Procurement

*Managing for Results in America's Great City Schools -
A Case Study in the Area of Procurement*

October 2008

About The Managing for Results Project

Managing for Results is designed to create an end-to-end performance information system that assists districts to assess their performance in the context of their peers. The project is designed to take raw data reported by districts and convert it into comparable performance measures that can be used to benchmark performance to the CGCS member districts which represent the top 66 urban districts in the country. By creating a dashboard of comparable measures, districts are able to see where they are doing well and where they have opportunities for improvement. In areas requiring additional focus, districts will also have access to information from top performers and what they did to create and/or sustain high levels of performance.

Case Study Measures: The "Essential" Few

Examining performance on a measure by measure basis is helpful when a district wants to focus deeply on an individual topic. The Managing for Results project covers a significant number of operational and financial areas to offer deep review in hundreds of management areas within non-instructional areas of public education. However, to be considered a top performer a district has to be consistently performing well across multiple measures. In the case studies herein, top executives from across the country agreed on the "essential few" measures that a district has to perform well on in order to be considered a top performer and eligible for a case study.

The Managing for Results project collects data for a significant number of performance measures that are important for senior executives to monitor. From those measures, project leaders selected the Key Performance Indicators (KPIs) that are important for superintendent and board members to know. Then, the "essential few" measures were selected for the purposes of the case studies. These are the measures that a district needs to perform well on consistently. The continuity of performing well across these "essential few" is an illustration of leadership and management system, and an indication that performance in one area is not sacrificed to accelerate performance in another.

ACCRA NOTE: Please note that all measures that resulted in monetary data were normalized by dividing the dollar amount by the ACCRA factor for the region. ACCRA is an acronym for American Chambers of Commerce Research Association. This organization produces a Cost of Living Index to provide a useful and reasonably accurate measure to compare cost of living differences among urban areas. For additional information, please go to www.coli.org. ACCRA graciously provided CGCS with their complete cost of living database for FY07.

Strategic Sourcing   *Threshold >33%*
Formula *Total dollars spent for strategically sourced goods and services **divided by** Total procurement dollars spent by the district from all funds, excluding construction and P-Card spending*

Competitive Procurements   *Threshold >90%*
Formula *Total purchase dollars for all purchases above the single quote limit that were competitive **divided by** Total purchase dollars for all purchases above the single quote limit*

P-Card Transactions   *Threshold >50% transactions*
Formula *Total number of P-Card transactions, excluding construction **divided by the sum of** Total number of procurement transactions (# of POs/contracts), excluding P-Card spending and construction **and** Total number of P-Card transactions, excluding construction*

Cost per Purchase Order (ACCRA Adjusted)   *Threshold <$175*
Formula *(Total procurement department expenditures **divided by the sum of** Total number of procurement transactions (# of POs/contracts), excluding P-Card spending and construction **and** Total number of construction contracts awarded) **divided by** the ACCRA factor*

Certified Procurement Professionals *Threshold≥75%*
Formula *Number of professional procurement staff and supervisors with certification **divided by the sum of** Number of supervisors - This includes all administrative and supervisory personnel that generally do not perform actual procurement functions themselves, but supervise professional, support and clerical staff **and** Number of professional procurement staff - Includes buyers, contract officers, purchasing agents, contract administrators, and any other staff performing professional procurement functions* (continued on Page 2)

WELCOME

This study is part of the Council's ground-breaking, multi-year Performance Measurement and Benchmarking Project to identify performance measures, key indicators, and best practices that can serve as guides to improve the financial and business operations of urban school districts.

In the project's initial phase started three years ago, the Council began collecting and analyzing data on a robust set of key indicators—or measures—in the business operations of its member districts. In the second phase of the project, the Council began to generate trend data that have identified positive indicators on these measures.

The project has now moved into a "gap analysis" phase of examining the organizational constructs, management practices and other factors to gain an understanding of what the "best practice" school districts are using to be ranked at the top of a given measure.

This study, the first of its kind, contains Case Studies that the Council expects school boards and superintendents can use to assess their own business operations, and will be able to use the highest performing districts to set benchmarks and identify best practices with particularly positive indicators.

In future years, the Council will work to refine this overall effort and begin to prepare composite studies in the financial operations of our member districts. We hope that the membership finds this effort useful and productive.

Sincerely,

Robert Carlson

District Profile: East Baton Rouge Parish School System

Enrollment: 48,895
Number of schools: 92
Square Miles: 415
Free/Reduced Eligibility: 75.3%
Budget: $374.01 million
English Language Learners: 2.1%
Percent of Students with IEP: 14.6%

The East Baton Rouge Parish School System serves the Greater Baton Rouge area. It is the largest district in the state and among the top 100 nationally in student enrollment.

The school system is composed of 90 schools with an enrollment of approximately 48,895 students in Pre-Kindergarten through grade 12.

Total enrollment includes a diverse population of students in Regular, Gifted, Talented Arts, English as a Second Language, Magnet and Vocational Education settings, plus Exceptional Student classes for challenged students up to age 22. EBR also serves more than 5,000 Adult Education students annually.[1]

District Profile: Norfolk Public Schools

Enrollment: 35,657
Number of schools: 67
Square Miles: 53.8
Free/Reduced Eligibility: 58.7%
Budget: $308.71 million
English Language Learners: 1.7%
Percent of Students with IEP: 13.9%

For the past ten years, our district has been working diligently to ensure that all students succeed — regardless of race, gender, or family income level.

We've seen the results of focused, data-driven decision making and high levels of accountability. We know that all children are capable of tremendous success. We know that, because of our nationally recognized programs and staff, our graduates will be globally competitive.

We're redefining what urban public education looks like. We're raising the bar and offering high levels of support to prepare our students for a future that we can't even begin to imagine. New technologies and new career fields develop every day. And while we may not be able to predict what new discoveries await over the horizon, we know with certainty that our students must be "powerfully literate" — able to think critically, to synthesize information, to apply creativity to problem solving situations, and to work effectively with diverse groups of people.

These skills will ensure that your children can compete with their counterparts in India, China and other locations around the globe. The world may be flattening, but our students will be prepared to achieve on that leveled playing field. With your support, we can ensure that every single child graduates ready to become a life-long learner, a productive citizen, and a leader in the workplace.[1]

Case Study Measures: The "Essential" Few

Procurement Administrative Lead Time - Formal Bid Requirements   *Threshold <45 days*
**Formula** *Indicate the PALT, in number of days, for formal bid requirements*

Procurement Administrative Lead Time - Formal Proposal Requirements   *Threshold <90 days*
Formula *Indicate the PALT, in number of days, for formal proposal requirements*

Procurement Administrative Lead Time - Informal Requirements   *Threshold <10 days*
Formula *Indicate the PALT, in number of days, for informal requirements*

[1]*Excerpt from District website*
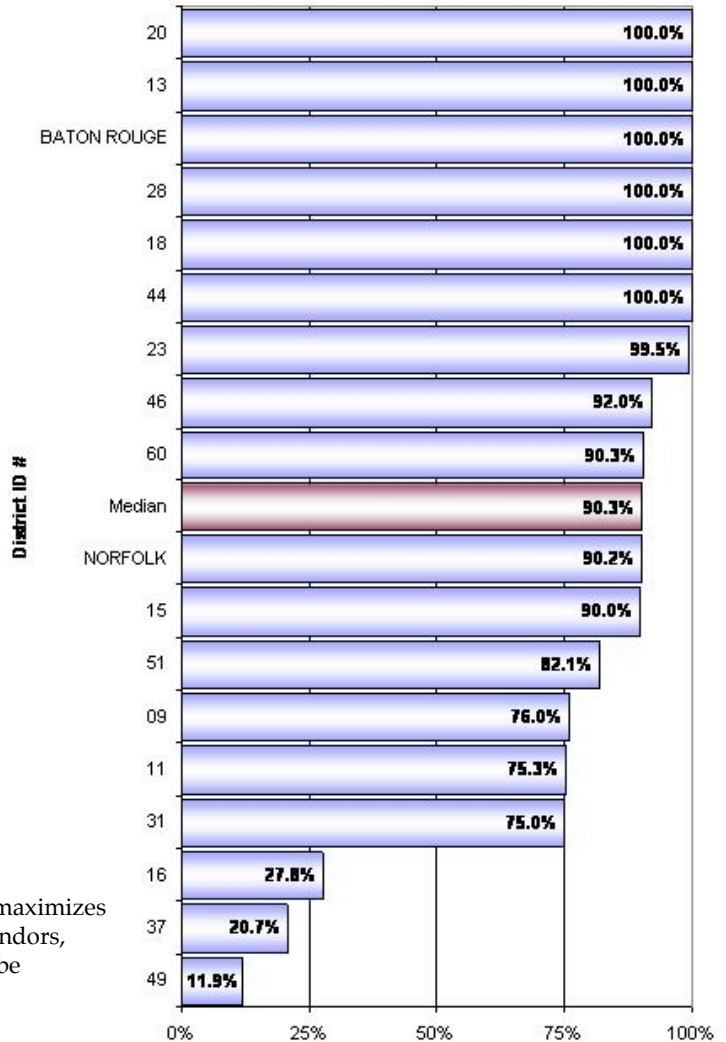
Procurement Data

Strategic Sourcing
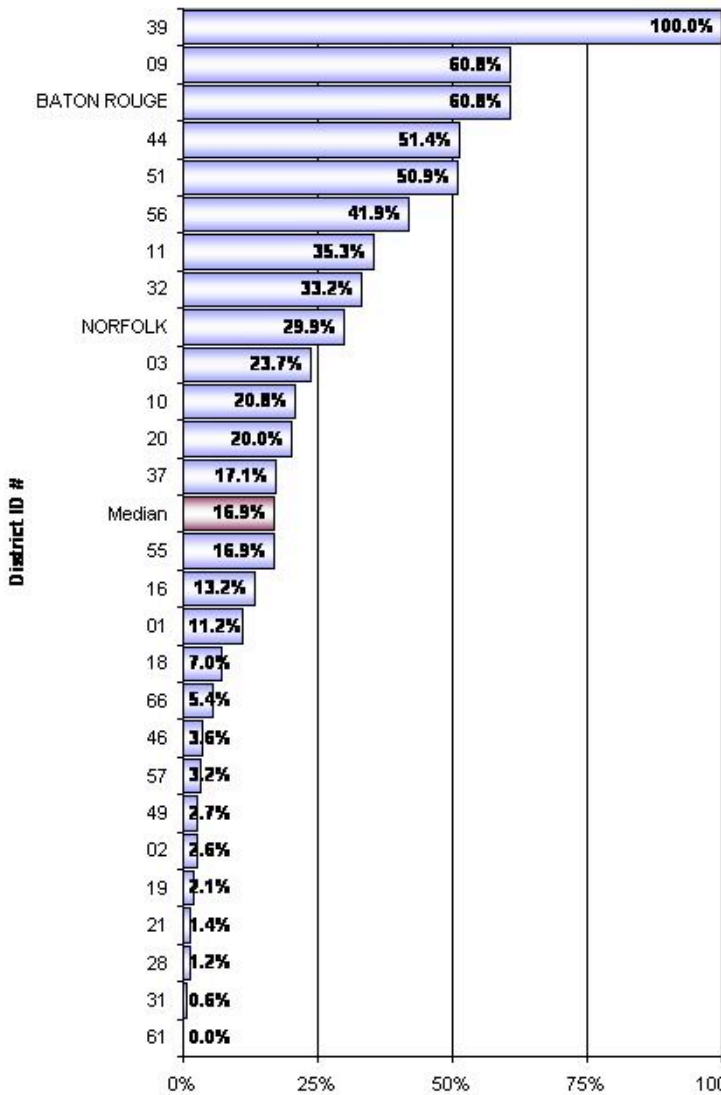
Strategic Sourcing

Strategic sourcing is a systemic process to identify, qualify, specify, negotiate, and select suppliers for categories of similar spend. This includes identifying competitive suppliers for longer-term agreements to buy materials and services. Simply put, strategic sourcing is organized agency buying. Strategic sourcing directly affects the available contracts for goods and services, i.e., items under contract are readily accessible, while others are not. It is a strong indicator of potential cost savings from competitive procurements. Quality and product guarantees are better accounted for in the bidding process, than is true in no bid situations.
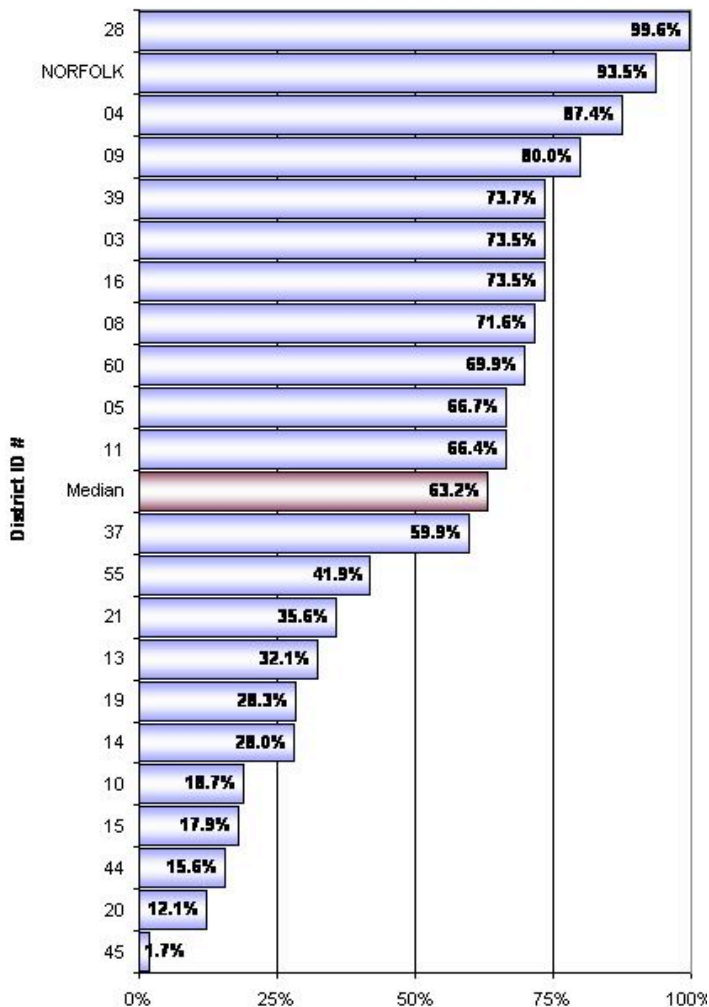
Competitive Procurements

Competitive Procurements

As the cornerstone of public procurement, competition maximizes procurement savings to the district, opportunities for vendors, integrity assurance for Boards and taxpayers at large to be confident in the process.
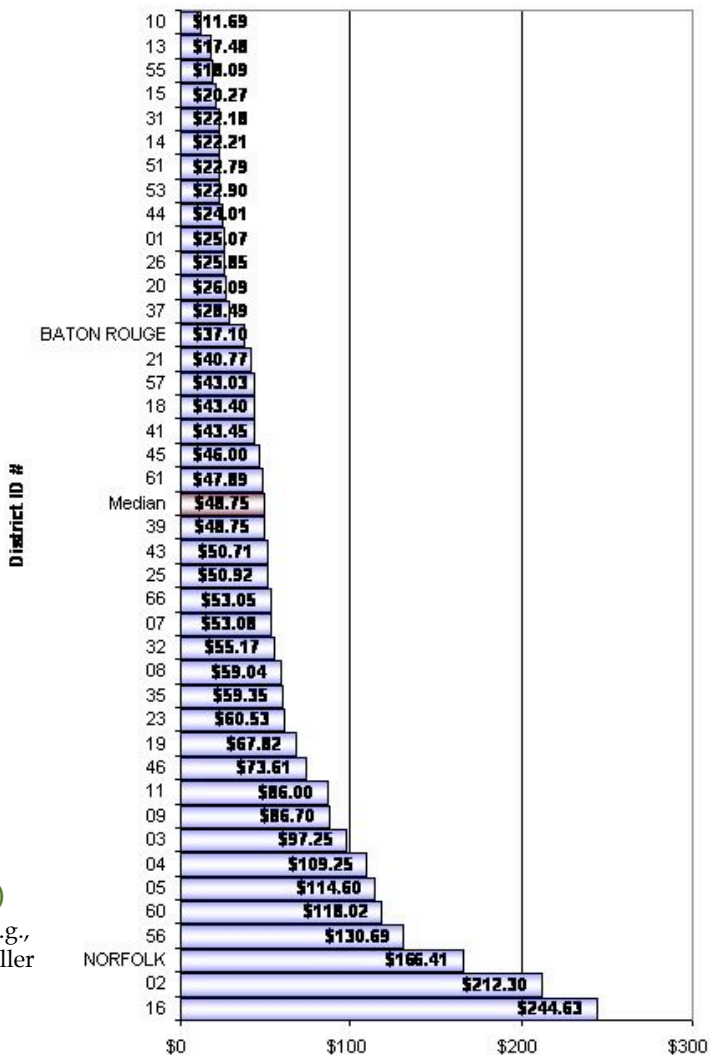
Procurement Data

P-Card Transactions

P-Card Transactions

District ID #	Value
28	99.6%
NORFOLK	93.5%
04	87.4%
09	80.0%
39	73.7%
03	73.5%
16	73.5%
08	71.6%
60	69.9%
05	66.7%
11	66.4%
Median	63.2%
37	59.9%
55	41.9%
21	35.6%
13	32.1%
19	28.3%
14	28.0%
10	18.7%
15	17.9%
44	15.6%
20	12.1%
45	1.7%

P-Card Transactions

P-Card utilization significantly improves cycle times for schools, decreases transaction costs, and provides for more localized flexibility. It allows procurement professionals to concentrate efforts on the more complex purchases, significantly reduces Accounts Payable workload, and gives schools a shorter cycle time for these items. Increased P-Card spending can provide higher rebate revenues, which in turn can pay for the management of the program. There are trade-offs however. The decentralized nature of these purchases could have an impact on lost opportunity for savings, and requires diligent oversight to prevent inappropriate use.

Cost per Purchase Order (ACCRA adjusted)

| District ID #	Value
10	$11.69
13	$17.48
55	$18.09
15	$20.27
31	$22.18
14	$22.21
51	$22.79
53	$22.90
44	$24.01
01	$25.07
26	$25.85
20	$26.09
37	$28.49
BATON ROUGE	$37.10
21	$40.77
57	$43.03
18	$43.40
41	$43.45
45	$46.00
61	$47.89
Median	$48.75
39	$48.75
43	$50.71
25	$50.92
66	$53.05
07	$53.08
32	$55.17
08	$59.04
35	$59.35
23	$60.53
19	$67.82
46	$73.61
11	$86.00
09	$86.70
03	$97.25
04	$109.25
05	$114.60
60	$118.02
56	$130.69
NORFOLK	$166.41
02	$212.30
16	$244.63

Cost per Purchase Order (ACCRA adjusted)

Comparing cost/benefit of other means of procurement (e.g., P-Card program, ordering agreements), especially for smaller procurements and evaluating the benefit of leveraging the consolidating requirements.

Procurement Data

PALT - Formal - Bid Requirements (in days)
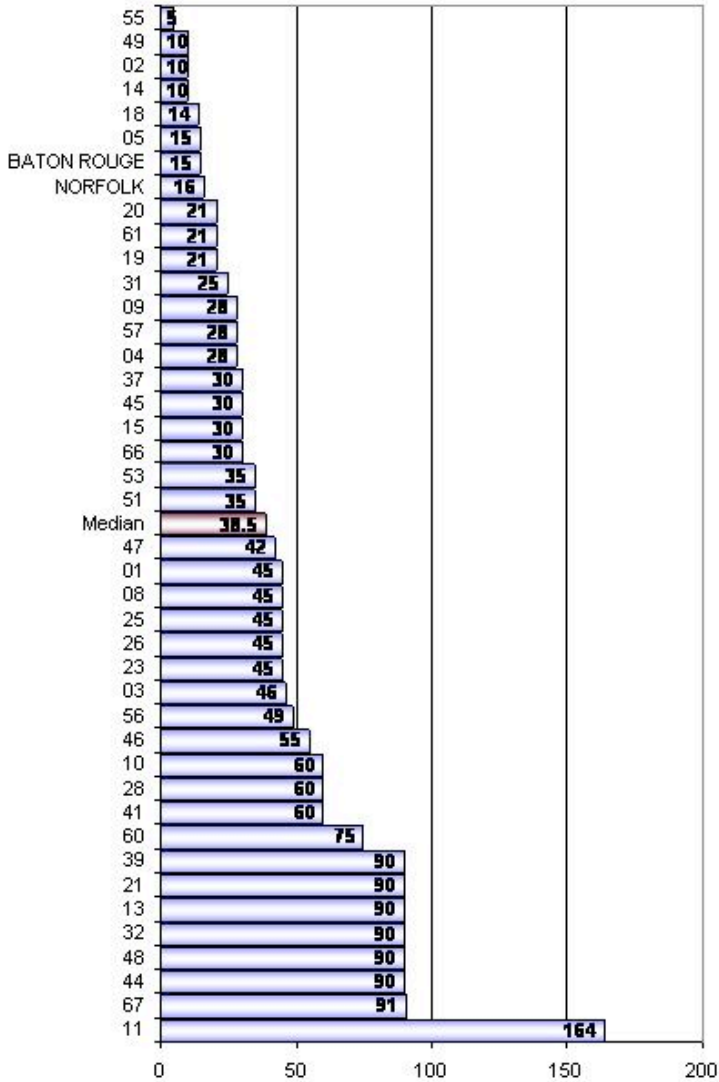
PALT - Formal - Bid Requirements (in days)

Formal bids are bids that must be formally advertised meeting a dollar threshold that requires Board approval. Formal bids are usually advertised in newspapers and the website or through a third party for a minimum of two weeks, although some commodities require a longer time pursuant to Federal guidelines. Some districts may only require the sealed competitive process and are only reported to the Board post facto. The "cycle time" for this measure is calculated from receipt of requisition through final recommendation to the Board. This measure establishes a quality benchmark for commencing and completing the acquisition process for formal competitive bidding for goods and general services. Other factors of importance are potential savings, building partnerships and repeat competitors thus affecting quality of product/service. This is an important measure to examine the balance between competition/objectivity and the need to get products/services in place quickly.

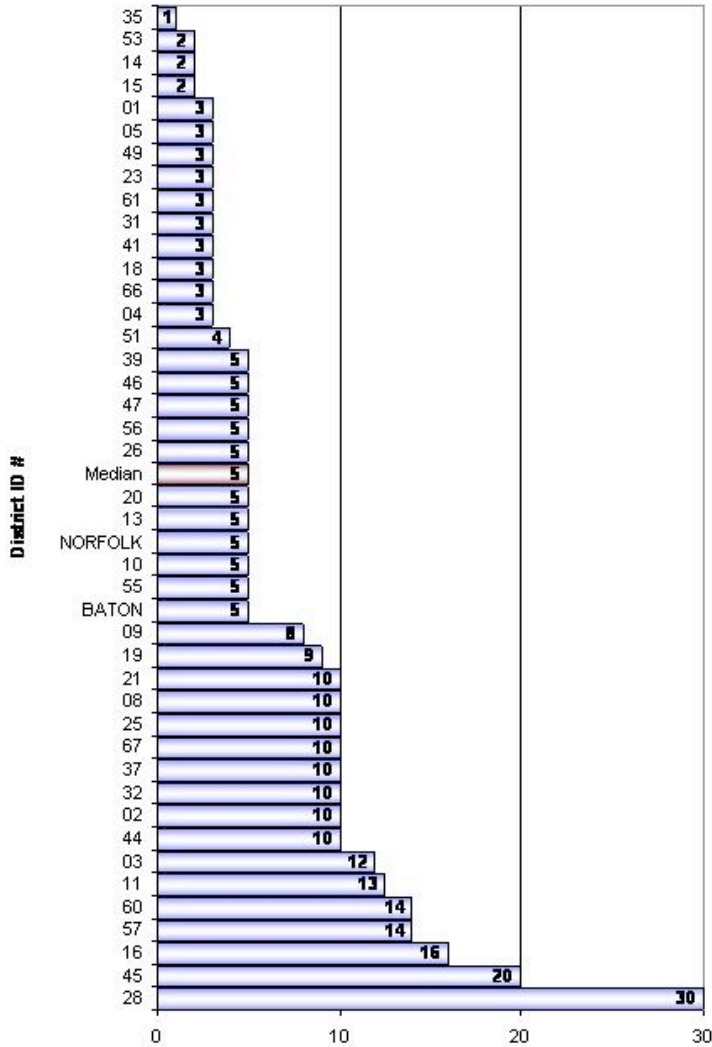## PALT - Formal - Proposal Requirements (in days)
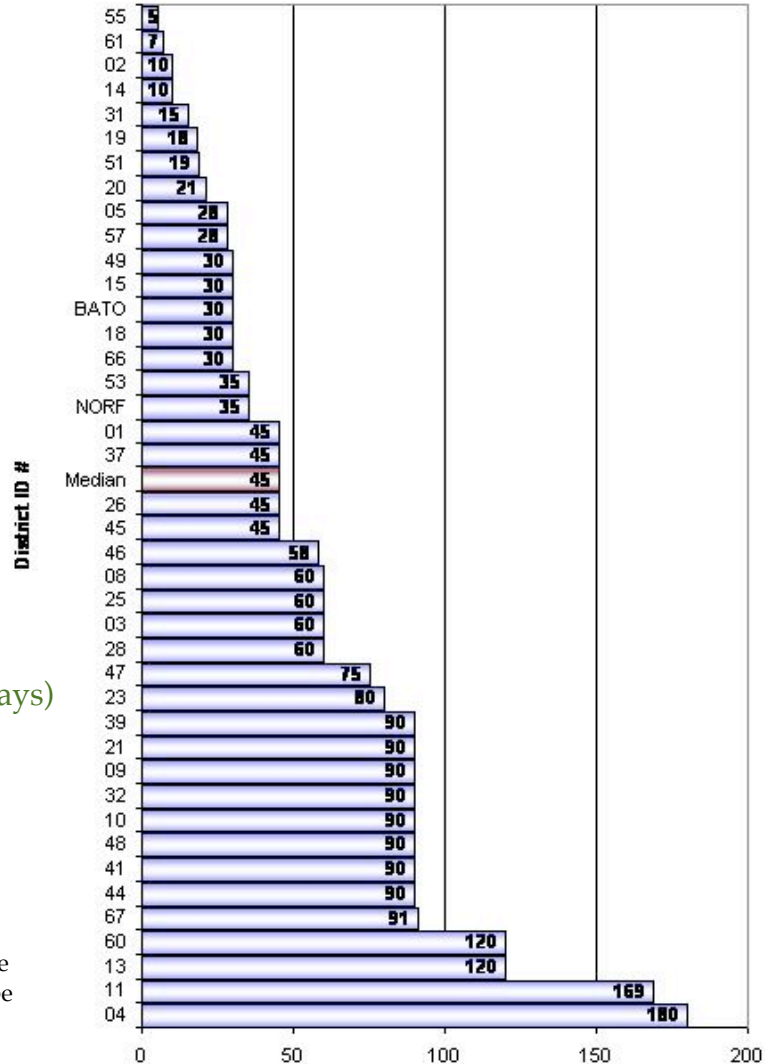
PALT - Formal - Proposal Requirements (in days)

This measure establishes a quality benchmark for commencing and completing the acquisition process for competing contracts for professional services (e.g. consultants) through the "Request for Proposal" (RFP) process. Other factors of importance are potential savings, building partnerships and repeat competitors thus affecting quality of product/service. This area has emerging importance as procurement has traditionally focused on competition for goods, but as the scrutiny on the expenditure of public funds increases, professional services should also be examined as a KPI.
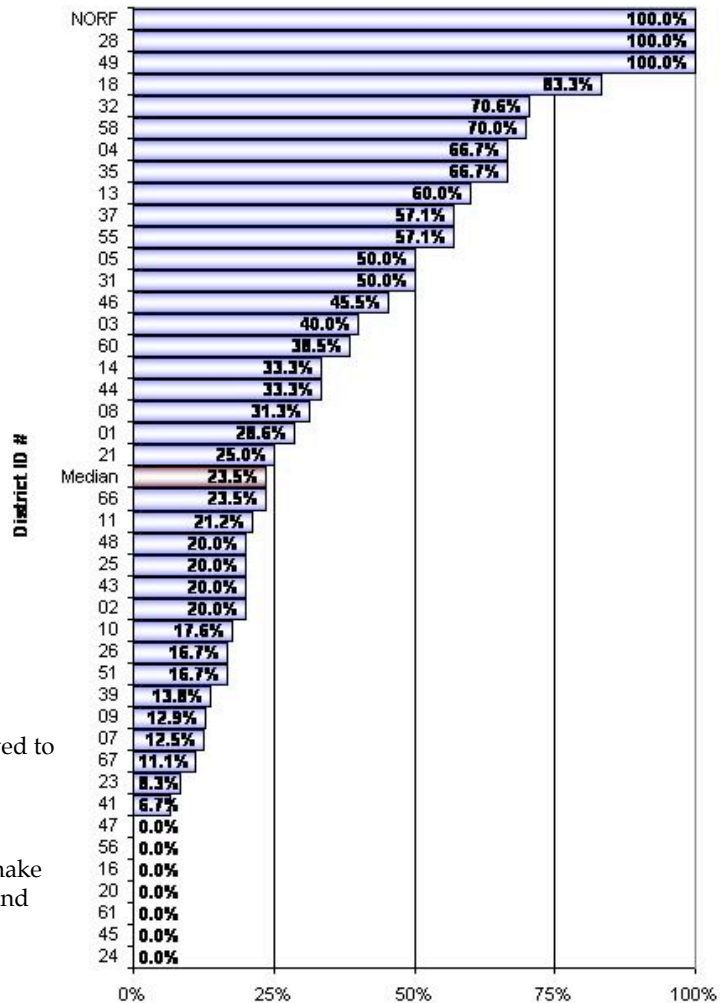
Procurement Data

PALT - Informal Requirements

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PALT - Informal Requirements

This measure establishes a quality benchmark for commencing and completing the acquisition process for informal bidding. Informal bids are usually for small dollar values and require quotes that can be obtained via letter quotes, electronic procurements systems such as fax servers, emails, telephone calls, faxes, etc., and can be processed without any Board approval. Other factors of importance are potential savings, building partnerships, and repeat competitors, thus affecting quality of product/service.

Certified Professional Procurement Staff

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Certified Professional Procurement Staff

This measure sets a standard for technical knowledge for procurement staff that directly affects processing time, negotiation, procedural controls, and strategies applied to maximize cost savings. The procurement function has evolved to require procurement professional staff to focus on:
• strategic issues versus transactional processing,
• advanced business skills that look at agency supply chain, logistics optimization, total cost of ownership evaluations, make versus buy analysis, leveraging cooperative procurements, and agency spend analyses, and
• balance of service with internal controls.

Case Summary

CGCS invited top performing districts to respond to a Management Practices Questionnaire. This section summarizes their responses and additional comments.

Norfolk indicates that its Purchasing Agency has its own mission statement that has been updated in the last two years. Baton Rouge does not; they indicate that they have a system-wide mission statement under which all departments function.

Both districts indicated that they have strategic plans with specific goals and objectives, they regularly use performance measures, and that their organization is strategically placed within the district. However, Baton Rouge does not have a formal document which provides authority to the Purchasing Agency through a statute, ordinance, or regulation.

Other areas where the two district diverge are with the:

- requirement of professional certification – Baton Rouge does not require, Norfolk does;

- tracking of cost savings or cost containment – Baton Rouge recently began such tracking, Norfolk does not;

- existence of a standardization program – Baton Rouge indicates that public bid law does present a challenge for standardization, Norfolk does have a program; and

- utilization of e-commerce features – Baton Rouge does not yet utilize such a system, Norfolk does.

Strategic sourcing is an effective tool for consolidating contracts. Both districts show that they strategically source to a greater extent than average. However, Baton Rouge does so at a greater extent than Norfolk.

Cycle time is another measure that indicates efficiency in procurement operations. Based on responses regarding procurement administrative lead time and shown in some of the charts on previous pages, both districts either meet or exceed the median cycle time for formal bid requirements, formal proposal requirements, and informal requirements.

While a school district's utilization of the management practices identified does not guarantee top performer status, it appears to contribute. However, readers should consider these findings in light of the fact that the management practices addressed were not reviewed, but simply self-reported by the districts identified.

Notes

About Council of Great City Schools

The Council of the Great City Schools is a coalition of 66 of the nation's largest urban public school systems.

Our Mission

It is the special mission of America's urban public schools to educate the nation's most diverse student body to the highest academic standards and prepare them to contribute to our democracy and the global community.

Our Vision

Urban public schools exist to teach students to the highest standards of educational excellence. As the primary American institution responsible for weaving the strands of our society into a cohesive fabric, we — the leaders of America's Great City Schools — see a future where the nation cares for all children, expects their best, appreciates their diversity, invests in their futures, and welcomes their participation in the American dream. The Great City Schools are places where this vision becomes tangible and those ideals are put to the test. We will keep our commitments, and as we do and as society supports our endeavors, cities will become the centers of a strong and equitable nation, with urban public schools successfully teaching our children and building our communities.

Our Goals

To educate all urban school students to the highest academic standards. To lead, govern and manage our urban public schools in ways that advance the education of our children and inspire the public's confidence. To engage parents and build a confident, committed and supportive urban community for raising the achievement of urban public schoolchildren.

Case Study Contact Information

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Notes