



Public Purchasing in an Intergovernmental System: U.S. Communities Government Purchasing Alliance

A Case Study in Achieving Multisectoral Success

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PUBLIC PURCHASING IN AN INTERGOVERNMENTAL SYSTEM

**U.S. COMMUNITIES GOVERNMENT PURCHASING ALLIANCE: A CASE
STUDY IN ACHIEVING MULTISECTORAL SUCCESS**

NATIONAL ACADEMY OF PUBLIC ADMINISTRATION

STANDING PANEL ON INTERGOVERNMENTAL SYSTEMS

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Overview

The U.S. Communities Government Purchasing Alliance (U.S. Communities) addressed the fragmentation of government purchasing in operating independently as a government purchasing cooperative for over two decades until it was consolidated with other cooperatives by a private company in 2018. During this timeframe, the organization achieved extraordinary growth and delivered unprecedented intergovernmental and intersectoral economy, efficiency and effectiveness for public, non-profit, education and private participants.

Notable outcomes included serving more than 55,000 public, non-profit and educational agencies purchasing over \$2 Billion from participating private suppliers. U.S. Communities demonstrated the power and potential of intergovernmental and intersectoral collaboration operationalized through shared leadership.

U.S. Communities operationalized long standing state laws that encourage independent government agencies to cooperate with other government agencies in exercising common powers. The joint exercise of common powers minimizes duplication and promotes government economy, efficiency and effectiveness. In the context of cooperative purchasing, the common power of competitively soliciting and awarding a contract for goods and services is exercised by one government and is made available for use by other government agencies avoiding the time and cost of duplicate solicitations by multiple agencies.

U.S. Communities established a 2% administrative fee paid by suppliers. The fee was more than offset by the time and cost savings achieved by the public sector participants and was evenly distributed to pay program administrative costs with the balance distributed to the non-profit municipal and professional associations to support these organizations collective work for the common good.

Application

While this case study is focused on overcoming government purchasing fragmentation there is a broader application to improving government operations and outcomes with case study proof that:

- The public and non-profit sectors can achieve the same economies of scale and effectiveness generally attributed only to the private sector;

- The fragmentation of government operating in tens of thousands of silos can be overcome through multisectoral collaboration and shared strengths and leadership;
- The lessons of improved economy, efficiency and effectiveness achieved in one state or local government agency are applicable and transferrable to other government agencies;
- The application of ever-changing innovation and technology will continue to fuel improved government services and user satisfaction;

The capacity to share and replicate proven innovations among government agencies will drive improved access and overall participant diversity.

Scale

There are more than 90,000 independent governments (government agencies) in the United States, primarily local units of government, that collectively spend over \$1.5 Trillion annually on products and services to support operations. This represents both a challenge and an opportunity to achieve scale and grow unprecedented intergovernmental spend and cooperation among the extensive number of government agencies.

While cooperative purchasing has long been used by certain public agencies within a region or state, U.S. Communities was the first national inter-state cooperative effort to broadly scale cooperative contracts to tens of thousands of government agencies across the country. The effort to scale and achieve a successful outcome occurred over the course of years. This required a dedicated intersectoral initiative of public, non-profit, education and private agencies to understand and implement the vision of a new and better way to access and share government supplier contracts.

In all good humor, U.S. Communities was regularly referred to among participants as a twenty-year overnight success! The substantive role and contribution of each sector is summarized below.

Context

U.S. Communities applied the long-standing intergovernmental premise and principle that one government agency could access the competitively solicited contract of another government agency without having to duplicate the competitive solicitation process. This principle of intergovernmental cooperation is codified in authorizing state statutes to promote the economy, efficiency and effectiveness among participating government agencies.

Authorizing statutes are labeled as “joint powers” statutes since the government agency accessing a contract and the government agency sharing a contract are “jointly” exercising their collective authority to competitively solicit and award a government contract. This process leverages the expertise of one unit of government to the advantage of all interested units of governments. Fundamentally, the cooperative purchasing agreements addressed the disconnectedness inherent in the American intergovernmental system.

History

In 1991, U.S. Communities was preceded by the California Communities Purchasing Program (CCPP) initiated and sponsored by the California Statewide Association of Counties (CSAC) and the League of California Cities (League) to offer a time and cost savings benefit to member Counties and Cities. A working group of County and City Purchasing Officials was formed to provide oversight and share current competitively solicited contracts for use by other government agencies. Between 1991 and 1995, CCPP served as a proving ground for the intersectoral concepts as the program was later transitioned to U.S. Communities. The county and city origin of U.S. Communities explains the initial focus of the program, later expanded to include education and state agencies.

Public Sector

Advisory Board

U.S. Communities' first priority was to ensure that the cooperative purchasing program reflected the ethics, values and standards of the public sector generally and the public purchasing profession specifically. U.S. Communities operationalized this priority by pulling together an intergovernmental Advisory Board of Public Purchasing Professionals to advise, guide and monitor the design, implementation and ongoing operations:

- Counties: Allegheny (PA), Cook (IL), Dallas (TX), Fairfax (VA), Hennepin (MN), Los Angeles (CA), Maricopa (AZ), Miami-Dade (FL) and San Diego (CA)
- Cities: Charlotte (NC), Denver (CO), Los Angeles (CA) and Seattle (WA)
- Education: Emory University (GA, private non-profit), North Carolina State University (NC) and Wichita Public Schools (KS)

Lead Government Agencies

U.S. Communities was launched in 1995 with a single and current office supplies contract competitively solicited by Los Angeles County as Lead Government Agency. In the first year only two agencies participated. During the course of the next 15 years and several competitive re-solicitations later, the office supplies contract reached over ten thousand participating agencies, a tribute to the general acceptance and benefit of this multisectoral effort. As the program evolved, the public agencies on the Advisory Board served as Lead Government Agencies in managing individual competitive solicitations and contract awards for forty contracts and related suppliers. Los Angeles County leadership was key in establishing the U.S. Communities that would be the model for future Lead Government Agencies:

- As the largest County in the country with a budget exceeding most states, the County lived an intergovernmental mission of assisting other government agencies;
- With a long history of regional cooperative purchasing and helping local agencies save time and money, the County contributed the resources to broaden its reach to the national level;

- The County had the purchasing power to drive favorable discounts and pricing on the initial offering through U.S. Communities.

Participating Government Agencies

U.S. Communities could not have achieved any measure of success without the voluntary participation of tens of thousands of public agencies. The “20-year overnight success” of U.S. Communities was built one participating agency at a time through trust in the power of intergovernmental cooperation, intersectoral leadership and program credibility reflecting public agency ethics and values. Building the essential U.S. Communities trust and credibility among Participating Government Agencies was an intersectoral effort as demonstrated by the first two Participating Government Agencies-Los Angeles County, CA, and Fairfax County, VA:

- Both agencies were first introduced to the program by non-profit municipal associations-the California State Association of Counties and the National Association of Counties respectively;
- The Counties engaged in peer to peer government conversations about the program benefits and the time and cost savings available through the private office supplies supplier.
- Each County met with the private U.S. Communities Program Manager that had extensive County and public benefit program work experience;
- Municipal and Association public agency communications, the reputation of non-profit sponsors, Lead Public Agencies and the Program Manager were all key factors;
- Savings proof provided by private sector suppliers was essential.

These building blocks of trust and credibility would grow and sustain as time progressed. New government agencies would follow the same pattern of intersectoral engagement throughout the life of U.S. Communities.

Non-Profit Sector

Municipal and Professional Associations

U.S. Communities was sponsored by national non-profit Municipal and Professional Associations representing the interests of the various Public Sector agencies. The Associations were critical to the credibility and accelerated adoption of the program because of their affinity and strong personal relationships with key agency leaders and decision makers. The Associations included:

- Counties: National Association of Counties (NACo), California State Association of Counties (CSAC)
- Cities: National League of Cities (NLC) and U.S. Conference of Mayors (USCM), League of California Cities (LCC)
- Education: Association of School Business Officials (ASBO)
- States: National Governors Association (NGA)
- Public Purchasing: National Institute of Governmental Purchasing (NIGP)

NACo served as the founding and managing sponsor working in partnership with the other sponsors to establish U.S. Communities awareness among their member agencies and professionals. The Associations also served on the Advisory Board reinforcing the program's focus on public benefit and value.

Governance

U.S. Communities was governed by the U.S. Communities Government Purchasing Alliance Foundation, a non-profit, for the benefit of public agencies and purchasing professionals. The Associations served as the Foundation's Governing Board. The Foundation had responsibility for overall program management and operations oversight. A small portion of the U.S. Communities administrative fee was paid to the Foundation and reserved for efforts to improve the Public Purchasing Profession such as initiatives undertaken by the National Institute of Governmental Purchasing.

Non-Profit Participation

U.S. Communities was made available to non-profit agencies nationwide. Non-profits enjoyed the same time and cost savings as public agencies in recognition of the public benefit services provided by these agencies, in many cases, supporting and supplementing public agency services. The program represented a significant benefit to the many non-profit agencies that prior to U.S. Communities did not have access to much more favorable government contract pricing.

Private Sector

Contract Suppliers

Private Contract Suppliers provided the products and services offered through U.S. Communities and were a valued and essential contributor to the program's success. Supplier leadership, sales teams and support personnel worked tirelessly to ensure the quality and effectiveness of products and services critical to the operation of public agencies. Supplier willingness to engage with public, non-profit and other private U.S. Communities participants contributed to a unique and mission driven collaboration to make the program better each day. The win for Suppliers in program collaboration and improvement was accelerated market penetration and objective growth in government agencies and sales. U.S. Communities established a participant database and related analytical tools to review, monitor and evaluate program effectiveness on a quarterly basis:

- Supplier participating agency sales reports;
- Number of participating agencies sorted by state and agency type;
- Sales sorted by state, agency type, agency and individual supplier contract use.

Program Management

U.S. Communities engaged a private professional services company to manage the day to day operations of U.S. Communities. The private firm had extensive work experience in government and public benefit program management. The primary U.S. Communities management challenge was the reality that U.S. Communities was not a single organization, rather a joint effort or "virtual" organization of many public, non-profit and private organizations coming together around a single mission to improve the economy, efficiency and effectiveness of public agencies. Beyond administration, marketing and reporting, the key role of the private management firm was to engage the public, non-profit and private

organizations and establish a culture of shared leadership where the strengths of each organization could be effectively applied to achieving the mission.

Challenges and Intergovernmental Tools

U.S. Communities successfully addressed the following common challenges and criticisms of public-private (intersectoral) partnerships while at the same time applying the intergovernmental tools for effective government action as noted:

- *Profit v. Public Benefit.* Intergovernmental tools applied-Leadership, Solve Problems, Communicate and Focus on Outcomes. In any public-private partnership, there is a concern or perception that private sector profit may overshadow public benefit. U.S. Communities overcame this concern or perception through engagement of a Public Purchasing Professional Advisory Board, Lead Government Agencies managing competitive solicitations, the sponsorship of Municipal Associations and program metrics and outcomes benefiting public agency participants all of which ensured a laser focus on public ethics, values and standards;
- *Policy v. Problem Solving.* Intergovernmental tools applied-Solve Problems, Prioritize, Work Across Silos, Add Value to Knowledge, Leadership. A frequent criticism of public-private partnerships is that they tend to be heavy on policy and light on problem solving. U.S. Communities converted long-standing legislative policy in each state supporting cooperative purchasing among government agencies into action with a program that overcame the problem of crossing state lines and the problem of promoting intergovernmental cooperation among tens of thousands of public agencies nationwide. The national scale of U.S. Communities drove national volumes and national pricing essential to providing better discounts and pricing for a largely fragmented government market.
- *Process v. Outcomes.* Intergovernmental tools applied-Focus on Outcome, Prioritize, Solve Problems. Another criticism of public-private partnerships is that they are heavy on government process and light on measurable outcomes. U.S. Communities employed outcome-based participation and sales growth metrics that translated into lowering prices for participating agencies within the context of a mission of improving economy, efficiency and

effectiveness of participating agencies. Accountability to outcomes rather than to process drove the workflow.

- *Control v. Collaboration.* Intergovernmental tools applied-Focus on Outcome, Communicate, Work Across Silos, Add Value to Knowledge, Leadership, Equity. Public-private partnerships may adopt the hierarchy of public participants in an effort to control the private and non-profit participants. U.S. Communities brought together public, non-profit, education and private entities, each with defined roles and responsibilities in their respective areas of strength and grounded in a defined mission and program outcomes. This horizontal “virtual organization” was a collaboration among contributors as an alternative to a more hierarchical and command and control structure.
- *Win/Win/Win.* Intergovernmental tools applied- Financial Incentives, Equity, Share Data, Focus on Outcome. A win for a public partner that is a loss for a private partner or vice versa is a common barrier to optimum results. U.S. Communities approach recognized that public, non-profit, education and private participants are motivated and effective contributors when each has a clear and defined win. Public agencies won time and cost savings, non-profit Municipal Associations won a benefit for and stronger affinity with member agencies and private suppliers won sales growth.
- *Intersectoral Success.* The National Academy for Public Administration Standing Panel on Intergovernmental Systems has established tools for effective government action. U.S. Communities illustrates, as referenced above, all of these tools in contributing to its groundbreaking Intersectoral success.

Procurement Future

Where does U.S. Communities’ interlocal success play out in the future of Public Procurement? There are a number of areas that have the potential of taking intersectoral Public Procurement to the next level; here are two:

Technology

During the history of U.S. Communities, technology has evolved with the potential of a new and better way to approach and enhance intersectoral Public Procurement. This includes the advent of eProcurement and the technical capacity to achieve a consumer-like experience in the interlocal space. In the broader context overall of improving government operations

and outcomes, the acquisition of technology advances in the form innovative products and services will demand an increasing and escalating share of government spend. Public procurement's capacity to cooperatively share and access innovative solution contracts will be a key driver in the acceleration of widespread innovation adoption.

Diversity

There is a growing emphasis by government agencies to provide greater access to small, diverse and local suppliers in Public Procurement. There is a market growth opportunity for these suppliers using an interlocal approach. A small, diverse and local supplier working with a single local government agency, can potentially open up a regional market, growing to a state market and eventually to a national market as the supplier's capacity grows.

Government Future

Where does the U.S. Communities case study play out in its broader application to improved government operations and outcomes? Is U.S. Communities an isolated one-time anomaly or is it the paradigm shift and road map required for a better and more productive government future? U.S. Communities provides strong evidence that it is the latter.

The future of more effective Public Administration lies in the simple realization that government acting alone, lacks the knowledge, skills, technology and financial resources to address and resolve the nation's grand public challenges-environmental sustainability, economic opportunity, health care, affordable housing, homelessness, cybersecurity, infrastructure and other challenges of equal or greater severity.

The old order of vertical government hierarchies operating in tens of thousands of individual silos is giving way to new horizontal models of Shared Leadership and multi-sectoral networks of public, private and non-profit leaders that, like U.S. Communities, leverage their combined strengths and share responsibility for designing and executing new hybrid solutions to seemingly intractable grand public challenges.

