



REPORT TO COUNCIL City of Sacramento

915 I Street, Sacramento, CA 95814-2604
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CONSENT
May 20, 2008

Honorable Mayor and
Members of the City Council

Title: Purchase/Cooperative Agreement: Citywide Office Supplies

Location/Council District: Citywide

Recommendation: Adopt a **Resolution:** 1) approving the use of a cooperative purchasing agreement between the County of San Diego/National Intergovernmental Purchasing Alliance (contract reference no. 519042) and Corporate Express for the purchase of office supplies; and 2) authorizing the City Manager or the City Manager's designee to issue the required purchase orders under the cooperative purchasing agreement specified above in an amount not to exceed \$1.3 million through June 30, 2009.

Contact: Craig Lymus, Acting Procurement Services Manager, 808-6240

Presenters: None

Department: General Services

Division: Procurement Services

Organization No: 06001511

Description/Analysis:

Issue: The City of Sacramento, Procurement Services Division has ongoing requirements for the procurement of office supplies and equipment. In accordance with City Code 3.56.240, the City Manager may, by cooperative purchasing agreements approved by the City Council, purchase supplies through contracts of other governmental jurisdictions without separate competitive bidding, where it is advantageous to the City.

Policy Considerations: The recommendations in this report are in accordance with the provisions of City Code Section 3.56.240, which upon approval of the City Council allows for the use of legal contracts of other government jurisdictions or public agencies without separate competitive bidding by the City.

Environmental Considerations:**California Environmental Quality Act (CEQA):**

This project has been determined to be exempt from the requirements of the California Environmental Quality Act (CEQA), under Section 15061(b) (3) of the CEQA Guidelines, which state that CEQA applies only to projects which have the potential for causing a significant effect on the environment. The current proposal involves only the purchase of office supplies.

Sustainability Considerations:

This contract includes pricing for many recycled products including 100% recycled paper, and many other environmentally friendly and recyclable products.

Committee/Commission Action: Not applicable

Rationale for Recommendation: On September 25, 2007, City Council approved Resolution No. 2007-707, authorizing the use of the County of San Diego/National Intergovernmental Purchasing Alliance(NIPA) contract (contract reference no. 519042). After seven months, the City is still realizing a savings. Originally, best value was determined by comparing a representative sampling of 22,000 items of our previous contract to that which is offered in the County of San Diego/NIPA contract. Based on the comparison to our old contract, the County of San Diego contract represented a 16% savings, which equates to over \$155,300 annually. In addition, Corporate Express and the Procurement Services Office have worked with City staff to identify lower cost alternative products. This initiative in addition to our previously mentioned savings has resulted in a reduction in overall spending of over 30%. During the first quarter of 2007, office supply spending was \$361,656 and 2008 first quarter spending was \$248,382 for a total reduction amount of \$113,274. When extrapolated to four quarters, it projects a potential savings of \$453,096.

The City will continue to take advantage of the benefits offered by this cooperative purchasing agreement such as: the toner cartridge recycling program and toner product guarantee, favorable pricing for recycled content paper, extended product warranties, and a liberal product return policy. There is a 40%-50% discount on all the core items. For over 5,000 non-core catalog items, there is a 60% blended discount and for 10,000 special order items, a 48% blended discount applies. A blended discount is the average discount on a group or category of commodities.

The pricing terms and conditions were offered and accepted through a competitive solicitation that was conducted by the County of San Diego. The total estimated value of the County of San Diego contract is \$100 million, which

is 100 times our projected expenditures. This means that the City will benefit from pricing discounts based on the economic order quantities of San Diego which are much more than could be achieved solely by the City of Sacramento.

The use of cooperative purchasing agreements is an alternative to City conducted competitive bidding that usually results in lower operating costs through volume purchasing and combining resources with other government agencies. The Procurement Services Division will re-evaluate the option of soliciting bids for competitive pricing within the next nine months.

Based on the foregoing, staff recommends that the City Manager or the City Manager's designee be authorized to use this cooperative contract for the purchase of office supplies and equipment for the period requested.

Financial Considerations: There is no cost or fee to Procurement Services for entering into the proposed cooperative purchasing alliance. Funding for purchases made under this cooperative purchasing alliance will come from various departmental FY2008/09 operating budgets, as required. Using the current pricing and usage as a gauge, it is estimated that this contract will result in an estimated annual savings of \$453,096.

Emerging Small Business Development (ESBD): Cooperative purchasing agreements are created, evaluated and awarded by other government agencies that may or may not have similar emerging and small business programs as the City of Sacramento. The Procurement Services Division is cognizant of such possibilities and shall consider other alternatives if it is determined that using cooperative contracts will have a negative impact on small businesses if it cannot be mitigated. It should be noted that the Procurement Services Division is currently evaluating bids to procure selected office supply items from a small business provider. It is expected that a contract will be recommended for award in July 2008.

Respectfully Submitted by: Craig B Lymus
Craig Lymus
Acting Procurement Services Manager

Approved by: Reina J. Schwartz
for: Reina J. Schwartz
Director, Department of General Services

Recommendation Approved:

for 

Ray Kerridge
City Manager

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Attachment 1**BACKGROUND INFORMATION**

In ongoing efforts to reduce City operating costs and maximize staff resources, many government agencies share joint contracting benefits through cooperative purchasing agreements referred to as "piggybacking." Examples include the National Intergovernmental Purchasing Alliance (NIPA), which was established through a collaborative effort of public agencies across the United States with the specific purpose of reducing procurement costs by leveraging group volume. This strategic procurement approach increases pricing competitiveness, and lowers operating costs through volume and leverage buying.

The cooperative contract with the County of San Diego/NIPA (contract reference no. 519042) is valued at \$100 million based on last year's usage. This large volume allows for the maximum discounts offered as part of this contract. After a careful cost and price analysis of our current contract pricing and the County of San Diego/NIPA contract (which is with our current provider Corporate Express, Inc.), staff has determined that it would be advantageous for the City to piggyback on the County of San Diego/NIPA office supply contract which is a result of NIPA collaboration to procure office supplies for City requirements.

Best value was determined by comparing a representative sampling of 22,000 items of our current product pricing to that which is offered in the County of San Diego/ NIPA contract. The Procurement Services Division also considered the following:

- The County of San Diego contract is with Corporate Express. Corporate Express is also the City's current office supplies provider.
- The transition is seamless for departments in that the order placing process remains the same. The only difference will be savings on invoices when compared to previous invoices.
- The current City contract will expire on June 30, 2008. Based on the current office supply market, the County of San Diego/NIPA contract prices are competitive and it is unlikely that we will find greater savings through our own bid process at this time.

RESOLUTION NO. 2008-XXXX

Adopted by the Sacramento City Council

May 20, 2008

AUTHORIZING THE USE OF COOPERATIVE PURCHASING AGREEMENTS

BACKGROUND

- A. The City of Sacramento has an ongoing requirement to purchase office supplies. Through the use of a cooperative purchasing agreement between the County of San Diego/National Intergovernmental Purchasing Alliance (NIPA), the City has an opportunity to obtain lower pricing for office supplies through volume purchasing. Based on prior year usage, it is estimated that the City will save approximately \$453,096 by using this contract. Therefore, it is prudent and advantageous for the City of Sacramento to purchase office supplies from the cooperative contract offered by the County of San Diego/NIPA.
- B. Staff requests that the City Council approve the County of San Diego/NIPA cooperative contract and authorize the Purchasing Services Manager to issue purchase orders to procure office supplies in an amount not to exceed \$1.3 million through June 30, 2009. This recommendation complies with City Code 3.56.240, which allows for use of cooperative contracts through other governmental jurisdictions or public agencies without separate competitive bidding.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The County of San Diego/NIPA cooperative purchasing agreement (contract reference no. 519042) is hereby approved for the purchase of office supplies.
- Section 2. The City Manager or the City Manager's designee is hereby authorized to issue the required purchase orders under the agreement specified above to facilitate the procurement of office supplies as required in an amount not to exceed \$1.3 million for the period ending June 30, 2009.