



Contracting

The Stamford, Conn., school district had a problem. Its energy systems and equipment were aging. Boilers were ancient, rooftop fans were not working, and classroom ventilator units were corroding. The district was paying too much for a variety of energy-related expenses.

The district's leaders decided to hunt for a solution that would go beyond merely buying new equipment. In 2003, the school district and an energy management company agreed on a performance-based contract that guarantees savings to the district. The savings are so great, in fact, that within a few years, the district will have saved more than it has spent or the contractor pays—a lot.

"The reason you explore this is that it's very difficult to get the capitol budget money you need," says Assistant Superintendent John Chardavoyne. "This was a way to get that money back by saving energy and by reducing our debt service. It is a different way to treat capital expenses."

Chardavoyne, who has created similar programs in other districts, says the Stamford partnership has worked well so far. Universities and hospitals are trying out similar incentive-laden contracts to save energy costs and expenses in other areas, he adds.

The challenge for Stamford and other school districts is not just saving money in tough times, but determining how to con-

tinually move to more productive and innovative business practices. To ensure efficiency throughout the organization, many districts have realized they must evaluate how each dollar is spent today—and take a hard look at how to control spending tomorrow.

One solution that has become increasingly common is working with a contracted provider. Private sector firms often represent an opportunity to save money and to be innovative while modernizing facilities and equipment.

Whether the contract is for one year or 10 years, this process requires patience, expertise, experience, and focus that some districts have difficulty summoning. Agreements with outside providers require careful attention, not just during the bidding process or at the start of the work, but throughout the life of the contract. The key to a successful outsourcing program, school officials and experts say, is a close working relationship between the district and the contracting firm.

Outsourcing in bits and pieces

School districts must consider all types of plans and arrangements to ensure that everyday tasks are accomplished efficiently, and they come to outsourcing from a variety of different places.

Clifford Janey, the new superintendent in Washington, D.C., for example, is considering whether to hire private firms to tem-

porarily manage the district's facilities, purchasing, and food service operations. Those areas, Janey said in October, have been poorly run.

Unlike Washington, Stamford has a history of efficiency, but Chardavoyne eagerly pursued outsourcing on the basis of personal experience. He had success with a similar program in a New York state district. One reason for that program's success, he says, is that the state education department actively encourages this type of contracting for schools.

Some districts find success by contracting for *pieces* of services, instead of committing to arrangements they may not be ready for or need. Examples of this approach can be found in almost all areas where services are outsourced, but the most common is in information technology (IT).

Several years ago, many in the IT world predicted that schools soon would contract for all of their computer needs. Data-reporting requirements for school districts would increase and become more demanding, they predicted. Maintaining a workforce with adequate expertise, at public school pay scales, would be too difficult. Technology turnover and up-

portation services has slowed considerably, in part because the regulatory environment in too many states makes the process very difficult. But, like Warren, Walsh says schools have been successful in creating contracts that address specific sections of the overall challenges they face.

One example, Walsh notes, is in contracting transportation services for special education students. "School districts may see a significant change in their special education student population from year to year, so that alters demand," he says. "Contractors can more effectively add and delete vehicles more quickly. Once your district buys a vehicle, you own it."

Walsh says districts also have become much better at providing effective specifications, setting goals, and establishing realistic expectations as they work with long-term contractors. But, he adds, communication is key for the relationships to be successful over the long haul.

Effective partnerships

Pete Settle, president of Petermann, Ltd., of Cincinnati, Ohio, is a bus service and management contractor for K-12 school dis-

for Success

grading would be more rapid, too difficult, and too expensive for schools to do on their own.

That was the argument, anyway. So, IT vendors predicted, privatizing entire school information technology systems would be smart, and inevitable. But today, that prediction still has not come true.

"It has been slow to develop, and rightly so, because schools have a lot to think about," says George Warren, director of K-12 for Hewlett-Packard. "Most schools look at IT and realize this is just a very long journey. But more people are realizing that the most important single database in their communities is the one their schools are building, about their kids. It is becoming more useful and more complicated."

Schools have waded in slowly by contracting with big national firms and local vendors to provide individual long-term pieces instead of the entire IT pie, Warren says, citing help desk services as one example. Help desks usually offer fast connections to a local service provider. The business that runs the help desk may even be a reseller for a national manufacturer, so the local technicians can tap into that expertise while remaining only a phone call or e-mail away from your school.

Transportation is another area in which districts have privatized services to become more efficient and cut costs. Mark Walsh of the Transportation Advisory Services consulting firm says the initial rush to convert entire districts to private trans-

Long-term relationships with private vendors take plenty of two-way communication

BY CRAIG COLGAN

ports throughout Ohio. He advises districts to check references before committing to long-term relationships with contractors, just as they would if they were hiring employees in-house.

"School districts ask us to tell them about districts where we used to be but are not anymore," Settle says. "And they want to know why. Research is very important so you know what you are getting."

But one thing nobody can know is what new challenges the future may hold. So staying in touch with your contractors, in a systematic fashion, is critical to avoid untimely or costly surprises. "Communication is everything," Settle says.

Settle suggests including contractors in school district functions and programs. If your district is hosting a back-to-school breakfast, for example, or providing discounts on football tickets to school district employees, Settle suggests offering to in-

clude your contracted service workers. The reason: For very little cost, you have taken some important steps in encouraging the idea that everyone is on the same team.

Make sure the communication that should flow regularly between contractor and school district does so in a systematic and efficient way, says Larry Aceves, superintendent of the K-8 Franklin-McKinley School District in San Jose, Calif. The district, which has 14 schools that serve a largely low-income student body, has contracted with Sodexho School Services for a single consultant.

The consultant “manages all the important behind-the-scenes work” for the school district’s food service operation, Aceves says. The consultant’s duties include tracking down food at low cost, running monthly meetings with food service staff on preparing menus, and helping the district find new ways to make sure it provides good nutrition for students.

Aceves admits that food service is not the first thing he thinks about when he gets up in the morning. But in a low-income district such as Franklin-McKinley, a hearty, nutritious meal that students eat at school may be the healthiest food they get all day. And the way to ensure that happens, Aceves says, is by contracting with a major national vendor that has expertise way beyond what the district could provide on its own.

Aceves stays in touch with his Sodexho manager several times a week. And the district also has Sodexho provide a quarterly report and presentation to the school board.

“If we don’t communicate, then bad things can happen,” he says. “I don’t have to stay with Sodexho. There are other vendors out there. So it is up to them to deliver. And they have done a great job for us.”

Minor modifications have been made to Franklin-McKinley’s contract with Sodexho in the 11 years Aceves has been superintendent, especially as budgets have gotten tighter in recent years. The contract was structured so that Sodexho would continue to provide service if the district was experiencing extremely tight budgetary challenges. If that occurs, the district will be allowed to pay back the contractor when it can, Aceves says.

“We did make use of that section of the contract,” he says. “And we did pay them back. That was important. We were able to not raise food prices, which was an issue for the board.”

For their part, contractors say they want to have a seat at the table when districts make major decisions that affect their services, from facilities and equipment to human resources and other important issues.

“We want to work as a partner, as opposed to someone you pay a fee to, who then does one thing,” says Martha O’Rourke, Sodexho’s vice president of operations. “Schools should include vendors in district functions, management team meetings, facilities planning. Knowing what is coming down the road is so important.”

Find the right guidance

Even so, when relationships with contractors go bad, their legacy can sometimes last a long time.

Michigan’s Pinckney Community Schools contracted with a private firm in the mid-1990s to provide maintenance and custodial services but found that the vendor had insisted on contract language that was too restrictive and ended the arrangement. One problem was “out of scope” charges, a number of seemingly minor duties the district needed done. Those charges were often not included in the contract, and so the district found itself paying more.

“We get calls from other school districts, and we tell them to make sure they review the contract carefully,” Superintendent Mike Couchman says. “Those ‘out of scope’ charges can add up.”

The district now employs its own janitors and maintenance staff, but it still contracts out its entire student transportation operation. Couchman says he is happy with that arrangement, which is “basically a wash”—that is, the savings cover expenses.

But unlike its decision to end the maintenance contract, the district isn’t likely to go back to running its own transportation system. “A previous board sold all of our buses,” Couchman says. “We just don’t have the money to go out and buy 39 buses.”

Gary Johnson, an attorney with Johnson and Colaluca, in Cleveland, Ohio, has advised many districts and private companies on privatization contracts and issues. When it comes to student transportation, he says, lease-purchase arrangements are common, so districts can avoid losing all of their vehicles overnight. Districts also can specify that the contractor must replace all school buses.

After several years, if all goes well, districts that enter into lease-purchase transportation arrangements will have lost only a few buses and will know if they have selected the right transportation contractor. If a district decides to return to running its own student transportation operation—something few districts do—only a few vehicles have to be replaced.

“The bottom line is, most school districts just don’t know very much about this stuff,” Johnson says.

Too many district leaders do not adequately understand their own labor contracts, which can lead to big problems when reduction-in-force issues arise, as often happens when services are contracted out. The local labor contract is the key component in many states with strong unions. Does the labor contract contain language that bars or places restrictions on contracting for certain services outside the district?

Johnson says school boards must be sure they get the legal expertise they need, especially at such a crucial moment.

“This is one of the trickiest areas for schools,” he says. “A lot of school districts are hiring consultants to help filter through the morass of issues and to ensure they get it right.

“It’s worth it,” Johnson says. “The keys are creating good bid specs, specifically setting forth what is expected of the contractor. And then hiring a reputable contractor. Find somebody in business a long time who can get the job done. Nothing is more important than that.”

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