

State of Ohio
Food Bid Program

OVERVIEW/SUMMARY

The State of Ohio is pleased to submit this application for your consideration. The procurement initiative offered for your review is the Food Bid Program, administered by the Ohio Department of Administrative Services, General Services Division, Office of State Purchasing.

As background, State Purchasing awards approximately 600 one-time food bids per year on behalf of the state's institutional agencies, at a value of approximately \$25 million annually. There are approximately 800 vendors registered to bid on Ohio's food contracts.

Within the last two years, Ohio has significantly reduced turnaround time and cost in its procurement of food products with several improvements:

- Electronic vendor notification system;
- Flexible advertising times;
- Food vendor manual;
- Internet posting of bid documents;
- Mix of procurement strategies for different commodities.

The results are customers and vendors are happy, turnaround time has improved, prices are unaffected, and the state is saving money.

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JUSTIFICATION

Description of the program.

1. Electronic vendor notification system and flexible advertising

Previously, all vendors were required to mail in registrations, with average processing times exceeding 20 days including mailing. Prospective bidders are now able to register on-line for notification of bid opportunities. The electronic system completes registrations within the same day, representing a **95%** improvement in turnaround time. Although mail-in registration is still an option, the vast majority of vendors register electronically, including **93%** of our new vendors (121 out of 130) in May 2001.

State law requires mailed notification of bid opportunities to registered vendors. Ohio law also requires bid opportunities to be posted for a minimum of fifteen days. For regularly recurring food commodities, where specifications seldom change from bid to bid, this advertising represents unnecessary delay. In December 2000, State Purchasing secured legislative approval to waive normal bid requirements for a pilot program that tested the effect of reduced advertising time and Internet-only notification.

One of the early concerns with Internet-only bid advertising was the possible effect on the number of bids, and the competitiveness of the bids received.

During the first two months, State Purchasing reduced average advertising time by **41%**, from 21 days to 12 days, and total processing time by **32%** from 36 days to 24 days. During the first week, the average number of bids dropped by 17%, from 5.2 to 4.3, but this change did not affect the prices offered. Over the entire pilot, there has been a 14% drop in the average number of bids, indicating that vendors are catching on

to the new process. There was a small 3% increase in the prices paid, which was consistent with seasonal and inflationary increases over the same time period.

Internet-only notification has also saved approximately \$3,000 in avoided printing and mailing costs during the pilot program. Although a small number, the trend is significant. In fiscal year 2000, the office mailed 42,702 bid notices and 24,159 bid documents, representing more than 770,000 sheets of paper and an estimated printing, production, and mailing cost of \$100,331.

The early results show that turnaround time has dramatically improved, prices are unaffected, and the state is saving money. Another conclusion is that the most successful and aggressive bidders are still participating. The quicker turnaround time translates into lower warehousing costs and a closer approximation of real-time pricing.

State Purchasing has since formalized the pilot program into a bill that will become law in September 2001. It is expected that Internet-only notification will save the full \$100,000 in annual mailing costs once the new law is in effect.

2. Food manual and one-page bid form

A QStP (Quality Service through Partnership) team was formed in State Purchasing, with the goal of reducing the steps and time elements of processing one-time food bids. The QStP team met several times with food vendors to discuss ideas and to seek input.

Previously, bid documents included a stack of supporting documents that had to be submitted with the bid. Ohio has now moved to a one-page bid form, with all necessary supporting information contained in a manual or available by link attached to the bid. The manual includes terms and conditions, nutrition statements, specifications organized by

stock number and stock description, and any applicable certifications. The manual is also available on-line at www.state.oh.us/das/gsd/pur/contents.html.

3. All documents and forms on the web

All necessary documents and forms are now available through the web, including:

- Vendor registration
- Bid bulletins (notifications of bid opportunities)
- Invitations to Bid (specific bid documents)
- One-page food bid forms
- Addenda to bid documents
- Food manual
- Contracts and amendments
- All awards per fiscal year
- Comments and suggestions

The amount of information downloaded from the website is now averaging 1.5 GB/week.

4. Mix of procurement strategies

Ohio uses a combination of one-time bids and term contracts to attain the best value. While most commodities are bid under definite quantity, definite delivery, others are indexed under a term contract. For example:

- Bread and bakery products are bid under a two-year, fixed price contract awarded by geographic area.
- Eggs are bid under a two-year, variable price contract based upon an index adjusted weekly.
- Coffee is bid under a three-year, variable price contract based upon a quarterly adjusted index.
- Dairy products are currently bid on an eighteen-month, variable price contract with monthly index adjustments.

- Meat products, canned vegetables, and many other food commodities are bid periodically in fixed quantities for specific delivery.

Flexibility has its rewards. For example, Ohio's process for bidding sugar was reviewed and changed this year. In the past an indexed term contract was awarded for a period of one to two years, with pricing based on the futures price of sugar listed in the Wall Street Journal. Based on the discussions with vendors, and a review of market pricing over the last few years, the procurement strategy was changed to a one-time bid purchase. A bid was issued for an initial three-month term, with an additional three-month extension available as an option. The recently-awarded sugar contract resulted in a savings of approximately 11%, or \$9,482 per quarter, based on estimated quarterly purchases, over the previous pricing.

Relative significance to the improvement of the operation and/or efficiency of state government.

In addition to the positive affects for our customer agencies, the food bid program has created a wealth of data that has been used to permanently change procurement law in the state of Ohio. The program has begun to generate savings that will be more significant in years to come. Lessons learned from the food bid program can now be applied to other areas of state procurement. Important elements of the program include:

- Electronic access and web-enabling;
- Continuous improvement in turnaround;
- Full vendor access to relevant information;
- Flexibility to adapt bid strategy to the current marketplace.

Quantitative benefits realized by service recipients, taxpayers, agencies and/or the state.

The Food Bid Program's initiatives are described in detail on the preceding pages. The quantitative benefits are included with the overview of each initiative to enable the reviewer to read and understand the relative benefits in their proper context.

Calculation of savings in the short term and/or long term.

The Food Bid Program's initiatives are described in detail on the preceding pages. The actual and/or projected savings are listed, when appropriate, with the respective initiative.

Relevancy of Use by Other State, Local and Federal Governments.

It is believed that the information presented here can be applied and administered successfully in other state, local and federal governments, as well. Just as the state of Ohio is applying the lessons learned to other areas of procurement, other government entities can learn from our wealth of information and achieve reductions in turnaround time, vendor and customer satisfaction, significant savings, and improved governance.

Questions regarding the Ohio Food Bid Program can be addressed with Jeff Westhoven or Stephen Hunter, Office of State Purchasing at 614-466-8218.