

PURCHASING MANAGEMENT

Institute of School Business
Management

The Four "R"s

- Right Item
 - Is your product the right product
- Right Price
 - Competitive
- Right Time
 - Lead Times
- Right Way
 - Statutes, District Policy



Valid School Purchases

For a school district expenditure to be valid it must be:

- For a public purpose
- Expressly or implicitly authorized by statute

An expenditure serves a public purpose if it:

- Benefits the community as a whole
- Is directly related to the functions of the district
- Does not have as its primary objective the benefit of a private interest

UH – OH !!!!!

- Coffee/rolls for employees
 - Meetings required during meal time
- Flowers for funerals
- Employee or retirement parties
- Donations to community organizations
- Rental or purchase of graduation caps and gowns (Unless required by District)

Ethics



Ethics

- No Bullet Points.....
- Common Sense
- Makes your job easier
- Accepting nominal gifts
- Don't use your position for personal gain
- Test - ***Should I or Shouldn't I***
- Your ethics will earn you a reputation

Minnesota Statutes & Board Policy

www.leg.state.mn.us/leg/statutes.asp

- 471.345 Uniform municipal contracting law
- 123b.52 District contracting law
- 123b.20 Conflict of interest
- 471.59 Joint exercise of powers
- 465.71 Lease

ISD #000 Specifications 1000 Basketballs



ISD #000 Bid Response 1000 Basketballs

- 10 different models
- Intermediate to Woman's Regulation
- Rubber to full game leather
- \$7.95 to \$38.95



Specifications

- Allows free and open competition
- The purpose of a specification is to generate bid responses:
 - offering services or products that meet the district's expectations and needs
 - that can be effectively compared, identifying the lowest responsible bidder
 - that effectively require bidders to identify all conditions the district requires
 - that reduces the risk of a challenge
- Be definite and precise – not restrictive

Procurement Requirements

- Good faith estimate
- State Statute
 - Minnesota 471.345
 - \$0.00 - \$24,999 - Quotations or open market
 - \$25,000 - \$99,999 – Two or more quotations required
 - Must consider State CPV contracts before purchasing through another source
 - \$100,000 - Sealed bids required
 - \$25,000 – Best Value Alternative (RFP Process 16C.28)
- School Board Policy
 - Can be more restrictive than statute

Construction – Best Value

- Who is eligible to use "Best Value"?
 - Phase II – July 1, 2009
 - School districts with the highest 50 percent enrollment of students in the state
 - Phase III – July 1, 2010
 - All school districts
 - Can only be used for one project annually, or 20 percent of a district's projects, whichever is greater, in each of the first three fiscal years in which best value construction contracting is used.

Construction – Best Value

- For purposes of construction, building, alteration, improvement, or repair
 - As an alternative to the procurement method described in 123B.52
 - "Best value" describes a result intended in the acquisition of all goods and services.
 - Price must be one of the evaluation criteria when acquiring goods and services.
 - Other evaluation criteria may include, but are not limited to, environmental considerations, quality, and vendor performance.

Construction – Best Value

- For purposes of construction, building, alteration, improvement, or repair services, "best value" describes the result determined by a procurement method that considers price and performance criteria, which may include, but are not limited to:
 - (1) the quality of the vendor's or contractor's performance on previous projects;
 - (2) the timeliness of the vendor's or contractor's performance on previous projects;
 - (3) the level of customer satisfaction with the vendor's or contractor's performance on previous projects;
 - (4) the vendor's or contractor's record of performing previous projects on budget and ability to minimize cost overruns;
 - (5) the vendor's or contractor's ability to minimize change orders;
 - (6) the vendor's or contractor's ability to prepare appropriate project plans;
 - (7) the vendor's or contractor's technical capacities;
 - (8) the individual qualifications of the contractor's key personnel; or
 - (9) the vendor's or contractor's ability to assess and minimize risks.

Bid vs. Quote/Proposal

- | Bid | Quote/Proposal |
|--|--|
| ■ Specifications | ■ Specifications |
| ■ Requires public notice | ■ Solicit supplier direct |
| ■ Formal process <ul style="list-style-type: none">– Sealed in secrecy | ■ Informal process |
| ■ Non-negotiable | ■ Negotiable |
| ■ Offer and acceptance | ■ Informational <ul style="list-style-type: none">– Transportation– Energy Efficiency |
| ■ Performance bond | |

Formal Bid Process

- Requirements specified
- Advertise for two weeks – legal publication
 - District website - Minnesota Statute 331A.03
- Date and time set for public opening
 - What do you have to make public at the opening
- Board award
- Process takes about one to two months

Written Quotations

- Board action not required
- Send to three or more vendors
- Two week response time
- Keep records on file for one year

Bid Bond

- Guarantee that bidder will honor their bid
- District option – Board policy
- Bond or certified check
- Percentage of bid (3% - 5%)
- Typically DOES NOT add cost

Performance Bond

- Used to provide a basis for funding completion of a contract if contractor is unwilling or unable
- Required of contracts greater than \$75,000
 - Board's discretion if purchasing a tangible product (M.S. 123B.52)
- 100% of contract amount
 - Board's discretion when purchasing a tangible product or on contracts for the transportation of students
- Purchased from bonding company
- Change orders necessitate increase
- Minnesota Statute 574.26

Contractor Bond or Payment Bond

- Used to ensure that suppliers and laborers will be paid by a contractor
- Required on work over \$75,000
- Minnesota Statute 574.26

Lowest Responsible Bidder

- Discretionary Administrative Act
 - Conformance to Specifications
 - Quality, Fitness and Capacity
- Two low bids tied *
- Only one bid response *

Bids not Required

- Books registered under Copyright laws
- Professional service
- Regulated utility
- Non district funds
- Single source*
- Perishable food (except milk)
- Real estate
- Life threatening emergency
- Energy Efficiency Projects

Insurance Requests for Proposals

- 25+ employees
- 21 day published notice
- Can negotiate after receipt
- Contract cannot exceed 5 years
- Aggregate value of benefits cannot be reduced without employee agreement
- Minnesota Statute 471.61

Student Transportation

- Direct negotiation after written quotation
- Two or more written quotations
- Sealed bids - Minneapolis
- Performance Bond at District option

Escalation/De-Escalation

- HEATING OIL
- MILK
- GASOLINE

ANNUAL PRICE CONTRACTS

- Adjust to change
 - Product choice
 - Pricing based on documented vendor increase
- Reduces storage and handling
- Reduces stockpiling
- Budget control
- Contracts 2 + 1 + 1 = Maximum Term

LEASE/PURCHASE CONTRACTS

- M.S. 465.71 “Lease Purchase Agreements”
- Amount of contract – total of ALL lease payments
- Annual renewal
- Cancellation clause (Lease Purchase Agreement)
- Municipality Clause

Alternatives to Bidding

- State Contracts
 - State of Minnesota - Cooperative Purchasing Venture (CPV)
- ECSU – Educational Cooperative Service Unit
- Joint Powers
 - School Districts
 - Counties
 - University of Minnesota
 - US Communities

Disposal of Obsolete Property

- Board authorization
- Public sale
 - Same parameters as purchase (M.S.471.345)
- Advertised
- Sale to District employees (M.S. 15.054)
- E-Bay (M.S.471.345 Subd. 17)
- Computers (M.S.123B.52 Subd. 6)

Consequences of Illegal Expenditures



Consequences of Illegal Expenditures

- State Auditor Involvement
- Reduction of aid
- Personal Liability
- Criminal Liability
- Taxpayer Suits

The Evolution of Purchasing

- Process improvement
- Procurement Cards
- E-Commerce
- Less warehousing & handling

Questions??

