



**NATIONAL INSTITUTE OF GOVERNMENTAL  
PURCHASING**

**NOVEMBER 2008  
NEWSLETTER**

**MESSAGE FROM THE CHAPTER PRESIDENT**

November 2008

Dear Fellow Purchasing Professionals and Colleagues,

This year Thanksgiving Day arrives amidst troubling times as economic uncertainties and qualms of a bleak future occupy many a conversation. As we gather with family and friends to celebrate Thanksgiving Day let us remember the many ways that our Nation, our local communities, and we have been blessed.

The Thanksgiving tradition dates back to the earliest days of our society, celebrated in decisive moments in our history and in quiet times around family tables. Nearly four centuries have passed since early settlers gave thanks for their safe arrival and pilgrims enjoyed a harvest feast to thank God for allowing them to survive a harsh winter in the New World. General George Washington observed Thanksgiving during the Revolutionary War, and in his first proclamation after becoming President, he declared November 26, 1789, a national day of "thanksgiving and prayer." During the Civil War, President Abraham Lincoln revived the tradition of proclaiming a day of thanksgiving, reminding a divided nation of its founding ideals.

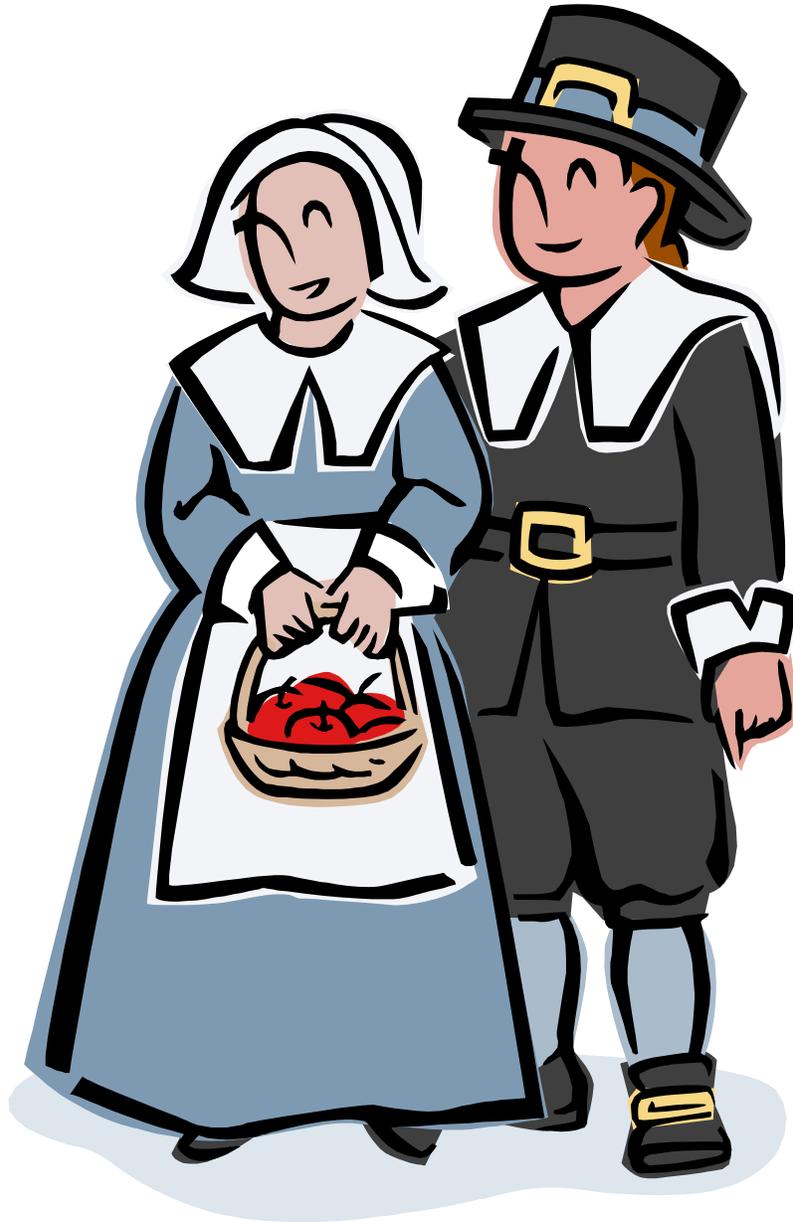
The citizens of the State of Utah are privileged to live in a state that has been relatively insulated from much of the turmoil that has caused so much consternation and anxiety elsewhere. As a citizen and taxpayer, I am thankful that there are purchasing professionals such as you who strive with integrity and aptitude to safeguard the public trust. We are fortunate to have fiscally conservative highly skilled purchasing and acquisition specialists at all levels of government. From the municipality and town to the largest cities, counties and state government, from the smallest school district to the largest universities, our members strive to harness value in the supply chain and are active in ensuring that our constituent's hard earned taxes are not squandered in these lean times.

At this time of great difficulty for America, we are grateful for the freedoms guaranteed by our Constitution and defended by our Armed Forces throughout the generations. Today, many of these courageous men and women are securing our peace in places far from home, and we pay tribute to them and to their families for their service, sacrifice, and strength. We also honor the families of the fallen and lift them up in our prayers.

As Utahns, we share a desire to answer the universal call to serve something greater than ourselves, and we see this spirit every day in the hundreds of volunteers throughout our state who bring hope and healing to those in need. On this Thanksgiving Day, and throughout the year, let us show our gratitude for the blessings of freedom, family, and faith.

May all of you and those dear to you have a great and peaceful Thanksgiving.

Sincerely yours,  
Paul Mash,  
President Utah Chapter, NIGP





## Upcoming Meeting Dates

### **CHAPTER MEETINGS:**

Tuesday, Jan. 20, 2009 - **TBD**  
(9AM-12 Noon, SL County Bldg, S1007)  
([2100 S. State])  
Tuesday, March 17, 2009 - **TBD**  
Tuesday, May 19, 2009 - **TBD**

### **UPCOMING WEBINARS** (To register, go to [www.nigp.org](http://www.nigp.org))

(Members: \$75 per Seminar; Non-Members: \$105 per Seminar)

Tuesday, Dec 16, 2008- Revisiting Specifications & Bids

Thursday, Dec 18, 2008- Me thinks thou doth protest too much!- A Guide to Effective Protest Management

### **64th Annual NIGP Forum 2009**

August 22-26, 2009 in St. Louis, MO. Plan Ahead! For more information and registration, go online to [www.nigp.org/forum](http://www.nigp.org/forum).

## Utah Chapter News

**EdPAC WORKSHOP** was held this past Monday, November 17, and constituted our November chapter meeting. It was a great success, with lots of wonderful information and ideas shared. Thanks to those who organized the event, and thanks to all of you that attended!

**WELCOME** to new chapter members that have recently joined us: Dwight Rimmasch and Jeff Bawden from the Utah State Tax Commission; and Matt Jenkins and Mark Parry with State Purchasing!

**CONGRATULATIONS** to Mark Hoss, Washington County School District, for recently receiving his CPPB certification!

**PLEASE NOTE** the location change above for all future chapter meetings will be at the SL County Building, room S1007, unless otherwise posted. (This is the same location we used for the September 16<sup>th</sup> meeting).

**WE NEED YOU!** Volunteering can help you learn new skills, meet great people, build your resume, and can give you a great feeling of accomplishment. If you are interested in serving on a committee, please contact the committee chairperson listed:

### **Committee Chairpersons**

Honors & Awards: Penni Taylor (UDOT) [pennit@utah.gov](mailto:pennit@utah.gov) ; 801-965-3836  
Financial: Gayle Gayler (SL County) [ggayler@slco.org](mailto:ggayler@slco.org) ; 801-468-2559  
Historian: Mindi Bos (Sandy City) [mbos@sandy.utah.gov](mailto:mbos@sandy.utah.gov) ; 801-568-7148  
Membership: Stephen Elms (Draper City) [steve.elms@draper.ut.us](mailto:steve.elms@draper.ut.us) ; 801-576-6514  
Nominating Committee Member: Tara Allred (S. Jordan City) [tallred@sjc.utah.gov](mailto:tallred@sjc.utah.gov) ;  
801-254-3742  
Public Relations: Paul Kikuchi (UDOT) [pkikuchi@utah.gov](mailto:pkikuchi@utah.gov) ; 801-965-4071  
Education: Tiffany Sorensen (SLC Corp.) [tiffany.sorensen@slcgov.com](mailto:tiffany.sorensen@slcgov.com) ; 535-6347

**CERTIFICATION** has its rewards! Contact Tiffany Sorensen at [tiffany.sorensen@slcgov.com](mailto:tiffany.sorensen@slcgov.com) for more information on how you can become certified.

**A LIBRARY** of NIGP recommended texts has been purchased for use by chapter members studying for CPPB or CPPO certification exams. To check-out these texts (texts may be checked-out up to 60 days), please contact Tiffany Sorensen at the email listed above.

#### TEXTS INCLUDE:

*Introduction to Public Procurement*  
*Legal Aspects of Public Procurement*  
*Planning, Scheduling and Requirement Analysis*  
*Sourcing in the Public Sector*  
*Developing and Managing RFP's in the Public Sector*  
*Contract Administration*

**VISIT THE CHAPTER WEBSITE!** Go to <http://nigputah.org>.

## **Classroom Corner**

*“If A is success in life, then A equals x plus y plus z. Work is x; y is play; and z is keeping your mouth shut.”*

*-Albert Einstein*

#### **Use life-cycle costing to rake in best value**

Whether it was a coffee table, a gas grill or a garden rake, I never paid much notice to the thought process involved in purchasing some of the more common items found around the house. Looking back, though, I have to ask myself how I justified spending twice as much for one rake as I would for

**another rake. Was it because I believed that the fiberglass handle wouldn't break as easily as the wooden one? Was it because I concluded that the cast-iron head probably would last longer than the alternative? Or was it simply the fact that I liked the little rubber cover that came with the more expensive option?**

By Jason Walker

As consumers, all of us have had to make similar decisions – whether we're conscious of our thought processes or not. Maybe you've had to decide between buying a piece of furniture made of solid oak or one made with plywood and veneer. Or maybe you've had to decide between gas versus charcoal when buying that patio grill. Regardless of the item being purchased, there are specific costs associated with each of these decisions that inevitably will affect the overall ownership cost of that particular item.

Purchasing is a lot more complicated in the public sector, where procurement professionals face the daunting task of meeting the complex needs of their constituents with limited resources. Because of these budget constraints, purchases often are dictated by lowest price. However, past lessons learned have taught us that purchasing the lowest-priced product or service often does not reflect the best value.

Overcoming the low-price method of purchasing can be very difficult when an agency is facing a multitude of budgetary pressures. It's very easy to look short-term when the well is almost dry. Unfortunately, history often shows us that the well never really fills up and that better procurement practices need to be considered.

All agencies should consider incorporating life-cycle costing methodology into their procurement process. This method of purchasing takes into consideration everything associated with the cost of ownership of a particular item.

In my current position as a governmental support consultant for a heavy equipment manufacturer, my responsibilities include gathering competitive owning and operating costs for heavy equipment. I've learned that whether you're purchasing a garden rake or bulldozer, the ultimate goal is the same: getting the most out of each dollar spent. Obviously there is a lot more to consider when buying a bulldozer. Still, if you let that basic principle guide your buying decisions, you'll find that in most cases, initial price is not the best gauge when determining the best value.

The factors that I consider when trying to establish the life-cycle cost for heavy equipment are scheduled maintenance costs, expected repair costs, fuel consumption and residual values. Take fuel consumption as an example. With the price of 1 gallon of gas exceeding \$4 in some parts of the country, choosing a machine that consumes 1 gallon per hour less than another machine over a five-year, 5,000-hour life cycle would equate to a \$20,000 cost savings in the ownership of the particular piece of equipment. If the initial purchase price for the more fuel-efficient machine were \$5,000 higher than the less efficient one, the agency would realize a savings of \$15,000 over the established useful life of that machine.

Imagine now that you incorporated into your calculations the scheduled maintenance costs, repair costs and the residual value of the machine over the same time period. Maybe you take it a step further and include productivity, operator efficiency, serviceability, dealer capability and even fleet standardization into the equation. Finally, imagine applying these criteria across your entire fleet. Before you know it, the well doesn't seem so dry.

Among the benefits of life-cycle costing, it: promotes vendor accountability; provides your agency with higher-quality products; and enables you to budget with a much higher level of certainty. The bottom line is that you attain peace of mind knowing that you've spent your agency's money wisely and have made the best choice at the lowest total cost.

Just in case you were wondering, the rake still works great!

For complete article, go to <http://govpro.com/Issue/Article/81610/Issue>

*For suggestions or submissions for future newsletters, please contact Tonya Hodges, Newsletter Editor, at [tonya.hodges@slc.k12.ut.us](mailto:tonya.hodges@slc.k12.ut.us)*