

# Myth-Buster: Facts About Purchasing Cooperatives

Don't buy into misinformation and myths about purchasing cooperatives, which are designed to help with efficiency in the procurement process and increase the purchasing power of local governmental entities, including school districts.

Essentially, purchasing cooperatives can help participants to pool their needs and receive a better value than a single entity may be able to receive on its own.

In Texas, there are many purchasing cooperatives to choose from, so it's important to do your homework — not only to understand how cooperatives work but to select an option that provides participating members with the best mechanism for compliant purchasing and potential savings.

Here are some common misperceptions about purchasing cooperatives and a look at the facts.

## **Myth: “Purchasing cooperatives allow members to circumvent the competitive bidding process.”**

This is false.

In Texas, purchasing cooperatives, such as The Local Government Purchasing Cooperative d/b/a BuyBoard®, are administrative agencies created in accordance with Chapter 791 of the Texas Government Code and Chapter 271 of the Texas Local Government Code to help entities comply with state competitive procurement requirements. In fact, BuyBoard is one of many purchasing cooperatives available in the state to connect vetted and qualified vendors with potential buyers to provide access to competitively procured commodities, goods, and services.

## **Myth: “If a purchasing cooperative offers a member rebate, that indicates buyers are paying more for goods and services.”**

This is false.

In the case of BuyBoard, membership is free and open to all local governments and other political subdivisions of the state of Texas. With limited exception for vehicles, all fees

collected by BuyBoard are paid by the awarded vendors. Approved BuyBoard vendors are willing to offer reduced pricing for the opportunity to offer their products and services to the members of BuyBoard.

BuyBoard uses fees paid by vendors to cover its expenses and, in many years, if there is revenue in excess of expenses, the BuyBoard's board of trustees decides to distribute those funds back to its members through BuyBoard's rebate program. In fact, school districts that use BuyBoard can be confident that the prices on goods and services reflect the negotiating power of a purchasing cooperative with more than 5,500 members.

### **Myth: “Purchasing cooperatives are a scheme to funnel money to private companies with minimal oversight.”**

This is false.

Most purchasing cooperatives follow a competitive bidding process before awarding vendor contracts. In the case of BuyBoard, we use a transparent process similar to procurement processes used by school districts themselves. This process starts with public advertisement and proposal invitations that incorporate full, detailed descriptions of the contract requirements for vendors, including specifications for product and service categories, requirements vendors must fulfill, and all other factors to be used in evaluating proposals.

Members can be assured that these proposal invitations are given broad notice to encourage vendor participation and increase competition. The evaluation process then includes an in-depth review of all vendor-submitted proposals against multiple published criteria to determine best value with any awarded contracts. For transparency in the procurement process, members have access to all proposal documents and tabulations of vendors.

When comparing purchasing cooperatives, it's recommended that potential members look at how they are administered and governed. For example, BuyBoard is governed by an unpaid, 11-member board of trustees that makes all contract award decisions and places strong emphasis on using an open, competitive process for the award of vendor goods and services. This governing board is representative of BuyBoard members and is made up of four trustees who are elected officials or employees of school districts, two who are elected officials or employees of municipalities, one who is an elected official or employee of a county, and four who represent any type of participating governmental entity. This board meets quarterly to provide cooperative oversight.

## **Myth: “Purchasing cooperatives are a backdoor deal for preferred companies.”**

This is false.

In the case of BuyBoard, all potential vendors are given broad notice of the opportunity to respond to proposal invitations with the goal of encouraging vendor participation and increasing competition. Proposal invitations are publicly advertised in multiple newspapers and on BuyBoard’s website.

As already noted, BuyBoard’s proposal invitations incorporate full, detailed descriptions of the contract requirements for vendors, including specifications and evaluation criteria.

Proposals are then reviewed, analyzed, and scored based on the criteria outlined in the proposal terms and conditions. Criteria generally includes factors such as:

- Price competitiveness
- Vendor past performance
- Vendor reputation for goods and services
- Financial and technical resources
- Capability of servicing cooperative members
- Any other factor or requirement listed in the proposal invitation

Recommendations are prepared and presented to the Cooperative’s board of trustees for its consideration. The board awards contracts on the basis of best value — based on the criteria outlined in the proposal invitation.

All proposal documents and tabulations of vendors are readily available to all members, creating a transparent procurement process.

## **Myth: “Purchasing cooperatives allow favoritism and corruption into the procurement process.”**

This is false.

All purchasing cooperatives must comply with state law. In the case of BuyBoard, not only does it comply with laws governing purchasing cooperatives, it also models its processes on those used in public procurement and offers the added benefit of oversight and transparency with a board of trustees made up of employees and officials of cooperative

members. The final decision on awards rests solely with this board. The Cooperative board does not delegate authority to award contracts.

With every proposal invitation, BuyBoard completes a conflict-of-interest check with both the cooperative administrator's staff involved in the process and the board of trustees to help avoid any conflicts in the process.

### **Myth: “Purchasing cooperatives are bad for taxpayers.”**

This is false.

Purchasing cooperatives like BuyBoard help participating members, including school districts, make the most of every tax dollar by helping those entities in achieving a compliant, competitive, and streamlined procurement process that lessens the burden of government. Cooperatives help members save money through pricing and administrative cost savings and provide a way for all local governments and public entities to pool their collective purchasing power.