



PHOTODISC

BY MICHAEL KEATING

In this era of budget cutbacks, how can government save money?

The answer for many cities, counties, school districts and other local governments—there are 87,525 of them in the U.S.—is to take advantage of the value and cost savings offered by shopping at Costco.

The local-government market is huge. In 2004, local governments will spend \$806 billion on goods and services, up 5.2 percent from 2003 spending levels, predicts *Government Product News* magazine and the Global Insight research firm.

For example, the University of Oregon in Eugene regularly purchases goods from Costco near the campus. Everything from meats to hardware to hand trucks and chafing dishes are on the university's shopping list, says Tom Driscoll, director of food services. The university regularly stocks campus cafeterias with fresh catches from Costco's seafood selections.

"Costco has a good combination of cost and value, and they offer good-quality products," says Driscoll. Convenience is also key. "We'll call in an order and it will be ready the very next day, and that's an important factor."

For local governments, price is key, says Donna T. Beach, director of research and technical resources at the National Institute of Governmental Purchasing. "The main advantage is the huge purchasing volume that warehouse clubs deliver—so their prices are lower. Local-government agencies are able to enjoy the lower prices through Costco and other warehouse clubs. Obviously, you and I as consumers, if we are going to buy a bulk amount, we go to Costco and similar opera-

tions—and the same discount translates for local governments."

The Eugene (Oregon) School District Number 4J also relies on Costco to keep the district's food pantries well stocked. Convenient pack size and quick availability are key reasons for the district's reliance on Costco, says Susan Fahey, financial manager for the Eugene schools. "Occasionally, other items are purchased, but ... the district has contracts for most equipment [and] supplies," she says.

Besides the district in Eugene, other school districts around the U.S. do their shopping at Costco. "A lot of the schools in this district buy at the club," reports Donna Sapp, purchasing specialist at the St. Lucie County School District in Florida. "The home economics departments and culinary arts classes go there for their cooking and food and office supplies."

The city government of Avon, Ohio (west of Cleveland), buys paper products and keeps its coffee service replenished through the Avon Costco. "For Avon, the ability to purchase necessary supplies and keep the money we are spending within the community is an

important consideration," says James A. Smith, Avon's mayor.

Ease of use and convenience continues at the Costco checkout—all Avon employees need do is present a city check for purchases.

Local governments and school districts must sometimes meet competitive bid requirements on purchases. In the Eugene schools, for example, any purchase over \$1,500 must have three competitive quotes. But as Fahey of the Eugene district notes, "Typically, our Costco purchases are under that amount."

"For the type of products currently being purchased at Costco, a competitive bid is not necessary," explains Avon's mayor, Smith. "In other respects, though, we do follow competitive bidding rules."

Shopping at warehouse clubs like Costco brings new convenience and time savings to governments, says Ruth Totton, senior buyer in the purchasing office of St. Lucie County. "In the past I've faxed an order to the club and they will have the merchandise all ready for you, and all we have to do is check the order. You don't have to pick all of the stuff off the shelves. It's pretty straightforward."

"Shopping at Costco offers great benefits and cost savings for municipalities and other local governments," says Kim Russo, membership manager at the Avon Costco. "Plus," she adds, "Costco's Executive Membership gives up to a 2% Reward on [most] purchases."

As Mayor Smith says, "I believe any organization, government or otherwise, can benefit from using warehouse buying." ■

CONNECTING

Organizations wishing to purchase from Costco have several options. Fax and pull orders are available at many warehouses. Ask at the membership desk of your local warehouse for information on this service and how to apply for a specialized, non-revolving credit card.

Business delivery through Costco's Business Centers is also convenient. For locations, check costco.com (click on the business tab) or the Member Services grid on page 27.

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