

# COOPERATIVE PURCHASING MODELS MAY NOT PROVIDE SAVINGS TO SCHOOLS

► One PA school district agrees to comply with state bidding laws, ceases use of co-ops for roof purchases.

In recent years, the use of cooperative purchasing has exploded as school districts seek both economies of scale and opportunities to reduce time spent on purchasing activities. The application of such purchasing strategies to construction services has proven to be problematic due to the complexity of typical construction projects that in many cases require professional oversight to ensure performance. In the state of Pennsylvania, the lack of oversight for construction service projects like roofing has resulted in a substantial waste of taxpayers' dollars due to weaknesses in the models that largely circumvented state standards designed to ensure competitive bidding and avoid conflict of interest. At a time of severe budget constraints in most school districts, it is more important than ever that good value be received in the roofing of the country's schools.

Cooperative purchasing refers to the practice by which a school obtains goods and services by pooling its purchasing needs with the purchasing needs of other schools or districts. By aggregating their demands, school districts attempt to achieve lower administrative costs and lower prices from vendors that supply them goods and services. To extract the maximum benefit, multiple companies must bid for the opportunity to become a preferred vendor in order to provide school districts with their goods or services through these cooperative purchasing programs.

There is nothing wrong with cooperative purchasing if it is used responsibly for the purchase of routine commodities. In fact, cooperative purchasing has existed for over a century and has benefited thousands of local governments across the country. However, when used improperly, these programs can lead to significant waste of tax dollars, as is evidenced by the recent application of the practice to the purchase of roof construction services. In Pennsylvania, the Association of Educational Purchasing Agencies (AEPA) developed the predominant model for purchasing overpriced roofing products through a cooperative arrangement.

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The AEPA is an organization utilized by school districts in 24 states to purchase a wide variety of goods, ranging from commodity items such as paper, computer supplies and pencils to complex, big-ticket items such as roofing systems, modular buildings, athletic fields and more. It is

administered in Pennsylvania by the Central Susquehanna Intermediate Unit (CSIU) and the Pennsylvania Education Joint Purchasing Council (PAEJPC). The CSIU and PAEJPC promote the AEPA as a way for school districts to avoid the process of competitive bidding for each individual roofing project.

One AEPA-backed roofing project that came under fire in the summer 2009 was at the Cumberland Valley School District in Mechanicsburg, PA. ***The district was considering AEPA-administered contracts totaling nearly \$1.5 million for the roof restoration of three schools:***

Monroe Elementary: **\$472,496**  
Silver Spring Elementary: **\$387,100**  
Eagle View Middle School: **\$632,037**

The scope of work for these projects was developed by Weatherproofing Technologies Incorporated (WTI), a subsidiary of roofing system manufacturer Tremco. The multi-faceted project involved repairs to the buildings' roofing systems as well as the application of an acrylic coating.

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WTI/Tremco has consistently been awarded exclusive contracts through the AEPA since the program's inception. The preference for WTI/Tremco is based primarily on the AEPA's complex bidding requirements, which force roofing material manufacturers to also act as general contractors, roles that are distinctly separate in traditional roofing projects, as well as an unexplainably heavy emphasis on providing masonry restoration services in addition to roofing products.

The most expensive of the Cumberland Valley roofing projects was also the most troubling. The existing roof on Eagle View Middle School was still under the original warranty from the material manufacturer Carlisle SynTec; however, the acrylic coating system recommended by WTI/Tremco would have voided that warranty coverage and nullified the roof's fire ratings.

Because the Eagle View roof was still under warranty, Carlisle SynTec's forensic team had access to conduct a comprehensive roof inspection and evaluation. They concluded that the Eagle View roof required only \$600 worth of minor repairs to remain watertight. Those repairs were made

as part of Carlisle's original total system warranty. In addition, Carlisle recommended a comparable roof restoration and warranty extension program for the Eagle View rooftop that would have cost only \$60,000 — just 9.5% of the figure quoted by WTI/Tremco.

Carlisle presented its findings to the school board and suggested that the district revoke its contract with WTI/Tremco and instead contract with an accredited independent roof consultant to develop an objective scope of work. The district eventually dropped the Eagle View Middle School from the contract and moved forward with Carlisle's 10-year warranty extension, but the school board stood firm on its decision to proceed with the two remaining restoration projects in spite of information suggesting that the \$860,000 estimates from WTI/Tremco were priced well above the market.

As a result of the district's actions, two Carlisle SynTec employees and Cumberland Valley School District taxpayers filed a civil action against Cumberland Valley School District. The plaintiffs, Nicholas Shears and Michael DuCharme, contended that the school district's use of the AEPA purchasing program circumvented the state's competitive bidding requirements resulting in roof restoration work at costs substantially above those which could have been incurred had the school district complied with state law. In the lawsuit, Shears and DuCharme sought a declaration that the bidding process utilized by the school district did not comply with state law.

Proprietary bidding and inflated costs are only part of the problem when utilizing cooperative purchasing programs for roofing material purchases. These programs also cut independent design professionals out of the design and material selection process, replacing them with individuals from the roofing materials manufacturer included in the contract — in this case WTI/Tremco.

**“The money wasted on school roofing projects over this five-year time period is more than it would cost to pay 360 teachers' salaries for five years, purchase 1.8 million textbooks, buy 50,000 to 100,000 computers for classrooms and labs, or even provide 33 million lunches to students from low-income families.”**

Independent design professionals, most often registered architects or roof consultants, are experienced and trained in making material selections and weighing the most suitable competitive alternatives. By excluding them from the process, the AEPA model opens school districts up to increased liability should problems be discovered in the future.

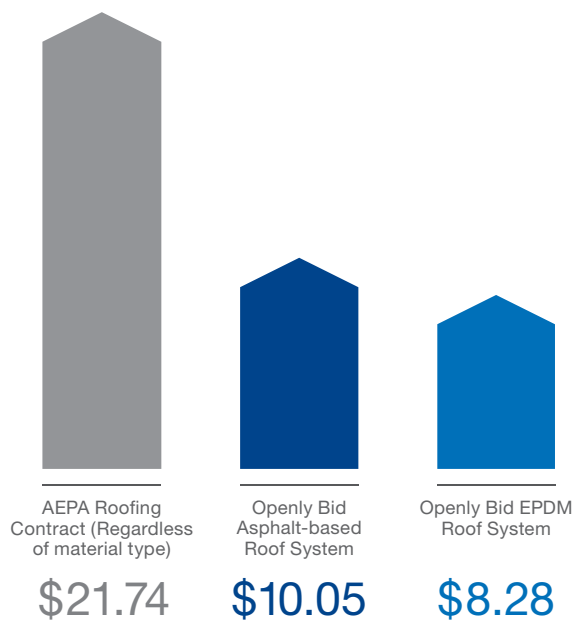
Pennsylvania state code requires design professionals to oversee roofing projects valued at more than \$15,000 to ensure the health and safety of a school's occupants. The code also states that structural and fire code issues must be evaluated by a licensed architect or roof consultant.

After a three-year battle, Cumberland Valley finalized an agreement with Shears and DuCharme regarding the method by which the district will in

procure future roofing services. While the district admitted no wrongdoing, it did agree to comply with state competitive bidding laws in the future and to cease utilizing purchasing cooperatives such as the AEPA for acquisition of roofing services.

The lawsuit by Shears and DuCharme was a victory for fair and competitive bidding, but it was not the first, or last, action taken against school cooperative purchasing programs. Many others have noticed the wasteful use of tax dollars brought on by the AEPA model and have attempted to speak out.

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AEPA roofing contracts cost Pennsylvania schools more than 2x the amount for similar systems that were openly bid.

The Coalition for Procurement Reform (CPR), an organization made up of the nation's top roofing manufacturers, consultants, contractors, and other related parties, was formed to raise awareness of the issue. CPR helped get a bill (HB426ER) passed in the state of Virginia that limits the dollar value of projects that can be purchased through co-ops and requires a design professional to be involved in the oversight of every public construction project. In the state of California, Assembly Bill 635 (AB635) was passed by both the Senate and General Assembly before receiving executive approval. The bill outlawed unfair purchasing practices that are believed to have cost the state an additional \$30 to \$125 million annually. Policy discussions to

limit or outlaw the use of cooperative purchasing programs on the issue continue to take place in Texas, Maryland, Indiana and Pennsylvania.

Under Pennsylvania's Right to Know Act, 73 AEPA roofing contracts were collected between 2005 and 2010. From these contracts, the average installed cost per square foot for reroofing by WTI/Tremco — regardless of what material was installed — was \$21.74. In August 2010, Ducker Worldwide, a nationally recognized market research firm, conducted a survey of Pennsylvania roofing contractors and design professionals to accurately estimate market-value roofing costs in Pennsylvania. Ducker determined that EPDM, the most popular commercial roofing system in Pennsylvania, ranges from \$8.28 per square foot for private work to \$9.44 per square foot for schools or other public projects. The survey found that asphaltic systems, like the ones manufactured by Tremco/WTI averaged between \$9.44 and \$10.66 per square foot.

At \$21.74 per square foot, the AEPA-purchased roofing systems cost double the typical open-market rate of similar systems. Over this five-year time period, Pennsylvania taxpayers could have saved \$100 million dollars through competitive bidding practices.

The money wasted on school roofing projects over this five-year time period is more than it would cost to pay 360 teachers' salaries for five years , purchase 1.8 million textbooks, buy 50,000 to 100,000 computers for classrooms and labs , or even provide 33 million lunches to students from low-income families. In a day and age where schools are cutting staff, salaries, arts and music programs, technology, and myriad other necessities, such a waste of taxpayer funds is egregious. ■

## What a School Could Purchase With an Extra \$100 Million



50,000–  
100,000

computers



33  
million

lunches for low-income students



360

teacher salaries for 5 years



1.8  
million

textbooks

If you are aware of, or experienced, a similar roof purchasing situation as the one that took place at Cumberland Valley, please email us at [SchoolNews@syntec.carlisle.com](mailto:SchoolNews@syntec.carlisle.com) to tell us your story. You can also ask to be added to our email distribution list to ensure that you're updated on the latest news and developments regarding school cooperative purchasing issues.

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