

**APPROVE ENTERING INTO AN AGREEMENT WITH A.T. KEARNEY FOR STRATEGIC SOURCING  
CONSULTANT SERVICES**

**THE CHIEF EXECUTIVE OFFICER REPORTS THE FOLLOWING DECISION:**

Approve entering into an agreement with A.T. Kearney to provide Strategic Sourcing Consultant Services to the Department of Procurement and Contracts at a total cost not to exceed \$3,000,000.00. Payments, except the upfront payment of \$250,000 are contingent upon achieving savings. A.T. Kearney was selected on a competitive basis pursuant to Board Rule 7-2. A written agreement for A.T. Kearney's services is currently being negotiated. No services shall be provided by A.T. Kearney and no payment shall be made to A.T. Kearney prior to execution of the written agreement. The authority granted herein shall automatically rescind in the event a written agreement is not executed within 90 days of the date of this Board Report. Information pertinent to this agreement is stated below.

Specification Number : 12-250024

Contract Administrator : Sinnema, Mr. Ethan Cedric / 773-553-3295

**VENDOR:**

- 1) Vendor # 64919  
A.T. KEARNEY, INC  
222 WEST ADAMS ST., STE 2600  
CHICAGO, IL 60606  
Kish Khemani  
312 223-6217

**USER INFORMATION :**

Contact:  
12210 - Procurement and Contracts Office  
  
125 South Clark Street 10th Floor  
  
Chicago, IL 60603  
  
De Longeaux, Mr. Sebastien  
  
773-553-2280

**TERM:**

The term of this agreement shall commence on August 23, 2012 and shall end on August 22, 2013. This agreement shall have two (2) options to renew for periods of one (1) year each. Savings goals and payments will be negotiated for any renewals.

**EARLY TERMINATION RIGHT:**

The Board shall have the right to terminate this agreement with 30 days written notice.

**SCOPE OF SERVICES:**

A.T. Kearney will execute strategic sourcing initiatives and category strategies to assist the Board in achieving year-over-year cost savings and creating sustainable procurement best practices. A.T. Kearney will conduct their work through a two-phased approach.

In Phase One, A.T. Kearney will analyze and execute strategies for the procurement of goods and services that can rapidly generate value to the Board.

At the conclusion of Phase One, a CPS Steering Committee will review the outcomes and savings generated through Phase One and determine whether to proceed with Phase Two. If the Steering Committee agrees to proceed with Phase Two, the funding for the consulting support for Phase Two will be paid from savings expected from Phase One. The Board is under no obligation to proceed with Phase Two, regardless of the amount of savings achieved in Phase One.

In Phase Two, A.T. Kearney will execute strategies for more complex categories, which include the sourcing of Food, Transportation, and Construction.

**DELIVERABLES:**

A.T. Kearney will provide a:

-Review of the Current State:

- A detailed break-down of the current total cost of delivery (internal and external).
- A review of the supply/demand market for each category.
- A review of the key cost drivers and price trends.
- A gap analysis vs. best practices identified through proven benchmarks.

-Three (3) Year Category Strategy

- A sourcing strategy for each category.
- A detailed comparison of the current total cost of delivery vs. the "should-be" cost model and a recommended target.
- A review of the recommended levers with related financial impact.
- A year-over-year cost roadmap.

-Detailed Action Plan and Implementation of Cost Saving Strategies

- Assistance with the sourcing process for key categories including the procurement process, negotiation process, and contract execution.
- A best-in-class category management methodology based on actual work done for specific categories.

**OUTCOMES:**

A.T. Kearney's services will result in significant cost savings and best-in-class category management methodology and strategy for key procurement categories.

**COMPENSATION:**

A.T. Kearney will be compensated \$250,000.00 in up-front fees to provide services during Phase One. If A.T. Kearney generates \$2,500,000.00 in savings (identified by the difference in year-over-year cost per unit multiplied by the previous year's volume) during Phase One, A.T. Kearney will be compensated an additional \$250,000.00.

If the CPS Steering Committee agrees to continue A.T. Kearney's services for Phase Two, A.T. Kearney will be compensated an additional \$2,500,000.00, payable over five months, which will fund the execution of Phase Two. The compensation for A.T. Kearney for Phase Two will be paid from expected savings of at least \$5,000,000 during Phase One.

The total compensation payable to A.T. Kearney during the initial term will not exceed the sum of \$3,000,000.00.

**REIMBURSABLE EXPENSES:**

None.

**AUTHORIZATION:**

Authorize the General Counsel to include other relevant terms and conditions in the written agreement. Authorize the President and Secretary to execute the agreement. Authorize the Chief Procurement Officer to execute all ancillary documents required to administer or effectuate this agreement.

**AFFIRMATIVE ACTION:**

The MBE/WBE goals for this agreement include 10% total MBE and 5% total WBE participation. A.T. Kearney has committed to meeting the MBE/WBE goals, but required more time to identify the appropriate subcontractors that would be used to meet the goals. In an effort to meet Board deadlines, The Office of Business Diversity will grant A.T. Kearney a grace period of 30 days from the date the Board approves the agreement to submit all documentation in connection with their MBE/WBE plan.

**LSC REVIEW:**

Local School Council approval is not applicable to this report.

**FINANCIAL:**

Charge \$3,000,000.00 to unit #12670.  
115.000000.1270.0119004 (Other General Charges) A57940 (Misc. Charges)

**CFDA#:** Not Applicable

**GENERAL CONDITIONS:**

Inspector General - Each party to the agreement shall acknowledge that, in accordance with 105 ILCS 5/34-13.1, the Inspector General of the Chicago Board of Education has the authority to conduct certain investigations and that the Inspector General shall have access to all information and personnel necessary to conduct those investigations.

Conflicts - The agreement shall not be legally binding on the Board if entered into in violation of the provisions of 105 ILCS 5/34-21.3 which restricts the employment of, or the letting of contracts to, former Board members during the one year period following expiration or other termination of their terms of office.

Indebtedness - The Board's Indebtedness Policy adopted June 26, 1996 (96-0626-PO3), as amended from time to time, shall be incorporated into and made a part of the agreement.

Ethics - The Board's Ethics Code adopted May 25, 2011 (11-0525-PO2), as amended from time to time, shall be incorporated into and made a part of the agreement.

Contingent Liability - The agreement shall contain the clause that any expenditure beyond the current fiscal year is deemed a contingent liability, subject to appropriation in the subsequent fiscal year budget(s).

Approved for Consideration:



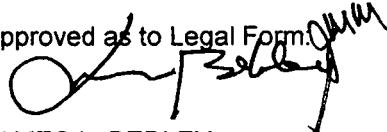
SÉBASTIEN de LONGEAUX  
Chief Procurement Officer

Approved:



JEAN-CLAUDE BRIZARD  
Chief Executive Officer

Approved as to Legal Form:



JAMES L. BEBLEY  
General Counsel