Collaborative Value Development (CVD) Process

August 17, 2017
Order of Presentation

• Creating the Collaborative Value Development Process
• CVD Pilot Procurement Framework
• Benefits of the CVD Process
• Results of the Pilot Procurement
• Candidate Procurements for CVD
• Potential Components of CVD for Future Use
• Lessons Learned and Takeaways
CVD Process – What’s Different?

• Collaborative Value Development Process
  – Vested® process adapted to State CPO procedures

• Involvement of representatives from down-selected vendors participating in collaborative CVD Workshops to provide inputs that the State team can use to develop the RFP

• Focus on minimizing risk and including incentives in the contract designed to drive vendor to create and deliver additional value to the State throughout the contract.
CVD Pilot Procurement Overview

• Facilities Management Core Team created RFQ
  • Representing CPO, STREAM, CFG, UT, TBR

• Down-selected to three qualified vendors

• Vendors and State collaborated through workshops to discuss and develop the unique constraints and opportunities for the RFP on which the vendors would ultimately bid.

• Single vendor selected, and joint governance team formed to align with entities
## Overview of the Journey

<table>
<thead>
<tr>
<th>Date</th>
<th>Modules</th>
<th>Activities</th>
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<tbody>
<tr>
<td>25-Aug</td>
<td>1-4</td>
<td>An introduction to Vested, the courseware, and the process we will follow</td>
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<td>8-Sep</td>
<td>5-7</td>
<td>Review Deliverables 1-4 and create Requirements Roadmap</td>
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<td>15-Sep</td>
<td>8-12</td>
<td>Review Requirements Roadmap and create Pricing Model</td>
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<td>22-Sep</td>
<td>8-12</td>
<td>Review Pricing Model and create Governance</td>
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<td>29-Sep</td>
<td>13</td>
<td>Review any outstanding issues &amp; plan Breakout Sessions</td>
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- **Rev & Plan**: Review any outstanding issues & plan Breakout Sessions
- **Breakout #1**: Create RFP
- **Breakout #2**: State begins prep of RFP
- **Preliminary Solutions**: Qualified Respondents continue solutioning
- **Review**: Final Review of Vested Deliverables
- **Finalize RFP**: Finalize RFP
- **Continue Solutions**: Continue Solutions
- **RFP to COT**: Issue RFP

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**Date shown on Calendar is a Thursday (thru 11/3 - last 4 columns are Mondays)**

Workshops will be Thursdays & Fridays from 8:30AM - 4:30PM

There will be no Workshops on the Thurs-Fri prior to Labor Day
What’s in it for the Parties?

What’s in it for the Vendors?
• A chance to better understand the State’s needs
• An opportunity to have input into the final requirements, allowing the Vendors to respond with an optimal solution for both parties
  – Opportunity to meet one-on-one with State

What’s in it for the State?
• Gain knowledge from the vendors to assist the State with defining the cost model and other requirements
• Help the State understand industry best practices, and formulate the requirements that will ultimately be incorporated into the RFP
• Better competition and resulting solutions
Mutual Benefits

By Focusing on intended results, not activities...

– Risk and reward are shared to align interests
– Mutually beneficial, shared incentives drive innovation and cost effectiveness
– Mutually agreed Desired Outcomes create buy-in and focus on meeting goals and objectives
– Total Cost of Ownership emphasis enables sustainable results beyond bottom-line initial price “reduction”
– Flexible Framework to enable changes “as business happens”
The State signed a 5 year facilities management contract focused on providing the best service at the lowest possible cost for taxpayers.

Key features include:
- Flexibility: master contract allows individual state entities the choice to utilize some or all of the services provided
- Transparency: cost pass through contract with no markups
- Incentives: Vendor puts their management fee at risk of meeting performance objectives, can share State savings and earn five possible one-year term extensions (beginning in year 2)
Candidates for CVD

• Large, High $ Value
• Complex Subject Matter that may not be a core competency of the State
  – If in-house expertise is insufficient or unable to fully develop contract inputs such as scope and cost model.
• Potential candidates
  – Supply-Chain Management and Logistics
  – Design-Build Projects
  – IT Systems (such as healthcare & benefits systems)
Potential Components of CVD for Future Use

• Finding effective ways to utilize and gain from expertise of private sector during scope and cost model development. Some best practices:
  – More vendor involvement on the front end than just the typical formal State Pre-Response Conference & RFI process.
  – Targeted questions to drive vendor input early on
  – Emphasizing “drivers” behind State requirements

• Use a shortened version of the workshops to compare State’s existing service delivery with best practices in private sector.

• Incentives to mitigate vendor’s risk and motivate
Lessons Learned and Takeaways

• Increased Insight and vendor involvement leads to Buy-In & Better Competition
  – More State emphasis on explaining drivers behind requirements.

• Transparency and Knowledge Transfer is critical

• Entire CVD process should be used sparingly

• Public Sector constraints prevent a true Vested relationship (but we got closer than we thought)
  – Contract contained more boilerplate language than a normal Vested contract.

• Vendors love the process, when it makes sense financially
  – Losing Respondents wished for the contract to be successful and format adopted by other public entities.
Questions?