



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Scott P. Johnson

SUBJECT: SEE BELOW

DATE: April 28, 2008

Approved

Date

5-1-08

SUBJECT: COOPERATIVE PURCHASE OF OFFICE SUPPLIES PRODUCTS

RECOMMENDATION

Authorize the Director of Finance to execute

1. An agreement and purchase order for the cooperative purchase of Office Supplies with Corporate Express (Poway, CA) through the cooperative contract offered by the National Intergovernmental Purchasing Alliance starting July 1, 2008 until June 30, 2012 in an amount not-to-exceed \$1,200,000 for the initial year of the agreement.
2. Amend the initial Purchase Order to adjust the not-to-exceed compensation subject to annual appropriation of funding.
3. Execute subsequent annual Purchase Orders subject to annual appropriation of funding.

OUTCOME

To cost-effectively acquire office supplies and increase the number of environmentally friendly office supplies used citywide.

BACKGROUND

The City has purchased Office Supplies from Office Max (formerly Boise Cascade) for the past 15 years through various State of California cooperative procurement contracts. On June 27, 2006, Council approved the purchase of office supplies on a citywide basis with Office Max based on the cooperative procurement agreement between Office Max and Oakland County, Michigan. The current purchase order, as approved by Council on June 26, 2007, expires on June 30, 2008.

Office Max furthered the City's efforts to purchase products with recycled content in accordance with the Source Reduction and Recycling Procurement Policy (Council Policy 4-4) in the late 1990s. Following the City's adoption of the Environmentally Preferable Purchasing Policy (EP³) in 2001, the City negotiated with Office Max to produce a catalog of products with recycled content and to use its ordering technology to guide City employees to purchase green products.

ANALYSIS

In November 2007, as part of a review of large City procurements to increase economies of scale and to create procedural efficiencies, staff began exploring alternative purchasing opportunities for office supplies. Due to the competitiveness of the office supply market, staff investigated using a nationwide cooperative purchase contract. Through initial research, staff identified two national cooperative contracts:

1. Office Depot offered through U.S. Communities
2. Corporate Express offered through National Intergovernmental Purchasing Alliance

To compare the various contracts, staff interviewed representatives from Office Depot and Corporate Express and asked the companies to provide information on their program and its applicability to the City of San José.

The City provided both companies with the City's product usage over the last year and asked the companies to identify savings given the current usage and savings for "greening" the City's contract. The table below compares the data provided.

	Office Depot	Corporate Express
Savings based on current usage and substitution of conventional with environmentally preferable products	8.8%	11.5%
No. of environmentally preferable items in catalog	5,000	10,430

Staff also examined non-price related factors in making its recommendation. Office Depot had the advantage of established retail stores. Corporate Express had the advantage of a Janitorial line that would further the City's EPP goals as well as an established and larger "green" product line that has been a leader in the field. Both companies provide online catalogs, the opportunity to use Procurement cards, and supportive transition/training programs. Additionally, Corporate Express responded to any information request from the City during this evaluation process within two weeks versus Office Depot within six weeks.

Based on the cost difference, the extensive environmentally preferable product line, Corporate Express' responsiveness during the evaluation process, staff recommends award of contract to Corporate Express through the cooperative contract issued by the National Intergovernmental Purchasing Alliance in accordance with San Jose Municipal Code Section 4.12.225.B.3. This Municipal Code section allows the City to cooperatively use a contract which was solicited

through a procurement process that substantially complies with the City's procurement procedures. The County of San Diego competitively procured Office Supplies over a year through the issuance of a Request for Proposal. The resulting contract was awarded to Corporate Express.

Contract Description and Implementation

The cooperative agreement includes five commodity groupings which are identified below. Each grouping is reviewed at the end of each contract year and modified to incorporate products most ordered by all governmental agencies using the contract.

Commodity groupings and descriptions:

1. Core product listing of 1,100 most common ordered general office products.
2. Commonly used recycled printer and toner cartridges.
3. Commonly used multi-purpose paper products.
4. General product catalog, which contains at least 5,000 items.
5. Non-Stock/Special order catalog, which contains at least 10,000 items.

The cooperative agreement provides for the best pricing for the first three commodity groupings and a blended discount of 60% off the published catalog for items listed in the general order catalog and a blended discount of 48% off the published catalog for items listed in the non-stock/special order catalog.

As with US Communities, NIPA and the County of San Diego receive a fee based on the annual purchase volume from all governmental agencies utilizing this contract. The fee is supported by the vendor's marketing budget, since NIPA is responsible for publicizing and marketing the agreement. The current fee is 1.5% and the maximum annual fee is 2.5%. There is no cost to the City for utilizing this contract.

The Corporate Express operating model for the City includes not only the ability to place orders on line using a secure Internet connection, but it also directs City staff to lowest cost green certified alternative products whenever they are available. This feature will assist the City in meeting its goals and objectives developed in support of the City's EP³ Policy by substantially "greening" the purchase of office supplies and related commodities. Staff will work with the vendor on a continuing basis to identify areas of additional savings and positive environmental impact throughout the term of the agreement.

Finance expects to implement the new agreement between June and August 2008. Corporate Express will set up the ordering website, including the necessary internal controls; and train staff citywide at various City facilities. Due to the proposed elimination of the Materials Manager, Finance will request a temporary position from the Analyst pool to assist with the implementation of the contract. To ensure continuous delivery of office supplies and a successful transition to the new office supply vendor, Finance will issue a two-month purchase order with Office Max for July and August.

After implementation of the contract, Finance will monitor contractor compliance with the pricing and terms and condition of the contract.

EVALUATION AND FOLLOW UP

NIPA/Corporate Express will provide yearly reports on environmentally preferable purchases to be included in the annual status report of EP³ implementation.

POLICY ALTERNATIVES

Alternative #1: Issue a separate RFP for the requirement.

Pros: The competition will allow other national office supply vendors to participate in the procurement.

Cons: Procurement staff time will be diverted from other high priority projects.

Reason for not recommending: Staff does not believe that through a City-issued RFP, the City will be able to receive better pricing for this commodity.

PUBLIC OUTREACH/INTEREST

- ✓ **Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This memorandum meets Criterion 1 and will be posted on the City's website for the May 20, 2008 Council Agenda.

COORDINATION

This memorandum was coordinated with the City Manager's Budget Office and the City Attorney's Office.

FISCAL POLICY/ALIGNMENT

This memorandum aligns with the General Budget Principle, "We must focus on protecting our vital cores city services for both the short- and long-term."

COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT:

Annual Purchase Order	\$1,200,000
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2. COST ELEMENTS OF AGREEMENT/CONTRACT:

Annual Purchase of Office Supplies	\$1,200,000
Total	\$1,200,000

3. SOURCE OF FUNDING: Annual departmental appropriations.

4. OPERATING COSTS: Annual departmental appropriations.

BUDGET REFERENCES

Not applicable.

CEQA

Not a project.


SCOTT P. JOHNSON
Director, Finance

For questions please contact Walter C. Rossmann, Chief Purchasing Officer, at (408) 535-7051.