

## EXECUTIVE SUMMARY

### **Recommendation for Additional Spending Authority 52-002R - Facilities Maintenance, Lighting Products, Industrial Supplies, and Tools**

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This Executive Summary will describe Bid 52-002R as follows: It will begin with an overview of the Bid and the original contract it is based upon, describe the national organization behind this Bid, give examples of what the Bid is used for; summarize the expenditures to date on the contract, project the anticipated expenditure, and provide the calculation behind this request, and describe some of the costs associated with not using this very economical and useful purchasing tool.

#### **WHAT IS BID 52-002R?**

This Bid piggybacks onto one of the most widely accepted contracts in the Public Sector Maintenance, Repair, and Operations (MRO) Industry. The **Western States Contract Alliance** or **WSCA Facilities Contract** is used to purchase a wide variety of items for all disciplines and work groups within Physical Plant Operations (PPO), including materials, parts, and equipment for repair and replacement, hand and portable power tools, and portable maintenance equipment. The Bid allows purchases to be made from three large national MRO Suppliers: W.W. Grainger, Inc., Fastenal Company, and MSC Industrial Supply Co. More specific examples of the items bought with this contract follow the description of WSCA (immediately below).

#### **WHO IS WSCA?**

The National Association of State Procurement Officials (NASPO) has formed a subsidiary entity, the NASPO Cooperative Purchasing Organization (WSCA-NASPO), to manage its national cooperative purchasing program. WSCA-NASPO was formed in October of 2012 and began operating officially on January 1, 2013. Since 1993, the Western States Contracting Alliance (WSCA) served as the primary cooperative purchasing arm of NASPO and encouraged, fostered, and guided participating members to work collaboratively in an effort to create true procurement cooperatives. WSCA-NASPO represents a unified, nationally-focused cooperative purchasing program that will leverage the collective expertise and experience of WSCA and NASPO, aggregate the demand of all 50 states, the District of Columbia and the five organized territories, and their political subdivisions and other eligible entities, and help spur innovation and competition in the marketplace. All authorized governmental entities in any state are welcome to use WSCA-NASPO cooperative contracts. Cooperative purchasing benefits states as well as cities, counties, public schools, institutions of higher education, and other eligible entities.

(Taken from the WSCA-NASPO website)

#### **WHAT DOES PPO PURCHASE USING BID 52-002R?**

Examples of replacement equipment include:

- Through-the-wall packaged Terminal Air Conditioning Units
- Intake & Exhaust Fans and Belts
- Electric Motors
- Light Fixtures, Lamps, and Bulbs
- Ballasts for Light Fixtures
- Air Curtains
- Barricades
- Cleaners, Lubricants, Oils, Grease, and Adhesives

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Examples of tools include:

- Drills, Saws, and Screw Guns
- Batteries for all Cordless Equipment
- Electrical Meters and Testers
- Paint Sprayers and Supplies
- Hoses and Cords
- Personal Protective Equipment
- Disposable and Consumable Items (i.e., Tape, Foam, and Putty)
- Blades and Bits

#### **HOW MUCH DOES PPO SPEND ON THIS BID?**

09/16/11 to 08/28/15 expended	\$2,994,576
Average Monthly Expenditure during the above time period	\$63,714
Requirement for the remaining 17 month period	\$1,146,859
Additional Funding to continue purchases	\$1,324,000

#### **WHAT IS LOST BY NOT USING BID 52-002R?**

A maintenance, repair, and operations solution leverages a supplier relationship, where both lower cost and value-added services are key objectives. Tapping into a cooperative procurement agreement, such as WSCA, leverages the buying power of Broward County Public Schools (BCPS), with hundreds of other municipal, county, and state agencies across the country. Local competitive bidding of each commodity does not yield the volume to drive cost down while increasing services. The MRO supplier also provides value-added services of sourcing and warehousing, reducing the operational costs of BCPS. MRO suppliers are able to provide timely responses to material requests through their direct access to many manufacturers. Even with the scale of BCPS operations, the scale of material orders are not great enough to yield the competitive pricing that an MRO supplier can provide through aggregating the buying of thousands of organizations the size of BCPS.

The Friedrich commercial through-the-wall air conditioners, used on many portable classrooms, are a good example of the benefits of this contract. These units are a large expense for the District, and made up 19 percent (\$345,000) of the total amount expended to date on the WSCA contract, even though we did not begin purchasing these items through 52-002R until 18 months into the contract term. Currently, we purchase this unit for about \$806 each, which is less than the price of the same unit purchased directly from the manufacturer (more than \$1,000, depending upon quantity ordered). Additionally, W.W. Grainger allows the District to stage the delivery of the units around our annual business cycle at no additional cost, reducing inventory carrying costs and ensuring that the units installed are “fresh” (their warranties are still in force and effect).

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This example illustrates how an MRO supplier can serve to avoid the costs of holding inventory. The costs associated with physical storage space, inventory management, inventory staff, obsolescence, and shrinkage are real costs to be added to the price paid for a part or material. These often hidden costs of holding inventory represent a key advantage of an MRO approach, as it moves these costs and operational responsibilities to a supplier who has the scale to perform these tasks in a more cost-effective manner. Both obsolescence and shrinkage are often the most hidden aspect of total cost and are routinely recognized at 4 percent and 7 percent of the total value of inventory held.

A key in this example is how this contract provides material availability which improves the effectiveness of PPO staff in two ways. As a significant portion of the work orders that PPO receives are emergencies, the timely availability of materials is critical to an effective and efficient response. Delays in receiving materials can cause impacts to the school's instruction, and cause PPO to perform double work (a temporary and permanent repair). The cost of these double work orders accounts for significant losses in productivity, another hidden cost of a weak supplier relationship. The first response to a material procurement strategy, not based on a collaborative MRO solution, is to increase inventory which further exacerbates the cost of inventory, as discussed previously. The second way material availability impacts the effectiveness of PPO staff is by allowing for the efficient scheduling of the most costly resource of PPO, labor. PPO's ability to effectively schedule resources is impaired by the inconsistency and lack of timely delivery of needed materials. Material constraint challenges, in scheduling labor for each work order, can create losses in productivity of up to 10 percent.