CSU 2003-2004
Cost Reduction Initiative

Sept 2004 Status Report

Presented to the
PSSO Fall Conference
By
Steve Smith
Sept 18,2003

Cost Reduction Initiative

- **Team Status**

  - 5 Teams formed (23 Campuses + Chancellor's office)
  - 4 Teams have had kickoff meetings
  - All 4 Teams have planned a follow-up meeting
  - Team Leaders selected for 6 month term
  - Communication and data sharing stressed
  - Data collection formats discussed
  - Cost reduction ideas/ tracking tabled for next meetings
  - Overall enthusiasm and commitment is high

Team Structure

Share the load - Share the data

Project Sponsor

Project Co-Leaders
Steve Smith
Greg Melnyk

Team Leader San Diego Liz Brilliant $283M	Team Leader Long Beach Elizabeth Beall $235M	Team Leader Northridge Mary Rueda $209M	Team Leader San Jose Alex Lebedeff $207M	Team Leader San Francisco Cindy Reedy $205M
Fullerton Carmen Peak	Pomona Lorraine Rodriguez	San Luis Obispo Greg Melnyk	Sacramento Ron Grant	Chico Janice Logan
San Bernardino Marie Rivera	Los Angeles Tom Johnson	Fresno Margie Phillips	Hayward Paula Wittler	Humboldt
San Marcos Lilia Smith	Dominguez Hills Francisco Quinones	Bakersfield Carrie Rockwell	Stanislaus Carol Castillo	Sonoma Jan Volk
	Chancellor's Office Daryl Dearborn	Channel Island Leah Kirklin	Monterey Bay Gina Encallado	Maritime Academy Vineeta Dhillon
Total Team Spending $663M	Total Team Spending $605M	Total Team Spending $637M	Total Team Spending $631M	Total Team Spending $515M

Project Co-leaders : Steve Smith & Greg Melnyk

Team One	Team Two	Team Three	Team Four	Team Five
San Diego Liz Brilliant (619) 594-1883 ebrillia@mail.sdsu.edu	**Long Beach** Elizabeth Beall (562) 985-8293 lbeall@csulb.edu	**Northridge** Mary Rueda (818) 677-6567 mary.rueda@csun.edu	**San Jose** Alex Lebedeff (408) 924-1561 lebedeff@sjsu.edu	**San Francisco** Cindy Reedy (415) 338-1833 cindyr@sfsu.edu
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San Marcos Lilia Smith (760) 750-4456 lsmith@csusm.edu	**Dominguez Hills** Francisco Quinones (310) 243-3799 fquinonez@csudh.edu	**Bakersfield** Carrie Rockwell (661) 664-3185 crockwell@csub.edu	**Stanislaus** Carol Castillo (209) 667-3245 ccastillo@csustan.edu	**Maritime Academy** Vineeta Dhillon (707) 654-1086 dhillon@csum.edu
	Chancellor's Office Daryl Dearborn	**Channel Islands** Leah Kirklin (805) 437-8481 leah.kirklin@csuci.edu	**Monterey Bay** Gina Encallado (831) 582-3720 gina_encallado@csumb.edu	**Humbolt**

Cost Reduction Team Status

- **Top 20 Review**

  - 13 Campuses + Chancellor's Office have responded with their Top 20 analysis (excluding Public Works spending)

  - difficulties collecting the data are being successfully resolved at each campus level

  - consistent data sources (PO value or AP vouchers) still to be resolved but data is still useful

  - some eye-openers in the results

  - good overview of potential opportunities

Top 20 Stats

- **High Level**

  \- **Estimated total campus spending: commodities and services only = $700M**

  \- **13 Campuses reported $118M in Top 20** (= 17% of the $700M total , 4 large and 6 smaller campuses yet to respond and will increase the Top 20 $)

  \- **Chancellor's Office reported $72M** (= 10% of the $700M total but some could be duplication as campus payments to CO)

  \- Campuses report their Top 20 represent a range of 35% to 55% of their total purchasing expenditures

  \- 200 vendors listed in Top 20

  \- expected repetition of top 5 or 10 vendors

Top 20 Stats

- **Top 20 vendors:**

SBC	$24M
Dell	$13.5M
Unisys	$10.3M
Corp Educ Network	$7.7M
Cedar Ent	$6.5M
Office Depot	$5.5M
IO Cons	$5.5M
Quest Comm	$3.9M
Educ Testing Serv	$3.9M
Ogilvy Publ Rel	$3.8M
PeopleSoft	$3.4M

Top 20 Stats

- **Top 20 vendors :**

ASAP	**$2.5M**
XAP Corp	**$2.3M**
Oracle	**$2.1M**
Apple	**$2.0M**
Fisher Scientific	**$1.7M**
MTM Cons	**$1.4M**
Nova Sys	**$1.3M**
Norstan	**$1.0M**
CCS	**$1.0M**
Top 20 Total	**$102.8M**

(These Top 20 vendors =57% of $190M and 15% of $700M)

The Challenge

- The Chancellor's Challenge : a $10M cost red'n
- How much do we have to reduce?

  - overall , this is a 1.5% across the board reduction
- Where do we find it?

  - many of the Top 20 vendor $ are contracts/suppliers managed or negotiated at the Chancellor's office level – How do we pursue cost reduction opportunities here?

  - major gains have to be made here as it will become harder as the $ level gets lower and number of vendors increase significantly beyond the campuses Top 20.

  - a 5% reduction in the Top 20 vendors = $5M red'n

The Challenge

- How do we do it?

  - significant effort at all levels; Campuses, Chancellor's Office and DGS to facilitate re-negotiations and cost reductions

  - aggressive pursuit at the campus level to reduce costs with major vendors (each campus picks 10 major vendors)

  - confirm consistent application of vendor pricing across all campuses (choose about 20 common vendors)

  - significant inter-campus communication to assure consistent and lowest price for high $ purchases (a central "teams" data base?)

  - stimulate bidding and negotiating "culture" changes

  - a common format to measure cost reduction achievements.

  - a continuation of and recognition of all procurement efforts and successes to reduce cost.

The Guidance

- We need to provide very specific and consistent guidance to the buyers regarding the "bounds" of cost reduction negotiating and tracking.

  - although the "Procurement and Support Services Operations Manual" and the "CSU Policy Manual for Contracting and Procurement" provide us the specific guidelines for informal and formal bidding, <u>**where are the guidelines providing us with the opportunity to negotiate further cost reductions**</u> ?

  - the buyers feel they are not allowed to negotiate pricing in the informal bid/quote and formal IFB processes.

Goals to Consider

- Top 20 Vendors = $102M (see Note)

  - pursue a 3% red'n = $3.0M

- Remaining Campus Top 20 = $88M

  - pursue a 2% red'n = $2.0M

- Balance of campus spending =$500M

  - pursue a 1% red'n = $5.0M

Note: 4 large campuses and 4 smaller campuses have yet to report their TOP 20 so this total will be higher.