Collaborative Purchasing 101
#SNIC18 Pre-Conference Workshop
Collaborative Purchasing 101

Lynnelle Grumbles, PhD, RD, SNS
Panel Facilitator
Three Models

• Group purchasing organizations
• Member operated cooperatives
• Third party administered cooperatives
Cutting Edge Speakers

• Courtney Haueter, JD
  Program Analyst
  USDA – Food and Nutrition Service, VA

• Cindy Hobbs, SNS
  NC Procurement Alliance Consultant
  NCDPI, NC

• Stacy Lofton, MS, RD, SNS
  Director, Nutrition, Strategic Sourcing & Solutions
  Premier Inc., NC

• Micheline Piekarski, MSN, SNS
  Northern Illinois Independent Purchasing Cooperative
  Director of Food & Nutrition
  Oak Park & River Forest HSD, IL

• Julie Powers, RD, SNS
  NJPA
  Staples, MN

• Mary Vann Sitton, MS, SNS
  Child Nutrition Procurement Consultant
  NCDPI, NC

• Curtistine Walker
  Pittsburgh Regional Food Service Directors
  Director, Pittsburgh SD, PA
Handout on your table

• Advantages

• Disadvantages

• What can SNA & USDA do to improve your role in the collaborative procurement process

• Specific to your industry role
Purchasing Cooperatives

Is your school nutrition program part of a purchasing cooperative or Group Purchasing Organization (GPO)?

- Yes, a multi-district cooperative for commodities only: 5.5%
- Yes, a multi-district cooperative for commodities and other items: 34.3%
- Yes, a third-party cooperative managed by a company rather than a lead district: 8.5%
- Yes, a Group Purchasing Organization (GPO): 24.3%
- No: 29.9%
- Not sure: 4.2%

Text Book Benefits of Collaboration

• Increased Purchasing Power
• Additional resources
• Labor Reduction
• Direct to Manufacturer Purchasing
• Volume Discounts
• People – Networking Opportunities
• Procurement Decisions by Governing Board
Text Book Challenges of Collaboration

- Administrative costs
- People – Lack of consensus among members
- Limited deliveries or delivery locations
- Minimum case or value shipments
- Monitoring
- Increased costs
- Loss of control
Join One or Start One?

• What is available near me?
• Does what is available fit my needs?
  • Products, pricing, deliveries
• Is it effective?
• Do I have the time and energy?
• How does my boss feel about it?
Put in the Time

• For Operators:
  • Evaluate your position in the market
  • Run the numbers
  • Evaluate your needs

• For Industry Members:
  • Evaluate effectiveness of the group
  • Clear communication
    • Ask good questions
  • Run the numbers
Meet the Experts

• Courtney Haueter, JD
  • Program Analyst, USDA-FNS, Alexandria, VA

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Overview

• Types of group purchasing efforts
• The responsible procurement party
• Proper procurement procedures
• Adding parties to a contract
• New Guidance
Types of group purchasing

• Q&A on Purchasing Goods and Services through Cooperatives, Agents, and Third-party Entities such as Group Purchasing/Group Buying Organizations, etc.

• Key information:
  • Supersedes SP35-2012 and includes all Child Nutrition Program operators
  • Seeks to maximize full and open competition
  • All costs must be necessary, reasonable, allocable, and allowable
Types of group purchasing

• **Group purchasing efforts identified**
  • Child Nutrition Program (CNP) Program operator-only and/or CNP State agency cooperative agreements
  • Agents
  • Third-party entities
Types of group purchasing

Third-party entities

• State-run agreements
• Inter-entity agreements (consisting of non-CNP operators)
• Group Purchasing Organizations, Buying Organizations, and Third-Party Vendors
The responsible procurement party

- Child Nutrition Program (CNP) Program operator-only and/or CNP State agency cooperative agreements
- Agents
- Third-party entities
The responsible procurement party

Agents

• SFA conducts procurement for an agent in compliance with Program and government-wide regulations

• The Agent then conducts procurement on behalf of the SFA in compliance with Program and government-wide regulations
The responsible procurement party

- **Third-Party entities**
  - Non-CNP State agency agreements
  - Inter-agency agreements
  - Group Purchasing Organizations, Buying Organizations, and Third-Party Vendors.
Methods of Procurement

• All competitive procurements must be in accordance with Program regulations and guidance, and the government-wide regulations in 2 CFR Part 200.318-.326

• Procurement methods are found in 2 CFR 200.320
  • Micro-purchase
  • Small purchase procedures
  • Sealed bid/competitive proposals
  • Non-competitive proposals (when applicable)
Adding parties to a contract

• Properly procured contract
• Contract provision allowing additional parties
• Language should **specify limitations of the extension of the piggybacking**
New Guidance: The “Market-Basket Memo”

- FNS identified a need for guidance in this area

- “Market Basket” is a practice of awarding contracts utilized by Program operators
  - Evaluates the lowest price using a sample of goods

- This memo requires the sample of goods to represent a specified estimate of the total value of the contract
  - FNS recommends a sample of 75% or more
Market-Basket Memo

• Allows the addition of goods when:
  • this option is included in the original solicitation and contract agreement, and
  • the total value of all additional goods does not exceed the amount specified in the contract.
  • FNS recommends limiting additional costs to 5-10% of the estimated value of the contract

• Provides sample solicitation and contract language surrounding market basket analysis.
Summary

• What are the types of group purchasing efforts?
• Who is responsible for the procurement?
• What procurement must take place?
• How are parties added to an existing contract?
• What new guidance is there?
Meet the Experts

• **Mary Vann Sitton, MS, SNS**
  NC Procurement Alliance Consultant
  Retired CN Director
  Advises Board in:
  - Annual NCPA Plan of Work
  - Procurement regulation and law
  - Logistics for meetings
  - Library of Product Specifications

• **Cindy Hobbs, SNS**
  NC Procurement Alliance Consultant
  Retired CN Director
  - Writes bid specifications; maintains bid spreadsheets
  - Manages product approval processes
  - Communication with manufacturers and brokers
About Our Cooperative - Structure

• Founded in 2008 as a pilot study
• Administered by member elected Board of Directors
• By-Laws provide administrative processes.
• 100 of the 115 public school districts in the state are members.
• Member districts represent approximately 700,000 lunch and 350,000 breakfast meals served in schools each day.
How We Became Involved

Mary Sitton
➢ Developed successful small scale group purchasing co-op with five county members in the 1990’s
➢ Hired to develop NCPA operations model and take it statewide to all public school district CND’s in fall of 2008.

Cindy Hobbs
➢ Offered Excel expertise to NCPA
➢ Elected to serve on the first Board of Directors as a Regional Chair and was elected by the Board as their first Chairman.
How Districts Can Participate

• How Districts can Participate
  Membership is voluntary and is open to any traditional public school district in the state

• Application Process
  A Memorandum of Agreement between the school district and the NCPA Board. Board must approve and membership vote to accept.

• Membership Fee
  There is no membership fee.
Bids! – How Our Bids Work

• **Direct to Manufacturer--Commodity Processing Bid (DTM)** is issued by NCPA Board and comprises 80% of the food items used by members. Awarded pricing goes on **Distributor Bid.**

• **Distributor Bid - IFB and spreadsheets** issued by members to distributors servicing their areas for Groceries, Beverages, Supplies, and Produce. Bids are Cost + Fixed Fee except Beverages are awarded by line item. School districts awards individually or in Co-Op groups.

• Produce bid is Cost + Fixed Fee using cost from a selected “back date” week.
  • **Section One:** Produce that has *annual contract pricing*.
  • **Section Two:** Pricing *can change weekly.*
  • **Section Three:** Low volume items - pricing not included in the bottom line bid award.
Bids! – How We Work With Industry

• Annual meeting with brokers and manufacturer representatives to review the status of the industry and how it impacts the NCPA.

Bids! - How We Award-Product Approval

• All brands listed on our bids are pre-approved through student testing.
• Manufacturers are given opportunity to submit products as competition
• New Product Food Show
What Works?

• Elected Board of Directors keeps members informed and involved.
• Direct to Manufacturer – Commodity Processing Bid provides continuity of manufacturer pricing statewide to the membership.
• The NCPA IFB Distributor Bid Documents provides members with approved USDA procurement regulations.
• The annual New Product Food Show process (now held in conjunction with the NC Dept. of Agriculture – Food Distribution Division) is well received.

What Doesn’t Work?

• Local administration CND turnover causes need for re-training.
• The Request for Competitive Products procedure is time consuming.
Advice/Words of Wisdom

• What advice do you have for people exploring joining a cooperative?
  • Success is directly correlated with the enthusiasm, integrity, motivation and successful processes provided by the leadership.

• What should they consider?
  • Funding for consultants who will provide continuity for the cooperative
  • Integrity in implementation of all processes
  • Maintenance of member involvement and responsibility
  • Continuous improvement challenges

• If we could change anything now?
  • More time to train locally.
  • More timely process for adding competitive products to the bid – currently takes about 18 months.
Meet the Experts

Stacy Lofton, MS, RD, SNS
Director, Nutrition, Strategic Sourcing & Solutions
Premier, Inc.
About Our Group Purchasing Organization – Structure – Premier, Inc.

• Structure
  • Member-driven organization that aggregates member purchasing power with a competitive contracting process that provides savings and reduces time and resources to manage the process internally
  • Awards and decisions are determined by committees of category experts representing our membership

• How I became involved
  • Premier member (Director of Food & Nutrition, KinderCare LLC)
  • Premier staff (Director, Nutrition & Strategic Sourcing & Solutions)
How Districts Can Participate

• Districts can Participate
  • By becoming a Premier member and conducting a competitive procurement solicitation (according to applicable program regulations and guidance)
    • Informal – small purchase procedures
    • Formal – RFP only
    • US Communities - piggybacking

• Application Process/ Membership Application
  • LOP/CA
    • Distribution survey – average drop size, locations, payment terms

• Membership Fee
  • No membership fee; Participation is voluntary
Bids!

• How our bids work
  • Category contracts (Contracted Mfr. Agreement –CMA) negotiated to benefit all members
  • Use of CMA is optional –utilize contracts within portfolio that work for your operation
  • 70% of all dollars purchased by Premier members are a CMA

• Types of bids
  • Request for Proposal –RFP
  • Mfr. Agreements: 3 years with price change clauses to determine frequency of price change (annual, semi-annual, quarterly), basis for price change and cap
  • Distribution: 5 years with firm fee per case
Bids!

• How we work with industry during bid process
  • Direct -Opportunity Pricing
  • Brokers

• How we award bids
  • Category identification – Internal category kickoff with Premier sourcing staff & Premier members
  • Supplier bid portal and contract bid calendar
  • Category analysis – RFP, T/C’s & Sampling
  • Category is presented to committee for award
  • Contract negotiations are finalized
  • Contract is launched – 3 years (Mfr.); 5 years (Distribution)
What Works? What Doesn’t Work?

• How to include a GPO/Third Party Entity into the scope of service in a solicitation – understanding roles and responsibilities based on applicable program regulations and guidelines

• Pricing channel – all member vs. trade specific
  • Healthcare, CU, K-12, Commercial, etc.

• Pricing terms
  • Manufacturer cost of goods – fixed (annual, semi-annual, quarterly), market-price (allowance only), rebates
  • Distribution – firm fee per case for term on contract
If I could change anything now....

• Knowledge, understanding of program regulations and guidelines
• Interpretation of program regulations and guidelines
  • Local
  • State
  • National
Advice/Words of Wisdom

• Knowledge is Key
  • Know your options, know your operation and what/where your expertise is
    • Ask questions, don’t assume
  • Embrace change, learn from others success and evaluate your opportunities

• What to consider?
  • Not a one size fits all solutions – many solutions
  • Find the one or ones that will meet your need and meet everyone’s common goal of “feeding bodies and fueling minds”
Meet the Experts

• Julie Powers, RD SNS
  • School Nutrition Consultant for National Joint Powers Alliance
Structure

• NJPA was created in 1976 by Minnesota Statute to serve education entities by providing cooperative purchasing contracts.
  • These contracts save time and money by consolidating to one national, cooperatively shared process.

• As a former district director, I was looking for an easier way to meet the USDA procurement requirements and increase cost savings without the extra work.
  • Our buying group joined the NJPA bid through our distributor and saw a significant cost savings.
How Districts Can Participate

• Eligible members include any unit of education, government or non-profit agency nationwide.

• Membership in NJPA is at no-cost.

• Potential members can apply online, or with a hard copy application, or through “joint exercise of powers” agreements.
Bids!

• Our bid is a 4-year Prime Vendor contract awarded to national and regional broad-line Distributors.

• With permission of the NJPA Board of Directors, we use a 12-step process involving solicitation, evaluation, recommendation, award, marketing, and review of awarded contract.

• The competitive, sealed RFP is awarded based on best overall value to our members.

• All products and categories are included in the bid (food, beverages, chemicals, small wares, equipment). NJPA requests the top 100 K-12 items by distributor for comparison of pricing but members are not limited to a set market basket.
How do I know I’m getting the best price?

• This is the number one question from potential members.

• NJPA is committed to providing value through volume purchasing on a regional and national level.

• Comparison market basket pricing can be provided by NJPA vendors.

• Member specific contracts/allowances can be “piggy-backed” to ensure lowest price.
What Works? What Doesn’t Work?

• What works is that this contract is flexible and customizable to meet the unique needs of each individual district with significant cost savings.

• Differences in interpretation from each USDA Region and each State Agency can vary widely.

• NJPA is a government agency (ISD 924) and the contract is considered an intergovernmental agreement.
Advice/Words of Wisdom

• Cooperative purchasing provides:
  • Time savings
  • Financial savings
  • Flexibility of contract and programs
Meet the Experts

Curtistine Walker
Pittsburgh Regional Food Service Directors
Director, Pittsburgh SD, PA

2017-2018 Board of Directors and Officers

President
President Elect
Past President
Six Board of Directors
Legal Counsel
Bid and Other Committees

Food & Supply Bid Committee Members
Food & Supplies Bid Committee Chair and Board of Directors
Bid Liaison Assistant
Bread Bid Committee Chair
Industry Committee Chair and 2 Committee Members
Industry Liaison
Legislative & Public Policy Committee Chair
Charitable Giving Committee Chair and Committee Member
Proactive & Marketing Committee Chair and Committee Members
Technology & Marketing Committee Chair
Additional Information

Industry Partners
• Include food brokers, manufacturers, distributors, equipment specialists and dairies.
• Distinct products and offerings that are an integral part of school food service.
• Opportunity to present products and/or services at any of the monthly meetings.

Membership Application
• Annual Dues for School Districts based on district’s enrollment
• Annual Dues for Industry Partners (non voting)

Meetings – September, October, December, January (commodity show), March and May.
• Forum for professional development and networking.
• Include a vendor show where members can sample new products

Procurement Plan
• Free and open competition, transparency in transactions, comparability, and documentation of all procurement (micro-purchase, informal and formal).
Procurement Timeline – Annual Process

✓ Analyze New Products & Brands
✓ Bid Committee Meeting to Plan Procurement for upcoming year
✓ Update Commodity Specs & Prepare Commodity RFP and Mail Commodity RFP and Publish Advertisement
✓ Open bid, then Board Approval
✓ Award Letters Mailed and Membership Notified of Winning Processors
✓ Update Commercial Spec and Prepare Commercial RFP
✓ Bid Usage and Gather Member Profiles & Bid Participation Agreements
✓ Pre-bid Conference, Mail Bids & Publish Advertisement
✓ Open Bid-BID COMMITTEE TO COMPLETE THIS DAY
✓ Date Bids /Contracts must be Approved by the Board
✓ Award Letters Mailed and Membership Notified of Winning Distributor
✓ Review Date for Bid Documents
✓ Order Guide Posted, Members Notified and Date Contract Must Be Implemented
Summary

• Satisfied with purchasing in this manner?

• Additional purchases outside of the purchasing group?

• Factors to consider before making the move to purchase with a group

Who will be effected by the decision to make this change?
Meet the Experts

• Micheline Piekarski, MSM, SNS
  • Northern Illinois Independent Purchasing Cooperative (NIIPC)
About Our Cooperative - Structure

Board of Directors

Elected Officers

Districts in NIIPC
# How Districts Can Participate

<table>
<thead>
<tr>
<th>Enrollment</th>
<th>Application Fee</th>
<th>Annual Dues</th>
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<td>Up to 1999</td>
<td>$200</td>
<td>$600</td>
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<tr>
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<td>$200</td>
<td>$1100</td>
</tr>
<tr>
<td>5000 +</td>
<td>$200</td>
<td>$1600</td>
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</tbody>
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Bids!

• 6 RFP’s Let with All Costs Absorbed
  ✓ General Groceries and Supplies
  ✓ Direct to Manufacturer
  ✓ Dairy Products
  ✓ Bread Products
  ✓ Vending Products
  ✓ Produce Products
Bids!

• Cost plus Fixed Fee
  • Cost can Change Weekly
  • Fixed Fee stays the same for the length of the bid

• Taste Testing
  • Industry Involvement
  • Student Involvement
  • 85% Approval Rating
  • No Head to Head Competition
What Works? What Doesn’t Work?

• Ethical Purchasing
• Buying Power
• Quality Food/Packaging at Lower Costs
• Networking
• Orientation of Members
• Distributor Competition
If I could change anything now....

• All Members Actively Engaged
Advice/Words of Wisdom

• Districts Needs and Wants
• Get Involved
• Become Educated
Questions & Discussion
Handout on your table

• Advantages
• Disadvantages
• What can SNA & USDA do to improve your role in the collaborative procurement process
• Specific to your industry role
Contact Information

Dr. Lynnelle Grumbles, RD, SNS
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Thank You!

Your feedback is critical. Please evaluate this session using the SNIC 2018 App