



OFFICE OF THE EXECUTIVE VICE PRESIDENT—
CHIEF FINANCIAL OFFICER

OFFICE OF THE PRESIDENT
1111 Franklin Street, 10th Floor
Oakland, California 94607-5200

March 1, 2013

TO ALL UC MATERIEL MANAGERS

Re: SB1280 Best Value for Procurement

Dear Colleagues:

On September 28, 2012 Governor Jerry Brown signed into law Bill number SB1280 Effective January 1, 2013. This Bill allows the University of California to use the Best Value methodology for awarding competitively bid contracts involving a bid of more than \$100,000 for goods, material and services. Best Value means the most advantageous balance of price/cost, quality, service performance and other elements, as defined by the University. The University Procurement Leadership plans to implement the Best Value methodology starting in February 2013. To achieve this goal, a cross campus workgroup was formed to update BUS-43/Materiel Management Purchasing Policies to ensure that Best Value based supplier selections are conducted in a fair and consistent manner and to develop procedures and templates for reporting requirements.

With the implementation of SB1280 the UC will expand its options for awarding competitively bid contracts by using one of three methods:

- Best Value
- Cost Per Quality Point
- Price/Cost alone

When using Best Value method for awarding competitively bid contracts the University must comply with the following requirements:

1. The minimum threshold for price/cost will be 25% of the total score. The minimum threshold will be reviewed and modified by the UC Procurement Leadership Council periodically as needed.
2. The number of points used in an evaluation can vary as long as the weighted value of all criteria equals 100% of the points, with 25% or more of the points allocated to price/cost. Price/cost is the calculated expenditure per the bid. All criteria except price/cost must be scored first to avoid pricing influencing the scores. After non-price/cost scores are calculated the price/cost score is added to come up with the total score.
3. Decision to use Best Value method and elements included in qualitative criteria for bid evaluation will be determined by the systemwide commodity teams for systemwide bids and by campus/medical center Procurement Management for the local bids.
4. Price/cost is scored based on the pre-determined percentage of the total available points. Price/cost from all bidders must be “normalized” with the lowest bidder receiving 100% of the total available points and the other bidders receiving a percentage of the total available points per the sample calculation below:

Sample Price/Cost Normalization

Total Price/Cost Points Available -500

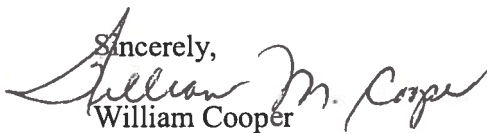
Bidder #1: Low bidder at \$50,000 receives maximum points	500
Bidder #2: Next lowest bidder at \$55,000 receives 90.9% of max points (\$50,000 divided by \$55,000 = 90.9% X 500 = 455)	455
Bidder #3 Highest bidder at \$60,000 receives 83.3% of max points (\$50,000 divided by \$60,000 = 83.3% X 500 = 417)	417

Above points are added to the other criteria point totals to come up with the total points. Bidder with the highest overall total points is considered the lowest responsible bidder with best value in terms of price/cost, quality, service and performance that meet the University's requirements

5. Under a Best Value agreement, bid participants must be notified in writing at the end of the agreement award process.
6. Bid Protests will be handled as outlined in Bus-43. The policy will be reviewed and modified by the Procurement Leadership Council periodically as needed.

The Senate Bill SB1280 Best Value legislation will expire on January 1, 2018, unless extended. The legislation requires UC to report certain information to the Legislative Analyst regarding UC's competitively bid contracts by July 1, 2016. The Legislative Analyst will use the information provided to advise the legislature on the benefits and disadvantages of using a "best value" versus "lowest bidder" approach to awarding competitively bid contracts. The reporting requirement applies to all current campuses and locations of the University of California, medical centers and to UC funded procurement at the national labs. Therefore, all UC campuses, medical centers and national labs will be responsible to submit to UCOP Procurement Services one consolidated report for each campus, medical center and lab for all locally bid contracts involving a bid of more than \$100,000 for goods, material and services on an annual basis at the end of each calendar year starting in 2013. UCOP Procurement Services will be responsible for reporting all systemwide competitively bid contracts.

Please work as appropriate with your site to communicate this announcement. For more information, please contact Haggai Hisgilov at (510) 987-0470. The reporting template and instructions and all supporting documents, including SB1280 Bill are posted on the UCOP SharePoint site (<https://sp2010.ucop.edu/sites/procurement/Pages/Default.aspx>) for Procurement Services.

Sincerely,

William Cooper
Chief Procurement Officer
UCOP