

**Arizona Set Aside Procurement Program
Committee Meeting Minutes
October 17, 2012**

Attendance:

Members Present:

Jean A. Clark, Chair, DOA	Steven King, Beacon	Christine Ruth for O'Brien, Rebecca, DHS
James Apperson, DES	Vicki Kringen, TCH	Radecki, Brian, ACI
Carol Carr, Achieve Human Svcs.	Richard Monaco, DES	Walters, Delia, DES

Members Absent:

None

State Procurement Office Staff Present:

Holly Howe	Jan Hart	Susan Bayer
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Others Present:

Greg Nativig	Jennifer Baier
Armando Bernasconi	D Williamson
Leon George	Casey Michalik, Premier Biotech, Inc.
Mary Crane	Dale Kasel
Joe Paul Wright	

Minutes:

I. CALL TO ORDER: Jean Clark

II. ROLL CALL: Ms. Clark asked all attendees to give their name in roll call.

III. ANNOUNCEMENTS/DISCUSSION

1. Beacon Group Contract No. ADSPO10-00000078 (Records Shredding & Destruction Services), Centers for Habilitation Contract No. ADSPO10-00000079 (Records Shredding & Destruction Services) and Gompers Habilitation Center Contract No. EPS090023-1-A1 (Document Imaging Services) have been extended for one year.
2. Contract renewals for Nobody's Perfect Inc.-Recycling Used Printer Cartridges (expires 10/31/12), Arizona Correctional Industries-Office Furniture (expires 10/31/12) are in process.
3. Contracts that contain usage reporting and administrative fee requirements please submit this information to Holly Howe as outlined in each contract. Vendors unsure if these requirements pertain to them contact Holly Howe.

4. Set-Aside vendors and contractors are encouraged to keep their website information current. Email information updates to Holly Howe or Jan Hart. It is important to the program.

IV. APPROVAL OF MINUTES: The minutes for the July 11, 2012 meeting were presented for approval.

MOTION: A motion to accept the minutes as presented was made by James Apperson.

SECOND: The motion was seconded by Carol Carr.

DISCUSSION: None

VOTE: Approved Unanimously

V. CONTRACT ITEMS / AGENDA ITEMS:

1. Greg Natvig- Beacon Group SW, Inc.- rapid screen drug testing kits presentation. Casey Michalik from Premier Biotech, Inc., the supplier for the testing kits, attended the meeting with him.

This item was tabled at the October 2011 meeting for additional information including a survey to the agencies. Mr. Natvig from Beacon Group updated the Committee:

- Distributed a summary of the proposal and estimated shipping prices.
- Showed samples the rapid-screen drug testing kit and a new product, the K-2 spice dip cassette.
- Beacon Group can now supply the same kit that the Department of Corrections is now using and orders from the MMCAP contract.
- Beacon Group will purchase directly from Premier Biotech, Inc.; label and package the products, then ship daily from their warehouse in Tucson.
- The rapid-screen kit is one of the leading kits on the marketplace and is very accurate. Any positive results would be sent to the lab to confirm the results.
- Beacon will use UPS for shipping. Orders received by 10 a.m. will ship the same day; after 10 a.m. will ship the next day FOB Tucson.
- Beacon will offer a customer portal for online ordering and training materials.
- They will look into establishing a standard price for shipping per box.
- The survey for usage determined there is no substantial usage outside of the Department of Corrections. They intend to approach agencies to get more business. Agencies that use lab-based testing would save money if they switched to the rapid-screening testing.

Questions and Comments:

- Mr. Monaco: Do you know what the impact for employment would be – how many would be involved in the process?
 - Mr. Natvig estimated 1 FTE, but more work would be added as business increases with Cooperatives and other agencies using the contract. They intend to add more value to the product by offering complete packaging of the kits to create more work.
- Mr. Monaco: Is there an existing contract?
 - Ms. Clark stated yes through the statewide pharmaceutical contracts, medical contracts, and the multi-state contract. The State Procurement Office is also looking at soliciting for a medical supply contract in the next few months.

- Ms. Clark: Does the MMCAP pricing include freight? The Beacon report states that MMCAP only includes freight on shipments of 500 or more units. Can anyone confirm this?
 - Leon George said that he believed the freight was included in the MMCAP pricing. If the Set Aside contract adds shipping to the order, the price per unit will be higher than the MMCAP price.
 - Ms. Walters expressed concern with the shipping and stated she does not support a mandatory contract.
- Ms. Clark: Is there a strong willingness for ADOC to move away from using the MMCAP contract? Ms. Clark is concerned with the investment by Beacon.
- Mr. Apperson: What would happen if the requirement change for testing and an agency has a stock pile of the testing kits? Can these be adapted for the new requirements, or would they have to purchase new kits?
 - Mr. Natvig stated that it would be difficult to reconfigure the existing kits.
- Mr. Apperson: Can Beacon staff do the assembly of the kits to save money for the state?
 - Mr. Natvig said he didn't know if assembling the kits would save money for the state, but it would increase the number of jobs for the disabled.
- Mr. Monaco stated that is hard to come up with things for disabled to do. He suggested that the Committee give Beacon a chance. If they come back with their pricing and FOB information, even if it's not a mandatory contract, it would allow them to have a chance to market the products.
- Ms. Clark stated that sometimes when products come up for consideration for Set Aside contracts, unfortunately the pricing isn't advantageous. The Committee is charged with approving contracts that have fair and reasonable pricing. Also the contract was proposed as mandatory, and she is unsure if ADOC would change vendors if the contract wasn't mandatory.
- Mr. Monaco stated that the Set Aside Committee is always going to have that roadblock of an existing contract. It's very unlikely that vendors will come up with something that is unique. It's difficult to come up with same as or lower pricing than private sector organizations. Set Aside is all about creating jobs for the disabled and getting them off SSI. That means we all win – we are saving tax payer dollars. The impact of the contract is not great – it's about \$180,000 a year for an agency that spends 5 billion a year. It's going to put 1 person to work, but if it's successful, there will be more. Richard stated he continues to support the proposal.
- Ms. Walters asked how many individuals would be involved with the 1 FTE?
 - Mr. Natvig said there would likely be 5-6 individuals involved.
- Ms. Walters asked if the contract wasn't mandatory, can optional be done?
 - Mr. Natvig replied that they prefer mandatory but they would certainly be open to an optional contract but they would like support in terms of their selling efforts.
- Ms. Walters stated that the pricing would have to clear.
- Ms. Clark stated that fair and reasonable pricing with the marketplace is statute.
- Ms. Clark addressed the statement made by Mr. Natvig about support for marketing. She wanted to make it clear that the state would do their part by posting the contract on the website, but the state does not assist with the process of marketing the product.
- Ms. Clark stated the following items need to be addressed:
 - Who can speak for DOC as to whether they will order from Beacon?

- Find out if counties for example are interested in the product so they can send the Committee some correspondence about potential spend. She is concerned that is all contingent on one agency buying the product.
- Ms. Carr stated that she appreciated the procurement prospective, but she has learned that for each dollar that is earned by a disabled person, it reduces the government obligation by \$6-\$7. Keep in mind that the cost savings go beyond procurement.
- Mr. Monaco would like to see Beacon see if they can expand the marketplace based on interest and report back to the Committee. Look at destination pricing and for the different number of units and fold that into your pricing. Determine that you can do this without a mandatory contract because it doesn't sound like the procurement community would support a mandatory contract.
- Ms. Kringen stated that there has to be a level of trust in the business model that is used to employ people with disabilities. She believes that Beacon has looked at this model of providing these services very carefully to make sure they can succeed. Beacon has earned our trust. Perhaps there should be a motion with a contingency on the pricing.
- Ms. Clark reminded the Committee that the motion for a mandatory contract from the October 2011 meeting was tabled. Following "Robert's Rules of Order", you have to vote down the previous motion or leave it tabled and have an amended motion. It's up to the Committee if you want a motion that is based on contingency pricing.
- Ms. Walters stated she would like to continue to table the motion until later to see if destination pricing is competitive.
- Ms. Kringen stated she would entertain a motion contingent on whether the destination pricing was competitive and not make the contract mandatory. It would be difficult to assess potential market with a hypothetical contract.

MOTION: Move forward with the contract contingent on destination pricing that is competitive with current pricing and not make the contract mandatory was made by Vicki Kringen.

SECOND: The motion was seconded by Richard Monaco.

DISCUSSION:

- Mr. Radecki stated that the Committee can make a recommendation but in the end it's not really our group that will decide. Since Department of Corrections (DOC) is the main purchaser of the product, shouldn't they have a say in the process. Ms. Clark stated that since the motion was to make the contract optional, DOC would have the choice to use it or continue with MMCAP.
- Ms. Walters stated that she would like to see a limited contract for period of time with some language about an option to renew based on review of the Committee of the actual review of the contract.
- Mr. Abernathy asked what the time restriction would be. Ms. Clark stated the usual was for a period of 1 year with options to extend an additional 4 years.
- Mr. Abernathy: It was stated in the motion that destination pricing would be determined. Do we need to receive that information by a certain time?
- Mr. Natvig said what Ms. Kringen said was that there be a destination price comparison with the intent that the State is getting a competitive price. He asked if the Committee could designate Ms. Clark or someone else to review the report and give them the capability to authorize the contract. The analysis could be

done fairly quickly and Beacon prefers not to wait another three months for action on the motion.

- Mr. Apperson asked for a definition of "competitive". Mr. Monaco stated that typically you evaluate other suppliers looking at the high end and low end pricing and if you are in the middle, you are okay. Ms. Clark stated that this Committee has never defined "fair market value." Ms. Kringen asked if there were any guidelines in current legislation and Ms. Clark indicated the statutes just reference it but doesn't define it. Mr. Apperson stated that he is not sure about approving a contract with scenarios of "what ifs" that have to be met and wants to know the tradition of the Committee. Ms. Clark said she was not familiar with this in her tenure the Committee ever passing a motion with contingencies. Mr. Apperson is supportive of a contract, but not with contingencies that are not clearly defined. He asked about a special meeting to look at the information, and then decide. Mr. Natvig said they could produce an electronic document that would be clearly understandable.
- Ms. Kringen said they could amend the motion to say that if it's within 3% more or less than the current pricing. We have the MMCAP price and the Beacon price but it doesn't include shipping costs. How does adding the destination pricing affect the total cost? You need to know the standard procedures of the Department of Corrections? How many do they buy at one time? Mr. Natvig said that would be the first thing they need to look at and then compare what the state is paying for shipping now compared to what Beacon would charge. Ms. Kringen said that the comparison had to be aggregate, not by item, and based on their current procedures or trends. If that is within 3% plus or minus, then I would like to amend my motion to add that so we do not have to come back to the table and rework the issue. Ms. Clark asked Mr. Monaco if agreed to the amended motion and he said he did.
- Mr. Apperson asked how they would determine the aggregate. Mr. Natvig answered they would find out the quantities for each shipment and the shipping charges for each shipment to ADOC from the MMCAP contract and determine a weighted average. Ms. Kringen said is it going to cost the state \$180,000 or \$200,000 to buy from Beacon-- right now it cost \$181,000 to buy from MMCAP. Those are the numbers she would like to see.
- Ms. Clark reviewed the motion and its amendment:

AMENDED MOTION: Approve a contract with the information provided with additional work on the delivery including the pricing with FOB cost comparison and taking a look at the aggregate. If it falls within 3% plus or minus, approve the contract. Additionally, the contract would be an optional contract versus mandatory.

DISCUSSION: None

VOTE: Yay: 4

Nay: 3

Steven King abstained.

Motion carried.

Mr. Apperson explained why he voted nay. He thought it would be easy enough to get the data and then hold a special meeting to know what we are voting on for sure. He doesn't like setting a precedent of doing something that is speculative. Ms. Walters agreed.

Ms. Walters said she also has concern about usage and whether we are entering into a

contract that won't be used and obligating Beacon to set up a process that wouldn't be used.

Mr. Apperson asked if there was any interest from Juvenile Corrections. Jean stated they were sent the survey and they did not respond, but they can check with them again.

Mr. Monaco asked if outside the motion, was there any reason why the Committee couldn't have a special meeting to review the analysis. Ms. Clark said the only thing preventing it would be the logistics of members traveling. Someone asked about holding the meeting electronically and Ms. Clark said she didn't know if the Committee had the authority to hold an electronic meeting because of the Open Meeting Law and having to post the meeting announcement. Jean will look into this and get back to the Committee.

VI. FUTURE AGENDA ITEMS

1. Possible contract renewals for the next meeting will be Arizona Correctional Industries – Signage (ends 02/08/13) and Engraved Products (ends 02/10/13).
2. Agency Presentations: WIFA and DEMA and possibly Corrections will present at the next meeting.

VII. COMMITTEE COMMENTS AND SUGGESTIONS

Mr. Monaco said he thought everyone did a great job analyzing the Beacon proposal and thanked Mr. Natvig for bringing in something that will help people with disabilities. All the issues that were raised are legitimate concerns.

VIII. CALL TO THE PUBLIC

At this time, the committee will hear comments from the public. Members of the committee may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. § 38-431.01(G), action taken as a result of public comment will be limited to directing staff to study the matter or scheduling the matter for future consideration and decision at a later date.

1. No items were brought before the Committee.

IX. ADJOURNMENT – The meeting was adjourned at 2:46 p.m.

NEXT MEETING: DATE at 1:30 p.m. For inclusion on the next regular agenda, contact Holly Howe at (602) 364-0102. With prior notice to Jean Clark, committee members can appoint a proxy if they are unable to attend the meeting.

FOR SPECIAL ACCOMMODATIONS: If you require special accommodations, Please contact Jan Hart at (602) 542-9146 at least three working days prior to the meeting.



Jean A. Clark, FNIGP, CPPO, C.P.M., CPPB,
CPM
State Procurement Administrator

4/3/12
Date

Submitted by:
Jan Hart
Executive Assistant
State Procurement Office

APPROVED BY THE COMMITTEE:



Jean A. Clark, FNIGP, CPPO, C.P.M., CPPB,
CPM
State Procurement Administrator

4/25/12
Date

POSTED: