WISCONSIN STATE USE BOARD MEETING

October 8, 2015, 10:00 a.m. – 12:00 p.m.

Department of Agriculture, Trade and Consumer Protection

2811 Agriculture Drive

Madison, WI

**Opening Business**

Call to Order – The meeting was called to order by Jean Zweifel at 10:02 a.m.

Introductions

Board Members Present:

* Jean Zweifel, Greenco Industries
* Bill Smith, NFIB
* Helen McCain, Department of Administration
* Nick George, MFPA

Board Staff Present:

* Nadine Malm, Department of Administration

Audience:

* Isobel O’Rourke, Kenosha Achievement Center
* Traci Logothetis, Opportunities, Inc.
* Ken Maciejewski, Jr., Opportunities, Inc.
* Shelly Foust, Industries for the Blind - Milwaukee
* Ben Coley, Lakeside Curative Services
* Egon Muelder, Beyond Vision
* Ryan Hoffmann, Beyond Vision
* Randy Klein, Madison Area Rehabilitation Center
* Toby Johnson, Superior Vocations Center Inc.
* Susan Davis, RFW
* Tom Packard, RFW

Teleconference Participants:

* Candace Sikraji, Careers Industries
* Stacy Quickstad, Careers Industries
* Amber Fallos, Black River Industries
* Wanda Kleinschmidt, Lincoln Industries

Approval of July 23, 2015 Minutes – **Nick motioned, Helen 2nd – Motion approved**

Chairperson Report

* Nothing to report

**Continuing Business**

2014 Annual Report – Nadine indicated the report was sent to the board in August for review. Nadine indicated services and RAM contracts spend had decreased, but products spend increased. The decrease in services and RAM was due to some work centers leaving the program. One work center that still holds a RAM contract but is part of the State Use Program is managed by a company from Minnesota. Since the company is incorporated in Minnesota, per Wisconsin statutes they cannot participate in the State Use Program. Nick asked if that was the reason for reduction in spend. Nadine answered affirmatively, indicating some work centers have cancelled contracts as they do not have the staff to provide the needed services, and more work centers are placing individuals in the community so they are not providing services on state contracts anymore. Jean added that more are doing that, but the individual is getting less hours of work in the community and not getting the flexibility that they had in the work center. Nick asked if it was a federal or state initiative. Jean replied it was coming from the federal government, but then depends on how DHS (Department of Health Services) interprets the CMS (Center for Medicare and Medicaid Services) rules. Jean stated there were questions regarding the state budget and who would be responsible for family care, but no further information was provided at that time. Nadine asked if she could have approval to publish the annual report and submit to the governor. Nick asked if it had been edited for mistakes. Nadine stated yes, but could have a peer review as well. Nick asked if there was any other information needed. Nadine replied she is required to include spend and a products and services list for the work centers. Nick indicated based on the last meeting minutes that there were some corrections that needed to be made. Nadine stated there were some calculations that were wrong and had to redo those, but all numbers are correct in the report. Bill asked that his title be changed to State Director in the annual report which Nadine stated she would do. **Nick motioned, Bill 2nd – Motion approved to publish the annual report and submit to the governor.**

Fair Market 2014 – Nadine reviewed the fair market workbook with the board and explained each spreadsheet. The last spreadsheet was cost comparisons for all products on state use contracts. Six items came in above fair market. Diverse Options agreed to lower price on female intake kit to meet the fair market price. The others items were spices from Lakeside Curative Services. It appeared the quotes were incorrect as Nadine could not find anything near the pricing provided and wanted to make sure the correct volumes or items were being quoted. Nadine and Helen both believe the vendor quote was supplied with wrong information. Nadine asked for board permission to have Lakeside Curative resubmit pricing for those items that were misquoted. The board agreed. Jean added Nadine should be commended for the work of completing the fair market comparison and gathering quotes for all items as the board did not have in the past. Bill indicated the information is what he had been looking for and felt it was good information.

Nadine will work with Lakeside to get updated information and then will forward to the board.

Scrubber/Floor Pads – Price increase Request (Beyond Vision). Beyond Vision submitted paperwork for price increases. When Nadine completed the fair market comparison, Beyond Vision was above the fair market price on several items. Beyond Vision has agreed to meet the fair market price calculation and lower the prices to those. The price increase is substantial, but Ryan Hoffmann from Beyond Vision indicated previous pricing did not include shipping charges. All new pricing now has that included which added to the increase. Nadine also added that she is updating a lot of the state use contracts that were “grandfathered” in and allowed to charge shipping. Additional shipping charges conflict with state statute, which indicates shipping charges shall be included in price. Helen asked if agencies would be notified of the price increase. Nadine affirmed and Ryan Hoffman indicated he was also informing the customers as they were ordering. Nadine asked for board approval to increase the pricing. **Bill motioned and Nick 2nd. Motion approved to allow scrubber pads price increase.**

Battery Set-Aside – Opportunities, Inc. has been creating a contract for alkaline batteries. Board was provided a copy of the contract, special terms and conditions and pricing. Nadine informed Bill (was not available for the last board meeting) the pricing to calculate fair market was taken from current state contracts available on WISBuy. Contract is ready to go. Looking at starting November 1st, but contract won’t go live to the agencies until April 1st. This is line with the office supplies contract renewal which will need to block the batteries Opportunities Inc. will provide. Nadine indicated the time from the contract signing to when it actually goes live for the agencies is so Opportunities can build up inventory before the live date. As a side note, Nadine indicated the contract the board was reviewing would be the template used for all state use contracts. It was approved by DOA legal to include any information related to State Use.

Jean asked if shipping was included in the batteries pricing. Nadine indicated they did.

**Motion made to move forward with the batteries contract by Nick, Helen 2nd. Helen asked if the office supplies contract would need to block them and who the contract manager was. Nadine indicated she was working with Cathy Neidner for the office supplies contract. Since it’s a “punchout” catalog, Staples will need to block the items. Nadine also stated that would be the same for the MRO contract as they are punchouts too. Motion approved.**

Mops Contract – There were some price increase on mops and have now included the shipping charges in the pricing as well to be in compliance with statute. Pricing was approved at the last board meeting and Nadine is asking for a motion to move forward with the contract. The contract will be posted to WISBuy and STAR as East Shore has indicated they would prefer to receive purchase orders instead of a p-card due to the additional costs associated with processing a p-card transaction. The contract was delayed until STAR was live for use. **Helen motions, Nick seconded. Motion approved.**

**New Business**

Annual Report 2015 – Forms for completing the annual report were sent out the first week of October. Nadine indicated that some work centers had already completed and returned the required documents and wanted to thank them for responding so quickly. Paperwork is due October 23rd, 2015, and Nadine is hoping to have a draft of the annual report sent to the board around Thanksgiving.

Officer Uniforms – Black River Industries has an industry price increase for uniforms. This contract is managed by DOC, but was approved as a set aside and the original contract was approved by the Board. Nadine asked if the board needed to approve any increases since the original contract was approved by them. Jean and Helen both indicated the work center could work directly with DOC to gain approval and implement the price increases. It did not need board approval.

Inmate Clothing (set aside request) – Black River Industries (BRI) has requested a set aside for inmate clothing to be able to manufacture them for DOC. Nadine asked Amber Fallos, BRI Director, if they were looking at specific items or the whole contract. Amber indicated they were looking at specific items (pants, trousers, athletic clothing, dress/casual shirts and sleepwear). Nadine stated pants and trousers are manufactured by Badger State Industries so those would not be allowed. Nadine would need to check on the other items because state statute indicates if Badger State Industries is manufacturing a product, the work center cannot take that from them and vise-versa. Nadine stated she would need to find out if Badger State was manufacturing athletic clothing or sleepwear. Jean asked if Nadine would follow up on that – Nadine indicated she would. Helen wanted Nadine to find out if these were currently contracted out with a private sector vendor and scope of the contract to see what the impact would be if those items were removed, how would that affect pricing for other items on contract. Set aside is tabled until next meeting for research to be completed.

Writing Instruments – Industries for the Blind (IB) have a redesign of the pen. They are changing the barrel which is a specification change. Pricing remains the same. Nadine wanted the board to be informed of the change in specifications. Helen asked if there would be any customer feedback to ensure the new design didn’t affect the quality of pen. Shelley Faust indicated they were. IB is changing to a more modern look but welcome any feedback.

Can Liners – Nadine stated there have been several waiver requests being submitted for the can liner contract by the UW System to purchase less expensive, industry standard size liners. The current contract items are mostly custom size liners and the UW could save about 50% by going to industry standard liners. Nadine asked for permission from the board to add industry standard liners to the contract to assist other agencies in saving money and hoped this would allow for removing custom size liners no longer being ordered. Nick asked why we had custom bags on the contract. Helen indicated it was for DOC use. Nadine also stated Careers Industries would be required to submit the paperwork for new items and fair market pricing would also need to be completed before board approval. **Nick Motioned, Helen seconded, Motion Approved.**

Fair Market Pricing White Paper – Egon Muelder from Beyond Vision presented a white paper of different options for determining fair market pricing. Beyond Vision wanted to show some alternatives to calculating fair market which they felt were fair, and within the spirit of state use. The three options were: 1) Arithmetic Mean, 2) Median, 3) “Adjusted” Arithmetic Mean. As an example, Egon used a procurement solicitation that was completed by the Department of Children and Families (DCF). He indicated there were three bids received. He explained how the current fair market calculation would be used by taking the lowest bid and multiplying by 35%. Then find all bids that fall within that range and use the average of that price. Egon mentioned the earlier discussion about the fair market pricing review of spices and seasonings contract and how the board wanted to review those as one bid was very low. That was the point he was trying to make.

Egon then provided the low bid quote from the DCF procurement at $10,530 which was the only bid that fell within the range once the fair market calculation was added. He indicated it was the same example as what was provide during the fair market review. Egon went on to say the work center would need to meet that low bid which appears to be in conflict with the fair and reasonable quote to fair market. Beyond Vision presented three different ways to consider how fair market is calculated. The first option, Arithmetic Mean, was to take the sum of all bids and divide by the number of bids. Egon stated option would eliminate some of the issues with the outliers. Using that method on the DCF procurement, the fair market would be $17,010 instead of the $10,530.

Egon explained the second method to consider was the Median which was the middle most bid of a group of bids ranged from high to low. If there was no middle bid the middle two are averaged. Again using the DCF procurement, which only had three bids, the middle bid was $16,200. The median would be the fair market value using option #2.

The third method is to try and eliminate some of the outliers to get a more fair average value, so using an Adjusted Arithmetic Mean. Using the method on the DCF procurement eliminates the high and low outliers and uses the average of the remaining bids. Since there were only three bids ($10,530, $16,200 and $24,000), the high and low would be eliminated and what is left is $16,200. Egon added this becomes more significant when there are more solicitations to consider and would get a better representation of fair market price. Egon stated that in Beyond Vision’s opinion, these options are better than the current method and are recommending option #3, Adjusted Arithmetic Mean as it eliminates the outliers. It is also consistent with the spirit and intent of Act 345, consistent with the mission of the Department of Administration, State Bureau of Procurement for accountability.

Egon stated the Board had a copy of the white paper and wasn’t sure if they had reviewed it or had any questions. Bill asked if the State Use Program has always used the current method. Nadine indicated affirmatively that based on the history researched the calculation has remained the same since the State Use Program was created.

Jean stated she could appoint a committee to study this and come back with recommendations. Nick added it would be interesting to see it with more pricing. Helen stated it was a fairly simple analysis and would want to review some other contracts and how it would play out. Helen acknowledged the fact about DOA being accountable, but also the issue of doing the best DOA can for agency budgets because they are very tight right now. Both need to be balanced, but she would be interested in how those three methods would play out in other contracts.

Jean stated they would need to see more than just three bid prices. Nadine added she could review some of the current DOA solicitations and apply the options to those.

Jean then stated that since we have the current fair market calculations that were completed, the board could use those to review the options. There are six quotes, by adding a column, the options could be applied.

Jean appointed a committee to review the white paper options. Members of the committee are: Bill Smith, Nick George, Helen McCain and Jean Zweifel. Nadine will use the current fair market spreadsheet to show how the options would affect current state use contract pricing.

**Old/Other Business**

No old business.

**Public Comment**

Helen stated DOA has gone live with e-procurement system. The system goes from requisition to payment and explained for those work centers who didn’t accept p-cards, this system would allow purchase orders. Helen acknowledged that with a new system there are a few bumps which DOA is working through. Overall, the new system is working very well. In the future, work centers will be able to login to the system and track their payments. She asked that the work centers be patient with the agencies as all learning the system and a completely new way of doing state business.

Helen went on to say that she will be retiring soon. She indicated she still needed to meet with ETF and would have a better idea of a retirement date. In anticipation of here retirement, a transition was made to place Helen in the Deputy Division Administrator position and Jim Langdon was named the new Division Administrator. He will be the representative on the Board and is very familiar with the program. Helen said she may be at the next meeting, but if not, it would be Jim.

On behalf of the Board, Jean thanked Helen for her time and dedication to the board and stated she would be missed.

Adjournment – Nick **motioned, Helen 2nd and approved.**  Meeting adjourned at 10:53 A.M.

Future Meetings:

* Thursday, February 11, 2016 10am – 12pm, DATCP
* Thursday, April 14, 2016 10am – 12pm, DATCP
* Thursday, July 7, 2016 10am – 12pm, DATCP
* Thursday, October 13, 2016 10am – 12pm, DATCP