



# **CITY COUNCIL AGENDA REPORT**

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MEETING DATE: MAY 19, 2009

ITEM NUMBER: VI-5

**SUBJECT: COOPERATIVE PURCHASE OF OFFICE SUPPLIES THROUGH OFFICE MAX  
AMERICA SAVES PROGRAM**

**DATE: MAY 1, 2009**

**FROM: FINANCE DEPARTMENT- FINANCIAL PLANNING DIVISION**

**PRESENTATION BY: MARC R. PUCKETT, DIRECTOR OF FINANCE**

**FOR FURTHER INFORMATION CONTACT: DEBBIE CASPER, C.P.M., CPPB AT 714/754-5212**

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## **RECOMMENDATION:**

Approve the purchase of office supplies through the America Saves cooperative price agreement with Office Max, 7300 Chapman Avenue, Garden Grove, California 92841, beginning July 1, 2009.

Authorize the Mayor and the City Clerk to execute the Supplier Agreement for the contract.

## **BACKGROUND:**

The City uses a wide variety of office supplies to support all City operations. The Costa Mesa City Council approved participation in other public agencies' purchasing bids and contracts with adoption of Resolution 94-11 on March 7, 1994, and over the years, the City has found it beneficial to "piggyback" on contracts initiated by larger public agencies. This has allowed the City to get better discounts typically offered only to high volume purchasers.

The City has purchased office supplies from Office Depot for the past 15 years through a cooperative procurement contract available through US Communities. In recent years, there have been changes to the agreement with Office Depot. The City is no longer allowed to have an additional pricing agreement for the items most frequently purchased by City. It is estimated that more than 75% of the City's office supply expenditures have been on items that are not part of the US Communities contract which have resulted in a smaller discount on the majority of items most frequently purchased. Also, about three years ago, Office Depot's customer service began to drop after it outsourced the delivery portion of its business. This change was instituted without any notice to the City. These are only a few of the concerns staff has had with Office Depot during the past three years. All of the concerns have been made known to both Office Depot and US Communities and resolution has been less than satisfactory.

The expenditures with Office Depot for the fiscal years 2006-2007 and 2007-2008 were \$109,622 and \$113,070, respectively. In fiscal year 2008-2009 expenditures total \$72,989 to date.

## **ANALYSIS:**

In order to continue to take advantage of volume discount pricing, to create procedural efficiencies, and to receive better customer service, staff began to explore alternative cooperative purchasing opportunities for office supplies. Staff identified three additional cooperative contracts including Staples, Corporate Express and OfficeMax. Staff found the cooperative agreement with OfficeMax, which was competitively bid by Oakland County, Michigan, to be the best fit for Costa Mesa. The Oakland County contract, known as the America Saves program is offered to state and local government agencies, public schools and not-for-profits nationwide. There is no cost to the City for utilizing this contract. The contract was awarded June 1, 2006 and is effective through May 31, 2011. The cities in Orange County that are utilizing the America Saves contract for office supplies are Irvine, Orange, and Garden Grove. All three agencies have reported that they are very satisfied with the pricing and the service they receive from the America Saves Office Max contract.

Office Max has a 12,000 item catalog of office supplies available at a discount of up to 85% off list price with the added convenience of online ordering. Authorized City staff will be able to order a wide variety of office supplies online at deeply discounted prices. Office Max will deliver next day directly to the designated delivery location. The contract with Office Max includes volume and electronic commerce incentives; which will result in a 1.5% rebate on the total office supply expenditures. In addition to the contract pricing on the items established on the America Saves Core Items list, the City was able to establish a list of 250 high volume items that will receive special pricing. The estimated discount based on last year's sales of these items will be 15.82% less than the price we have been paying for these items through Office Depot. It is estimated that this discount alone will result in \$7,500.00 savings in the first year.

Office Max will set up the ordering website, including necessary internal controls, create online catalogs and provide training to support the transition. Due to the time and training involved, it will be best to begin the contract with Office Max effective July 1, 2009. This will provide sufficient time to set up the account and provide extensive department training. Several meetings have already been held to discuss the changes and the implementation with department staff responsible for ordering office supplies. The Office Max implementation team and City staff are dedicated to improving procedural efficiencies through account set-up, and monthly summarized billing. As a result of these procedures, staff time spent processing individual invoices will be reduced and a 2% payment discount is available if monthly invoices are paid within 15 days.

## **ALTERNATIVES CONSIDERED:**

Purchasing staff considered other cooperative contracts available. Among those considered were Office Max, Staples, Corporate Express, Office Depot and some smaller independent providers. The factors considered in the selection process included pricing and customer service, online ordering capability, company-owned delivery service, next day delivery, and procedural efficiencies. Due to the nature of office supplies, it is prudent to participate in an established contract to get the economies of scale in the pricing. There are additional contracts available, however staff felt that it was best to use the America Saves Program based on the demonstrated savings available. Another option would be to continue to purchase office supplies through Office Depot, however based on recent concerns with pricing and customer service, staff doesn't recommend this option.

**FISCAL REVIEW:**

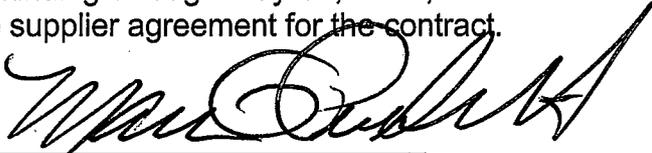
Funding for office supply items is appropriated in the adopted budgets of each department. As a conversion allowance, Office Max will provide an additional 5% rebate on purchases made within the first 90 day spend on the new contract. With the discounted pricing and rebates available, it is anticipated that the City will save over \$20,000 in the first year of the contract.

**LEGAL REVIEW:**

The contract was provided to the City Attorney for review and approval as to form.

**CONCLUSION:**

Based on the ability of Office Max to provide volume discount pricing and additional rebates, to add to our procedural efficiencies, and to provide excellent customer service, it is recommended that City Council approve the purchase of office supplies through the America Saves cooperative price agreement with Office Max beginning July 1, 2009 and continuing through May 31, 2011, and to authorize the Mayor and City Clerk to execute the supplier agreement for the contract.



MARC R. PUCKETT  
Director of Finance



DEBBIE CASPER, C.P.M., CPPB  
Purchasing Supervisor

Attachment: Attachment I, Sales Agreement

Distribution: Deputy City Clerk

## SUPPLIER AGREEMENT

This Supplier Agreement (this "*Agreement*") dated July 1, 2009 is made by the City of Costa Mesa ("Participating Government Agency") and OfficeMax Incorporated., a Delaware corporation ("*Preferred Supply Vendor*").

### RECITALS

A. The America Saves program under the Oakland County, Michigan Contract and the Preferred Supply Vendor have entered into a Master Supply Agreement number 001260 ("*Master Agreement*") dated April 1, 2006, pursuant to which Participating Government Agency may participate in such Master Agreement and Participating Government Agency and Preferred Supply Vendor may enter into this Agreement for the purpose of agreeing to additional terms and conditions that reflect the needs of individual Participating Government Agencies.

B. America Saves under the Oakland County, Michigan Contract has chosen OfficeMax Incorporated (as successor in interest to OfficeMax Contract, Inc.) through the Master Supply Agreement number 001260 dated April 1, 2006.

C. Participating Government Agency and Preferred Supply Vendor desire to enter into this Agreement upon the terms and conditions contained herein.

NOW, THEREFORE, in consideration for the mutual covenants herein contained and other good and valuable consideration, the receipt, adequacy and sufficiency of which is hereby acknowledged, Participating Government Agency and Preferred Supply Vendor, intending legally to be bound, hereby agree as follows:

### AGREEMENT

**1. Definitions.** Capitalized terms used but not defined herein have the meanings specified in the Master Agreement.

**2. Incorporation.** This Agreement incorporates herein by reference the Master Agreement and any future amendments thereto as if fully set forth herein and gives the Master Agreement and any amendments thereto full force and effect as between Member Institution and the preferred supply vendor.

**3. Initial Blank Purchase Order.** This Agreement shall be deemed an initial blank purchase order whereby Participating Government Agency shall be deemed a Participating Government Agency under the Master Agreement. The Term of this Agreement shall be twenty-four months and shall expire at midnight on May 31, 2011 ("Term"). Either party may terminate this Agreement at any time with or without cause upon thirty (30) days prior written notice.

**4. Notices.**

Any notice or demand required or permitted to be given under the terms of this Agreement shall be deemed to have been duly given or made if given by any of the following methods:

(a) Sent via registered or certified United States mail, return receipt requested, or hand delivered, respectively addressed as follows:

To OfficeMax: OfficeMax  
Attention: Market Sales Leader

\_\_\_\_\_

Fax: \_\_\_\_\_

Telephone: \_\_\_\_\_

With a copy to: OfficeMax  
Attention: General Counsel  
263 Shuman Blvd.  
Naperville, IL 60563  
Fax: 630/864-4526  
Telephone: 630/864-5070

To Customer: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Fax: \_\_\_\_\_

Telephone: \_\_\_\_\_

(b) Sent to the above address via an established national overnight delivery service (such as Federal Express), charges prepaid; or

(c) Sent via any electronic communications method, provided the sender (i) obtains written confirmation of receipt of the communication by the electronic communication equipment at the office of the addressee listed above, and (ii) immediately follows the notice with a second notice in one of the methods set forth in this subsection.

Notices shall be effective on the third day after posting if sent by mail, on the next day after posting if sent by overnight mail, and on the day of dispatch if manually delivered within regular business hours or if transmitted within regular business hours by electronic communication methods.

**5. Prices.** Prices for Contract Products under the America Saves program are specified in Exhibit A, which is attached hereto and incorporated herein by reference, and, with the exception of paper, paper products, toner and Special Order Items, shall be held firm in accordance with the Master Agreement. Pricing for paper and paper products is subject to change monthly. Toner pricing is subject to change monthly.

Special Order Items pricing is subject to change monthly. All Exhibit A price lists updated according to the terms of this Agreement are expressly made a part of this Agreement and shall become binding when delivered.

Prices for a Local Core List of up to 250 Products are specified under Exhibit B which is attached hereto and incorporated herein by reference. Products may be added or removed from the Local Core List upon review and agreement of the parties. Prices for Local Core List products with the exception of paper, paper products, toner and Special Order Items, shall be held firm for 12 months. Pricing for paper and paper products is subject to change monthly. Toner pricing is subject to change monthly. Special Order Items pricing is subject to change monthly. All Exhibit B price lists updated according to the terms of this Agreement are expressly made a part of this Agreement and shall become binding when delivered.

**6. Small Order Charge.** The small order charge of \$3.95 per shipment is hereby waived.

**7. Rebates.** Participating Government Agency shall receive the rebates offered under the America Saves program as follows:

- E-Commerce Rebate of 1% of Net Sales of all purchases placed electronically.
- Volume Rebate of 0.5% of Net Sales based upon an annual spend of less than \$500,000.

**8. Payment Terms.** Payment terms shall be 2%, 15 days Net 30 days with no EFT requirement.

**9. Conversion Incentive.** Preferred Supply Vendor shall pay Participating Government Agency an amount equal to five percent (5%) of Net Sales occurring during the first ninety (90) days of this Agreement ("Conversion Incentive"). The Conversion Incentive shall be paid within 45 days after the end of the 90-day incentive calculation period.

Should Participating Government Agency terminate this Agreement prior to the end of the Term for any reason other than a material breach by Preferred Supply Vendor, Preferred Supply Vendor terminates this Agreement due to a material breach by Participating Government Agency, or if the overall combined monthly purchasing levels of Participating Government Agency are reduced below \$5,000 a month for two consecutive months, upon notice from Preferred Supply Vendor, the Conversion Incentive shall be prorated by dividing the number of expired days in the term by the total number of days in the term, multiplied by the Conversion Incentive. This shall be the adjusted Conversion Incentive payable to Participating Government Agency; any amount paid to Participating Government Agency in excess of this adjusted Conversion Incentive shall be refunded to Preferred Supply Vendor upon 30 days' written notice.

**Definition of Net Sales:** For purposes of this Agreement, Net Sales are defined as Participating Government Agency's total product purchases in the U.S. net of credits,

returns, taxes, unpaid invoices, collections, non-catalog furniture including but not limited to OM Workspace furniture, non-stocked technology items, Preferred Supply Vendor ImPress services, Retail Connect Purchases and freight and delivery charges.

IN WITNESS WHEREOF, the undersigned representatives of Participating Government Agency and the Preferred Supply Vendor have executed this Agreement on the date below written.

**City of Costa Mesa**

**OfficeMax Incorporated**

\_\_\_\_\_  
Print Name:

\_\_\_\_\_  
Print Name:

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date Signed

\_\_\_\_\_  
Date Signed