

Strategic Operational Review

Procurement Services Division Procurement Management Branch

"To provide products and services to our schools and offices in the most cost effective manner"



September 2010

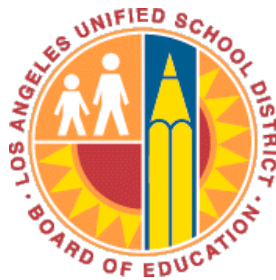


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Procurement Services Division

Procurement Management Branch

Part 1 – Branch Overview

VISION (PMB)

“For our schools, we will strategically source, contract, and procure classroom essential services, supplies, and equipment in large quantities to achieve economies of scale and lower costs.”

“For our Teachers and Administrators, we will be a partner and a resource to assist in making strategic business and procurement decisions supported by qualitative and quantitative data”

“For our Employees, we will provide professional training and support necessary in carrying out assigned tasks; creating accountability and recognizing excellence.”

“For our Vendors, we will ensure free and open competition by observing transparency and fairness.”

MISSION

“To provide products and services to our schools and offices in the most cost effective manner.”

KEY DIVISION ACTIVITIES (CORE FUNCTIONS)

- Implement Board of Education policies and oversee enforcement of established procurement processes
- Promote and enforce acquisition of goods, professional and general services through a competitive ethical process.
- Prepare Request for Proposals, Invitations for Bids, and other procurement type methods in accordance with all applicable State and Federal regulations and District policy.
- Acquire goods and services utilizing various competitive methods that include, but are not limited to, strategic sourcing that take advantage of the aggregated buying power of the District.
- Provide non-district facilities leasing, catering, and conference attendance for schools and offices as necessary.
- Provide procurement training and education to schools and offices.
- Administer various Master Contracts that provide goods and services in a streamlined fashion.

WORKLOAD INDICATORS (2009-2010)

- Awarded 876 contract actions representing a total dollar of over \$415 million (includes Contract and Amendments For All Types: Awarded Contracts (Master Requirement), Master Bench, Master Professional Services, Master Enrichment Activities, No Cost, Reimbursement, Income, Piggy Back)
- The total contract expenditures against all active contracts equated to \$380 million. (Includes Awarded Contracts (Master Requirement), Master Bench, Master Professional Services, Master Enrichment Activities, Piggy Back and General Counsel Reported Expenditures; DOES NOT INCLUDE Low Value Professional Services Contracts worth \$2.8M)
- Created 49 new self-sufficiency tools in the form of strategically sourced Master Agreements/Bench contracts. (FY10 Executed Master Professional Services and Master Enrichment Activities CONTRACTS)
- Total of non-stock purchase order expenditures equated to \$60 million. (Includes centrally processed PC D transactions, PD LV Expenditure of \$22 million was not included in \$60M)
- Provided a myriad of outreach training events to increase sponsor education

Procurement Strategic Contracts Results

	FY10	FY09
Percentage of expenditures against Strategic Contracts	41.7%	42.9%
Master Contract Expenditures	\$204,515,418.07	\$251,509,953.39
Professional Services Subtotal	\$22,216,410.93	\$37,505,811.41
Master Requirement Contracts Subtotal	\$157,791,132.14	\$187,010,241.98
General Counsel (Direct from OGC Report)	\$24,507,875.00	\$26,993,900.00
Non-Masters Expenditures	\$285,749,606.10	\$335,081,946.47
Regular Purchase Order Expenditure	\$61,191,601.28	\$75,212,813.98
Stores Warehouse Non-Stock Purchase Orders	\$27,421,967.37	\$47,265,122.92
Professional Services Contracts	\$170,424,120.01	\$194,553,198.71
Low Value Professional Services Contracts Expenditure	\$2,753,330.32	\$3,011,188.23
Low Value Regular Purchase Order Expenditure	\$21,748,805.54	\$8,262,435.18
Conference Attendance Purchase Order Expenditure	\$283,073.39	\$985,856.66
Rental Facilities Regular Purchase Order Expenditure	\$1,926,708.19	\$5,791,330.79
Total Expenditures	\$490,265,024.17	\$586,591,899.86

Procurement Delegations Results

Effective FY 2009, PSD sub-delegated to schools and offices through the “PD CS” and “PD LV” a decentralized method of ordering goods and services. This delegation provided schools and offices increased procurement flexibility in ordering their goods and services in a timely fashion. In addition, P-Card also provided additional flexibility with both goods and services up to \$1,500 per card with \$10,000 per month limit. The table below provides the transactions that were both centralized and decentralized:

	FY10	FY09
Total # of Transactions (P-Card+PD+PC+PG)	116,536	134,715
Total Sub-delegations # of Transactions (P-Card+PD)	106,920	118,371
# of DECENTRALIZED (PD Transactions)	12,068	6,224
# of CENTRALIZED Transactions (PC + PG)	9,616	16,344
Percentage of sub-delegations	81.4%	83.2%

Professional Services Cost Savings Results (Dollars & Percentages)

	Expenditures		Savings	
	FY09	FY10	FY09	FY10
FY Professional Services Expenditures	\$258,314,743.42	\$217,148,405.94	\$11,113,115.88	\$10,367,524.99
%Savings to Professional Services Expenditures	4.3%	4.8%		

Professional Services Workload Results

- 24 Competitive Request for Proposals for Professional Services Completed
- 364 Professional Service Agreements (\$144 Million Contract Amount)
- 91 Professional Service Agreements greater than State Bid Limit (\$78,500)
- 33 Strategic Sourcing Contracts
 - 20 competitive Master-Bench
 - 5 competitive MSA
 - 7 Competitive Retainer
 - 1 non-competitive MSA
- 273 Professional Service Agreements less than or equal to State Bid Limit (\$78,500)
- 316 Amendments to Professional Service Agreements

Professional Services Competition Results

	FY10 No. of Days	FY09 No. of Days
>\$250K Competed	51.7%	30.8%
Bid-\$250K Competed	9.7%	5.6%

Professional Service Processing Time Results

	FY10 No. of Days	FY09 No. of Days
>250K Competitive	55.0	91.5
Bid-250K Competitive	111.0	74.0
>250K Non-Competitive	39.5	29.5
Bid-250K Non-Competitive	37.0	10.0

OBJECTIVES

“Defined Procurement Strategies equals Outcome Success.”

Procurement Management Branch has identified through various documents (First 100 Days, PSG Reorganization, Year End Reviews, BSD Service Efforts and Accomplishments (SEA), Operational Reviews from outside entities (i.e. Evergreen), Strategic Plans, etc.) the areas in which both the Division and the District can increase cost savings, increase efficiencies, decrease spending, etc. All of which in various forms lead to a return on investment. However, through budget staffing and operational cuts those previous objectives identified require another look and investment in infrastructure. Those operational initiatives include:

- Strategic Sourcing (Consolidating procurement contracts in order maximize buying power)
- District-wide Managed Print Services
- Increased Competition in Professional Services
- Document Management through Paperless
- Reverse Auctioning of various commodities and services
- Produce Delivery Plan
- Library and Textbook Management System

ALIGNMENT OF VISION, MISSION, OBJECTIVES TO THOSE OF THE DISTRICT

Four core strategies have been identified by the Superintendent to ensure all students graduate college-prepared and career-ready:

- Data-based Instruction -We will continue to use data to drive all decision-making and ensure good first teaching to all students, coupled with support and intervention when students need extra assistance.

Procurement will assist with this identified strategy through continued clear meaningful metric definition and procurement data collection. This will enable to support the schools better by providing high quality – best value products and services through the most efficient procurement methods as possible.

- Supporting all of our Employees -Strong leadership among all school stakeholders – administrators, among all school stakeholders –administrators, teachers, students, classified staff and parents –is essential for effectively managing schools.

Procurement will support the schools and offices through effective leadership and clear goals. Procurement policies and processes will be continuously improved in order to attain the most cost –effective route to timely delivery. Customer service will be paramount through various multi-media solutions and self-sufficiency tools.

- Transparent Budgeting -We will bring funding and decision-making closer to schools and classrooms.

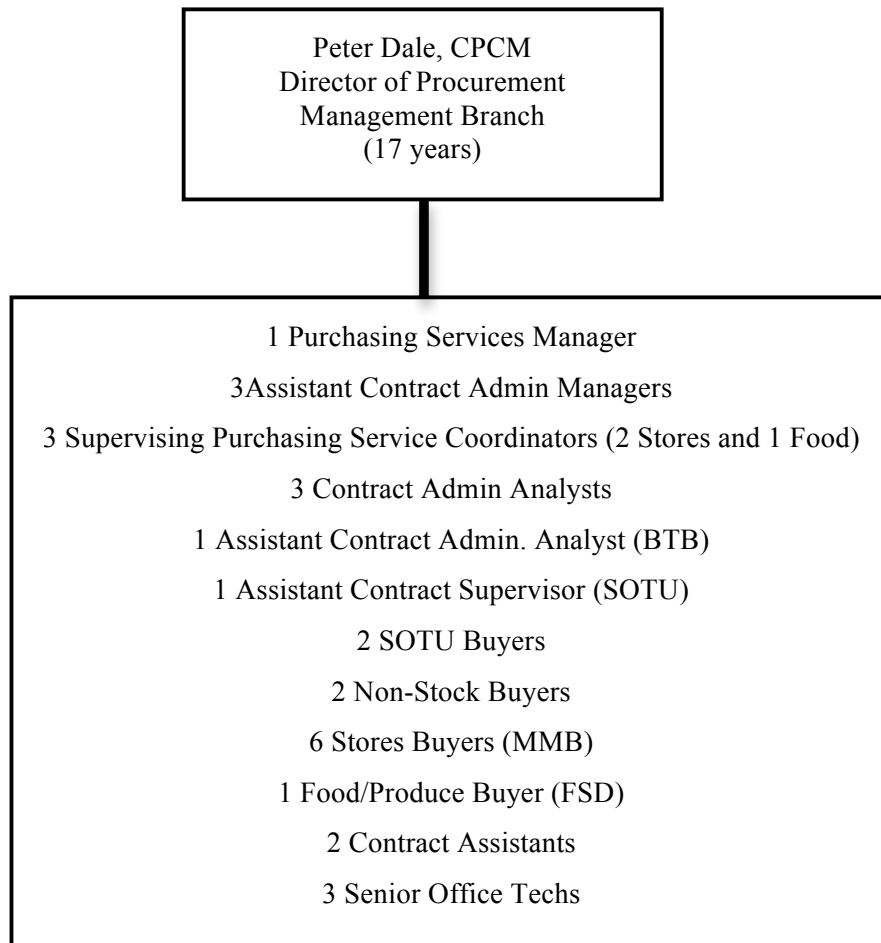
Procurement will continuously explore and expand procure to payable solution that will begin with budget development. It is quintessential that a strong connection between program/budget and acquisition planning occur in order to better meet the procurement needs of our schools.

- School Choice–We are creating standards and criteria that apply to all schools for setting targets, evaluating school quality, and monitoring achievement—even charter schools. We are embracing innovative program offerings for students and families.

It is important that procurement provide schools choice while at the same time provide new and innovative contracting methods and tools that support the schools in their procurement needs. Whether it is through the warehouse, non-stock, food, SOTU, or professional service requirements.

A culture of transparency, accountability, and Integrity will be at Procurement’s core.

ORGANIZATIONAL STRUCTURE (FY2010-2011 Organizational Chart POST Budget Cuts)



**Note – PMB’s FY10-2011 budget cuts (approx. 30%) include the loss of 14 FTE and 7 positions going to “B” basis. In addition, it is important to note that PMB has various funding that solely supports Food Services, Furniture buying (SOTU), Stores Warehouse (MMB), and BTB.

Procurement Services Division Procurement Management Branch

Part 2 – Successes, Challenges, and Integration

OPERATIONAL SUCCESES & CHALLENGES	
Key Division Successes Over the Past 12-18 Months (list no more than 3)	Elements That Lead to Their Success
Decrease Acquisition costs District-wide	Organized procurement freeze Established policy enforcement
Decrease Cycle Time	Cycle time has decreased for those professional services > \$250k
Increase Competition	Increased > Bid Limit for Professional Services
Negotiated Cost Savings of \$10.3 Million	Focus on competition and planned negotiations
Increased vendor input to strategic procurements (imaging, foods)	PSD-sponsor (Schools/Offices, ITD, Foods) collaboration
Self-service by schools in copier purchases below \$10K	Expansion of Low Value PO Utilization
Reorganization/Consolidation of Purchasing Branch and Contracts Branch	Management Support Organized Plan and Focus
Combined Board Report and Revised Processes	Training and detailed implementation guidance
Consolidated various after-school provider contracts sponsored by Beyond the Bell with the goal of reducing cycle times while reducing the number of contracts to after school providers or vendors. The goal was met in FY 2010 with a 1 to 1 ratio of contracts. Since FY2008, the number of contracts have reduced from 150 to 87 (41%) while the contract amount increased from \$95 million to \$218 Million. This include ASES, 21 st Century, SES, and LA's Best.	Coordinating with Beyond the Bell on strategic acquisition planning and mapped out how the reduction would occur through solicitations and eventual contracts being issued.
89 District Schools received approx. \$42 Million in old SIG monies ('07 – '08) that placed a grant requirement to spend by September 30, 2010. Procurement provided streamlined solution to spend out \$15 million of that \$42 million through various procurement methods	Coordinated School Improvement Grant (SIG) budgets and connected to acquisition planning <ul style="list-style-type: none"> ▪ 89 Schools ▪ Beyond the Bell ▪ Superintendent's Office
Captured the various single action contracts representing a total approximate dollar value of \$5.3 Million each calendar year or \$28.4 million over a five year term.	Signed a Memorandum of Understanding with 4 private school consortiums representing hundreds of private schools and 30 independent or unaffiliated private schools.

Less Than Successful Projects Over the Past 12-18 Months (list no more than 3)	Reasons Why
Implementation of paperless document processing. Focusing on Implementation in FY 2010-2011	Budget and time Competing Priorities
Key Operational Challenges (list no more than 3 operational challenges that impact the Division's ability to perform efficiently and effectively)	Resolutions/Strategies to Overcome
Under-utilization of strategic contracts by schools and offices	Mandate to require use of the contracts or increase awareness to schools and offices through multi-media solutions (online communication).
Excessive cycle time for contract requests	Full implementation of BTS. Paper-based requisition and contract request system causes delay.
Budget Cuts and Personnel Freeze	Flexibility within Budget to create unique personnel structure through the remaining budgets (\$3.3 Million)

INTEGRATION WITH OTHER DEPARTMENTS

Specific Tasks & Activities That Require Integration	Departments Involved
E-rate program	ITD, PSD, Facilities
Managed Print Initiative	Local Districts, Schools and Offices (ITD)
Budget to Acquisition Planning	Grant, Budget, Contract Sponsor
Consolidated various after-school provider contracts	Beyond the Bell
Effectiveness of Division-to-Division Communications (narrative)	
In the new fiscal year, it is important that we increase the utilization of various tools at our disposal. For example, better website management through timely updates, increased training or outreach events, self-service instructional aides to schools/offices (i.e. videos, webinars, etc.), focused communication that is more clear, concise and succinct, FAQs, Critical Things to Know, Web-based learning, value added messaging, "Procurement Summits", online ordering tools.	
Integration/Communication Issues	Planned Resolution
Dissemination of Information or Changes	Broaden distribution

Procurement Services Division Procurement Management Branch

Part 3 – Alignment to LAUSD Strategies

DISTRICT STRATEGY: TRANSPARENT BUDGETING

Transparent Budgeting brings funding and decision-making closer to schools and classrooms through the alignment of resources for greater impact, and gives schools the ability to target resources to meet their school-specific needs.

LOCN: 0505, 0509, 0538

FISCAL YEAR: 2009 - 2010

GENERAL FUND

Objt Typ Name	001 - UNRESTRICTED	003 - RESTRICTED	TOTAL GENERAL FUND
SALARIES	2,484,271	113,831	2,598,102
EMPLOYEE BENEFITS	1,133,485	49,678	1,183,163
BOOKS AND SUPPLIES	158,436	9,231	167,667
SERVICES & OPERATING EXPENSES	117,438	0	117,438
CAPITAL OUTLAY	248		248
OTHER OUTGO		2,899	
TOTAL	3,893,877	175,640	4,066,618

**OTHER THAN GENERAL
FUND**

Objt Typ Name	011 - CHLD DEV FUND	029 - ADULT ED FUND	030 - CAFETERIA FUND	043 - BLDG FUND (MEAS R)	TOTAL
SALARIES	11,942	16,719	0	(1,144)	27,518
EMPLOYEE BENEFITS	5,030	10,234	(3,189)	467	12,542
BOOKS AND SUPPLIES			0		0
SERVICES & OPERATING EXPENSES					0
CAPITAL OUTLAY				0	0
OTHER OUTGO					0
TOTAL	16,972	26,953	(3,189)	(676)	40,060

LOCN: 0505, 0509, 0538

FISCAL YEAR: 2010 - 2011

GENERAL FUND

Objt Typ Name	001 - UNRESTRICTED	003 - RESTRICTED	TOTAL GENERAL FUND
CLASSIFIED SALARIES	1,914,773	84,111	1,998,884
EMPLOYEE BENEFITS	827,991	43,981	871,972
BOOKS AND SUPPLIES	224,125		224,125
SERVICES & OPERATING EXPENSES	167,236	0	167,236
CAPITAL OUTLAY	0		0
OTHER OUTGO		2,077	2,077
TOTAL	3,134,125	130,169	3,264,294

**OTHER THAN GENERAL
FUND**

Objt Typ Name	011 - CHLD DEV FUND	029 - ADULT ED FUND	030 - CAFETERIA FUND	043 - BLDG FUND (MEAS R)	TOTAL
CLASSIFIED SALARIES	12,333	17,265	0	0	29,598
EMPLOYEE BENEFITS	7,075	9,906	0	0	16,981
BOOKS AND SUPPLIES					0
SERVICES & OPERATING EXPENSES					0
CAPITAL OUTLAY				40,652	40,652
OTHER OUTGO					0
TOTAL	19,408	27,171	0	40,652	87,231

Other than salaries/benefits, what are some of the other significant expenditures from the Division's budget (include \$ amount, whether one-time or ongoing, etc.)?

DISTRICT STRATEGY: DATA-BASED INSTRUCTION (DATA MANAGEMENT)

Examples of how the Division captures and uses data to make strategic decisions

- Workload Tracking and balancing
- Logging of IFB contracts into master spreadsheet
- Competition Focus
- Strategic Sourcing Focus

Mechanisms used to capture and analyze data

- Intake of Commodity and Professional Service contract requests at a single entry point
- Expansion of psgsrvr6 promotes increased data sharing for reporting and collaboration with PSD.

Key reports used to make strategic decisions

- Active/Expiring Contracts list
- Various Workload and Productivity Reports
- 30-60-90 day expiration notification tool

Data accuracy

- QA/QC Plan and Periodic validation of data reports
- Peer Reviews or Review process through staff and management

Identify data needs/desires and how to obtain

- Fully digitize “intake” process using BTS requisition queue
- Integrate/eliminate stand-alone systems (IFS, RX-PO, Contract Database) by full implementation of BTS
- Implementation of paperless – document management system
- Business Intelligence through collaboration tools like Sharepoint that auto-populate designated data points into graphs, reports, or charts.

Examples of how the Division captures and uses data to make strategic decisions

- Single or multiple vendor contract reports
- Target/Goal data
- Strategic Initiatives identified for PMB

Mechanisms used to capture and analyze data

- Reports run from IFS or Contracts database

DISTRICT STRATEGY: QUALITY SCHOOLS

Creating standards and criteria that apply to all schools for setting targets, evaluating school quality and monitoring achievement – including charters. Embraces innovative program offerings for students and families.

Describe how the work of your Division serves school sites

- Daily procurement support through the issuance of purchase order, contracts, and the resolution of changes, payment issues, and disputes.
 - Contractual support of Library System, LAN Modernization, ISIS System
 - Issuance of high dollar Invitations for Bids (goods and general services) and Request for Proposals (professional services)
 - IFS procurement related trouble shooting that lead to PO or contract issuance.
 - School Occupancy Transition Unit furniture buying for new and existing schools
 - Food Buying to include categorical and produce.
 - Stock and Non-Stock buying
 - Professional Services contracting

Cite specific examples of programs and/or activities your Division has been engaged in over the past 12-18 months that directly (or indirectly) serve schools (be specific)

- School Improvement Grant (89 Schools) – Assist in spending out approx. \$15 Million
- Compliance with ARRA Funding and timely issuance of purchase orders
- Local District 4 review of copier utilization at 7 schools as part of Strategic Imaging Initiative

Discuss any planned Division projects that focus on providing services in support of quality schools

- Strategic sourcing initiatives as identified in the objectives.
- Consolidation of procurements that directly relate to overall program or grant. For example, the consolidation to one RFP for private school contracts.
- Managed Print Services Strategic Sourcing Initiative
- Increased Communication on procurement processes/policies through various multi-media solutions.

Discuss how you know whether our schools (or other customers) value your services

- Previous customer service surveys
- Feedback from schools
- Recognition of employees through satisfied customers
- Informal survey through online tools (google)

Does your Division differentiate support for schools rather than offices? If so, how? What's important to provide for whom?

Schools are a primary focus for the Procurement Division. They differ from offices due to the reduced capacity to focus or provide an infrastructure that is able to focus on procurement and its relational intricacies. Procurement places schools as a priority through daily attending to their support needs and by providing as many streamlined procurement methods as possible (strategic master contracts, stores warehouse, p-card, low dollar transactions, or one-time buys).

DISTRICT STRATEGY: SUPPORTING ALL OF OUR EMPLOYEES

We are all advocates for our students' success. We will use data to personalize the supports our employees need in order to ensure our students are college-prepared and career-ready.

Describe your employee evaluation process

- Frequency: Semi- Annual or Annual Reviews
- Evaluation Criteria: Management and Staffing criteria
- Internal Reviews:
- Feedback: Constant feedback through informal (emails) or formal memos.

Describe your Division's employee development process

An employee is continuously provided training, mentoring, and guidance that assist them in becoming subject matter experts and enable them to continuously improve. An increase in knowledge base is expected through providing a variety of procurement methods, negotiations, disputes, and solution focused problem solving. Procurement has reorganized twice since 2009 and has reduced the number of labor classifications and will continue to do so in 2010/2011 in order to define a clear career path for employees.

Describe the training programs that you provide for your employees to help build skills

Within the Division: PMB has created "PSD University" that is a 7 course or 2 year program. This program provides onsite courses (Negotiations, Advance Purchasing, Legal Aspects, Strategic Sourcing, Cost Estimating, Pricing, Basics) from UCLA Extension that leads to both a certificate and certification through National Contract Management Association (NCMA).

- District: Various face to face and online training to schools and offices
- External: Industry Exchange to our Vendors

Describe your hiring plan

PMB will require another reorganization by which current labor classifications will need to be revamped and redefined placing an emphasis a changing budget and support structure. The myriad of labor classes within procurement need to be reduced to include both management and staff in order to create clear levels, increased skill requirements, and clear career progression.

Describe your succession plan

PSD has identified four stages to developing an effective succession plan:

- Identifying roles for succession;
- Developing a clear understanding of the capabilities and competencies required to undertake those roles;
- Identifying employees who could potentially fill and perform highly in such roles; and
- Preparing and developing employees to be ready for advancement into each identified role.

Without the implementation of a succession plan, significant potential impacts within PMB could occur including;

- * Loss of expertise and business knowledge
- * Loss of business continuity
- * Damaged school/office sponsor relationships
- * Time and effort to recruit and train replacement employees

Part 4 – Strategic Vision & Action

Describe activities implemented within the past year to increase efficiency and effectiveness

A reverse auction pilot was completed during FY 2009-2010 through a third-party vendor (Bid-Bridge). A total of 3 reverse auctions was the target goal in order to simply test the new procurement method. Based upon the below data further aggressive expansion into this procurement method is warranted.

<i>IFB Title</i>	<i>Total Cost using last awarded prices</i>	<i>Total Cost using Projected/Estimated Prices</i>	<i>Total Cost using Reverse Auction Prices</i>	<i>Savings/Loss vs. Reverse Auction (Proj./Estimated Price)</i>
Construction Paper	\$439,404	\$447,143	\$395,779	\$51,364
Janitorial Paper Supplies	\$170,864	\$165,467	\$162,037	\$3,430
Paper, Bond, Colors and Xerographic	\$1,352,234	\$1,311,650	\$1,369,532	-\$57,881
Internet Content Filtering Solution	\$289,647	\$400,000	\$310,235	\$89,765
Game Rugs	\$77,366	\$80,151	\$68,380	\$11,771
			Total Saved:	<u>\$98,449</u>

Describe activities planned over the next 12-18 months to increase efficiency and effectiveness

Implement a District-Wide Imaging Management Services Project which allows for the establishment of a District-wide vendor for imaging services. Over time, the selected vendor will replace all existing imaging equipment with *networked, multi-functional copier, printer and duplicator solutions* specifically tailored to meet the varying needs of the schools and District offices. When fully implemented, this model will result in significant cost savings across the District (initial estimate \$11 Million) that will be graduated over time.

DISTRICT DATA

Excessive spending. The District spends an estimated **\$25 million annually** on imaging leases/purchases, maintenance, and supplies

- **High per page copying and printing costs.**
- **Excess copy charges when low capacity devices are over-used.**
- **High monthly rates for under-utilized contractual copy.**
- **Too many copiers and printers across the District.** Currently, there are an estimated **5,000 single-function copier machines and 25,000 printers** located across 1000+ schools sites and District offices
- **Too many individual contracts and vendors.**

Discuss additional long-term plans/strategies to further increase efficiency and effectiveness

As previously mentioned, the following strategic initiatives will be focused on long-term:

- Strategic Sourcing (Consolidating procurement contracts in order maximize buying power)
- District-wide Managed Print Services
- Increased Competition in Professional Services
- Document Management through Paperless
- Reverse Auctioning of various commodities and services
- Produce Delivery Plan
- Library and Textbook Management System
- Rollout of SAP release 3 Supplier Relationship management

See Appendix A – Summary of PSD Strategic Initiatives and Cost-Benefit Analyses