

## **Minnesota School Food Buying Group (MSFBG)**

### **How It Started**

The Minnesota School Food Buying Group (MSFBG) started in the 2006-07 school year with 15 districts looking for ways to reduce the costs for school food. The group believed that they could attain savings through volume buying and worked to reach consensus to purchase one item in its category type. The categories were selected first. A bid was developed that asked for delivered price to the distributor without any bill backs or rebates, that would be the same for all MSFBG districts, and that would be guaranteed for the entire school year. The first year was a learning process, but by the second year the districts projected close to \$1,000,000 in combined savings.

### **How It Works**

Minnesota state law allows for government entities to share contracts with each other by signing joint purchasing agreements. All districts that join the MSFBG sign a joint purchasing agreement with Anoka-Hennepin ISD 11, who took the lead role in sending out the bids. The bidding process is in compliance with the Minnesota statutes regarding government purchasing.

### **Commitment**

The group selects categories with the most usage volume and dollar spent, then agrees on one item in its category type to bid out, such as one chicken nugget item from the "chicken nugget" category. Each participating district then calculates their usage volume for the next school year. MSFBG participants have usually taken a conservative approach to bid volumes.

Usage volume commitment is requested from all participants of the MSFBG. Participants have the option to commit their volume or not, taking into consideration the brand or specification of each item that is bid. The committed amount is added to the total amount of all participants and used for the bid. Once a participating district commits to the group and the manufacturers that they will use an item at the volume they have projected, the participating district is required to buy the item in the coming school year. This is done to ensure the integrity of the bids with brokers and manufacturers.

The MSFBG conducts usage reviews three times a year to ensure that participants are using the correct item and are on target to meet their usage commitments.

### **One Item, One Winner**

The bids are sent to manufacturers and brokers for bid prices. The award is given based on the lowest price of an acceptable item. One Item, One Winner refers to the concept of having only one item winning the bid in a given category type. The MSFBG believes that with only one winner and the more volume that they commit to use, the lower the bid prices will be. For this reason, competing items are not on the same bid unless there is enough product differentiation and demand to warrant separate line items. As the group and their volumes grow, even more savings are expected.

### **The Bid Process**

Each Spring, the first bid includes the items awarded from the preceding year. If there were no issues, the awarded item becomes the nutritional specification for the bid for the next school year. New items that participants may want to bid are discussed and if enough interest is expressed, those new items become the next bid. New categories are also discussed and, based on potential savings opportunities, are also bid as a new bid.

### **Bid Evaluation**

Awards are made to the lowest priced item that meets the bid nutritional specification. If an equivalent item is the lowest bid price, it goes through an Acceptance Procedure that the MSFBG has adopted to ensure the quality meets or exceeds that of the specified item. If it does, the equivalent is awarded the bid. If it does not, the next lowest priced item is awarded or goes through the Acceptance Procedure. All commitment then goes to

the awarded item, whether it is the bid specified item or the equivalent. The awarded items are pulled through each member's distributor at their negotiated delivery fixed fee.

### **Distributors**

The MSFBG meets with distributors at least two times each year to review awards and usage commitment progress. Even though distributors would like to see all applications to join the MSFBG completed by August 1 of each year to ensure that all pricing is loaded and products are available by the start of the school year, the MSFBG will accept new members throughout the year. Each year, the MSFBG holds a "pre-bid" meeting with brokers and manufacturers outlining the bid process and to answer any questions.

### **Why Join a Buying Group and What You Should Consider Before Joining**

- minimal cost to join
- large savings
- bidding process is done for you
- commitment to usage
- buying what you committed
- your role as a member district
- becoming a member is easy:
  - \* sign a joint purchasing agreement with Anoka-Hennepin
  - \* pay an annual fee (from July 1 through June 30)
- \* MSFBG notifies brokers, manufacturers, and distributor of new members

### **Participant Roles**

Voting Participants constitute the decision making body for MSFBG and are rotated on a two year basis. They represent the Buying Participants during award evaluations and are responsible to communicate new items to bid, explain operating procedures, and answer questions.

Buying Participants are eligible to buy any of the awarded items at the MSFBG bid prices and can become a Voting Participant when one rotates out.

Both the Voting and Buying Participants commit their usage to the MSFBG and buy what they committed.