

DPS seeks proposals on sharing services to save money

By Nancy Kaffer – *September 5, 2010*

Detroit Public Schools is seeking proposals for a management consultant firm to begin developing a plan for the cash-strapped district to share services with other government entities in Southeast Michigan, primarily the city of Detroit.

But while government officials say there's money to be saved in collaborating on administrative and support services, it's a complicated matter.

The district's governance structure is likely to change early next year. Some city departments and functions are charter-mandated, and control of the city's sprawling bureaucracy is split between Detroit Mayor Dave Bing's office and the **Detroit City Council**. Both the district and the city have mixed track records in budgeting and finance.

The request for proposals outlines four potential methods to share administrative and support services: cross-jurisdictional agreements with other government entities, discontinuation of in-house services for the district, outsourcing all of the district's non-core functions or creation of a separate quasi-governmental entity to deliver such services.

In addition to saving money, sharing services could benefit the district in other ways, said Steve Wasko, the district's chief communications officer, in an e-mail.

"There are opportunities for efficiencies and cost savings, but more importantly ways for us to rise quickly to putting state-of-the-art systems in place faster for our students by seeking other governmental entities as partners ... in non-core academic areas," he wrote.

The city and the district's substantial accumulated deficits make sharing administrative and support services an attractive financial goal, said DPS CFO Ricardo Kisner.

The district deficit is about \$330 million at the end of fiscal 2010, roughly 60 percent of the fiscal 2011 general fund budget of \$558 million. The city's deficit is thought to be between \$85 million and \$133 million, with a general fund budget of about \$1.6 billion.

Kisner said that while it's difficult to put a dollar value on potential savings, he hopes the cost of some administrative and support services could be cut by 10 percent to 20 percent.

Likely areas for sharing include strategic procurement, consolidation of back-office operations and outsourcing of administrative functions, Kisner said.

"I believe this project will formalize the need for cross-jurisdictional cooperation," he said. "Each of the major governmental entities — DPS, the city of Detroit and Wayne County — all have significant budgetary issues resulting in the need to restructure similar to the local automotive industry."

Just the first phase of the request for proposals — which deals with readying the district for collaboration with other government entities — is out for bid. Proposals are due Sept. 8.

Later phases would include similar tasks involving the city and other government entities.

Wayne County Executive Robert Ficano has been supportive of regional collaborations throughout his tenure, said Press Secretary Stephanie Baron, and he looks forward to future collaborations.

The school district has been under the control of Emergency Financial Manager Robert Bobb since 2009. The request states that the chosen consultant should "recommend an oversight structure that ensures the project continues to move forward" regardless of the district's governance after Bobb's planned departure in March.

Turnaround expert Jim McTevia of Bingham Farms-based **McTevia and Associates** said sharing services as a quick fix shouldn't substitute for long-term institutional change.

"You have two troubled entities that are struggling for tax support, and they've both got empty pockets," he said.