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necessary* **Assembly**

MINUTES OF MEETING - COMMITTEE ON EDUCATION, 54th Session
January 26, 1967

Meeting was called to order at 11:00 a.m.

Present: Garfinkle, Prince, Wilson, Webb, Foote, Getto, Espinoza.

Absent: None.

Chairman Garfinkle introduced as guests of the committee and interested parties to the day's agenda Mr. Harold Jacobsen, member, University Board of Regents; Assemblyman Frank Young, sponsor of AB 61; Neil Humphrey and Jim Jeffers of the University Purchasing Department; Howard Barrett, Budget Director for the State of Nevada, present as the Director of Administration for Purchasing; and Frances Brooks, Administrator of Purchasing for the State.

Chairman Garfinkle announced that AB 61, a bill that would exempt the University of Nevada from the State Purchasing Act, was the matter for committee consideration, that the sole purpose of the meeting was to obtain information, that he would hear from all of the interested parties present, and that ~~if any~~ questions from the committee would be in order after the interested parties had been heard.

As sponsor of the bill, Mr. Frank Young, explained that his interest in this bill was aroused during the past summer when it came to his attention that there appeared to be a duplication of effort necessary for the University to go through the State Purchasing Office. He said that at first glance State Purchasing appeared to be a good idea as a well established economy in government but when he found duplication of effort and responsibilities in the Purchasing Act and that the duplication led to unnecessary delay which led to added costs to the taxpayer. He said that if there was no loss of control auditwise he considered that it would be worth considering taking the University out of State Purchasing and he decided to introduce the bill and then bring it to the attention of the committee for hearing.

Mr. Neil Humphrey, on behalf of the University, then stated that this bill was not requested by the Board of Regents at this time. However, in 1965, they attempted to seek aid or relief from the State Purchasing Act. He stated that the primary function of providing supplies and required services contributing to the education program was met by the ability of personnel to provide the needs of the institution at the lowest cost and highest efficiency; purchasing has to be centralized; each individual can not do his own purchasing. It is felt that the university's purchasing division has operated long enough by itself to do its own purchasing economically without detriment to other agencies of the state. He stated that no dispute was involved with the State Department of Administration on this, and their channels were entirely open with them. We share the common problem of functioning within the shortest time and at the least expense.

Mr. Humphrey continued his presentation stating that Mr. Young

Chairman Garfinkle

had suggested his office prepare a chart indicating how University purchases are made. (The chart was posted outlining the step-by-step procedures followed: Starting with the original requisition or purchase order, passing to the Dean for approval, thence to the University Purchasing Division who processes to the Controller for verification and availability of funds, thence for posting or preparation of bids. At this time procurement can proceed via two alternative methods. On certain items the university has the authority to deal directly with the vendor. On the other items processing is through the State Purchasing Department for procurement from the vendor with bids or awards placed completing the transaction. OR alternatively the State can furnish directly from warehouse stock. If the warehouse has the stock there is no problem. If the warehouse is out of stock position on the item, it leads to delay. It is difficult to convince a professor that the item is not available because the warehouse is out of stock. Sometimes we have waited six months for an item to come through. Sometimes the State Purchasing has to revert back to the first procurement process outlined. When this is done duplication will occur. Also there is additional expense to the University by a "back-charge" process. ~~They~~ are assessed an administrative cost of three percent of the purchase price on most purchases. Some examples are that in 1966, getting the dormitory, we paid the state \$6600.00. Also in 1966 we paid an added charge of over \$4,000.00 for fuel oil because of the higher cost at which it had to be procured. The full added charges are not available now but it is estimated they must be about \$27,000.00 per year.

The flow of purchase orders for a six-month period in 1966 via the outlined processes were: 166 to warehouse, 361 to State Purchasing, and over 3,000 individual orders were placed by the University with the vendor. Mr. Humprey stated that if the University had the authority to do all of its purchasing they would have to have a larger purchasing staff than they have now, but that they would not expend as much as by using the State Purchasing Division. They could make the purchases in a more timely manner. They would share delay problems that normally occur as it is a common problem.

Mr. Jeffers, Buyer for the Purchasing Division at the University, stated that many of the 361 orders going to the State Purchasing involved technical items available only through one source. If this bill were passed the University would like to take advantage of the volume purchases made by the State. However, he stated that many colleges are completely divorced from the State in the procurement of technical items because of the technical and research problems involved. Many times now there is a nine-month delay. However, if orders for such items can be placed immediately the delay process is greatly lessened. Immediate placement of these orders is essential. Added charges to the university for items furnished from the warehouse is some ten percent. If items have been placed on bid by both the university and the state, either could avail from the lowest bidder.

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Mr. Jacobsen stated that the Board of Regents adopted a policy whereby all purchases in excess of \$5,000 must be approved by the Board. He indicated that this gave them a more direct check and that the policy was started in January.

Mr. Young inquired what determined whether the university could buy direct or through the state. It was explained that basically the university could buy all "pro-type"(?) items available from only one source by direct purchase order. In many areas there is no competition. The university is allowed up to \$500 on laboratory equipment---Chairman Garfinkle asked the questions be withheld until the presentations were completed.

Mr. Barrett explained that as Director of Administration, Purchasing was one of the divisions in his department. He stated that in the past there had been problems but that this was the first time among many meetings, most recently last August or September, that so many had been present. He explained that there were problems not only with the university but also with other agencies. He explained that whenever you have controlled agencies there will be problems. This does not mean they are in conflict. The problems are worked out. He stated that the university had requested the State to release them from the State Purchasing Act but that it was felt that that determination rightly belonged with the legislature. He stated that the problem should be weighed in committee, the problems that are created against the economies involved. He stated that they would want the University to continue using the warehouse operation to maintain the volume for the state and other state agencies.

Mr. Brooks stated that he shared Mr. Barrett's feelings that the legislature should decide the issue. He suggested the following items for the committee's consideration. In 1966 22.19% of all state purchases were for the university (?). In this period 16.26% of these were furnished out of the warehouse. On this the cost of operating was \$145,000. The charge of this operation to the university was \$2,741. He stated that purchasing is a professional field. To staff it requires professional people, capable of writing specifications, ~~xxxx~~ and salaries run high. You have to have a purchasing agent and buyers. Salary costs are as high as 13% of the total. On top of that you have machines and supplies and overhead. He stated that the delays now existing are inevitable. Many of them can not be helped. Right now, in particular, we have moved from a buyer's market to a seller's market on many items or commodities. This has been brought about by the Vietnam situation. Office furniture is presently subject to from 90 to 120 day delivery. Government priorities prevail. Copper is another item. Any other purchasing agency would face same problems and the same delays will occur. At one time, he stated he was understaffed but that now they are better staffed. He said the ordinary flow of requisitions has been stepped up and deliveries are better. The purchase department charge is based upon one half of one percent and \$10.00 for handling. You cannot write a purchase order and process it much less.

Mr. Brooks continued by stating that the last few months we have run into very high volume contracts such as furnishing dormitories which are not normal. The warehouse charges of ten percent are

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felt to be very low and in many states they run higher. In order to get prices that we get for our warehouse stock we must have quantity. The university requirements represent 22.99% of the warehouse items. If taken out that figure would drop certainly. On open-end contracts we put out say a contract for furniture, desks, for six months. We get established prices for so much per desk. We are not obligated. The price is per desk for 6 months. If our volume drops our open-end price could go up without a doubt. At the present time the National Association of State Purchasing officials feel that the State of Nevada has the best price on furniture of any state. This was brought about because a firm was created in Los Angeles right after the war, a furniture manufacturer at Norwalk. He was so competitive that he was equal to any in the market and the eastern manufacturer had to move out to be competitive. As a result we have been quite successful in getting these low prices. I repeat again if we ~~not~~ do not have the volume these prices would go up without a doubt.

Mr. Garfinkle opened the meeting for questions.

Mr. Webb asked Mr. Brooks whether the \$10 charge ^{would} ~~was~~ apply to a technical instrument costing \$20,000. It was indicated that the \$10.00 charge pertained primarily to warehouse stock of standard items. Items stocked regularly in warehouse are listed and the list is based upon common demand. For example, a 60 ~~xxxx~~ inch by 30-inch desk is standard. Sometimes, a 69-inch by 30-inch desk is requested which is not standard and is a slow-moving item. A delay would occur on a non-standard item.

Mr. Webb further inquired whether under the situation now existing there were other difficulties or situations that lead to delays. Mr. Brooks replied the present working arrangement seems good. Mr. Humphrey stated they would like to take advantage of the ~~warehouse~~ warehouse situation but further stated that it seemed unreasonable when a non-standard item was requested and only one source for the item existed to have to wait.

Mr. Brooks stated the State Administration Manual available to all requisitioners or buyers set up certain commodities and that the professors are not following the schedules set up. When they do not follow the schedules set up, orders are delayed but they are put out immediately on the next schedule. Suppliers are sometimes unable to supply pending their next scheduling of production. Professors have to be educated to follow the schedules in making their requests.

Mr. Jeffers cited the research and development areas among those where delays can be disastrous. He cited the ~~much~~ publicized monkey fetus experiment last year as an example of where film vital to the experiment was not available and the purchasing system presented great difficulty. In direct purchases they are limited to \$50 per line item. In this experiment it was necessary to send an order to the State for over \$2,000 worth of film.

Mr. Wilson inquired about the necessity of the step in the purchasing procedure where the order goes to the Controller for validation. Mr. Jeffers replied that funds cannot be

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obligated until their availability is valid. An account cannot be overspent. Funds cannot be obligated that are already encumbered.

Question was asked as to how a price is known prior to bid. It was stated that estimated prices are used in the initial procedure. Mr. Wilson further inquired whether the form for the purchase order was a composite one. He was informed that the form was a complete one and that it further served as a receiving report and need not be retyped in the process.

Mr. Jacobsen advised that the present Purchasing Act was passed about fifteen years ago at a time when the University was much different. He indicated that now there is the Nevada Southern University in Las Vegas and that the entire Board of Regents feels that the University has grown so that they should have their own purchasing department.

Mr. Brooks told the committee that the proposed state budget contains provision for a new purchasing agent to serve the Las Vegas campus. It was pointed out that there were special public relations problems in filling a lot of the NSU orders. Often the Las Vegas vendor bids higher than a Reno vendor, the Reno vendor is successful in getting the bid, and often the ~~Reno~~ Reno vendor is not able to service the bid.

The question of whether the purchasing costs to the University would be as high as they are to the state was discussed. Mr. Humphrey said the advantages to the University would accrue in the area of "time saved" rather than in the area of "less cost". He stated that the No. 2 channel of purchasing would be eliminated as outlined on the previously described procedure chart.

Mr. Barrett pointed out that if the University purchases were eliminated from the warehouse budget, the volume decrease would be disadvantageous.

Mr. Prince and Mr. Espinoza asked and were given some clarification on the figures cited by Mr. Brooks. Mrs. Foote questioned whether or not the standardization of items could be held firm. Mr. Brooks indicated that there are always needs which do not fall into a standard pattern and that they exist not only with the University but with other agencies as well.

Mr. Garfinkle thanked all of the persons present for their participation and stated that the committee would look to them ~~for~~ for direction. He indicated that there possibly was room for compromise on this matter. He asked that the interested parties give further thought to the problems and to advise the committee accordingly. The Chairman announced that the agenda of the next meeting would consider AB 74 and 79 and meeting adjourned.