



## Shared Services & New Initiatives: Pooled Purchasing and Pooled Risk

**DESCRIPTION** This concept proposal offers several types of pooled purchasing and pooled risk for local agencies. Services may include:

- Pooled materials purchasing (e.g., fuel, office supplies)
- Pooled equipment purchasing (e.g., vehicles, computers)
- Pooled service purchasing (e.g., consultants)
- Insurance/risk management pool

**ORIGIN OF THE IDEA** In a Fall 2012 survey of SACOG members, 6 of 28 respondents indicated high or very high interest in pooled purchasing of services, 3 indicated high or very high interest in pooled purchasing of materials, 4 indicated high or very high interest in pooled purchasing of equipment, and 7 indicated high or very high interest in pooled insurance or risk management. Those expressing this level of interest were small or medium-sized jurisdictions. Several members noted that they participate in California Communities (pooled financing) and CSAC Excess Insurance Authority (pooled risk).

**CONCEPT** After an assessment of interest and feasibility, there are four options for pooled purchasing and pooled risk:

*Exploration of existing pooling entities* – Several entities within the state offer pooled purchasing and pooled risk. Local agencies could explore joining those pools for specific uses. However, most are single-purpose entities (e.g., pooled risk, pooled vehicle purchasing, pooled office supplies purchasing). The California Department of General Services has a leveraged purchase agreement available for vehicles and other goods. All governmental entities may participate. U.S. Communities is a pooled purchasing nonprofit offering cooperative procurement (i.e., piggyback contracts). Many of our members show up in their list of participants.

*Agency-to-agency purchasing agreements* – One lead agency offers to work with other agencies on an ad hoc joint purchasing agreement. This could either be a jointly developed solicitation for equipment/services/materials, or an agency could allow others to piggyback on existing contracts.

*Regional pooled purchasing* – SACOG or another regional entity could offer pooled purchasing to interested local agencies.

*Establish pooled risk entity* – If there is interest in a risk pool other than existing options, SACOG could facilitate the formation of a separate pooling entity. This should need to be

a separate legal entity due to liability and other issues unique to pooled risk.

**GEOGRAPHY/SCALABILITY** In most cases, there would be no need for proximity between participating agencies, and the services would be scalable to serve all interested entities. However, some services (e.g., fleet, fuel) may be optimal for proximate agencies.

**SERVICE DELIVERY OPTIONS** The Concepts section describes the service delivery options generally. Specifically, in addition to identifying, analyzing, and providing information on existing pooling opportunity, local agencies also could use any of the following options:

- Agency fee-for-service (one or more agencies provide services to others) (pooled purchasing)
- SACOG or another regional entity could provide services (pooled purchasing)
- New independent entity (nonprofit) – Independent staff and a governing board representative of participating entities
- New Joint Powers Authority – The pooled entity could contract with SACOG or jurisdictions for staff, or could have independent staff. SACOG could also act as the fiscal and administrative agent. The JPA board would be comprised of representatives from participating entities.

### POTENTIAL BENEFITS

- Lower costs for members
- Access to goods or services that would otherwise be cost-prohibitive

### POTENTIAL RISKS

- No cost savings
- Shared liability

### FINANCIAL

*Potential savings* – For pooled purchasing: savings attributable to cost savings from bulk purchasing and negotiated rates. Annual savings could range from thousands to low millions of dollars. For pooled risk: annual savings could range from thousands to low millions of dollars. A joint insurance pool in the Bay Area has cumulatively returned \$20 million in rebates to its members over 20 years.

*Potential costs* – Approximately \$20,000-50,000 in costs to establish a new entity, with higher costs for a pooled risk entity.

**INTERESTED PARTIES** Jurisdictional executives, purchasing staff, elected officials, and consultants.

### ISSUES TO RESOLVE

- Jurisdictional interest (generally)



- Desirability of joining existing pools
- Governance and cost-sharing structure for an independent entity

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