very different business models to work together. “Darryl did an excellent job of building consensus and buy-in,” says Doumkos.

One key to Georgia’s success in this procurement was an open dialog with industry. They asked the private sector how various requirements would impact the costs associated with the procurement, which resulted in a marked improvement in the RFP and to the overall best solution for the agencies.

Fine-tuning the RFP

When the state published its initial RFP, it was disappointed to get only one response. It asked suppliers why they chose not to bid. The biggest stumbling block came in the cost section where suppliers were asked to submit fixed pricing for unscheduled maintenance tasks that fell under a certain dollar threshold. This requirement led to too much risk for most suppliers because they had no way of approximating how often the equipment within this parameter would need to be serviced. In rewriting the RFP, the requirement was changed, and vendors were asked to submit pricing on an hourly, time and materials basis.

One liability that Georgia and likely all states face in developing its solicitations is data – or lack thereof. The RFP called for suppliers to develop a Computerized Maintenance Management System (CMMS), a data hub for all things related to facility maintenance. The supplier would be responsible for bar-coding all of the equipment in the participating facilities and scanning it into the CMMS system within the first 60 days of the contract. All preventive maintenance work would be scheduled through and documented in the CMMS system. When equipment broke down and unplanned repairs were required, they would be ordered through the system. Maintenance histories going forward on all equipment would also be tracked through the system. As important, by funneling all data through the CMMS, the state would be able to develop some models on future maintenance needs, allowing the prediction of costs to maintain equipment at the enterprise or facility level. In addition, when DOAS runs future equipment procurements, it will be able to use a piece of equipment’s maintenance costs as a factor in its total cost of ownership models in order to evaluate costs to the organization more fully. For the first time in the state’s history, it will have access to a slew of reports, allowing it to make sound, data-based management decisions.

The cost section of the RFP was a blend of fixed-price and time and materials rates. For each facility in scope, suppliers were asked to provide a monthly fee to perform preventive maintenance on all equipment in the facility. That number was multiplied by 12 to arrive at the annual cost of preventive maintenance. For each facility, the state listed the number of contract staff that it expected to be on-site in the facility full-time. The suppliers were asked to quote a fully loaded price for each staff member. The state then added the facility’s annual preventive maintenance cost to its total on-site staff complement to arrive at an extended price for the facility (see Table 1).

Next, the state attempted to evaluate the total cost of unplanned, unscheduled maintenance of equipment when it unexpectedly needs repair. It developed a list of seven

Building “A New Georgia”

It is a common scenario in state government procurement: A change-oriented governor and his staff hire a high-paid consulting firm to help implement strategic sourcing. After a year or so, the state is left to try to maintain its sourcing momentum on its own. However, the state of Georgia has proven it is more than capable of leading world-class procurements long after its consultants left Atlanta.

Georgia’s experience with strategic sourcing began in 2004 when Governor Sonny Perdue brought in 300 top-level executives from the private sector – including the senior management of blue-chip companies like AFLAC, Southern Company, Wachovia, General Electric and Coca-Cola – to create the “Commission for a New Georgia.” The key question the Governor was looking to the commission to help him answer was, “How can we manage our state more like an efficient business?” says Terry Doumkos, director of strategic sourcing at the Department of Administrative Services (DOAS). “Governor Perdue wanted the state to be a leader and not the laggard in how state government is managed.”

One of the commission’s primary recommendations was the critical need to upgrade the skills and experience of the state’s top levels of management. In the area of procurement, the first key move was the hiring of Brad Douglas as the commissioner of DOAS. Douglas had been vice president at one of the largest and most successful lodging franchisors in the world, Choice Hotels International, and now assumed responsibility for transforming state procurement, in addition to more than a half-dozen additional functions of government.

To guide the transformation effort, Douglas hired Tim Gibney – the well-respected assistant vice president at Notre Dame, who previously held procurement leadership positions at two other universities, an electric utility and a consulting practice with a focus on procurement – as the assistant commissioner of DOAS. Gibney, in turn, hired Doumkos, a veteran private-sector procurement executive who honed his skills at senior levels in Microsoft’s and Dell’s supply chain organizations, among others.

The infusion of talent continued through all levels of state procurement, bringing seasoned and innovative procurement professionals into DOAS, helping Douglas, Gibney and Doumkos achieve the high standards that Governor Perdue set for them. Among those new team members was Lt. Colonel (retired) Darryl Mitchell, whose career included more than 20 years in the Air Force and, like Douglas, Gibney and Doumkos, a stint in the private sector at an engineering company. It was Mitchell who led the facility maintenance procurement on a day-to-day basis.

Table 1: Preventive Maintenance Price Grid

Line Item	Description of Supply/Service	PREVENTIVE MAINTENANCE			MINIMUM RESIDENT STAFF			TOTAL
		Qty	Unit of Measure	Unit Price	Qty	Unit of Measure	Unit Price	Extended Price
1001	Facility Management and Preventive/Scheduled Maintenance							
1001AA	DJJ- Clayton RYDC	12	Month		2	Year		
1001AC	DJJ- Macon YDC	12	Month		2	Year		
1001AD	DJJ- Macon RYDC	12	Month		2	Year		
1001AH	DJJ- Bill Ireland YDC	12	Month		4	Year		
1001AJ	DJJ- Dekalb RYDC	12	Month		2	Year		
1001AK	DJJ; Metro RYDC	12	Month		3	Year		
1001AL	DJJ- Aaron Cohn RYDC	12	Month		1	Year		
1001AM	DJJ- Crisp RYDC	12	Month		2	Year		
1001AO	DJJ- Sumter YDC	12	Month		3	Year		
1001AP	DJJ- Augusta YDC	12	Month		1	Year		
1001AQ	DJJ- Augusta RYDC	12	Month		1	Year		
1001AS	DJJ- Gainsville RYDC	12	Month		1	Year		

Table 2: Corrective Maintenance Price Grid

Line Item	Description of Supply/Service	Qty	Unit of Measure	Unit Price	Extended Price
1002	Corrective/Unscheduled Maintenance Normal Duty Hours				
1002AA	Chief Engineer	750	Hours		
1002AB	HVAC Technician	2000	Hours		
1002AC	Electrical Technician	1000	Hours		
1002AD	Electronics Technician	800	Hours		
1002AE	Fire Alarm Technician	800	Hours		
1002AF	Plumbing Technician	1000	Hours		
1002AG	General Maintenance Tradesman	2750	Hours		
1002AH	Groundskeeper/Landscaper	1500	Hours		

categories of personnel (e.g., electrical technician) and approximated the number of hours that each would be required to work on unscheduled maintenance projects in a year. Suppliers were then asked to submit a fully loaded hourly rate for each category. Multiplying the annual number of hours by the hourly rate yielded the total projected cost for that category in a given year (see Table 2).

Finally, the state added up the total annual costs of each facility and the total costs of the unscheduled maintenance staff to arrive at a total annual cost of facility maintenance for each supplier. It then repeated the same exercise for the second and third years of the contract to yield a total contract value. Rates for each of the four renewal years were not quoted in the suppliers' submissions, but the RFP created a process for rate escalation or de-escalation based on Department of Labor indices.

When the central purchasing department looks to consolidate service contracts across multiple agencies, end-users often express concern that service will suffer. Smaller agencies fear that large agencies will move to the front of the line and be serviced faster, pushing them back in the queue. Others worry that aggregated volume to drive more-aggressive pricing will force the supplier to cut corners,

affecting the quality of the service and response times. To mitigate the risk of service failures and help build a level of confidence among the agencies, DOAS built service-level agreements (SLAs) into the contract. Suppliers were required to provide an initial response to an unscheduled maintenance request within one day and to complete the repair within seven days. For requests that are categorized as emergency requests, the response-time SLAs were even more aggressive, with a requirement that the initial response be provided within three or four hours, depending on whether the emergency occurred during normal business hours or after-hours. Failure by the supplier to meet these SLAs would result in corrective action, up to and including termination of the contract.

In-state company gets the contract

After a series of site visits, oral presentations and best-and-final offers, the state awarded the contract to Carter Goble Lee (CGL) Engineering, an Alpharetta, Ga.-based firm that specializes in facility maintenance. While CGL is an in-state company, its footprint is international. It has performed planning, project maintenance and facility maintenance work in 13 countries and 49 states. It also has a

long history in providing agency-wide services like the type DOAS was asking for in its RFP.

CGL's President Joe Lee described Georgia's solicitation as "one of the more progressive procurements I have seen in my career in any state in the country."

Lee continues, "The state recognized that it wasn't just a low-cost bid or buying widgets. It recognized that facility maintenance needed to be professionalized. In order to protect the public's investment in the public infrastructure, there needed to be a professional approach to maintaining that infrastructure. The state recognized that it needed a systematic approach that included both a preventive maintenance and a corrective maintenance program."

Lee pointed to the way the state asked suppliers to think about how the contract would be staffed as a particularly innovative approach. While the RFP did ask suppliers to provide a specific number of technicians at each facility, it also encouraged suppliers to think creatively about ways to leverage staff across multiple facilities in a regional approach.

It presented an interesting challenge for suppliers like CGL. On the one hand, to offer the most cost-effective solution, it behooved them to spread staff resources across as many facilities as possible. On the other, it had to meet SLAs that mandated fairly rapid response times, so it could not afford to cut corners. To add another layer of complexity to the staffing levels, the technicians had to be able to service a wide array of equipment, requiring many different skills. Lastly, the facilities varied in age from turn of the century to those built in the modern day. Finding the right balance was an enormous challenge, but one that Lee felt his firm was well prepared for.

"We compared our own experience with facility maintenance across the United States. We had to make sure we were doing it the right way. You had to break it down to how many man-hours you thought it would take to maintain the equipment in the building," says Lee. "One reason I believe we won is that we had historical data from our work with other governments about what it would take to maintain these buildings." This data allowed CGL to predict the appropriate staffing levels and to find that critical balance.

Doumkos believes that in changing the paradigm, state procurement has positively affected the way the state takes care of its facilities and the equipment within those buildings. "Our pricing is very aggressive because we aggregated our volumes. We have shown that you can outsource services, achieve a savings and place less [of a] burden on your staff. We can achieve the same or higher levels of service with fewer resources because those resources bring a more specialized skill set. By enhancing our service, we can make the equipment last a lot longer, which could be the greatest cost savings for the state."

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