

Agenda Report

July 11, 2011

TO: Honorable Mayor and City Council
THROUGH: Finance Committee
FROM: Director of Finance
SUBJECT: AGREEMENT WITH OFFICEMAX TO PROVIDE OFFICE SUPPLIES

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize the City Manager to enter into an agreement with OfficeMax in an amount not to exceed \$300,000; and to be the primary provider of office supplies for the City for a period of one year with two, one-year optional renewal periods. This contract is exempt from competitive bidding pursuant to City Charter section 1002 [H], contracts with other government entities or their contractors; and
2. Grant the proposed contract an exemption from the competitive selection process of the Competitive Bidding and Purchasing Ordinance, Pasadena Municipal Code Chapter 4.08, pursuant to Section 4.08.049(B) contracts for which the City's best interests are served.

BACKGROUND:

As a part of an ongoing review of City operations, and in an effort to identify potential monetary savings and increase operational efficiencies, the City's office supply procurement process was examined. Currently, departments use office supply venues represented on the Virtual Mall on the City's Intranet. Prices listed by the various office supply companies are based on contract pricing derived from cooperative procurement contracts and competitively awarded contracts. Staff has the option to purchase office supplies from one or more of the suppliers. Although this may seem to be a cost effective process for office supply procurement, productivity is lost when employees spend time searching the web or calling to various suppliers to find the best price. The current process is costly and labor intensive.

A number of meetings were conducted with the major office supply vendors currently doing business with Pasadena to identify ways to improve office supply procurement. After the initial meetings, a Request for Information (RFI) was circulated to help determine the most effective approach for the office supply procurement program. Four suppliers responded to the RFI; they were OfficeMax, Office Depot, Staples, and Source One/Independent Stationers (a joint response). These suppliers were asked to present their office supplies program to a City panel comprised of an Assistant City Manager, the Director of Finance, the Assistant General Manager-PWP, and the Purchasing Administrator. Each supplier had a program for the City to take advantage of a multi-jurisdictional office supply purchasing pool to leverage Pasadena's purchasing power and gain better price points for supplies.

After the panel heard the presentations, savings could be attained by entering into an agreement with any one of the suppliers. OfficeMax, however, stood out as having the most robust management/monitoring system for ensuring, not only the best price, but the best tools to readily ascertain procurement efficiency and waste minimization. Months prior to release of the RFI, OfficeMax, at no cost conducted a review of the City's office supply purchases and determined that, even assuming the same inefficient procurement patterns, approximately \$77,000 savings would have been saved using their program. Although Office Depot and Staples were provided the same information at the same time that OfficeMax used to perform their review, neither supplier provided an analysis or recommendations for savings.

The OfficeMax pool program is called "*America Saves.*" Per the Pasadena Municipal Code (PMC), award of contracts can be made via a "piggy-back" option, if it is determined that the vendor was recently awarded a contract by another municipal jurisdiction for similar items or services after a formal Request For Proposal (RFP) process. OfficeMax was awarded a contract by the County of San Diego on June 15, 2011, for the same program being recommended to the City. The lead agency for the *America Saves* program is Oakland County in Michigan.

In addition to the *America Saves* program, OfficeMax also proposed a program called "*Managed Print.*" This program provides an improved ordering process for toner and maintenance of the various printers throughout the City. Through software installed on the printer, the *Managed Print* program continually monitors toner and maintenance needs. Toner is automatically ordered for overnight delivery and service calls are automatically dispatched when needed. This process for toner purchases will eliminate the need to stockpile multiple toners cartridges. OfficeMax, at no charge also conducted a review of the City's printers and determined that utilization of the *Managed Print* program could save approximately \$34,000 per year.

Under the recommended office supply procurement program, a core list of 250 items will be discounted 10 to 90 percent from retail prices? This core list was developed based on Pasadena's office supply procurement history for the past three years and the most cost effective items from the *America Saves* core list. The core list will be evaluated every six months to determine if items should be added or deleted based on

the City's usage and to ensure the best price for the most frequently purchases office supplies. Office Max also has a "Tote" program that supports Pasadena's green initiative through the recycling of containers used to deliver office supplies.

Staff reviewed OfficeMax's current agreement with their lead agency, Oakland County, Michigan, and is satisfied that it meets the requirements of the "piggy-back" option per the Pasadena Municipal Code.

Staff recommends that the City Manager be authorized to approve an agreement with OfficeMax to be the City's primary office supplier, through their *American Saves* and *Managed Print* programs, for an initial term of one year with two, one-year options. Per staff's review, OfficeMax provides the best combination of price, management tools, and partnership to help the City achieve a successful office supply procurement program.

It is anticipated that approval of this action could result in approximately \$111,000 in savings in the first year. Additionally, the *America Saves* program offers a rebate program that will generate a 1 to 2 percent rebate to the City depending on the amount of purchases made through the program. Assuming purchases of \$300,000, a 2 percent rebate (approximately \$6,000) would be realized resulting in a net cost to the City \$294,000 and an overall savings of \$117,000 in the first year.

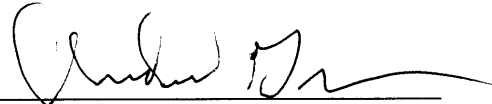
COUNCIL POLICY CONSIDERATION:

This action supports the City Council's strategic goal to maintain fiscal responsibility and stability.

FISCAL IMPACT:

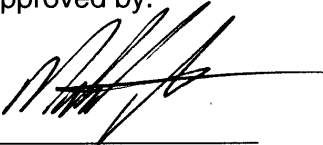
The cost of this action is approximately \$300,000. Funding for this action will be addressed by utilization of existing budgeted appropriations in various materials and supplies accounts ending in 8101 within City departments. It is anticipated that \$300,000 of the cost will be spent during the current fiscal year. No indirect and support costs such as maintenance and IT support are anticipated.

Respectfully submitted,



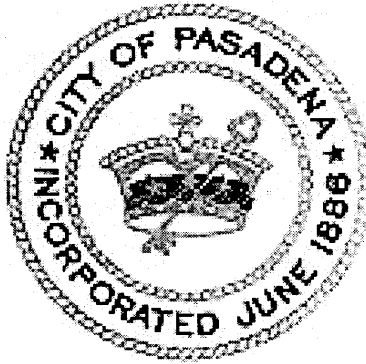
ANDREW GREEN
Director of Finance
Department of Finance

Approved by:



MICHAEL J. BECK
City Manager

Attachment A
City of Pasadena



REQUEST FOR INFORMATION

for

Office Supplies and Services

February 4, 2011

Department of Finance



Dear Office Supply Product Supplier:

The City of Pasadena is requesting information about office supply contracts that have been competitively bid and awarded by other public entities in the United States in which the City of Pasadena could participate.

The information provided in response to this Request for Information will be used to determine:

- if there are suitable contracts already competitively bid and awarded by other public entities in the United States in which the City of Pasadena could participate
- if suitable contracts do exist, which one best meets our needs when our spending behavior is calculated
- whether it may be in the City's best interests to solicit new bids rather than use a contract previously awarded by another public entity

In order for a contract to be considered, such contract must meet the following criteria:

- Be competitively bid and awarded by a public entity in the United States
- Include a price structure for a wide range of common office-related supplies and services

This RFI does not obligate the City of Pasadena to issue a bid, award a contract or pay any cost incurred in the preparation of a response to this RFI. Do not submit price/cost with your response except for what is necessary to respond to the questions in this RFI. No solicitation document exists at this time, however, in the event the acquisition strategy demonstrates that the "piggybacking" on an existing government contract is a viable option for procuring a solution, the City reserves the right to utilize that option. Additionally, all contact information will be kept on file for any future related solicitations pursuant to the City of Pasadena Competitive Bidding and Contracting Ordinances.

Department of Finance

Confidentiality

All responses to this Request for Information (RFI) accepted by the City of Pasadena (City) shall become the exclusive property of the City. All information included in this RFI is confidential and only for the recipient's knowledge. No information included in this document or discussions connected to it may be disclosed to any other party.

At such time as the City Manager recommends a contractor to the City Council, and such recommendation, with any recommended contract appears on the Council agenda, all information and/or proposals accepted by the City shall become a matter of public record and shall be regarded as public, with the exception of those elements of each proposal which are defined by the contractor as business or trade secrets and plainly marked as "Trade Secret", "Confidential" or "Proprietary". Each element of any information provided to the City which a contractor desires not to be considered a public record must be clearly marked as set forth above, and any blanket statement (i.e. regarding entire pages, documents or other non-specific designations) shall not be sufficient and shall not bind the City in any way whatsoever. If disclosure is required or permitted under the California Public Records Act or otherwise by law, the City shall not in any way be liable or responsible for the disclosure of any such records or part thereof.

Introduction and purpose of the RFI

With this RFI, the City of Pasadena request information regarding your company and your products and services. The same information will be gathered from different companies and will be used to evaluate what suppliers the City will follow up with the appropriate sourcing process.

RFI procedure

- To answer this RFI, please answer all questions.
- The contact person listed below is available for assistance.
- The answers to this RFI will be evaluated by staff from the City of Pasadena.

Parties interested in responding are asked to submit 3 copies of the proposal no later than February 28, 2011 to:

Andrew Green
Director of Finance
100 N. Garfield Ave, Room S348
Pasadena, CA 91109

Background Description

The City of Pasadena is requesting proposals for office supply-related goods and services. The City is exploring options for purchasing office supplies and other office-related services to determine if it would be beneficial to implement a single source purchasing program. The City of Pasadena covers an area of 23 square miles with a population of approximately 151,576 and is located in Los Angeles County in the northwest portion of the San Gabriel Valley. The City provides a full rate of municipal services including: public safety(Police and Fire), street construction and maintenance, refuse collection, water and power utilities, sewer utilities, culture and recreation, public improvements, planning and zoning, health services, housing and community development and general administrative and support services.

The City is divided into 17 departments, with total Adopted Operating Budget for fiscal year 2011 of \$724,693,810. The City has about 2,292 full-time and part-time employees. The General Fund portion of the Adopted Operating Budget is \$217,086,213 for fiscal year 2011.

The City will review and evaluated all valid responses during the first three weeks of March 2011. The top three responders will be asked to provide a presentation to the evaluation group in late March. It is anticipated that a final determination will be made in late March and a recommendation made to the City Manager and to City Council in late April 2011.

Please provide some information about your company. Responses should, at a minimum, discuss the following points

- Description of your company's history, structure, staffing, location(s), and experience in the office supply industry.
- Provide references of five (5) comparable entities that are using your program/services
- Provide resumes of account representatives that would be assigned to the City of Pasadena
- How do you differentiate yourself from your major competitors?
- If you do not have retail stores, how do you handle emergency needs after hours and on weekends?
- Describe the processes involved in offering contract pricing in your retail stores, if applicable. Will contract prices be available at the register?
- Describe any programs your company has implemented related to sustainability (green technology, carbon foot-print reduction, etc)
- Describe how your company will ensure product quality.

**Disclosure Pursuant to the
City of Pasadena Taxpayer Protection Amendment
Pasadena City Charter, Article XVII**

Contractor/Organization hereby discloses its trustees, directors, partners, officers, and those with more than 10% equity, participation, or revenue interest in Contractor/Organization, as follows:

(If printing, please print legibly. Use additional sheets as necessary.)

1. Contractor/Organization Name: OfficeMax Incorporated

2. Type of Entity: <input checked="" type="checkbox"/> non-government <input type="checkbox"/> nonprofit 501(c)(3), (4), or (6)

3. Name(s) of trustees, directors, partners, officers of Contractor/Organization:
Ravi K. Saligram, President, CEO
Bruce H Besanko, Chief Administrative Officer
Matthew Broad, EVP, General Counsel
Randy Burdick, EVP Chief Information Officer
Reuben Slone, EVP Supply Chain
Ryan Vero, EVP Chief Merchandising Officer

4. Names of those with more than a 10% equity, participation or revenue interest in Contractor/Organization:
Common Stock: Edward C. Johnson 3rd and FMR LLC - 14.13%

Prepared by: Charisse Clay

Title: Director of Business Development

Phone: 310.714.1916

Date: July 7, 2011