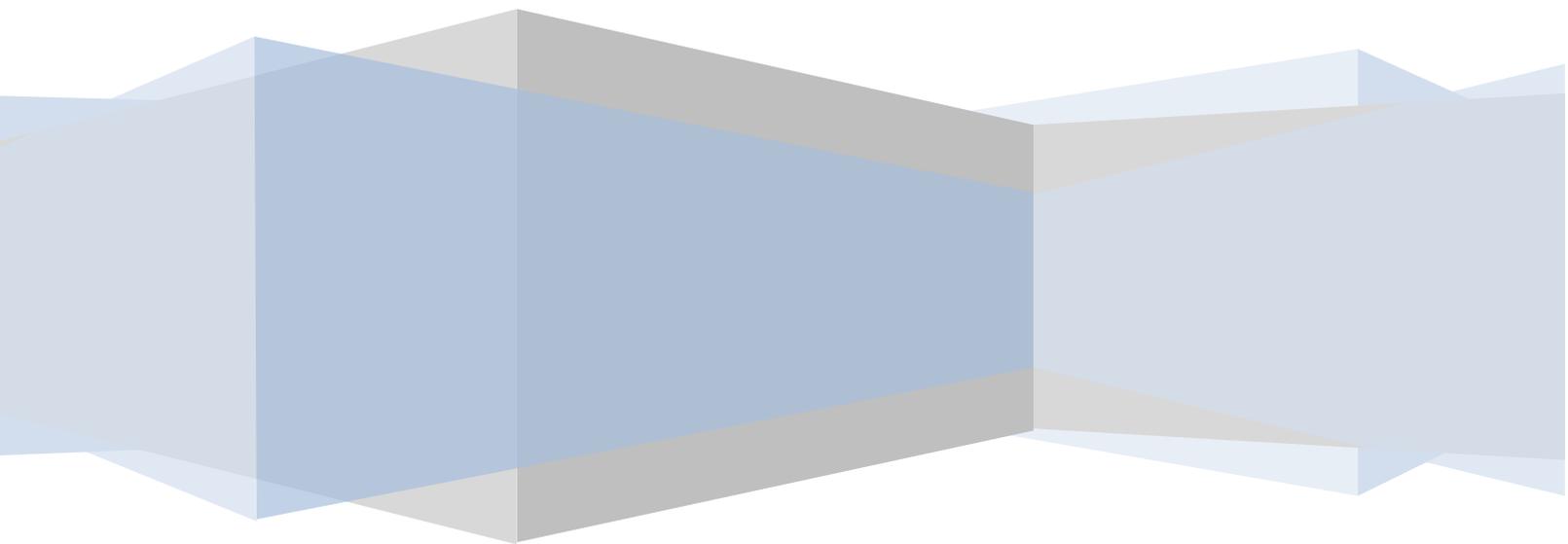


# **Service Delivery Project**

## **Report of the Procurement Working Group**

**January, 2014**



**Procurement Working Group  
Final Report to the Service Delivery Project Committee  
January, 2014**

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**B. Executive Summary:**

This report provides an overview of the current types of procurement that school districts in the Province of BC participate in both individually and in a shared format. The Working Procurement Group has met with groups that provide shared procurement opportunities and researched shared procurement models in BC and Ontario. Our findings show that a shared procurement model specific to school district needs will provide some short term and long term hard and soft savings along with administrative efficiencies. Change management takes time and resources. However, shared procurement will provide the best overall value to small, medium and large school districts in the province.

The Group reviewed current practice by school districts, opportunities to share in government procurement services and structures in other jurisdictions.

The geographic location, size and the autonomy of individual school districts determines whether they currently participate in joint procurement.

Current sharing of procurement expertise is extensive in the metro and lower island regions. Structures for sharing include the Education Resource Acquisition Consortium (ERAC), Education Cooperative (EDCO), Greater Victoria Joint Purchasing Group, Shared Services BC and work by the Association of School Transportation Supervisors of British Columbia and other provincial associations. In many cases this work is shared with post-secondary institutions. The savings from these opportunities exceed \$1.5 million or close to 1% of supply budgets. In addition, this year, districts participated in the voice services contract of the province to save \$1.6 million or 22% of those costs and 29 districts invested their cash deposits with the province to net \$1.95 million in additional local investment revenue.

The Group determined the following guiding principles for determining when a commodity or service could be procured in a shared manner:

- Commodities and Services that most districts require and procure on a regular basis
- Values and volumes of commodities justifies consortium purchasing
- Specifications and scope of the commodities and services can be standardized

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- Goods and services can be available to most districts in the province
- When consortium procurement is the most cost effective method
- When consortium procurement will provide the best value for money

The Group considered four options for the structures to extend shared procurement:

- Option #1 - Expand EDCO
- Option #2 – Greater utilization of Procurement Services, Ministry of Technology, Innovation and Citizen's Services
- Option #3 - Larger enrolment districts procure on behalf of smaller enrolment districts with a shared structure (regionalized)
- Options for a Shared Procurement:
  - Option 4A - Implement a Shared Procurement Consortium
  - Option 4B - Implement a Shared Procurement Legal Entity
  - Option 4C - Implement a Legal Entity that combines the current ERAC work and the Shared Procurement Legal Entity

**Business Case:**

The business case in Appendix D outlines the costs and benefits of the shared procurement options. It is clear that the greatest savings are garnered when the entire province's volumes are used to procure the best price. Utilization of Option 4C by creating a legal entity and incorporating the services currently provided by ERAC provides for the least additional costs. By year 3, the additional saving could be in excess of \$5 million with extensive work on common product standards and full cooperation of all districts.

**Recommendations:**

The Group recommends that a shared procurement consortium will best meet the objectives of reduced costs of procured goods, take best advantage of shared procurement expertise and contain administrative overhead costs - Option 4C which creates a shared procurement legal entity that incorporates the services of ERAC and provides for province wide procurement of other goods and services is considered the preferred option. It is expected that the new entity will be easier for districts and some vendors to understand as they are aware of the work of ERAC and will obtain procurement information from only one entity.

The Group recommends that the shared procurement legal entity start with limited goods and services and establish processes that ensure the success of the entity. As well the entity can utilize existing ERAC, EDCO and provincial procurement contracts where available and provide good value.

The question of mandatory participation must be considered as commodity volumes and commitment provide the best opportunity for cost savings and the overhead costs are spread over a larger number of districts.

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The savings realized by districts will vary for each district depending upon their current procurement expertise and participation in procurement groups. There is an implementation period where costs will be incurred prior to savings as acceptable goods and services standards necessary to meet participating organizational requirements will need to be developed and subsequent procurement processes meeting inter-governmental trade agreement and public sector procurement requirements will need to be followed. It may be appropriate to have membership fees up front for start-up and a rebate or fee calculation model that depends on usage of the services and ability to make savings.

In all options, it is expected that best practices in procurement will be utilized and that all trade and legal parameters will be adhered to. It is expected that advisory committees will be used to establish goods and services standards acceptable across the province that will be used to procure through best practice processes. Currently, with limited procurement expertise in the system, there is a risk of not adhering to public sector procurement requirements. As well, participating districts will need to ensure that their policies do not conflict with the consortium practices.

Once the new consortium is implemented under a legal entity, consideration could be given to the inclusion of other shared initiatives such as TSMA lite for voice services and banking services. This would reduce administration for districts with one place for all these services rather than an administrative structure for each.

**C. Membership of the Group**

Mary Sluggett	Working Group Lead, Retired Purchasing Manager, School District No. 61 (Greater Victoria)
Graham Roberts	Assistant Secretary-Treasurer, School District No. 68 (Nanaimo-Ladysmith)
Lloyd Pendleton	Purchasing Manager, School District No. 23 (Central Okanagan)
Ian Wind	Manager Purchasing and Administrative Services, School District No. 39 (Vancouver)
Duncan McLelland	Executive Director, Procurement, Ministry of Technology, Innovation and Citizen's Services
Stephen Smoroden	Manager, Facility Services, School District No. 37 (Delta)
Doug Gorcak	Director of Facilities, School District No. 67 (Okanagan Skaha)
Frank Marasco	Operations Manager, School District No. 83 (North Okanagan- Shuswap)
Lawrence Tarasoff	Superintendent of Schools, School District No. 84 (Vancouver Island West)

**D. Terms of Reference**

The Terms of Reference for the Procurement Working Group were approved by the Service Delivery Committee to include the following:

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**Purpose**

The Procurement Working Group will provide advice on the feasibility of the opportunities listed in the Deloitte report and others as considered by the group, and if feasible, provide operational implementation plans for consideration by school districts:

1. Consolidation of existing School District purchasing cards into a single province wide system
2. Encouraging non-participating School Districts to join a Province wide purchasing card system
3. Expanding group buying programs to include more School Districts
4. Increasing collective buying activities and adding additional purchasing categories
5. Centralizing print services ( This work will be done in cooperation with the Information and Communication Services Working group)
6. Moving to a provincial fuel procurement program for all School Districts
7. Increasing centralized fleet vehicle purchases across School Districts to achieve greater savings

The group will also review how other initiatives such as ERAC and EDCO assist or integrate with these opportunities. The group will also investigate how government wide procurement initiatives are available to school districts. The group may have discussions with vendors to determine the feasibility of the opportunities subject to provincial procurement standards and practices.

**Responsibilities**

The Procurement Working Group will undertake the following:

1. Provide a project plan which defines the goals and objectives for their work
2. Provide a business case, budget, implementation plan and timeline for completion for the procurement opportunities
3. Provide advice on engagement and communications, key activities and deliverables, issues and constraints, and resource requirements for the procurement opportunities
4. Provide advice on the ongoing operating structure for the procurement opportunities including how savings would be distributed, how ongoing reinvestment and initial start-up costs would be funded and provide a draft business case that can be used by school districts to evaluate implementation of the opportunities
5. Evaluate the integration of organizations such as ERAC, purchasing groups such as EDCO into the implementation of procurement opportunities
6. Provide regular updates to the Service Delivery Project Committee on the progress of their work and a final report

**Deliverables**

Procurement Delivery options and strategies are offered to schools districts with provision of clear operational plans for implementation and a draft business case to assist in decision making. School

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Districts are able to take advantage of the opportunities implemented as demonstrated by school district participation.

**E. Background**

**Deloitte & Touché LLP Report:**

In 2012, a report was provided by Deloitte & Touché LLP entitled Service Delivery Transformation which identified potential opportunities to reduce overhead costs, look for efficiencies and find savings through collaboration and alternate service delivery in the public education sector. In follow up to the report, the Ministry of Education is supporting a Service Delivery Project and has contracted a project lead to support the sector in this work. The Ministry of Education has announced that the focus will be on items where there are reasonable prospects for collaboration with School Districts and where savings can be generated in the near term. These 14 opportunities are referenced as Tier 1. In addition, there are a number of other initiatives, either currently working successfully in school districts or that may arise from the work of the committee, which will be considered. The Minister of Education, in his letter of August 24, 2012 outlined that savings from these initiatives will be reinvested into the public education sector.

The Service Delivery Project Committee (SDPC) is the lead committee and a number of working groups will be established to provide technical advice to the Committee.

The report outlined the following opportunities related to procurement:

- Strategic sourcing provides opportunity for increased benefits from PCard usage and optimizing procurement consortia
  - While procurement is the most mature process in terms of school district collaboration, there remain large categories of spending not currently purchased on a sector basis and additional benefits to be gained through improved governance and procurement processes
  - The largest opportunity is to increase the usage and overall effectiveness of purchasing consortiums
  - PCards present a relatively simple opportunity to add remaining districts, consolidate to a single provider and simultaneously increase the net rebate. Total savings from PCard changes could be up to \$130k per year
  - School districts have made extensive progress with the development of purchasing consortia such as ERAC and EDCO as well as local buying groups with neighboring municipalities, post secondary institutions and/or districts, yet opportunities exist to strengthen governance and processes that could yield even greater benefits to the sector
  - To maximize savings, further consolidation of procurement spend should occur with a modified governance and delivery model
  - Largest opportunity area is to increase use of strategic sourcing yielding benefits in the range of \$7M – \$18M

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**Working Group Comments – Deloitte Report:**

- Limited procurement staff outside of metro region
- Total 2013/14 operating supply budget is \$213 million
- Strategic sourcing savings identified in the report include savings from document management (reduced print supplies) which falls under the IT and Communication Group

**F. Procurement Sharing Considerations**

The Working Group identified a number of factors that should be considered when sharing procurement services across the province:

**Geographic Considerations:**

There are 60 School Districts in British Columbia. The geographic area that these school districts operate in can be in urban, rural and remote areas. The small districts tend to be in rural and remote areas, medium districts tend to be urban and rural areas, while the large districts are in urban areas. For some of the small to medium districts their location in the province makes communication with other districts difficult. As well, the cost of delivery and installation differs greatly across the province. Vendors tend to be located within the urban areas and therefore prices are initially less in that region.

**Size Considerations:**

The school districts range in size from small (200-9,999 FTEs) to medium (10,000 to 19,999 FTEs) to large (20,000 to 29,999 FTEs) to very large (30,000 to 75,000 FTEs).

Small district have little or no in-house procurement expertise and the procurement function is generally provided off the side of the desk of the Secretary Treasurer, Facilities staff, a School Principal, Educators, Clerical Support or a combination of several of these people.

Medium districts tend to have procurement support and the larger districts have dedicated departments with procurement expertise.

The small and medium districts tend to be independent due to geography and limited staff resources to participate with other district. Provincial workshops and conferences are often the sole places for networking opportunities.

Procurement staffs in medium to larger districts often are assigned other responsibilities including but not limited to commodities such as cell phones, photocopiers, and school furniture. Also in medium to larger districts, there is a mixed approach to construction related procurement.

**Autonomy Considerations:**

Districts are responsible for their budgets and expenditures. There is no mandate for districts to share procurement opportunities. The medium and large districts that do share procurement opportunities have enjoyed savings and this encourages them to continue to participate in these opportunities.

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However, there is no dedicated staff for the shared procurement opportunities and often the largest districts take the lead procurement roll.

The geographic location, size and the autonomy of the school district determines whether they currently participate in joint procurement.

**G. Current K-12 Participation in Shared Procurement Services in BC:**

**Shared Services BC**

The Provincial Government's Shared Services BC provides product and procurement services through BC Bid, BC Mail Plus, Crown Publications, Distribution Centre Victoria, Product Distribution Centre, Purchasing of Goods and Services, Queen's Printer, Vehicle Fleet Management, and Warehousing and Disposal of Surplus Assets.

Corporate Supply Arrangements (CSAs) have been established by Supply Services and Procurement for a wide range of goods and services that are routinely required by ministries and other public sector organizations such as school districts, universities, colleges, municipalities, crown corporations and boards and agencies. CSAs are established through competitive requests for pricing or qualifications from suppliers. Each CSA offers unique benefits that can include discounted pricing, the ability to order directly from suppliers and/or compliance with defined product and service standards. To take advantage of CSAs, public sector buyers should contact the commodity manager to confirm ordering procedures and any limitations that may apply, including maximum order quantities. CSAs are typically specific to government related requirements and many do not add value for K-12 at this time.

The following CSAs have some participation by K-12:

- **BMO PCard Program** - currently has 9 districts participating with 2 districts in implementation phase and 4 districts with contracts pending. This year 8 school districts have received rebates totaling \$226,923 or \$2.18 per FTE.
- **Telus Provincial Long Distance/Voice Contract**
- **Vehicle Acquisition** – 6 districts participated this year and saved \$130,000
- **Courier Services** – BC Mail
- **Custom Brokerage** – BC Mail
- **Records/Document Management Services**

**EDCO (Education Cooperative)**

EDCO is a metro Vancouver and Fraser Valley cooperative purchasing group made up of 15 school districts (59.13% of total K-12 provincial enrolment) and nine post-secondary educational institutions such as colleges and universities (37.43% of total post-secondary enrolment). Total spend for participating school district in 2012 was \$14,329,534 (6.7% of total supply spending across the province) with savings of \$1,725,000. Some of the commodities included:

- Office Supplies and Toner total spend of \$4,197,000 – savings 30%
- Garbage Bags total spend of \$241,776 – savings 10%

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- Laminating Film total spend of \$27,599 – savings 10%
- Classroom Supplies total spend of \$648,530 – savings 7%
- Furniture –total spend of \$2,356,900 – savings 10%
- PE Supplies total spend of \$91,477 – savings 10%
- Lamps and Ballasts total spend of \$411,401 – savings 10%
- Computers – Dell total spend \$2,599,159 – savings 3% (one district only)
- Pest Control total spend \$420,988 – savings 4%
- Garbage Disposal total spend \$737,623 – savings 13.5%
- Fine Paper total spend \$414,0667 – savings not provided
- Paper Towels & Toilet Paper total spend \$956,388 – savings not provided

**GVJPG (Greater Victoria Joint Purchasing Group)**

THE GVJPG is a small cooperative on South Vancouver Island with 4 school districts participating with several municipalities, 1 college and the Greater Victoria Library. (6.87% of total K-12 enrolment and nine post-secondary educational institutions such as colleges and universities represent 8.22% of total post-secondary enrolment)

The commodities that the school districts participate in are:

- Fire Extinguishers
- Propane tanks and supplies
- Courier Services
- Glass & Glazier Services
- Document Shredding Services
- Office Supplies and Fine Paper
- Solid Waste Removal/Recycling Services
- First Aid Supplies
- Fuels – BC Petroleum Products Buying Group
- PCards – Province of BC Program

Another independent initiative is the School Meal Program which GVSD #61 and Sooke #62 participate in jointly.

**ERAC (Education Resource Acquisition Consortium)**

ERAC) is a cooperative member based organization. They work in partnership with their members, BC public school districts as well as independent schools. ERAC provides a range of services to its members and include evaluation, licensing and acquisition of print, software, and digital learning resources.

ERAC is funded through membership fees, an annual BC Ministry of Education grant and cost recovery fees for services performed on behalf of vendors or members. Their total budget is \$2,650,000. The organization currently has a small operating reserve.

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The Ministry of Education grants are to fund the copyrights for music and video and resource evaluations. Currently the Vancouver School Board provides administrative services of payroll, finance and procurement and leases space to the consortium.

ERAC is overseen by an Executive Committee consisting of three Superintendents and three Secretary Treasurers from BC member districts and a representative from the Ministry of Education.

Fifty nine of sixty school districts are members as well as more than 100 private and independent schools and the Yukon. The only other members are BCSTA, BCASBO and BCSSA.

#### **Other Cooperative Procurement Organizations**

- **ASTSBC** – School Buses
- **BCPPBG** – Fuel - Gasoline, Diesel, Bio-Diesel, Furnace Oil and Stove Oil

At present, the majority of the cooperative procurement is voluntary participation and the services are provided on a volunteer basis by staff of the participants. With the exception of ERAC, these initiatives are dependent on goodwill and cooperation and are not administratively resourced.

#### **Working Group Research and Consultation**

- BCASBO Service Delivery Survey – Working Group Reviewed and identified potential procurement opportunities;
- BCSSA – Presented at Leadership Conference to seek advice and input
- ERAC – Presentation by Executive Director, ERAC
- BMO Purchasing Cards – Presentation by BMO Vice President, Sales & Relationship Mgmt., Spend & Payment Solutions
- Ministry of Technology, Innovation and Citizen Services, Procurement Shared Services – Presentations from:
  - Executive Director, Client Services – Broader Public Services – Operation and Maintenance Support Services;
  - Acting Director, e-Procurement and Sourcing Solutions – Vehicle Purchasing Program
- Ministry of Finance – Presentation from Executive Director, Banking and Cash Management Branch – Banking as a Shared Service
- Review of other Service Delivery Models:
- EDCO – Presentation by Chair, EDCO
- Ontario Education Collaborative Marketplace – Report from Manager of Purchasing and Administrative Services, SD #39 (Vancouver)- Appendix A
- Health Shared Services BC – Overview presented by Working Group Lead
- Greater Victoria Joint Purchasing Group – Overview presented by Working Group Lead

#### **H. Options**

The Group reviewed a number of options for shared procurement. All of the options listed are based on the following assumptions:

- Shared portal for procurement will be available and adequate for the needs of all districts

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- Standing contracts allow for more efficient payment options such as paying on one PCard or E-Procurement
- Small transaction purchases will be available on one contract and simple to procure
- There are limited staff savings by “regionalizing” or centralizing procurement as there is currently few specialized staff in this area
- For each commodity, there is an Implementation timeframe to achieve full savings and then as time passes, savings will decrease due to economies of scale already realized, lack of competition and increasing fiscal pressures that reduce budgets for services and supplies

**Option #1 - Expand EDCO** (Education Cooperative - A lower mainland education cooperative buying group that consists of K- 12, Colleges and Universities) to all districts. Members follow procurement procedures for specific goods and services and offer the other members access to the contracts such as office and classroom furniture and supplies, paper products, computers, physical education supplies, science supplies

Issues identified by the Group:

- No legal structure
- Most contracts are established based on an individual organizations volume that allow for other EDCO members to participate resulting in the inability to realize full savings versus upfront commitment to the vending community
- Dependent on goodwill of participants
- Lead district sets the product and service standards usually without collaboration from other members, perhaps resulting in reduced participation
- Cooperative, effective for good purchasing but may not be scalable to entire province
- Dependent on expertise and staff availability in lead district
- Limited long term commitment
- Risk of current members seeing a decrease in benefits by servicing the province’s rural and remote districts
- Requires procurement activities to be retained at a district level and for some goods and services procurement expertise

**Option #2 – Greater utilization of Procurement Services, Ministry of Technology, Innovation and Citizen’s Services** - Procurement Services provides Corporate Supply Arrangement (CSA) to government agencies for goods and services such as office supplies, courier, waste removal, MFD, computer hardware and software etc.

Issues identified by the Group:

- Government contract specifications may not meet district needs

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- Provincial volume to table but Provincial focused needs and province wide geography for provincial needs
- Would require accessing K-12 knowledge or sharing in school district staff expertise at the provincial procurement level
- Requires contract implementation/management staff at the district level and user feedback
- Contract parameters may not allow districts to participate in a limited manner to meet their needs(deal cannot be broken out)-e.g. elevator inspections
- Specialize educational items would need to be procured at the district level
- limited to commonly procured products and leaves the need for some procurement services at each district level

### **Option #3 - Larger enrolment districts procure on behalf of smaller enrolment districts with shared structure (regionalized)**

Opportunity to share expertise and procurement responsibilities within a region - considerations identified by the Group:

- Larger districts may not currently have the capacity to offer services to others
- Requires structure to assemble common standards to ensure volume discounts
- Requires commitments from participating districts
- Retains shopping activity at local district
- Requires continued goodwill on behalf of districts without structure
- Some vendors may leave communities due to loss of business to the larger district communities

### **Option #4 - K-12 Shared Procurement (Consortium or Legal Shared Entity)**

It was determined that this option could be implemented in three operating structures identified as option 4a, 4b, and 4c.

General Considerations identified by the Group with any of the following options:

- In order to procure on behalf of others, a legal entity would need to be establishedRequires structure to develop common standards to ensure volume discounts
- Requires initial start-up funds
- Requires ongoing staffing and funding
- To access the greatest savings requires commitment by districts to join and participate in the joint procurement opportunities

#### **1. Option 4A - Implement a Shared Procurement Consortium**

This option would establish a consortium with rules of membership and assured participation in procurement processes to ensure volume savings. Consortium could work with existing

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associations/agencies such as the Transportation Association, EFMA and ERAC to avoid duplication. This group would utilize Provincial Procurement Services when any government contracts could meet the SD needs.

Considerations identified by the Group:

- Voluntary participation, member funded
- Consortium cannot procure on behalf of districts as not a legal entity and therefore a volunteer district(s) would need to provide the procurement services and take responsibility
- Requires structure to allow for common standards to ensure volume discounts
- Requires staff and funding from membership fees
- To access the greatest savings requires commitment by districts to join and participate in the joint procurement opportunities.

**2. Option 4B - Implement a Shared Procurement Legal Entity**

This option would establish a legal entity consortium with rules of membership and ownership and assured participation in procurement processes to ensure volume savings. Consortium could work with existing associations/agencies such as the Transportation Association, EFMA and ERAC to avoid duplication. This group would utilize Provincial Procurement Services when any government contracts could meet the School District needs.

Issues identified by the Group:

- Voluntary participation, member funded
- Requires structure to be a legal entity
- Requires structure to develop common standards to ensure volume discounts
- Requires staff and funding from membership fees
- To access the greatest savings requires commitment by districts to join and participate in the joint procurement opportunities.

Proposed Governance Structure outlined below.

**3. Option 4C. - Implement a Shared Procurement Legal Entity which procures goods and services including services currently provided by ERAC for member districts**

This option would establish a legal entity consortium with rules of membership and assured participation in procurement processes to ensure volume savings. This entity contemplates a change in governance of ERAC in that the services currently provided by ERAC would be combined into the new entity. The new entity could also work with existing associations/agencies such as the TSMA Lite, ASTSBC, and EFMA. This group could utilize Provincial Procurement Services and EDCO when their goods and services could meet the School District needs at a best value.

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Issues identified by the Group:

- Voluntary participation, member funded
- Requires structure to develop common standards to ensure volume discounts
- Requires staff and funding from membership fees
- To access the greatest savings requires commitment by districts to join and participate in the joint procurement opportunities.
- ERAC related issues:
  - Dismantling the current ERAC governance model and ensuring staff transfer in a respectful manner
    - Limited procurement expertise, more professional expertise will be required;
    - Expands the current mandate which may not be supported by all;
    - Current membership is beyond K-12 public education;
    - Current uses VSB for administrative and financial systems such as email, invoice payment etc.
- **Advantages of Incorporating ERAC and shared provincial procurement into the new legal entity:**
  - Provides a structure for the new entity
  - Has administrative staff already in place;
  - Known by school districts
  - Has a process for advisory committees to establish common standards/products;
  - Has a surplus reserve (\$500,000) which could assist in start-up costs for the additional procurement areas;
  - Has a formula for sharing costs with districts;
  - Has a governance and financial reporting structure:
  - Has current resources:
    - Staff
      - Executive Director
      - Support Staff – Employee and contracted
    - Website
      - Portal
      - Information for opportunities
    - Office – Vancouver School District Administration Centre
      - Furniture
      - Phones
      - Internet
      - Administrative Services VSB
      - Store Front;
    - Membership Processes and Support
  - Savings – \$1,500,000 in 2013/14
  - Annual Conference
    - Training
    - Workshop Sessions
  - Vendor recognition

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**a) *K-12 Shared Procurement Legal Entity:***

**Overall the Group determined that Option 4 was viable and required further consideration of the models and proposes the following guiding principles, practices, considerations and models:**

**Guiding Principles** for determining when a commodity or service could be procured by the legal entity

- Commodities and Services that most districts require and procure on a regular basis
- Values and volumes of commodities justifies consolidated purchasing
- Specifications and scope of the commodities and services can be standardized
- Goods and services can be available to most districts in the province
- When consolidated procurement is the most cost effective method
- When consolidated procurement will provide the best value for money

**b) *Practices of the Procurement Consortium:***

- Procurement process must be fair and transparent
- Procurement will recognize regional differences
- Procurement legal entity will evaluate whether to utilize existing arrangements through ERAC, Provincial Government Arrangements, etc.
- Utilize best practices in procurement and adhere to all trade and intergovernmental agreements
- Environmental and social sustainability will be a consideration of procurements
- Member Districts are required to provide firm volumes for effective tenders and best pricing
- Procurement Legal Entity will utilize procurement professionals and subject matter experts
- Promoting the integrity of, and fairness and public confidence in, the public procurement processes
- Providing for the fair and equitable treatment of all vendors

**c) *Considerations of a procurement legal entity:***

1. Procurement legal entity will require the ability to share information about the procurement offers
2. Should membership in the procurement legal entity be mandatory to make it a provincial requirement?
3. Will the member districts need to procure from the procurement legal entity if the goods and services are available to them?
4. How to pay for the cost of the common procurement-annual fee or percentage on purchases?
5. Savings will be at the maximum in the first year of a contract and tends to decrease over time as vendors provide better pricing in the first tender than later ones
6. Overall, initial savings are anticipated to be 3 to 5 percent annually of procured supplies and services

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7. Savings will not be equivalent across all districts as larger districts have the ability to achieve competitive pricing due to volume, procurement expertise and proximity to business distribution hubs
8. Existing contractual commitments will need to expire before a district can move to Provincial consolidated arrangements
9. Member districts will need to align their Board policies to allow for consortium procurement and align with the shared consolidated procurement principles and practices
10. Senior qualified procurement specialists would need to be transferred from school districts into the new legal entity
11. Rules of membership will need to be determined

**Examples of commodities and services for consideration for Consolidated Procurement**

- Tires
- School Buses
- Contracted Facility Maintenance
- Paper Supplies
- Custodial Supplies
- Office Supplies
- Classroom Furniture
- Technology
- Fuel for buses and vehicles
- Roof Inspections
- Capital Planning and Project Management

***d) Proposed Consortium Model for Option 4B***

Governance: – BCASBO

- 5 Secretary Treasurers – 1 from each zone – elected for a 3 year term;
- Responsible for the overall operation of procurement work;
- Establishes Procurement Advisory Committee – 2 Entity Staff, 1 EFMA, 1 Principal, 1 Vice Principal, 1 Educator and 1 School Clerical Support;
- Annual Meeting:
  - Approve Strategic Plan
  - Approve Annual Budget
  - Provide Annual Report to BCASBO

Membership:

- BCASBO members only
- Must commit estimated procurement volumes/value to participate

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- Pay annual dues based on FTE
- Maintains confidential pricing
- Accept the specifications and standard offered

**Consortium Guiding Principles:**

- Commodities and services that meet most district requirements, are available, and are procured on a regular basis;
- Value and volumes of commodities and Services justifies shared procurement;
- Create acceptable specifications and scope of commodities and services;
- Consortium procurement provides the best value for money.

**Consortium Best Practices:**

- Process fair and transparent;
- Recognizes regional differences;
- Determines whether to utilize existing arrangements (ERAC/EDCO/BCPSS/EFMA);
- Utilizes procurement best practices and meets all regulatory requirements;
- Uses social and environmental sustainable practices;
- Utilize procurement professionals that understand SD requirements;
- Promotes integrity and fairness to ensure SD, Vendor and Public confidence;

**Consortium Considerations:**

- Share procurement offerings electronically;
- Membership mandatory – to gain the advantage of volume;
- Collaboration through Procurement Advisory Committees;
- Senior qualified procurement specialists would need to be transferred from school districts to the new entity
- Ability for members to procure either on own or through other offers;
- Reporting of Savings – Hard and Soft;
- Initial savings are anticipated from 3% to 5% - Savings may not be equivalent for larger districts as they have professional procurement staff that have centralized procurement and taken advantage of economies of scale;
- Existing agreements will have to expire, prior to moving to the consortium arrangements;
- SD procurement policies will have to align with the shared consortium principles and practices
- Development of Rules of Membership;
- Receive a cost-recovery fee through its agreements with suppliers.
- Allow for Post Secondary and other broader public sector organizations to participate

**Proposed Annual Operating Budget for K-12 Shared Procurement Consortium:**

**Annual Staffing for Consortium - \$440,000:**

- 1 Director – Reports to BCASBO - \$135,000
- 2 Senior Procurement Specialists – Reports to Director - \$160,000

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- 1 Administrative Support – Supervised by Procurement Specialists - \$55,000
- ¼ IT Support - \$15,000
- Seconded IT/Facilities/Capital Expertise as required - \$75,000

**Annual Operating Costs - \$90,000**

- Rent/Utilities - \$60,000
- Staff Travel - \$10,000
- Office Operating Costs - \$20,000

**Start-Up Costs - \$70,000**

- Equipment/Furniture - \$50,000
- Supplies - \$10,000
- Recruitment - \$10,000

**Proposed Commodity and Services:**

- Office Supplies – Year 1
- Fine Paper – Year 1
- Classroom Supplies – Year 1
- MFDs – Optional – Year 2
- Classroom Furniture – Year 2
- Technology – Year 2
- Vehicle Fuel – Year 2
- Custodial Supplies – Year 3
- Roof Inspections – Year 3
- Capital Planning and Project Management – Year 3

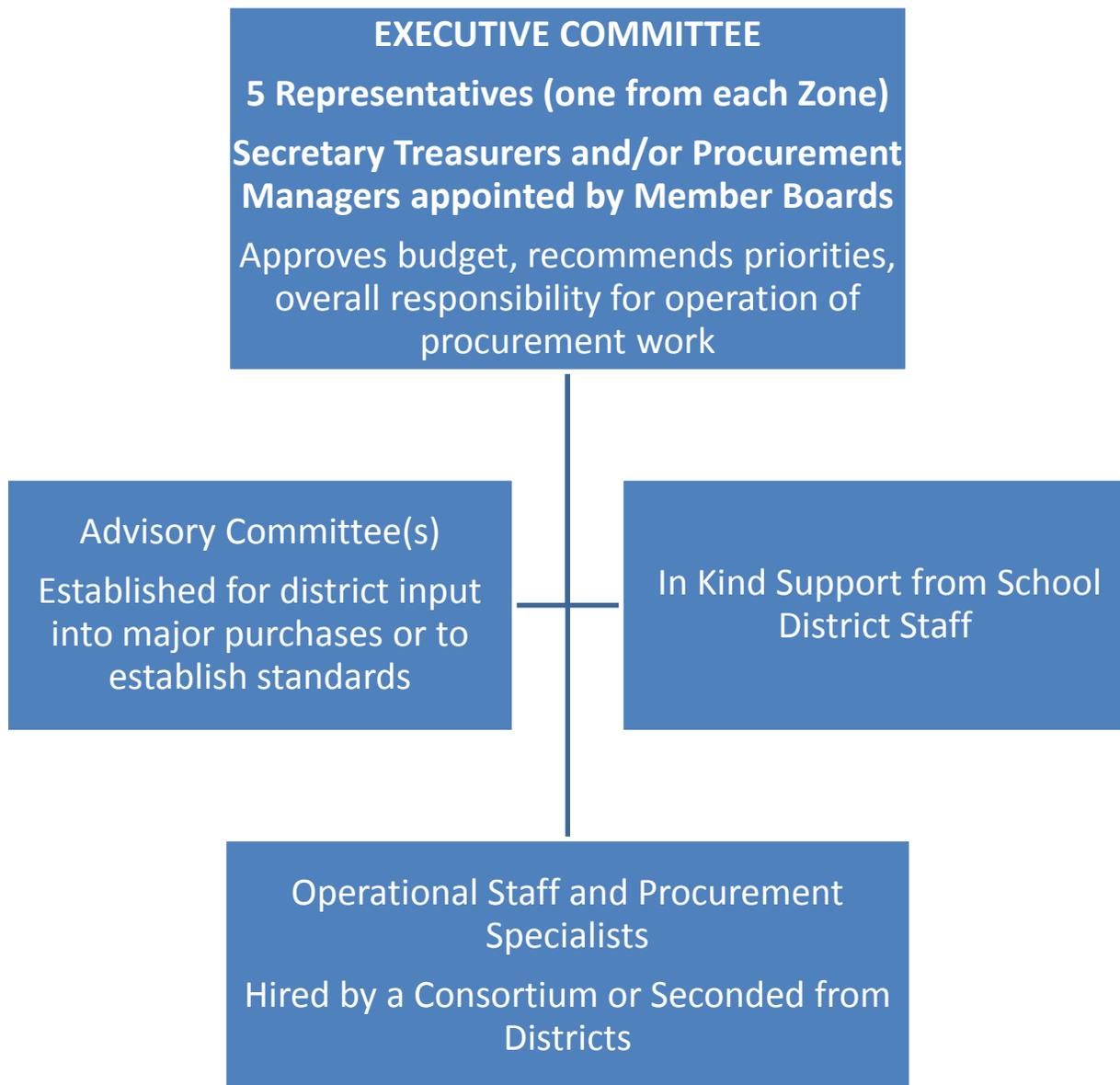
Total Annual Cost: \$530,000

Total Start-up Costs: \$70,000

Estimated Savings 3% of annual SD supply budget: \$80 Million x .03 = \$2.5 Million

Graphically the Structure for a Shared Procurement Consortium:

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BCASBO Member districts appoint by zone plus additional metro zone, one representative from BC Superintendents Association. EDCO and other associations would be asked to work on Advisory Committees

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*e) Proposed Consortium Model for Option 4C – Shared Procurement Legal Entity*

1) Legal Entity Governance:

Not for Profit Society - Board of Directors – elected from membership

Executive Committee

- 3 Secretary Treasurers
- 2 Supply Chain Management Professionals
- Executive Director

Responsibilities

- Responsible for the overall operation of procurement work;
- Establishes Procurement Advisory Committee;
- Annual Meeting:
  - Approve Strategic Plan;
  - Approve Annual Budget;
  - Provide Annual Report to Membership

2) Membership:

- Current ERAC membership
- Must provide volumes to participate
- Maintains confidential pricing
- Accept the specifications and standard offered

3) Legal Entity Guiding Principles:

- Commodities and services that meet most district requirements, are available, and are procured on a regular basis;
- Value and volumes of commodities and Services justifies shared procurement;
- Create acceptable specifications and scope of commodities and services;
- Consortium procurement provides the best value for money.

4) Legal Entity Best Practices:

- Process fair and transparent;
- Recognizes regional differences;
- Determines whether to utilize existing arrangements (BCPSS/EFMA);
- Utilizes procurement best practices and meets all regulatory requirements;
- Uses social and environmental sustainable practices;
- Utilize procurement professionals that understand SD requirements;

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- Promotes integrity and fairness to ensure SD, Vendor and Public confidence;
- 5) Legal Entity Considerations:
- Share procurement offerings electronically;
  - Membership mandatory – to gain the advantage of volume;
  - Collaboration through a Procurement Advisory Committee;
  - Senior qualified procurement specialists would need to be transferred from school districts to the new entity
  - Ability for members to procure either on own or through other offers;
  - Reporting of savings – Hard and Soft;
  - Initial savings are anticipated from 3% to 5% - Savings may not be equivalent for larger districts as they have professional procurement staff that have centralized procurement and taken advantage of economies of scale;
  - Existing agreements will have to expire, prior to moving to the consortium arrangements;
  - SD procurement policies will have to align with the shared consortium principles and practices
  - Development of Rules of Membership;
  - Receive a cost-recovery fee through its agreements with suppliers.
  - Allow for Post Secondary and other broader public sector organizations to participate
  - May be appropriate for the Ministry of Education to mandate participation by school districts in the arranged contracts

**Additional Annual Staffing for Consortium - \$235,000:**

- 1 ED – Reports to K12SPS BOD – currently through ERAC
- 2 Senior Procurement Specialists – Reports to ED - \$160,000
- Seconded IT/Facilities/Capital Expertise as required - \$75,000

**Proposed Timelines of Additional Commodity and Services:**

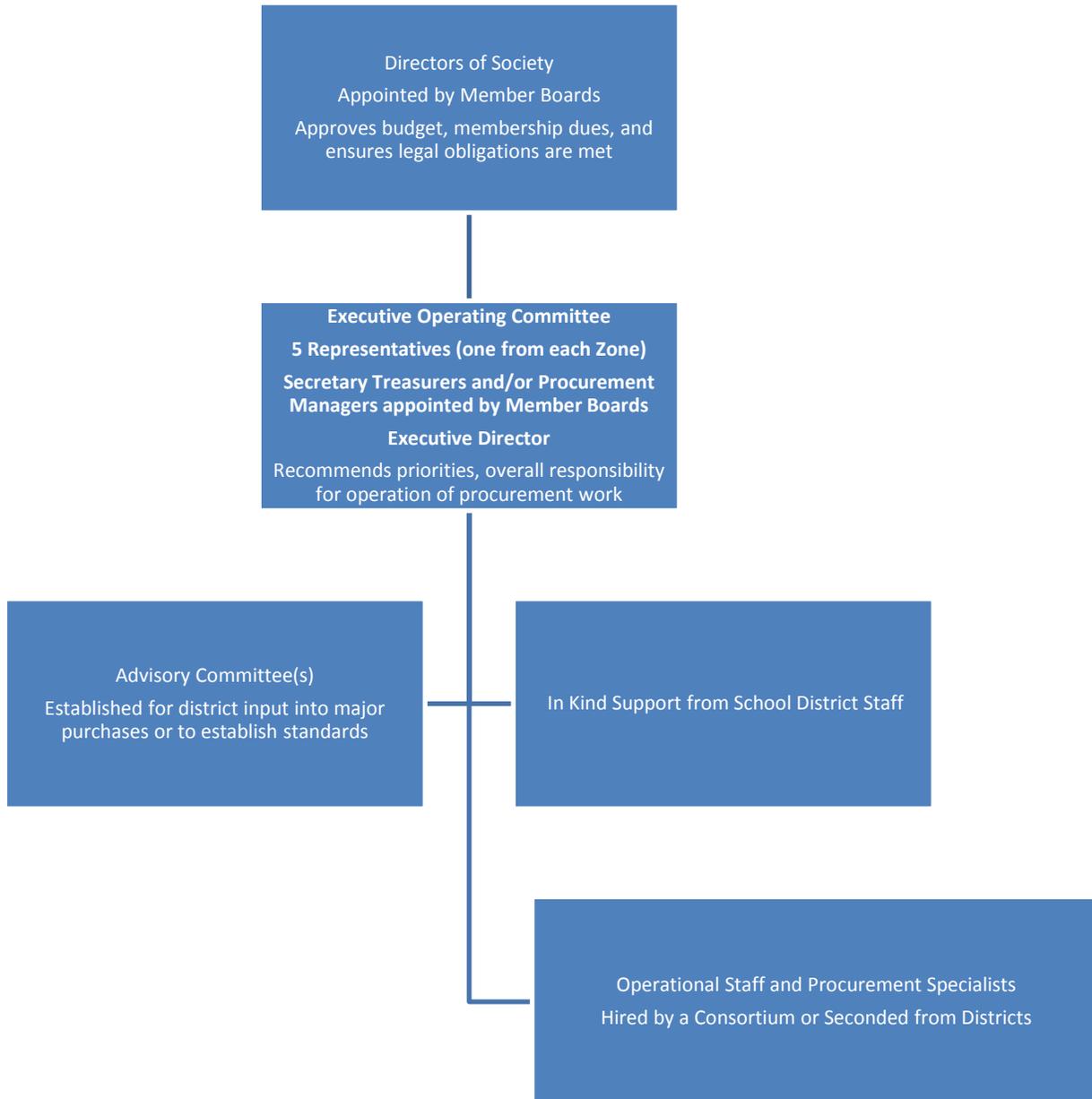
Any proposed additional commodities and services as well as implementation timelines will be determined by the new organization based on the best overall value and availability to school districts. Examples of the type of good and services that could be procured and implementation schedule could be the following. We would suggest that the purchasing consortium will need to identify commodities by involving subject matter experts from various districts to determine best fit arrangement that consider best value and high participations::

- Office Supplies – Year 1
- Fine Paper – Year 1
- Classroom Supplies – Year 1
- MFDs – Optional – Year 2
- Classroom Furniture – Year 2
- Technology – Year 2
- Vehicle Fuel – Year 2

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- Custodial Supplies – Year 3
- Roof Inspections – Year 3
- Capital Planning and Project Management – Year 3

Graphically the governance structure would look as follows:



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## **I. Recommendations**

The Group recommends that a shared procurement consortium as a legal entity will best meet the objectives of reduced costs of procured goods, take best advantage of shared procurement expertise and contain administrative overhead costs. Option 4C that establishes a legal entity and incorporates the services provided by ERAC would get the consortium up and running faster as utilizing an existing structure and some vendors and districts are knowledgeable about the work of ERAC.

The Group recommends that the consortium start with limited goods and services and get the processes working well and ensure the success of the entity. As well, the shared procurement can direct districts to existing shared group procurement such as EDCO where those goods and services can be offered to the rest of the province and this allows those procurements to continue if they are the best value.

The question of mandatory participation must be considered as commodity volumes provide the best opportunity for cost savings and the overhead costs are spread over a larger number of districts.

The savings realized by districts will vary for each district depending upon their current procurement expertise and participation in procurement groups. There is an implementation period where costs will be incurred prior to savings as need to develop tender documents and go through the procurement process. It may be appropriate to have membership fees up front for start-up and a rebate or fee calculation model that depends on usage of the services and ability to make savings.

In all options, it is expected that best practices in procurement will be utilized and that all trade and legal parameters will be adhered to. Currently, with limited procurement expertise in the system, there is a risk of not adhering to all the legal requirements.

As decisions are made about the commodities to be procured through the consortium, consideration should be given to the inclusion under the legal entity of other shared initiatives such as TSMA lite for voice services, banking services, provincial services such as Queen's printer or shredding. This would reduce administration for districts with one place for all these services rather than an administrative structure for each.

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**J. Appendices**

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**A - Report from Manager of Purchasing and Administrative Services, SD #39 (Vancouver)**

TO: Procurement Working Group –  
DATE: March, 20, 2013  
From: Ian Wind, Manager Purchasing & Administrative Services  
RE: Overview - Ontario Education Collaborative Marketplace (OECM)

Information gathered for this report was made by contacting:

- Chief Executive Officer and President, OECM
- Senior Procurement staff from four of the larger school districts in Ontario
- Vice President, Sales of a current OECM supplier

**ONTARIO EDUCATION COLLABORATIVE MARKETPLACE (OECM)**

The Ontario Education Collaborative Marketplace (OECM) was launched in 2007. In March 2008, the OECM obtained \$35 million in start-up funding from the Province (OntarioBuys).

OECM currently is funded 50% through the Ministry of Finance and 50% by cost recover through suppliers. The supplier recovery is a percentage of the sales made through the OECM arrangements with recovery percentage ranging from 2% – 3.5%.

Part of the transfer agreement with the Province requires reporting including savings that is based on the auditor general requirements. Some reporting pertains to savings where the baseline data is provided from the boards that identify the savings made through the utilization of OECM.

The OECM is supposed to be fully self-sufficient through cost recovery means by 2014.

There are 3 advisory groups to OECM 1) K-12 2) Colleges 3) Universities

There are 119 potential publicly funded educational participants: 72 school boards, 23 universities, and 24 colleges.

In 2012, 101 organizations participated compared to 70 in May 2011. In addition, participation also included 35 other Broader Public Sector (BPS) organizations such as libraries, municipalities, conservation authorities, and community care access centers. To participate, these BPS organizations have to be fully or partially funded with public monies. There are 19 agreements in place with 43 different suppliers. Some commodities require arrangements with multiple vendors due to the vastness of the province and not every supplier having the ability to supply the complete province. Once a master agreement is entered into between the OECM and a supplier, the construct of the arrangements is then between the participating BPS and the supplier. The BPS signs a CSA with the supplier that forms a part of the master agreement. This provides access to the goods and services at the arranged costs. Most arrangements are a 3 year +1 +1 potentials extension years.

Local suppliers can become political issues in a remote community if they hire local staff and support school programs.

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Seeking commitment from the BPS prior to issuing a purchasing process wasn't attractive to the BPS customer base. The province has seen similar issues with health, gambling, that forced the BPS to look at other ways to be compliant.

Initially the OECM did not meet the regional needs of the province. Since then OECM's attitude has changed, striving to build trust. One of the largest challenges OECM faced was the perception that any savings made were going to be taken by the province. The Ministry of Finance and Ministry of Education had to reassure the school Boards that this was not going to happen.

There are other collaborative procurement groups and arrangements offered through Shared Services and Educational Computing Network of Ontario (ECNO) it is not the intention of OECM to repeat what other organizations are doing.

The most participated arrangements are as follows:

- 1) Office supplies – 2 suppliers serving over 100 institutions, estimated value is \$15 million per year
- 2) Toner – increasing institutions are buying from this arrangement.
- 3) Science Lab supplies
- 4) Courier services
- 5) Multi-function devices - 47 institutions, \$8 - \$9 million spend on cost per copy maintenance agreement

Some of the contracts that haven't done well are contracts that started early on in the OECM's development. Their failure was due to OECM's inability to understand the end user requirements.

It has since been recognized that in order to increase participation, OECM needs to build trust by providing competitive pricing, remove the fear that we will be taking work away and ensure that the contracts meet the end-users needs.

Upcoming arrangements that the OECM is focused on includes; a Request for Proposal (RFP) for pcard processes, credit and banking services, and Facilities related arrangements.

Vendors like the OECM as they only have to respond to one RFP versus 119 organizations.

### **LARGE SCHOOL BOARDS**

In general, the larger school boards are located in large urban areas with close proximity to supplier distribution hubs. The larger districts are in favour of the OECM, however their involvement is limited. The common deterrent from using OECM arrangements is that the larger boards found they were able to obtain better pricing on their own or with local procurement cooperatives. The larger districts felt their pricing was better than OECM because;

- OECM recovers a percentage from the suppliers therefore this pushes the price higher,
- vendor distribution costs were probably less as they were in or near the supplier hubs,
- The Boards on their own or with the cooperatives were able to provide an up-front commitment.

Other deterrents identified included union agreement conflicts, and product and service configuration differences.

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The larger boards acknowledge that the OECM is a good fit for smaller Boards and recognize that the value in the OECM arrangements is increasing over time. They measure OECMs ability to provide value in their arrangements, by benchmarking their existing relevant arrangements against OECMs. If OECMs arrangement provides overall best value they would make the decision to participate.

Some of the arrangements used by the four boards include: fine paper, lab supplies, and janitorial supplies.

This report submitted for information purposes.

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## **B - Overview of Joint Procurement in the Province**

As per the Procurement Working Group's Draft Work Plan, Group Purchasing may be one opportunity for School Districts to reduce administration work and reap some savings at the same time.

In order for the working group to look at this opportunity, it is important to understand what school districts in the province currently participate in group purchasing. The BCASBO Service Delivery survey indicates that 53.8 % of respondents participate in group purchasing with other school districts. The goods or services that were identified were classroom supplies, furniture, first aid supplies, office supplies, bussing, courier services, confidential shredding, and solid waste and recycling services. The most active buying groups were EDCO, BCPBG, GVJPG and ERAC. ERAC has the most participation, then EDCO, BCPBG and then GVJPG.

I decided to use the BCASBO zones as a quick way to get a feeling for how each area may or may not be participating in group purchasing and why.

### **North Coast/Northern Interior**

I contacted the Prince George School District Purchasing Manager, Mr. Rob Prideaux and he advised me that there is no group purchasing in that area for two reasons. They are unable to agree on a standard for goods or services, and that the geographic locations of the school districts do not provide for the ability to meet face to face. Prince George School District has 14,239 FTE in an area that covers 52,000 kilometers. They lease their vehicles and MFDs. They have a P-Card program.

### **Thompson/Okanagan**

I contacted Ray Miller, Purchasing Manager for the Kamloops School District. There is no group purchasing among neighbouring school districts as the travel for a face to face meeting is an obstacle and there has been no one really championing it. Ray advised me that he has in the past contacted EDCO to see if they could piggyback on some of the contracts, he was told that freight would be an issue and they were not interested in opening up to school districts outside the lower mainland. He says he gave up. Kamloops school district participates in the lower mainland fuel contract and the government BMO PCard Program.

### **Kootenay/Boundary**

No response.

### **Fraser Valley/Metro and South Coast**

I contacted Maria Melan, Purchasing Manager at Surrey School District and Chair of the EDCO Group. She provided me with a list of members, list of commodities, EDCO Group Member Guide and a position paper that her department created that identified with opportunities and challenges that this group may face in the future. There are 15 school districts and 8 post-secondary institutions that participate in the group purchasing consortium of 25 purchase agreements. This group has matured within the last 10 years and continues to add commodities and tracking the associated savings that each organization is able to achieve. Standardization of specification continues to be an issue; however the group is getting

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better at working with their end users to reduce the types and colours of the “widgets” they purchase. This group represents 459,351 FTEs.

**Vancouver Island**

I contacted Graham Roberts, Assistant Secretary Treasurer at the Nanaimo School District, and he advised me that there was some group purchasing done between Nanaimo School District, Vancouver Island University, Regional Library Board and others. There was no structure to the group; it was usually just a quick call to see if anyone was interested in participating. They have a joint office supply contract with Grand & Toy, Nanaimo is the lead on a Waste Removal contract and there is some talk about a joint print initiative.

I also contacted Sue Lejeune, Senior Buyer at the Greater Victoria School District and they participate on the Greater Victoria Joint Purchasing Group which has been operating for many years. The participants include 4 south island school districts (approximately 50,000 FTE), 6 municipalities, GV Library, CRD, UVic and Camosun College. The school districts group purchase fire extinguisher services, propane supplies, courier services, glass and glazier services, document shredding services, solid waste removal and recycling, first aid supplies. They also utilize the government BMO PCard program, and the lower mainland fuel contract. The one issue that continues to plague them is doing the work off the corner of their desks with limited human resources. This group represents 50,000 FTEs.

**The Successes:**

The group purchasing groups that are formal are reaping benefits that include:

- procurement expertise,
- procurement education and support to members who do not have in-house procurement expertise,
- shared administrative time on the competitive bidding process,
- savings on the goods and services contracts,

These groups represent nearly 390,000 FTEs in the K-12 or 70% of the provincial FTEs in K-12.

**The Challenges:**

The challenges of group purchasing in small or rural school districts include the:

- lack of procurement expertise,
- large geographical location which prohibits face to face meetings,
- Creating standards for commodities.

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**C. Common Services and Commodities List**

**School District Common Services (not an exhaustive listing)**

- |                               |   |
|-------------------------------|---|
| 1. PCards                     | 14. Asphalt Paving                          |
| 2. Fuel (Vehicle and Heating) | 15. Vending Machine Services                |
| 3. Natural Gas                | 16. Employee and Family Assistance Programs |
| 4. Elevator Maintenance       | 17. Ventilation Duct Cleaning               |
| 5. Security Services          | 18. Banking Services                        |
| 6. Snow Removal and Sanding   | 19. Legal Services                          |
| 7. Courier Services           | 20. Student Transportation                  |
| 8. Waste Management/Recycling | 21. Hazardous Material Disposal             |
| 9. Glazier                    | 22. Pest and Rodent Control                 |
| 10. HVAC                      | 23. Standby Generator Services              |
| 11. Gym Floor Refinishing     | 24. Fire Extinguisher Services              |
| 12. Re-roofing                | 25. Document Shredding Services             |
| 13. Asbestos Abatement        |   |

**School District Common Commodities (not an exhaustive listing)**

- |                                   |                        |
|-----------------------------------|------------------------|
| 1) Computers (Laptop and Desktop) | 8) Office Furniture    |
| 2) Appliances                     | 9) First Aid Supplies  |
| 3) Classroom Supplies             | 10) Paint and Supplies |
| 4) Office Supplies                | 11) PE Supplies        |
| 5) MFD                            | 12) Fine Paper         |
| 6) Custodial Supplies             | 13) Laminating Film    |
| 7) Classroom Furniture            | 14) Glass Supplies     |

Identified in Deloitte Report

**Potential SD/Province Common Services**

- |                               |   |
|-------------------------------|---|
| 1. PCards                     | 13. Asphalt Paving                          |
| 2. Fuel (Vehicle and Heating) | 14. Vending Machine Services                |
| 3. Natural Gas                | 15. Employee and Family Assistance Programs |
| 4. Elevator Maintenance       | 16. Ventilation Duct Cleaning               |
| 5. Security Services          | 17. Banking Services                        |
| 6. Snow Removal and Sanding   | 18. Legal Services                          |
| 7. Courier Services           | 19. Hazardous Material Disposal             |
| 8. Waste Management/Recycling | 20. Pest and Rodent Control                 |
| 9. Glazier                    | 21. Standby Generator Services              |
| 10. HVAC                      | 22. Fire Extinguisher Services              |
| 11. Re-roofing                | 23. Document Shredding Services             |
| 12. Asbestos Abatement        |   |

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**Potential SD/Province Common Commodities**

- |                                   |                       |
|-----------------------------------|-----------------------|
| 1) Computers (Laptop and Desktop) | 6) Office Furniture   |
| 2) Appliances                     | 7) Paint and Supplies |
| 3) Office Supplies                | 8) Fine Paper         |
| 4) MFD                            | 9) Glass Supplies     |
| 5) Custodial Supplies             |                       |

**Potential SD/EDCO Common Services**

- |  |                                |
|--|--------------------------------|
| 1. PCards                                  | 7. Student Transportation      |
| 2. Fuel (Vehicle and Heating)              | 8. Hazardous Material Disposal |
| 3. Natural Gas                             | 9. Pest and Rodent Control     |
| 4. Courier Services                        | 10. Standby Generator Services |
| 5. Waste Management/Recycling              |                                |
| 6. Employee and Family Assistance Programs |                                |

**Potential SD/EDCO Common Commodities**

- |                                   |                        |
|-----------------------------------|------------------------|
| 1) Computers (Laptop and Desktop) | 7) Classroom Furniture |
| 2) Appliances                     | 8) Office Furniture    |
| 3) Classroom Supplies             | 9) First Aid Supplies  |
| 4) Office Supplies                | 10) PE Supplies        |
| 5) Digital White Boards           | 11) Fine Paper         |
| 6) Custodial Supplies             | 12) Laminating Film    |

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**D - Shared Service Procurement Matrix**

<b>Group Purchasing Options:</b>	<b>Pros</b>	<b>Cons</b>
<p><b>Option #1</b>  <b>EDCO</b> – A lower mainland education cooperative buying group. Members are from K-12, Colleges and Universities. Members tender for specific goods and services and offer the other members access to the contracts such as office and classroom furniture and supplies, paper products, computers, physical education supplies, science supplies</p>	<ul style="list-style-type: none"> <li>- Specific to the education sector;</li> <li>- Focuses on school goods and services;</li> <li>- Valuable to lower mainland school districts;</li> <li>- School Districts have the ability to provide input to the types of commodities and services;</li> <li>- Meets all internal trade agreements;</li> </ul>	<ul style="list-style-type: none"> <li>- Available to only lower mainland school districts;</li> <li>- Does not include many facility and maintenance services required by school districts;</li> <li>- Limited commodities and services</li> <li>- Require some larger school district to do the majority of the tendering;</li> <li>- Requires administrative time to manage</li> <li>- Non mandatory participation</li> </ul>
<p><b>Option #2</b>  <b>PSS</b> - Procurement and Supply Services provides Corporate Supply Arrangement (CSA) to government agencies for goods and services such as office supplies, courier, waste removal, MFD, computer hardware and software etc.</p>	<ul style="list-style-type: none"> <li>- Vast variety of goods and services</li> <li>- No administrative time required for competitive bidding;</li> <li>- Meets all internal trade agreements;</li> </ul>	<ul style="list-style-type: none"> <li>- specific to government needs</li> <li>- requires users to sign MOUs and NDAs</li> <li>- school districts have no options at this time for the goods and services being provided and there is no mandate to provide school district classroom supplies etc.</li> </ul>
<p><b>Option #3</b>                      Combo EDCO and PSS</p>		
<p><b>Option #4</b>                      Create a K-12 Purchasing Group</p>	<ul style="list-style-type: none"> <li>- Specific to K-12;</li> <li>- One stop shopping;</li> <li>- Purchasing staff can still access PSS offered services if it meets the SD needs;</li> <li>- Combine the provincial volumes to receive best overall value to SDs;</li> </ul>	<ul style="list-style-type: none"> <li>- Requires funding to set up and on-going costs would be funded from savings generated;</li> <li>- Requires K-12 procurement expertise including Maintenance, Operations, IT, and Classroom;</li> </ul>

**E - Procurement Consortium Business Case**

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**Opportunity Name                      Procurement Consortium for the K-12 Sector – Option 4 of Report**

**Working Group                      Procurement**

<i><b>Working Group Participants:</b></i>	<i><b>Position</b></i>	<i><b>Organization Represented</b></i>
<i>Mary Sluggett</i>	<i>Working Group Lead, Retired Purchasing Manager, School District No. 61 (Greater Victoria)</i>	<i>Contracted</i>
<i>Graham Roberts</i>	<i>Assistant Secretary- Treasurer, School District No. 68 (Nanaimo-Ladysmith)</i>	<i>British Columbia School Business Officials (BCASBO)</i>
<i>Lloyd Pendleton</i>	<i>Purchasing Manager, School District No. 23 (Central Okanagan)</i>	<i>BCASBO</i>
<i>Ian Wind</i>	<i>Manager Purchasing and Administrative Services, School District No. 39 (Vancouver)</i>	<i>BCASBO</i>
<i>Duncan McLelland</i>	<i>Executive Director, Procurement, Ministry of Technology, Innovation and Citizen's Services</i>	<i>Government</i>
<i>Stephen Smoroden</i>	<i>Manager, Facility Services, School District No. 37 (Delta)</i>	<i>Education Facilities Managers Association (EFMA)</i>
<i>Doug Gorcak</i>	<i>Director of Facilities, School District No. 67 (Okanagan Skaha)</i>	<i>EFMA</i>

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<i>Frank Marasco</i>	<i>Operations Manager, School District No. 83 (North Okanagan- Shuswap)</i>	<i>Association of School Transportation Supervisors of BC (ASTSBC)</i>
<i>Lawrence Tarasoff</i>	<i>Superintendent of Schools, School District No. 84 (Vancouver Island West)</i>	<i>British Columbia School Superintendents Association (BCSSA)</i>

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## 1. Executive Summary

Current sharing of procurement expertise is extensive in the metro and lower island regions. Structures for sharing include the Education Resource Acquisition Consortium (ERAC), Education Cooperative (EDCO), Greater Victoria Joint Purchasing Group, Shared Services BC and other adhoc work by provincial associations. In many cases this work is shared with post-secondary institutions. The savings from these opportunities exceed \$1.5 million or close to 1% of supply budgets. In addition, this year, districts participated in the voice services contract of the province to save \$1.6 million or 22% of those costs and 29 districts invested their cash deposits with the province to net \$1.95 million in additional local investment revenue.

The Group considered four options for the structures to extend shared procurement:

- [Option #1 - Expand EDCO](#)
- [Option #2 – Greater utilization of Procurement Services, Ministry of Technology, Innovation and Citizen’s Services](#)
- [Option #3 - Larger enrolment districts procure on behalf of smaller enrolment districts with shared structure\(regionalized\)](#)
- Option #4 - Options for a Shared Procurement (Consortium or Legal Entity):
  - [Option 4A - Implement a Shared Procurement Consortium](#)
  - [Option 4B - Implement a Shared Procurement Legal Entity](#)
  - [Option 4C - Implement a Shared Procurement Legal Entity which procures good and services including those currently provided by ERAC](#)

The report outlines costs and benefits of the options. It is clear that the greatest savings are garnered when the entire province’s volumes are used to procure the best price. Implement Option 4C by creating a legal entity which incorporates the services currently provided by ERAC. This allows the new entity to take advantage of their organizational structure. This provides for the least additional costs. By year 3, the additional saving could be in excess of \$5 million with extensive work on common product standards and full cooperation of all districts. This is the option recommended by the business case.

This new shared procurement consortium will best meet the objectives of reduced costs of procured goods, take best advantage of shared procurement expertise and contain administrative overhead costs. Option 4C which creates a legal entity and corporates the services and organizational structure of ERAC and provides province wide of other goods and services is recommended. It is expected that the new entity will be easier for districts and vendors to understand as they are aware of the work of ERAC and will get procurement information from one entity. As well the entity can evaluate the goods and services of EDCO and the province to determine if that is the best value for districts.

It is recommended that the consortium start with limited new goods and services and get the processes working well and ensure the success of the entity. Shared procurement will take time to established common standards. The new entity will utilize best practices in procurement and adhere to all trade and legal parameters. It is

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expected that advisory committees will be used to establish standards that will then be procured through best practice processes.

The question of mandatory participation must be considered as commodity volumes provide the best opportunity for cost savings and the overhead costs are spread over a larger number of districts. This would need to be addressed under implementation.

The savings realized by districts will vary for each district depending upon their current procurement expertise and participation in procurement groups. There is an implementation period where costs will be incurred prior to savings as need to develop tender documents and go through the procurement process. It may be appropriate to have membership fees up front for start-up and a rebate or fee calculation model that depends on usage of the services and ability to make savings to address these differences.

## 2. Background and Opportunity Statement

School districts have made extensive progress with the development of purchasing consortia such as ERAC and EDCO as well as local buying groups with neighboring municipalities and/or districts, yet opportunities exist to strengthen governance and processes that could yield even greater benefits to the sector.

To maximize savings, further consolidation of procurement spend should occur with a modified governance and delivery model. Strategic resourcing and leveraging the total volumes of the K-12 sector should yield benefits in the range of 2 to 3 percent of supply and service spending. The total operating supply budgets for school districts is currently \$213 million.

**The group identified a number of factors which would need to be addressed in any expansion of shared procurement:**

- There are 60 School Districts in British Columbia. The geographic area that these school districts operate in can be in urban, rural and remote areas. The small districts tend to be in rural and remote areas, medium districts tend to be urban and rural areas, while the large districts are in urban areas. For some of the small to medium districts their location in the province makes communication with other districts difficult.
- The school districts range in size from small (200-8400 FTEs) to medium (10,000 to 20,000 FTEs) to large (20,000 to 29,000 FTEs) to very large (30,000 to 75,000 FTEs). Small district have little or no procurement expertise in-house and the procurement function is generally provided off the side of the desk of the Secretary Treasurer, Facilities staff, a School Principal, Educators, Clerical Support or a combination of several of these people. Medium districts tend to have procurement support and the larger districts have dedicated departments with procurement expertise. The small and medium districts tend to be independent and have no relationship with other districts

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unless they attend provincial workshops and conferences where they have networking opportunities.

- Limited expertise in the system. Procurement staff in medium to larger sized districts are often assigned other responsibilities including but not limited to commodities such as managing school bussing, cell phones, photocopiers, and school furniture over and above district procurement.

**Current Shared Services Initiatives and Current Savings:**

<b>Opportunities</b>	<b>No. of Districts Participating</b>	<b>Expected Volume</b>	<b>Estimated Savings</b>
<b>Utilize Shared Services BC (eg. Asset disposal, Queen's Printer, BC Mail)</b>	60	\$975,000 in Services	Between 5 – 10% of cost
<b>Metro BMO Purchasing Card Agreement</b>	23		\$265,000
<b>Provincial BMO Purchasing Card Agreement</b>	14		\$226,923 to \$398,000
<b>Metro Group Joint Purchasing (EDCO)</b>	15	\$14.3 million	\$725,000
<b>Investment of Excess funds with Provincial Treasury</b>	29	\$260 million	\$1.950 million
<b>Fleet vehicle Purchase</b>	6	\$650,000	\$130,000
<b>Telus Voice services Contract (TSMA Lite)</b>	48	\$7.6 million	\$1.6 million
<b>Education Resource Acquisition Consortium</b>	59	\$6.5 million	\$4.387 million based on Educational price listings

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#### Opportunities for Expansion:

There are opportunities to expand the shared procurement for additional goods and services.

1. Expansion of Procurement from provincial contracts
2. Expansion of procurement from existing joint purchasing groups
3. Expansion of shared procurement by districts

### 3. Objectives and Outcomes

#### Objectives

##### Description:

- To expand joint procurement options to leverage system wide volumes for better value
- To provide small and medium enrolment districts with access to procurement specialists and ensure they have the capacity to adhere to best practices and legal responsibilities in their procurement
- To assist in standardization, to grow volume, to reduce support costs
- To provide these services in a cost efficient and easily accessible manner
- To ensure that all currently available joint procurement options are known by any and all districts that can participate
- To ensure a fair allocation of costs and savings across the province for any shared procurement initiatives
- To ensure that all “shoppers” within a school district can go to the preferred option as a regular practice

#### Anticipated Outcomes

- Savings on pricing procurement of some standardized goods and services(volumes will vary based on district capacity to procure/budgets)
  - Expect that it will take up to three years to maximize the goods and services offered
  - Estimated savings in the range of 3 to 5 percent of existing supply costs by the end of three years
- Utilize current and expand the procurement expertise in the K-12 system and leverage pricing reductions off current contracts
- Districts able to procure from a central database
- Procurement is strategically planned for best outcomes
- Procurement clearly considers social and environmental impacts
- Procurement follows best practice principles and meets all public sector and legal standards
- Allow more time to be spent by educators on education, rather than purchasing

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## Scope

Goods and Services that are currently subject to joint procurements or other commodities where volumes indicate they can be effectively procured centrally for the system (standardization of product descriptions, can be delivered to all regions of the province, etc. )

### In Scope:

- Procurement services, including
  - gathering volume and product/service requirement information from districts,
  - Determine other Public Sector involvement
  - Identify existing contracts and their expirations
  - Market research,
  - Follow best procurement process,
  - provide ordering information to districts
  - managing the contract with the vendor(s),
  - provide participation reporting, savings

### Out of Scope:

- Specialized goods and services unique to a district or region
- Warehousing is not being considered,-goods and services must be delivered on time and direct by vendor
- Provincial directives and/or legislation
- Goods or services not currently being procured by school district(some non-public funded expenditures)

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**Stakeholders, School Districts – Board of Education and Staff:**

This section lists stakeholders (internal and external) whose interests must be considered throughout the opportunity.

<b>Stakeholder Group</b>	<b>Represented by</b>	<b>Interests, Expectations, Concerns</b>
School Districts	Boards of Education	<p>Interests, Expectations:</p> <ul style="list-style-type: none"> <li>• Good pricing and overall value</li> <li>• Good service without a lot of administrative effort</li> <li>• Efficient and effective-easier for employees who can be redeployed to other needs</li> <li>• Savings are realized</li> <li>• Fair, open and transparent processes</li> <li>• <b>School districts savings to be retained in the system to provide educational services</b></li> </ul> <p>Concerns:</p> <ul style="list-style-type: none"> <li>• Loss of local autonomy to procure goods</li> <li>• Local vendors – business decline and reduced support to schools or districts</li> <li>• Loss of employment in office administration</li> </ul>
EDCO, ERAC, ASTSBC		<ul style="list-style-type: none"> <li>• Loss of current opportunities already available for K-12 as in partnership with other entities</li> <li>• Retention of the benefits of current agreements</li> <li>• ERAC currently supports independent schools</li> </ul>
Vendors		<ul style="list-style-type: none"> <li>• Loss of competition</li> <li>• Closing down of regional sites</li> <li>• Fair, open and transparent procurement processes</li> <li>• Access to opportunities to serve the province</li> </ul>
Province	Ministry of Education Ministry of Citizen Services	<ul style="list-style-type: none"> <li>• Concern that savings will be redirected to other provincial interests rather than stay in education system</li> <li>• Current shared services contracts with the province will move to the shared consortium rather than improving the provincial volumes for provincial pricing</li> </ul>
Taxpayers		<ul style="list-style-type: none"> <li>• Fair and transparent processes</li> <li>• Return on tax dollars</li> </ul>

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#### 4. Environmental Analysis

There are 60 School Districts in British Columbia. The geographic area that these school districts operate in can be in urban, rural and remote areas. The small districts tend to be in rural and remote areas, medium districts tend to be urban and rural areas, while the large districts are in urban areas. For some of the small to medium districts their location in the province makes communication with other districts difficult.

The school districts range in size from small (200-8400 FTEs) to medium (10,000 to 20,000 FTEs) to large (20,000 to 29,000 FTEs) to very large (30,000 to 75,000 FTEs).

Small district have little or no procurement expertise in-house and the procurement function is generally provided off the side of the desk of the Secretary Treasurer, Facilities staff, a School Principal, Educators, Clerical Support or a combination of several of these people.

Medium districts tend to have procurement support and the larger districts have dedicated departments with procurement expertise.

The small and medium districts tend to be independent and have no relationship with other districts unless they attend provincial workshops and conferences where they have networking opportunities.

Procurement staffs in medium to larger districts often are assigned other responsibilities including but not limited to commodities such as school bussing, cell phones, photocopiers, and school furniture.

Districts are responsible for their budgets and expenditures. There is no mandate for districts to share procurement opportunities. The medium and large districts that do share procurement opportunities have enjoyed savings and this encourages them to continue to participate in these opportunities. However there is no staff dedicated to the shared procurement opportunities and usually the largest districts take the lead procurement role.

The geographic location, size and the autonomy of the school district determines whether they participate in joint procurement.

The Provincial Government's Shared Services BC provides product and procurement services through BC Bid, BC Mail Plus, Crown Publications, Distribution Centre Victoria, Product Distribution Centre, Purchasing of Goods and Services, Queen's Printer, Vehicle Fleet Management, and Warehousing and Disposal of Surplus Assets are well utilized by districts.

Corporate Supply Arrangements (CSAs) have been established by Supply Services and Procurement for a wide range of goods and services that are routinely required by ministries and other public sector organizations such as school districts, universities, colleges, municipalities, crown corporations and boards and agencies. CSAs are established through competitive requests for pricing or qualifications

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from suppliers. Each CSA offers unique benefits that can include discounted pricing, the ability to order directly from suppliers and/or compliance with defined product and service standards. Public sector buyers should contact the commodity manager to confirm ordering procedures and any limitations that may apply, including maximum order quantities. CSAs are typically specific to government related requirements and are of little value to K-12 at this time.

The following CSAs have some participation by K-12:

- **BMO PCard Program** - currently has 9 districts participating with 2 districts in implementation phase and 3 districts with contracts pending. This year 8 school districts have received rebates totaling \$226,923 or \$2.18 per FTE.
- **Telus Provincial Long Distance/Voice Contract**
- **Vehicle Acquisition** –
- **Courier Services** – BC Mail
- **Custom Brokerage** – BC Mail
- **Records/Document Management Services**

### EDCO (Education Cooperative)

EDCO is a metro Vancouver and Fraser Valley cooperative purchasing group made up of 15 school districts ( 59.7% of total K-12 enrolment) and nine post-secondary educational institutions such as colleges and universities (36.5% of total post secondary enrolment). Total spend for participating school district in 2012 was \$14,329,534 (6.7% of total supply spending across the province) with savings of \$1,725,000. Some of the commodities included:

- Office Supplies and Toner total spend of \$4,197,000 – savings 30%
- Garbage Bags total spend of \$241,776 – savings 10%
- Laminating Film total spend of \$27,599 – savings 10%
- Classroom Supplies total spend of \$648,530 – savings 7%
- Furniture –total spend of \$2,356,900 – savings 10%
- PE Supplies total spend of \$91,477 – savings 10%
- Lamps and Ballasts total spend of \$411,401 – savings 10%
- Computers – Dell total spend \$2,599,159 – savings 3% (one district only)
- Pest Control total spend \$420,988 – savings 4%
- Garbage Disposal total spend \$737,623 – savings 13.5%
- Fine Paper total spend \$414,0667 – savings not provided
- Paper Towels & Toilet Paper total spend \$956,388 – savings not provided

### GVJPG (Greater Victoria Joint Purchasing Group)

THE GVJPG is a small cooperative on South Vancouver Island with 4 school districts participating with several municipalities, 1 college and the Greater Victoria Library.

The commodities that the school districts participate in are:

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- Fire Extinguishers
- Propane tanks and supplies
- Courier Services
- Glass & Glazier Services
- Document Shredding Services
- Office Supplies and Fine Paper
- Solid Waste Removal/Recycling Services
- First Aid Supplies
- Fuels – BC Petroleum Products Buying Group
- PCards – Province of BC Program

Another independent initiative is the School Meal Program which GVSD #61 and Sooke #62 participate in jointly.

### ERAC (Education Resource Acquisition Consortium)

ERAC) is a cooperative member based organization. They work in partnership with their members, BC public school districts as well as independent schools. ERAC provides a range of services to its members and include evaluation, licensing and acquisition of print, software, and digital learning resources.

ERAC is funded through membership fees, an annual BC Ministry of Education grant and cost recovery fees for services performed on behalf of vendors or members.

ERAC is overseen by an Executive Committee consisting of three Superintendents and three Secretary Treasurers from BC member districts and a representative from the Ministry of Education.

Fifty nine of sixty school districts are members as well as more than 100 private and independent schools and the Yukon. The only other members are BCSTA, BCASBO and BCSSA.

### Other Cooperative Procurement Organizations

- **ASTSBC** – School Buses
- **BCPPBG** – Fuel - Gasoline, Diesel, Bio-Diesel, Furnace Oil and Stove Oil

### Expected Savings Differ at local district level:

- **Small Rural District currently not in a joint purchasing group:**
  - Will see maximum savings through opportunities
  - Will see reduced cost of delivery and procurement services
  - Will benefit the most from procurement expertise

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- **Large Urban District in a joint purchasing group:**
  - Will see the least savings at a district level
  - Will see benefits of increased volumes that would not be available if smaller, rural districts did not join
  - May be able to reduce procurement services at the local district level over time

## 5. Options

### Option 1 - Expand EDCO (both geographically and goods and services):

#### Advantages:

- Already in place and working for some goods and services
- Savings are known
- Best practice procurement processes have been followed

#### Disadvantages:

- No expectation of expansion of goods and services procured or ways to address regional differences
- Relies on good will of parties rather than an administrative structure
- Savings are not maximized
- Small and medium sized districts do not necessarily have procurement expertise to rely on
- No process in place to expand and would take time
- Current contracts may need to expire before expansion
- Savings would accrue only to those districts not currently participating
- Legal implications of expanding EDCO agreements if not tendered as such
- Not a mandated service resulting in fluctuating participation

### Option 2 – Greater Utilization of Provincial Procurement

#### Advantages:

- Already in place and working for some goods and services
- Savings are known
- Best practice procurement processes have been followed

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#### Disadvantages:

- No expectation of expansion of goods and services procured or ways to address regional and organization type differences
- Relies on good will of the province to procure based on school district needs
- Savings are not maximized
- Small and medium sized districts do not necessarily have procurement expertise to rely on
- No process in place to expand and would take time
- Current contracts may need to expire before expansion
- Savings would accrue only to those districts not currently participating

### Option 3 – Large Districts Procure on behalf of smaller districts

#### Advantages:

- Best practice procurement processes have been followed
- Sharing of procurement expertise will improve pricing for participating districts
- Does not require new administrative structures

#### Disadvantages

- No expectation of expansion of goods and services procured or ways to address regional differences
- Relies on good will of parties rather than an administrative structure
- Savings are not maximized
- No process in place to expand and would take time
- Current contracts may need to expire before expansion

**Option 4A - Implement a Shared Procurement Consortium** which procures specific goods and services for the entire province when current procurement opportunities are not available. In this option the shared consortium would first evaluate current options available from EDCO, provincial procurement, etc. before tendering.

#### Advantages:

- Utilized, when available, joint procurement already in place and working for some goods and services
- Procurement processes and best practice principles have been and will be followed
- Small and medium sized districts have access to procurement specialists
- Creates an administrative structure to centrally procure
- May allow for flexibility for opting in or out respecting school board autonomy

#### Disadvantages:

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- No expectation of volumes or participation on an ongoing basis
- Continues to rely on good will of parties rather than an administrative structure
- Savings are not maximized
- Consortium not able to negotiate or sign agreements or procure on behalf of boards as not a legal entity
- Difficult for “shoppers” to know where and how to procure as no central portal or access to information

### Option 4B - Implement a Shared Procurement Legal Entity

which procures goods and services for the province for those districts who are members. The entity could still evaluate current available options such as EDCO and provincial procurement before tendering. In this option, ERAC would remain as is.

#### Advantages:

- Utilized, when available, joint procurement already in place and working for some goods and services
- Procurement processes and best practice principles have been and will be followed
- Small and medium sized districts have access to procurement specialists
- Creates an administrative structure to centrally procure
- Creates a legal entity that can negotiate and procure on behalf of boards which is administrative efficient but also should get the greatest savings
- Maximizes savings if volumes are aggregated
- Administratively efficient for the goods procured as done one time rather than 60 times

#### Disadvantages:

- No expectation of volumes or participation on an ongoing basis as no forced membership
- Large districts may not join as see limited advantages for currently procured EDCO commodities and the EDCO pricing may not be available to others
- Need to establish and fund an administrative structure
- Districts need to fund both the administrative structure of this org. and ERAC

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### Option 4C. Implement a Shared Procurement Legal Entity which includes ERAC services

#### Advantages:

- Utilized, when available, joint procurement already in place and working for some goods and services
- Procurement processes and best practice principles have been and will be followed
- Small and medium sized districts have access to procurement specialists
- Provides a currently used structure for procurement sharing
- Creates a legal entity that can negotiate and procure on behalf of boards which is administrative efficient but also should get the greatest savings
- Creates a legal entity for the work currently done by ERAC and it is only funded once for both entities
- ERAC is known by districts and some vendors, they already pay membership and there is a small surplus reserve which could get the procurement entity started
- ERAC gets broader procurement expertise that it does not already have
- Administratively efficient

#### Disadvantages:

- No expectation of volumes or participation on an ongoing basis as no forced membership
- ERAC has limited procurement expertise, more professional expertise will be required;
- A legal entity would need to be created and the governance structure would require change
- ERAC's current membership is beyond K-12 school districts so that would need to be accommodated
- ERAC current uses VSB for administrative and financial systems such as email, invoice payment etc. which would need to be managed
- Large districts may not join as get savings from EDCO

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1. Risk Assessment & Management

Risk, Event or Assumption	Likelihood to Occur (L, M, H)	Impact if Occurs (L, M, H)	Mitigation Plan
<i>[List assumptions and risk factors here. ]</i>			<i>[Describe overall strategy and steps being taken to mitigate occurrence (if any).]</i>
No or limited membership	M	H	Need strategies for either mandatory participation and/or timeframes for membership commitment with notice for leaving membership
Cannot decide on standards to jointly procure goods and services	M	H	Process for making final decisions on standards
Volumes may not be achievable as metro group stays with EDCO and those contracts are not accessible to all	M	H	Determine if existing EDCO arrangements can be terminated, if not establish a contract contemplating the expiration date of the EDCO arrangements, Mandatory participation
Legal entity cannot be created	L	L	A single school district hosts the consortium,-that district will take on increased risk,
Reduced competition due to inability of vending community to supply	L	L	May have to establish multiple contracts to support regions or remote districts
Estimated Savings are not realized	M	H	Good standards for goods and services and good procurement processes and ensure adequate participation by districts
Districts do not establish policies and procedures for their “shoppers” to use consortium vendors	L	M	Provide districts with draft policies and procedures and monitor through our shared portal
Small local businesses protest such that government is forced to act	M	H	Communication is clear with all levels of government and messages are clear on reasons why and procurement processes

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			Identify solutions that includes local business
Does not contemplate capital procurement			Once a suitable number of commodities have been established than focus on Capital

6. Cost/Benefit Analysis and Funding Considerations

a. Assumptions on Savings values:

Estimated Savings from Shared Procurement			
Budgeted Supplies and Services			Comments
<b>Services</b>		<b>136,400,000.00</b>	
Less Estimated Legal and Audit	- 6,668,000.00		Savings in Legal Group Report
Less Services from Province such as			
BC Mail, QP	- 973,833.59		Provincial Procurement
Less Phone Services	- 7,600,000.00		Already saved in TSMA
Less Software Licences	- 12,000,000.00		Already saved with ERAC
Less Special Education services	- 17,387,060.00		Professionals/Health
Less School Based	- 10,839,434.00		Local Vendors
Less International Budgets	- 35,278,063.00		Agents and Fees
<b>Net Available For Savings</b>		<b>45,653,609.41</b>	
<b>Supplies</b>		<b>213,645,908.00</b>	
Aboriginal Education	- 10,800,000.00		Targetted
Bus Fuel	- 14,500,000.00		Already shared
P Cards	- 32,700,000.00		Rebates already received
EDCO	- 14,300,000.00		Already Shared
ERAC	- 10,000,000.00		Already shared
<b>Net Available for Savings</b>		<b>131,345,908.00</b>	
<b>Available for Further savings</b>		<b>176,999,517.41</b>	
<b>Should be able to achieve 3%</b>		<b>5,309,985.52</b>	Once fully implemented
Year 1		530,998.55	
Year 2		2,654,992.76	
Year 3		5,309,985.52	

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#### Considerations for all Options:

1. EDCO will take time to expand and will find that some goods and services are difficult to expand to northern regions
2. Province will take time to determine the needs of the K-12 sector and ensure that goods and services can be available as needed by the sector
3. Regionalization will see the least savings as lesser volumes to garner better pricing
4. Provincial Procurement Entity will see the greatest savings as able to negotiate on behalf of districts with the greatest volume

#### b. Additional Costs for Procurement Consortium whether legal entity or not (Options 4A and 4B):

##### Annual Staffing for Consortium - \$440,000:

- 1 Executive Director - \$135,000 (combined with ERAC Executive Director position if Option 4C)
- 2 Senior Procurement Specialists – Reports to Executive Director - \$160,000
- 1 Administrative Support – Supervised by Procurement Specialists - \$55,000
- ¼ IT Support - \$15,000
- Seconded IT/Facilities/Capital Expertise as required - \$75,000

##### Annual Operating Costs - \$90,000

- Rent/Utilities - \$60,000
- Staff Travel - \$10,000
- Office Operating Costs - \$20,000

##### Start-Up Costs - \$70,000

- Equipment/Furniture - \$50,000
- Supplies - \$10,000
- Recruitment - \$10,000

#### c. Additional Operating Costs for Option 4C -ERAC Expanded Entity- assumes current ERAC operating budget and staffing continues -\$435,000:

- 2 Senior Procurement Specialists – Reports to ED - \$160,000
- Additional IT/Facilities/Capital Expertise as required - \$75,000
- Additional support staff and operating costs - \$100,000
- Governance Costs and Increase Executive Director time - \$100,000

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<b>Alternatives to Address</b>				
<b>Alternatives</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>
<b>Million \$</b>	<b>Savings/Costs</b>	<b>Savings/Costs</b>	<b>Savings/Costs</b>	<b>Savings/Costs</b>
1. Expand EDCO	\$0	\$0.9	\$1.76	\$2.65
2. <i>Expand Provincial</i>	\$0	\$0.9	\$1.76	\$2.65
3. <i>Regional Sharing</i>	\$0	\$0.6	\$1.34	\$2.00
4A. <i>Shared Procurement</i>	\$0.25/\$0.54	\$1.3/\$0.54	\$2.5/\$0.54	\$2.5/\$0.54
4B – Shared Procurement Entity	\$0.53/\$0.54	\$2.6/\$0.54	\$5.3/\$0.54	\$5.3/\$0.54
4C – Incorporate ERAC	\$1.50/\$0.435	\$2.6/\$0.435	\$5.3/\$0.435	\$5.3/\$0.435

**Qualitative Analysis – Non-Financial Benefits**

Expanded use of procurement expertise across the sector will not only provide costs savings but address risk by ensuring that all districts follow legal procurement standards, and/ or provincial expectations of a public sector organization. Currently districts make all efforts to do this but with strained resources, it is difficult to keep abreast of these requirements on an ongoing basis.

Incorporation of the ERAC functions under the legal entity will allow for best practices in procurement, district ownership of the work of ERAC, utilization of the current expert staff and vendors will know where to provide their opportunities. This also would eliminate some of the problem currently encountered by ERAC in contract negotiations and signing.

The opportunity for one-stop “shopping” where schools are able to access online all the options for procurement will reduce the workload of current staff and ensure that purchases are at the best price.

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### Funding Considerations

Utilization of the ERAC structure avoids the need for upfront funding of the consortium by taking advantage of the current administrative structure, sharing of space and services with Vancouver School Board, and utilization of current reserve for start-up costs.

Districts will need to be informed of the increased membership fees for their 2014/15 operating budgets.

## 7. Recommendations and Proposed Implementation Strategy

### Recommendations:

It is recommended that Option 4C be implemented as it takes advantage of the current ERAC organizational structure, garners the greatest savings as province wide volumes, provides the legal entity that can negotiate on behalf of districts, focuses on K-12 sector needs and understands the workings of school districts and the geography of the province. By year 3, the savings would be in excess of \$5 million.

### Proposed Implementation Strategy/Next Steps

#### 1. Technical Task Force

In order to better define the recommended option and determine the operation and address the issues that come from further consultation. This task force would have representatives of ERAC, Ministry of Education, and school district business officials. The task force would be charged with finalizing:

- a. The operating procedures of the Entity and the governance structure with participating school districts
- b. The initial Budget for the Entity
- c. The legal parameters for the Entity

#### 2. School District Consultation and Feedback and Approval

Undertake consultation, feedback and obtain approval from boards of education.

- Provide each Board and District staff with the report of the Working Group
- Consult with boards of education through:

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- BCSTA Provincial Council, Board of Directors, or AGM (depending on timing and BCSTA preference)
- Zone/Chapter meetings with Boards and District Staff.
- Reconfirm membership in ERAC from individual boards of education.

### 3. Establish the Legal Entity for the Consortium

### 4. Proposed Timelines of Additional Commodity and Services:

Any proposed additional commodities and services as well as implementation timelines will be determined by the new organization based on the best overall value and availability to school districts. Examples of the type of good and services that could be procured and implementation schedule could be the following. We would suggest that the 'purchasing consortium' will need to identify commodities by involving subject matter experts from various districts to determine best fit arrangement that consider best value and high participation:

- Office Supplies – Year 1
- Fine Paper – Year 1
- Classroom Supplies – Year 1
- MFDs – Optional – Year 2
- Classroom Furniture – Year 2
- Technology – Year 2
- Vehicle Fuel – Year 2
- Custodial Supplies – Year 3
- Roof Inspections – Year 3
- Capital Planning and Project Management – Year 3

## 8. Opportunity Governance

Recommended Option of expanding ERAC and incorporating into a legal entity with current participation of existing districts and hopefully the one district that does not belong will also join... The structure of the governance could be as follows:

Not for Profit Society - Board of Directors-Governance- elected by member Boards

Executive Committee

- 3 District Representatives
-

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- 2 Supply Chain Management Professionals
- Executive Director

#### Responsibilities

- Responsible for the overall operation of procurement work;
- Establishes Procurement Executive Committee;
- Annual Meeting:
  - Approve Strategic Plan;
  - Approve Annual Budget;
  - Provide Annual Report to Membership

#### 6) Membership:

- Current ERAC membership
- Must provide volumes to participate
- Maintains confidential pricing
- Accept the specifications and standard offered

Structure in Diagram:

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