



# City of Sunnyvale

## Agenda Item-No Attachments (PDF)

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### **REPORT TO COUNCIL**

#### **SUBJECT**

Delegation of Contract Award Authority to the City Manager for the Purchase of Citywide Office Supplies

#### **REPORT IN BRIEF**

Approval is requested to delegate authority to the City Manager to establish contracts for citywide office supplies at amounts greater than \$100,000, if necessary and as further explained below. Staff recommends this approach due to the consolidation of the largest nationwide suppliers OfficeMax/Office Depot/Staples, service declines with the current provider (Office Depot), and increasing market competitiveness and options with other suppliers.

#### **EXISTING POLICY**

Per Chapter 2.08 of the Sunnyvale Municipal Code, Council approval is required to award contracts greater than \$100,000 and/or to delegate authority to the City Manager for such purpose.

#### **ENVIRONMENTAL REVIEW**

N/A

#### **BACKGROUND AND DISCUSSION**

Over the past several years, the City has utilized a series of cooperative procurement contracts with OfficeMax to purchase citywide office supplies, allowing the City to leverage discounts typically offered only to high volume purchasers. Key advantages have included discounted pricing, electronic commerce incentives, next day desktop delivery and annual cash rebates. The City spends approximately \$220,000 per year under this contract.

In 2013, Office Depot acquired OfficeMax. Since that time, the City has experienced a decline in both service and advantageous pricing. The next day desktop delivery process has been inconsistent, sometimes taking up to four days for products to be delivered. Additionally, staff has been able to find the same product cheaper through other vendors. To further complicate matters, Staples is now poised to merge with Office Depot amid antitrust concerns. While the Federal Trade Commission has expressed concern over the effect of the merger on physical locations, the primary focus is on how a combined mega-office supply store could restrict competition when it comes to commercial customers such as the City. Staples and Office Depot are currently the top two office suppliers in the U.S.

Staff believes that any previous advantage to an exclusive contract with the mega-office supply store are no longer evident and continuation of the agreement will likely put the City at a disadvantage with a continued decline in service and increasing market competitiveness from other suppliers.

In order to optimize competitive pricing and service delivery, more flexibility in the choice of vendor should be available to City staff. Staff is not recommending discontinuing its business relationship with Office Depot, rather providing individual purchasers the ability to choose the best price and delivery options from a variety of vendors at the time the item is needed. Multiple options are being considered, including business account(s) through Amazon.com (staff often finds printer toner at discounts of up to 30% relative to Office Depot pricing), increased use of Purchasing Cards (staff will be conducting a pilot through the State's US Bank/CAL-Card contract which offers cash rebates not available through the City's current provider), and awarding smaller contracts to other suppliers who offer competitive pricing and service.

On average, the City had been spending \$220,000 annually on the Office Depot contract, but this amount is trending downward as staff finds better pricing and service through other suppliers. Staff anticipates awarding a smaller contract to Office Depot under the City Manager's award authority while other options are fully researched, but the need may arise to increase this contract, or others, to amounts greater than \$100,000. Therefore delegated contract award authority is recommended for this purpose.

### **FISCAL IMPACT**

City departments spent a total of approximately \$265,000 on office supplies in FY 2014/15. Each department budgets for its expected office supply needs individually. It is anticipated that allowing staff to purchase from a variety of vendors based on best pricing and service will keep spending at or below current levels.

### **Funding Source**

Funding for office supplies is spread across multiple City funds dependent on the primary business activity of the operating program purchasing supplies.

### **PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

### **RECOMMENDATION**

1) Delegate authority to the City Manager to award office supply contracts greater than \$100,000 should the need arise, not-to-exceed budgeted amounts.

Prepared by: Pete Gonda, Purchasing Officer

Reviewed by: Grace Leung, Director, Finance

Reviewed by: Kent Steffens, Assistant City Manager

Approved by: Deanna J. Santana, City Manager