



# BENEFIT BANK CHOOSING THE BASELINE

UNIVERSITY  
OF  
CALIFORNIA

# Total UC Benefit: **Mission**

## University of California Mission:

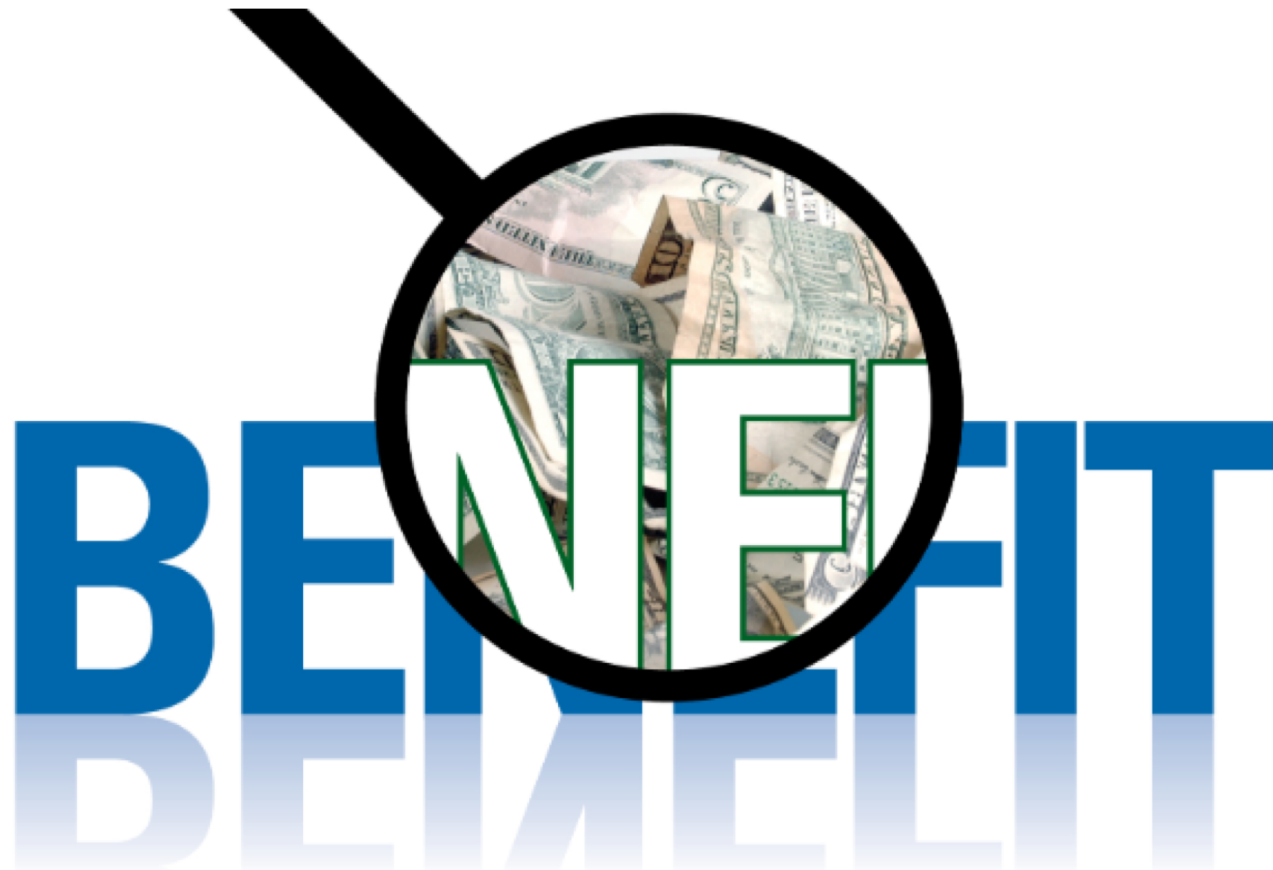
- To expand opportunities for teaching, research and public service
- **Delivering savings and efficient procurement services** across the UC system is a strategy to support the mission.



# Total UC Benefit: Definition

## Definition:

- Total UC Benefit is defined as the total annual benefit generated **by procurement actions**



# Overall Program Guidelines & Best Practices

## Program Guidelines

- Measure and report your contributions
- Be conservative in your measures
- One procurement activity can result in more than one kind of Benefit
- We're here to help!

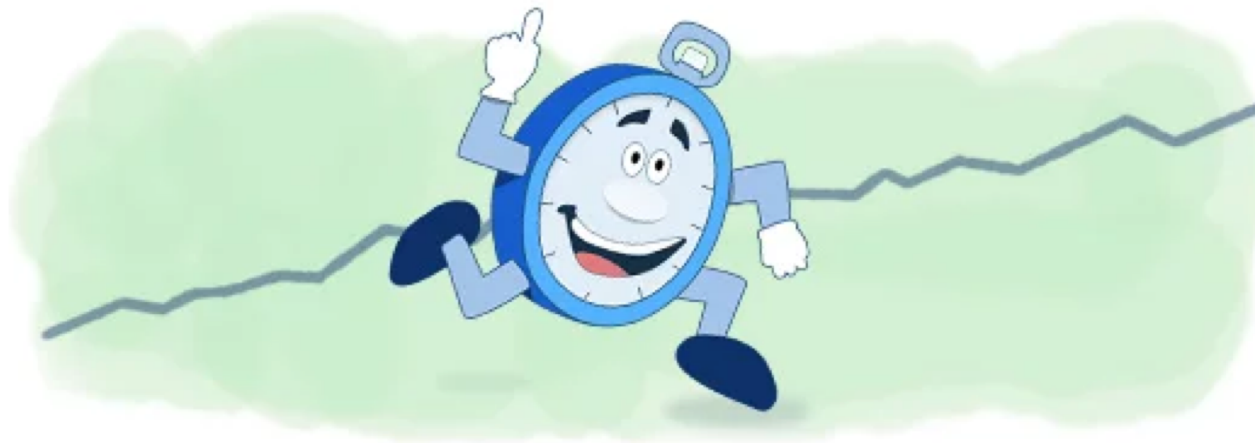




# Overall Program Guidelines & Best Practices

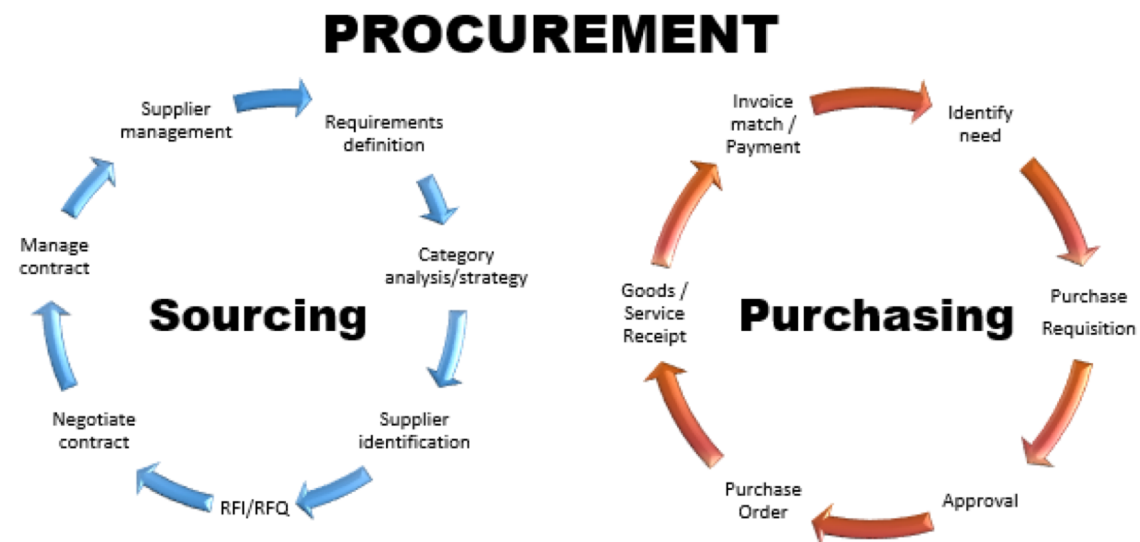
## Best Practices

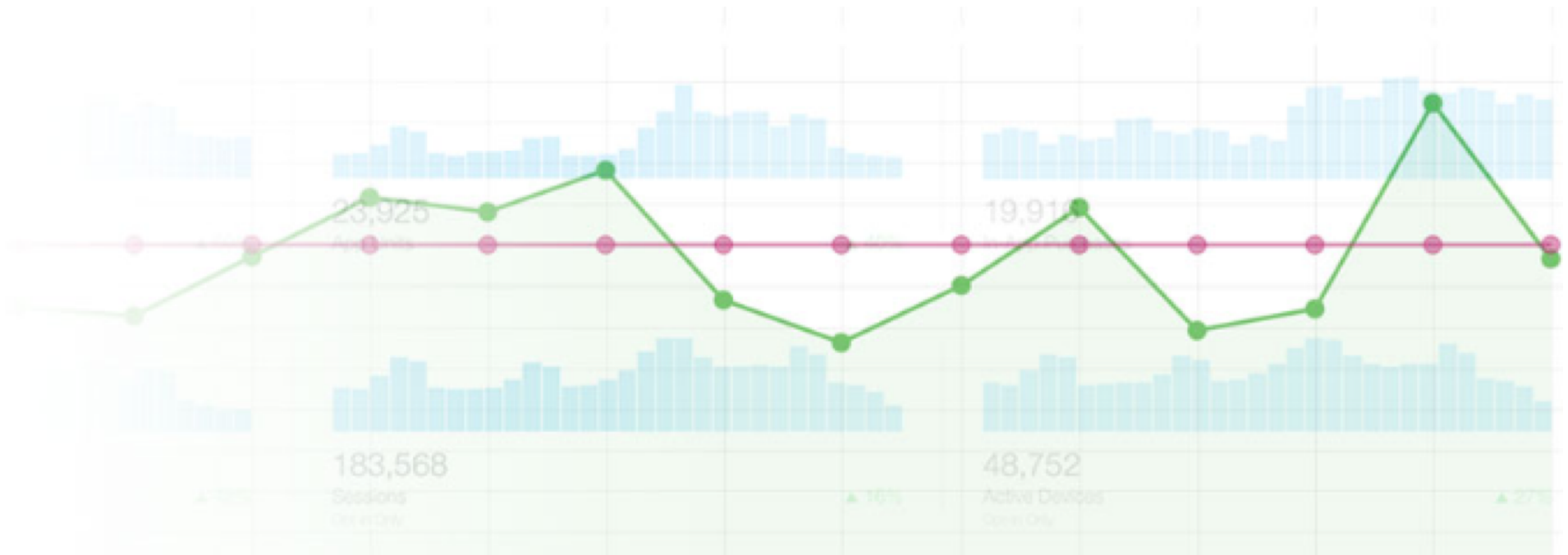
- Report your Benefits as you achieve them
- Provide sufficient documentation to support your contributions
  - Leverage the project/transaction documentation
  - Benefits are audited; provide enough documentation for the auditors to understand what happened



# Scope of Eligible Activities

- Active involvement by Procurement/Sourcing
  - Benefit is a measurement of Procurement/Sourcing activity
  - Other departments/functions may generate benefit to the campus or UC, but **Benefit Bank only measures activity by Procurement/Sourcing**
- Transactional Events
  - Meant to capture one-time Benefits
- Advanced/Sourcing Events
  - Meant to capture on-going Benefits



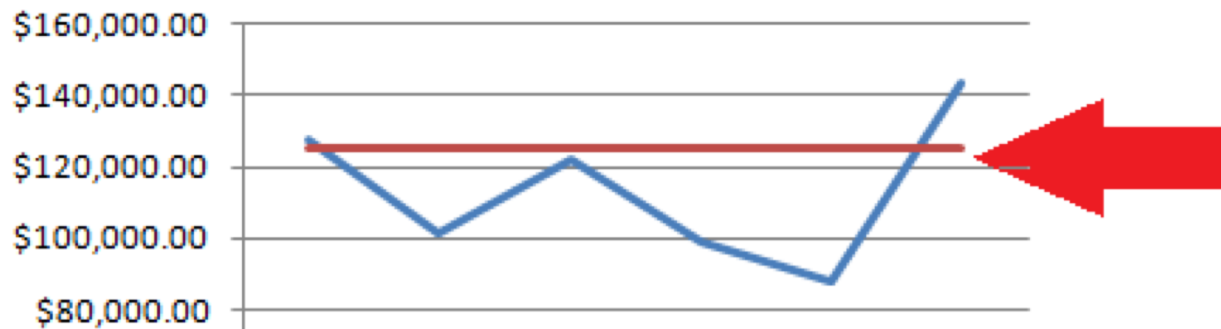


Benefit Bank Refresher Training

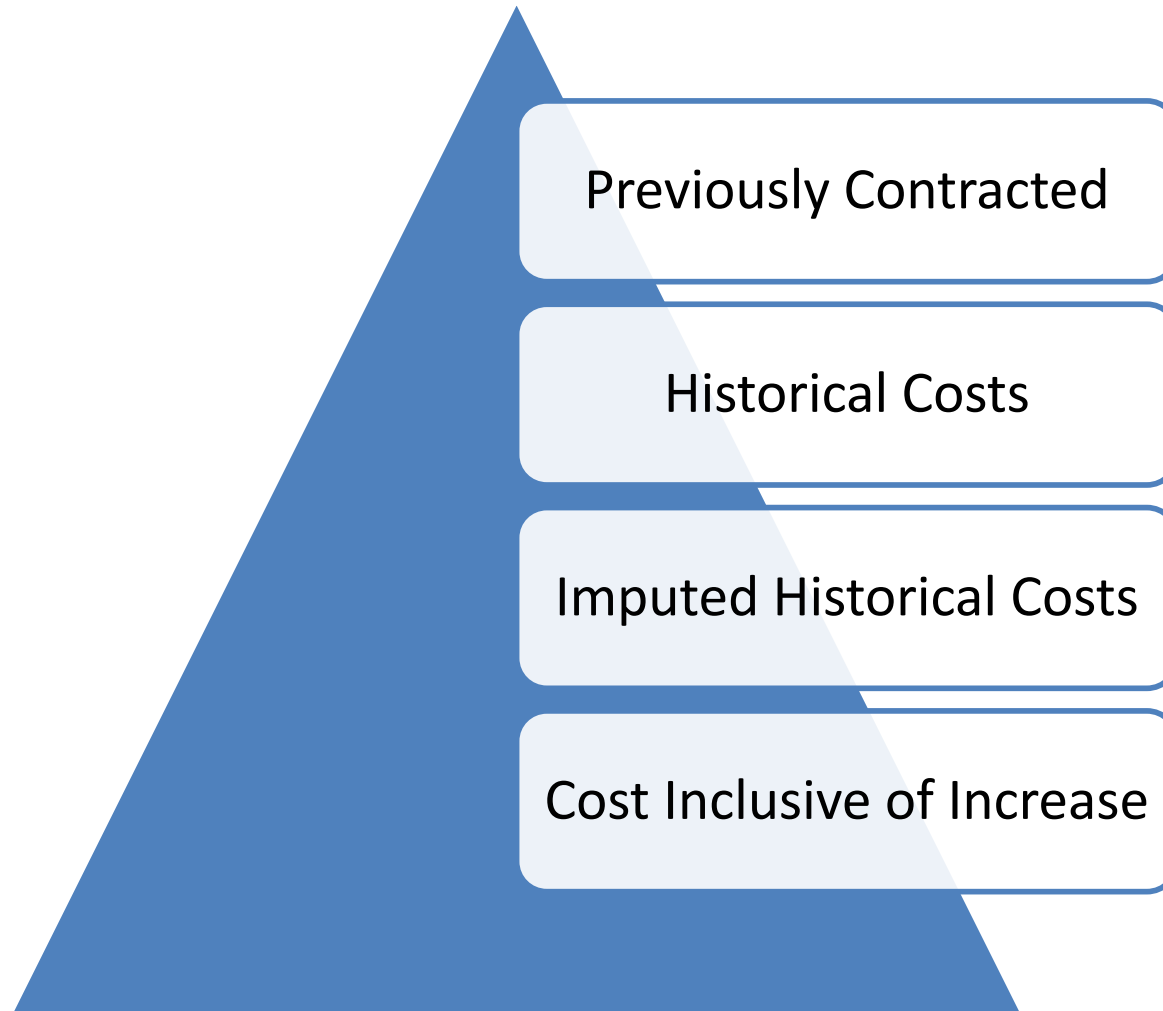
# CHOOSING THE BASELINE

## Importance of the **Correct Baseline**

- To improve costs, you must first know what they are
- Know your Baseline and/or its type before beginning a sourcing event
- An incorrect Baseline = an incorrect Benefit. The more accurate and directly comparable the Baseline, the more accurate the resulting Benefit will be
- The most common reason for a returned Benefit in the audit process is an incorrect Baseline



# Baseline Hierarchy



**Choose the most applicable Baseline that is highest in the Baseline Hierarchy**



# Types of Baselines: **Previously Contracted**

## The most directly comparable Baseline

### Definition:

The pricing, terms, and peripheral costs in the Baseline are as specified in pre-existing Vendor agreements; **the current procurement project scope is for a like set of products or services.**



### Requirements:

- ❖ There must have been an existing agreement in place.
- ❖ The newly negotiated agreement must be for a like set of products or services.
- ❖ The terms (payment, returns, etc.) and peripheral costs (shipping, transaction costs, etc.) must be no worse than the previous agreement.
- ❖ The campus and/or the UC must benefit from the new agreement for Benefit to be earned.

## Types of Baselines: **Historical Costs**

**The second-most directly comparable Baseline;** use when no previous agreement exists.

### **Definition:**

The pricing, terms, and peripheral costs in the Baseline are to be the average costs for a specific Category or Sub-Category of spend over the 12-month period immediately preceding a sourcing event.



### **Requirements:**

- ❖ **The newly negotiated agreement must be for a like set of products or services at the Category/Sub-Category level.**
- ❖ There must have been purchases of like goods within the past 12-months.
- ❖ Purchases used to calculate the “average costs” do not need to have been made by your campus; any like purchases at any campus can contribute to the average.

# Types of Baselines: Imputed Historical Costs

Use when Previously Contracted or Historical Costs do not apply.

## Definition:

The pricing, terms, and peripheral costs in Baseline are established by:

- Initial quoted price for a basket of goods, processes and/or services;
- Average of all responsive, **non-awarded** bids from a multi-vendor RFP process; or
- Budget, index, or other benchmark.



## Requirements:

- ❖ No previous agreement was in place for like products or services.
- ❖ There are no purchases of like goods to use to calculate an average cost.
- ❖ If using the average of the responsive, but non-awarded bidders to an RFP, be sure to **exclude** the awarded supplier.

# Types of Baselines: Cost Inclusive of Increase

Use when you negotiated a lower price increase than the Supplier sought or the market would support

## Definition:

The pricing, terms, and peripheral costs in Baseline are established by:

- the supplier's request for a price increase
- documented trend in market price increase
- other contributing factors to an increased cost.



## Requirements:

- ❖ No previous agreement was in place for like products or services.
- ❖ There are no purchases of like goods to use to calculate an average cost.
- ❖ No RFP event was or could be conducted.