



THE CITY OF SAN DIEGO  
**REPORT TO THE CITY COUNCIL**

DATE ISSUED: May 22, 2014 REPORT NO: 14-044

ATTENTION: Committee on Budget and Government Efficiency

SUBJECT: Request for Approval of a Cooperative Procurement Contract under San Diego Municipal Code Section 22.3208(d) - National Purchasing Partners Award #525 with Staples Contract and Commercial, Inc. dba Staples Advantage

REFERENCE: San Diego Municipal Code Section 22.3208(d)

REQUESTED ACTION:

Approve the Cooperative Procurement Contract, National Purchasing Partners Award No. 525 with Staples Advantage.

STAFF RECOMMENDATION:

Approve the Requested Action.

BACKGROUND:

In 2008, the City awarded a one (1) year contract with four (4) renewal options to Staples to furnish office supplies. The Contract was awarded through a cooperative agreement under the National Joint Powers Association (NJPA). NJPA is a public agency that serves as a member-focused cooperative for over 50,000 member agencies nationally. The agreement was valid through June 30, 2013. In October 2013, the Council approved an additional one (1) year extension of the agreement through May 31, 2014. This extension provided time for the City to evaluate options and initiate a new office supplies contract for Fiscal Year 2015. The Purchasing and Contracting Department (P&C) initiated the solicitation process for the new office supplies contract in December 2013. This included determining the best solicitation method or procurement vehicle for the new contract. P&C determined that it would be in the best interest of the City to utilize a cooperative agreement for the new office supplies contract which would allow the City to save both time and money and also take advantage of the cost savings provided by the volume discounts offered by a cooperative agreement.

A cooperative agreement is a method to efficiently utilize the resources of municipalities, local governments, states, school boards, and public agencies. Multiple agencies are able to purchase

by a cooperative arrangement commodities or services that are high volume, high dollar, and high usage resulting in lower unit prices due to higher volume purchases, and lower administrative costs. It is best practice for public agencies to expand the use of cooperative contracts for high usage, high impact, and high volume purchases. By using cooperative contracts, the public agencies, such as the City, save both time and money by not having to spend significant resources to solicit and evaluate a new proposal and also take advantage of the cost savings provided by the high usage cooperative agreement. For an agency of this size to initiate an RFP, there would be several time-consuming phases of the project. Two (2) months of market and comparative research would be typical of an RFP of this scope. Total time spent on a project of this kind could be up to six (6) months when factoring in all the components of the process from scope design to accepting and evaluating submittals from prospective vendors. Departments are also impacted by the process as they are asked to serve on evaluation panels and that participation is critical in the evaluation period. There are numerous commodities and services that may be purchased through cooperative agreements, such as gasoline, office supplies, uniforms, automotive parts, and janitorial services.

P&C contacted numerous cities and state government agencies, as listed below, for information on the cooperative contracts they use for office supplies:

- County of Los Angeles
- The State of Colorado
- City of San Antonio
- City of Charlotte
- City of San Jose
- Tarrant County, TX
- City of Seattle
- County of San Diego

Using the information from the agencies, P&C reviewed national cooperative agreements with the three (3) major office supplies companies, namely: Independent Stationers through U.S. Communities Government Purchasing Alliance, Office Depot/OfficeMax through Oakland County, MI -America Saves cooperative agreement, and Staples through NJPA, Western States Contracting Alliance (WSCA), and National Purchasing Partners (NPP). Based on P&C analysis and review, the NPP cooperative agreement with Staples provides the best value for the City.

SDMC section 22.3208(d) authorizes the Purchasing Agent, on behalf of the City, to enter into a cooperative procurement contract with a vendor who has been awarded a contract by another agency without advertisement or competitive process provided that:

1. The Purchasing Agent certifies in writing that the cooperative contract is in the best interests of the City;
2. The cooperative procurement is to the City's economic advantage; and
3. The agency's bidding process substantially complies with the City's competitive bidding requirements.

P&C conducted extensive evaluation and certified in writing that the NPP cooperative agreement met all the requirements. P&C also confirmed that NPP awarded the national office supplies contract to Staples after completing a comprehensive, fair, and objective Request for Proposal (RFP) bidding and evaluation process.

**Summary of NPP Staples Cooperative Agreement Evaluation Process:**

The RFP was advertised in the Daily Journal of Commerce, the newspaper for the Oregon counties of Clackamas, Multnomah, and Washington on two (2) different dates. The first notice was advertised on April 25, 2012. The second notice was published May 2, 2012. The solicitation closed on May 21, 2012.

The Proposals were evaluated over a two (2)-week period by an evaluation team of the League of Oregon Cities, based on the criteria contained in the RFP, which include, but is not limited to, the following:

- Proven experience in providing products on a nationwide basis.
- National coverage – quantity and location of distribution centers and retail stores.
- Specific products and services proposer is capable of providing
- Pricing
- Completeness of proposal package
- Internet ordering capabilities and capability of meeting delivery timelines

P&C also determined that the agreement provided under NPP met the City's needs in that:

- The core products for the City are offered with at least a 9% discounted price lower than the other two (2) major office product suppliers
- There will be zero (0) impact to our customers in continuity of service and quality of product
- There will be lower administrative time spent for contract administration as this agreement provides the City with customized reports and invoices to ensure pricing compliance

Additional program highlights and benefits provided by the NPP Staples cooperative agreement include:

1. PRICING

The NPP cooperative agreement provides best value pricing that is an average of 9% lower than contracts for core products. This estimated to be about \$105,000 in savings annually based on historic spend of actual items utilized by the City. Additionally, the contract allows for volume driven discounting on the City's top 100 utilized items with regular review. These top 100 high use items are updated on a quarterly basis to ensure that the City is getting the best discounted pricing on high use items. The contract also provides rebates for any HP branded ink toner cartridges that the City uses.

## 2. QUARTERLY REVIEW OF CORE PRODUCTS LIST

P&C representatives and Staples will meet on a quarterly basis to review core product usage and seek to make downward price adjustments based on City's usage of particular items. Downward price adjustments will be made quarterly. Buying patterns will be analyzed and products added or removed from the City's core items product list based on usage. During the last contract period with Staples, this focus on purchasing best value core items resulted in a savings of over \$231,000 for the City and allowed the City to maximize the prices paid for frequently used items.

## 3. ENVIRONMENTAL SUSTAINABILITY PROGRAM

Staples Environmentally Sustainability Products program offers more than 3,000 eco-preferable products. During the previous office supplies contract, Staples worked closely with the City's Environmental Services Department to ensure City EP3 goals were a primary consideration in the supplies offered to the City. In 2013, over 46% of the City's purchases were recycled products. Staples will continue these initiatives in the new agreement.

## 4. CITY EMPLOYEES' PURCHASE AT CONTRACT PRICES

Staples allows City employees contract pricing for their purchases at the retail stores in San Diego. The employee discount also applies to items that are currently on sale, representing an additional discount. Staples also offers customer appreciation days and announces the dates of the appreciation days on the City's central site ordering page.

## 5. CUSTOMIZED ON-LINE ORDERING

Staples provides a customized central site on-line ordering page to better fit the needs of those City employees who do the ordering. The customization format was finalized during the previous contract with Staples after surveying employees and analyzing buying patterns. The City's central site is updated quarterly based on discounts on core items ensuring zero (0) impact to staff during contract transition.

## 6. ON-LINE TRAINING/ON-SITE TRAINING

Staples provides an on-line training program accessible at the City's central site page on Staples' website. The City's Staples account representative will also provide no charge training help, on-line, in person, or via phone, as needed.

## 7. NEXT DAY DESKTOP DELIVERY PERFORMANCE

Staples provide next day desktop delivery for all orders in stock. Staples next day delivery is 99.98% on time. Additionally, Staples does not charge a restocking fee if a City department returns materials.

## 8. MWBE PARTICIPATION

Staples is connected to the San Diego community and supports local diversity efforts. Also, Staples is a member of the National Minority Supplier Development Council (NMSDC),

Women's Business Enterprise National Council (WBENC), and the U.S. Hispanic Chamber of Commerce.

#### 9. ON-LINE PERFORMANCE REPORTING

Staples provides customized reporting and supports custom invoicing for all locations and departments in the City. This feature of the City's central site provides both a User report and a Spending report. The User report allows a Department to see a list of specific Administrators, Supervisors, or Users authorized to order, or approve, in the City site. This site also allows the department to manage authorization levels in the event of vacations, change of personnel, emergencies, etc.

The Spending report provides comprehensive reporting and allows the departments to monitor purchasing activity with reports listing number of orders, order volume/dollar, and average order size.

#### FISCAL CONSIDERATIONS:

Authorize the estimated expenditure of \$1,900,000, including tax, for fiscal Year of 2015 and an annual estimated cost amount of \$1,910,000 for each Option Year one through four (1-4), to purchase items on an as-needed basis, pending availability of funds, including tax, and payment terms of Net 30 days.

The expenses for office supply purchases are funded through the operating budget of the department purchasing the office supplies.

#### PREVIOUS COUNCIL and/or COMMITTEE ACTION:

City Council Resolution Number R-303602, adopted on April 24, 2008, approved the award of contract for office supplies by the City's participation in the NJPA Office Supply Contract with Staples. The term of the contract was for an initial one (1) year period, with options to renew for four (4) additional years. On December 9, 2013, Council approved Ordinance Number O-20321 to authorize the first amendment to extend the original contract through May 31, 2014.

#### EQUAL OPPORTUNITY CONTRACTING INFORMATION (IF APPLICABLE):

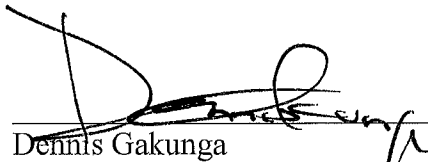
This action is subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 18173, Section 22.2701 through 22.2708) and will be subject to the City's Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517). Staples has an established supplier diversity mentorship program that enlists assistance from MWBE's and Regional Minority Councils. Staples is connected with the San Diego community and supports local diversity efforts. Their program strives to enhance diversity in their service suppliers and adds value. In addition, Staples will work with P&C to establish ways to include small and disadvantaged businesses in these types of procurements. Staples has contributed to the Family Literacy Foundation in San Diego. Also, Staples is a member of the National Minority Supplier Development Council (NMSDC), Women's Business Enterprise National Council (WBENC), and the U.S. Hispanic Chamber of Commerce.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

None

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

All City departments and citizens served by the departments are key stakeholders. The projected impact is the anticipated significant reduction of City expenses for office supplies.



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