

COSTARS™ CONNECTION



Volume 4, Issue 3 Winter, 2010

COSTARS MEMBERS SAVE \$82.7 MILLION IN 2009

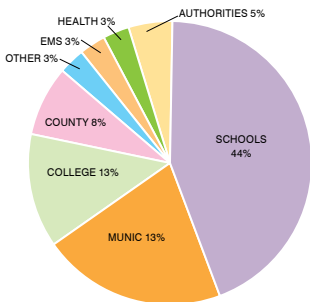
School Districts Remain Top User

COSTARS members saved more than \$82,699,422 by using the program in 2009, according to COSTARS Marketing Manager Bruce Beardsley. The savings include the costs of not going through the formal bidding process (since the state has already done that for the members) plus the reduced pricing that the competitive nature of the program generates. Thirty percent of the savings comes through the “piggy-back” use of statewide agency contracts and seventy percent result from the use of COSTARS-exclusive contracts.

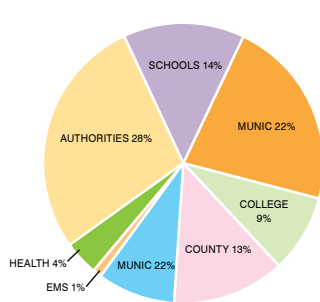
Schools including public and non-profit private schools continue to be the largest users of the COSTARS program. However, their overall share continues to decrease relative to other member categories. Municipal governments including townships, boroughs and cities, increased their share of program usage in 2009 by nearly 50 percent. Member categories and their relative use of the program in 2009 were:

Schools	35.7%
Municipal Governments	21.3%
Public Authorities	11.8%
Colleges	11.7%
County Governments	9.6%
Health Institutions	2.9%
Emergency Services	2.3%
Others	4.7%

2009 COSTARS CONTRACT SPEND BY LPPU CATEGORY



2009 STATE CONTRACT SPEND BY LPPU CATEGORY



Schools utilized COSTARS-exclusive contracts as compared to statewide contracts by more than a three-to-one ratio, while public authorities spent more than five times as much on statewide contracts as they did on COSTARS contracts. Municipal governments used COSTARS contracts and statewide contracts equally.

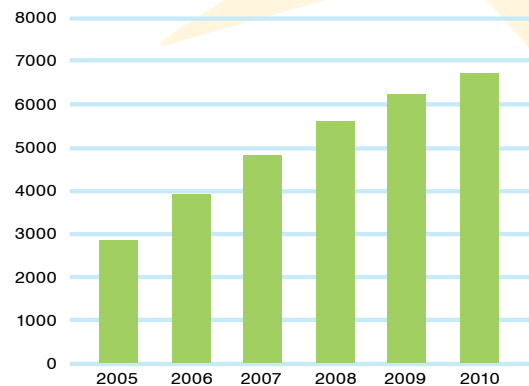
SAVINGS TO COSTARS MEMBERS 2009 OVERVIEW

• Transactional Savings		
COSTARS Contracts		\$12,777,467
Stage Agency Contracts		\$4,222,795
TOTAL		\$17,000,261
• Commodity Savings		
COSTARS Contracts		\$44,677,915
Stage Agency Contracts		\$21,021,246
TOTAL		\$65,699,161
GRAND TOTAL		\$82,699,422

Schools were the largest spenders on the COSTARS-3 IT Hardware contract, representing more than 70 percent of the total spend of that contract. Municipal governments spent more than \$31 million on the COSTARS Vehicles contract, representing more than 60 percent of that contract's total spend. Colleges were the main users of the COSTARS-20 Laboratory Supplies contract (80.6 percent of the contract's total spend).

MEMBERSHIP GROWTH

Year	COSTARS Members
2005	3,031
2009	6,587
2010	7,058



MESSAGE FROM THE DIRECTOR

Scott Cross, Director Program & Systems

As we quickly approach the conclusion of another year, I wish to take this opportunity to express my appreciation to the Bureau of Procurement staff who has diligently worked to deliver contracts that meet our member needs and provide the customer service necessary to support the members and the suppliers that serve them. I want to particularly thank the COSTARS staff that are exclusively dedicated to the program and deliver quality customer service to all those participating in this cooperative purchasing program. Faced with a staff reduction of 50 percent, they have continued to deliver service through communication vehicles such as program education workshops, conference presentations, supplier forums, our toll-free customer service center, as well as the maintenance of the COSTARS website, brochures, guides and, of course, this newsletter.



In this edition of our newsletter, you will see an article that celebrates the attainment of a new membership plateau. COSTARS membership has now reached 7,000 participating entities. Each of these members is eligible to purchase from the COSTARS-exclusive contracts as well as from the statewide agency contracts wherein a significant number of suppliers have agreed to sell to our members. The article cites that the 7000th member had been one of 7.4 percent of the townships remaining in Pennsylvania that had not yet joined COSTARS. This fact leads me to ask, Why have the few remaining townships have not yet joined? There is no membership cost; purchasing from available contracts is strictly optional and the supplier base serving the members continues to grow. Our staff will continue to market the program and work to deliver the types of contracts that our membership requires.

As you read the article concerning member savings, I direct your attention to the categories of entities that are purchasing through the COSTARS program. COSTARS provides an opportunity for the citizens of Pennsylvania to directly benefit through their entity's use of the program. Each of us are touched by one and most often more of the entities identified by these categories. Any economic benefit derived through these purchases by your school district, municipality, health institutions, emergency responders and others directly impact you and your neighbors. We encourage you to continue to explore COSTARS as a primary option when considering your next purchase.

Finally, I wish to thank all of the COSTARS members for the feedback on the program in general and the contracts specifically. Your communication has been beneficial for us in identifying purchasing requirements and needs, in addition to program educational opportunities. This valuable information is important in enabling us to meet your needs and expectations.

COSTARS REACHES 7000 MEMBERS

Taylor Township Signs On to Reach New Plateau

Taylor Township, a small second-class township in northern Fulton County, became the 7000th COSTARS member when they registered and were approved as a member on October 19, 2010. COSTARS membership has grown consistently since the program's inception in 2005. The program reached 3000 members in 2006 and 5000 members in 2008. Taylor Township had been one of only 7.4 percent townships in Pennsylvania that was not a COSTARS member.

Monica Mellott, Taylor Township's Secretary-Treasurer, learned about the program from a local supplier, who she had called about the purchase of a copier. The supplier was a COSTARS-authorized supplier who advised Ms. Mellott that her township could receive preferential pricing if it was a COSTARS member. Ms. Mellott did some research, determined that her township was eligible, and that membership was free. She completed the membership application online and received her membership identification number the same day. Several days later, the township purchased the copier at the reduced COSTARS price.

"As with any successful program, word of mouth communication, combined with our marketing efforts, has produced this consistent growth," commented COSTARS Marketing Manager Bruce Beardsley. "In addition to our workshops throughout the state, members often inform suppliers about the program; sometimes COSTARS-authorized suppliers inform eligible prospective members."

CURRENT COSTARS EXCLUSIVE CONTRACTS

- COSTARS - 1 Copiers
- COSTARS - 2 Office Furniture
- COSTARS - 3 IT Hardware
- COSTARS - 4 Office Supplies
- COSTARS - 5 Janitorial Supplies
- COSTARS - 6 Software
- COSTARS - 7 Foods
- COSTARS - 8 Maintenance, Repair, Operation
- COSTARS - 9 Graphic & Printing Services
- COSTARS - 10 Voting Systems
- COSTARS - 11 Toiletries
- COSTARS - 12 Emerg. Responder Loose Supplies
- COSTARS - 13 Emerg. Responder Vehicles
- COSTARS - 14 Recreational & Fitness Equip.
- COSTARS - 16 Water & Waste-Water Treat. -Components/Equip
- COSTARS - 17 Waste, Recycling & Mat. Handling Containers
- COSTARS - 18 LED Signals
- COSTARS - 19 Medical Supplies
- COSTARS - 20 Laboratory Supplies
- COSTARS - 22 Weatherization Materials
- COSTARS - 24 Traffic Signs
- COSTARS - 25 Municipal Work Vehicles
- COSTARS - 26 Passenger Vehicles
- COSTARS - 27 Stop-Loss & Voluntary Benefits Insurance
- COSTARS - 28 Energy Conservation Management Supplies

SODIUM CHLORIDE CONTRACT

2011-2012 Sign-up Begins In January

Although the current winter season has barely begun, it's almost time to sign up for next winter's COSTARS Sodium Chloride (Salt) Contract. The 2011-2012 Salt Participation Agreement will be posted on the COSTARS Members page on the COSTARS website (www.dgs.state.pa.us/costars) beginning the first week in January. Members will have until March 15 to complete the agreement. Members that submit their application prior to the due date may edit their agreement through March 15.

There are currently 1,520 COSTARS members participating in Department of General Services awarded salt contract and sharing in more than \$4 million in savings. The current (2010-2011) contract, which also includes the needs of the Pennsylvania Department of Transportation (PennDot), was bid for 1.86 million tons and was worth \$91 million, making Pennsylvania's salt contract one of the nation's largest. That buying power has produced lower costs for COSTARS participants.

State contract prices have increased an average of only 4 percent since 2008-2009, while the Producers Price Index indicates salt prices have increased more than 15 percent over that time span, according to Department of General Service (DGS) Manager for Raw Materials Joel Shiffler. The commonwealth's state contract salt prices are lower than our neighboring states of Ohio, Maryland, and West Virginia, which is a major reason why COSTARS member participation in this contract has increased 50 percent over the past two years. The increase in member participation and the resulting increase in tonnage, has contributed to the state's ability to keep price increases to a minimum.

The Salt Participation Agreement is a simple one-page document, which can be completed and submitted electronically. It is a legally binding contract, but has substantial flexibility built in for COSTARS members. For example, participants are only obligated to purchase 60

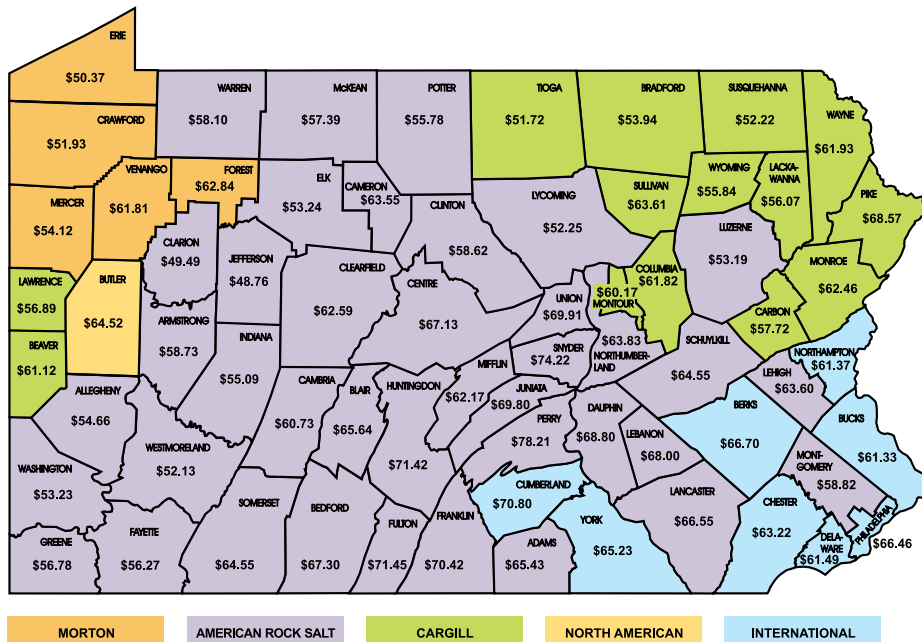
percent of their stated needs, but can buy up to 140 percent of their needs at the contracted price.

After compiling the total needs of the participants, DGS goes to bid in the spring and awards the contracts, by county, in July. The contract is posted on the COSTARS website in early August.

Apart from state agencies, only registered COSTARS members may participate. The salt is guaranteed to meet PENNDOT requirements, therefore, a municipality may utilize their Liquid Fuel Funds.

COSTARS members can gain similar procurement savings by utilizing more than 250 other state contracts for commodities and services ranging from tires, computers, gasoline, aggregates, vehicles, power equipment, office supplies, food, equipment maintenance, small package delivery and more. The salt contract is unique as it is the only contract requiring an advance commitment to purchase.

PENNSYLVANIA DEPARTMENT OF TRANSPORTATION SODIUM CHLORIDE 2010-2011



COSTARS Energy Procurement Program

What You Need to Know to Get Started

In response to the expiration of electric generation rate caps for the PPL Electric Utilities territory at the end of 2009, the Department of General Services (DGS) began offering the services of its Energy Procurement team to assist COSTARS members with shopping for better rates for electricity. In this effort, DGS conducted shopping events for roughly 300 COSTARS member PPL accounts, achieving \$1 million in avoided costs.

Working with its long-term partner in energy procurement - The Penn State Facilities Engineering Institute (PSFEIA) - DGS is gearing up to address the expiration of the electric generation rate caps for the remaining electric utilities in Pennsylvania.

Rate caps are expiring at the end of 2010 for the following electric utilities:



- Allegheny Power
- MetEd
- PECO
- Penelec

With the expiration of these rate caps, DGS now offers the capability of shopping electric accounts state-wide, with minor exceptions. DGS is also able to assist COSTARS members with natural gas procurement.

Electricity Procurement

DGS will shop interested COSTARS member accounts as part of a larger solicitation package with commonwealth accounts, other COSTARS member accounts, or both. Specific member account information, such as usage and demand data (load profiles) is included as part of the solicitation package. Providing load profiles removes a great deal of unknowns for the suppliers, resulting in lower risk premiums and lower prices. Small and mid-size accounts, within each utility, are aggregated together by rate class in order to achieve economies of scale, gain more supplier interest, and resulting in better pricing.

The current shopping strategy addresses larger accounts (in excess of 500kW of peak demand) differently. These larger accounts are shopped separately, allowing suppliers to tailor a price specifically to that account, which will greatly enhance the opportunity for better pricing. It also ensures that large accounts do not subsidize smaller accounts and encourages more sophisticated pricing structures, providing greater ability to manage costs.

Natural Gas Procurement

As with electricity procurement, DGS will include individual member accounts as part of a larger solicitation that also includes commonwealth accounts and/or other COSTARS member accounts. Due to utility rules, generally only larger accounts (1000 mcf) or those with smart metering can be bid.

DGS and PSFEI will assist members in evaluating current costs versus potential savings to determine if this process is viable.

Interested COSTARS members may contact Greg Knerr, DGS Associate Commodity Manager at (717) 703-2935, gknerr@state.pa.us or George Landis, DGS Commodity Specialist at (717) 346-2679, gelandis@state.pa.us.

To begin the process, DGS requires 12 months of billing data that includes kWh usage and kW or cubic feet demand data.



HELPFUL HINTS

LOGGING IN

There are only TWO occasions when members are required to login to the COSTARS website with their password:

- Update Profile
- Completing the Salt Participation Agreement

NEWSLETTER

To view previous issues of the COSTARS Newsletter, go to our website at www.dgs.state.pa.us/costars, click on **Newsletters** on the left of the page and select the copy to view.

ATTENTION SUPPLIERS

Registering and receiving a Vendor Number does not mean that you are an Awarded Vendor and able to sell your products to COSTARS Members. You must first respond to bid opportunities posted on the DGS COSTARS website. After successfully responding to the bid opportunity a supplier may be awarded a COSTARS contract.

FEEDBACK

Please let us know how we're doing. Complete the Feedback Survey available in the left margin on the COSTARS website Home Page or go directly to: http://www.portal.state.pa.us/portal/server.pt/community/costars_member_feedback_survey/1273.