



Arizona Set Aside Procurement Program  
Subcommittee Meeting Minutes  
**October 2, 2014**

**Attendance:**

**Members Present:**

James Apperson, DES Subcommittee Chair  
Richard Monaco, AIB  
Rick Crago, AZ Lottery  
Steven King, Beacon

**State Procurement Office Staff Present:**

Matthew Miles  
Betty Austin  
David Gonzales

**Others Present:**

Armando Bernasconi, QC  
Jennifer Baier, ValleyLife  
Alycia Elfstrom, Mosaic in AZ  
Brandy Petrone, GSPA  
Steve Ingram, Goodwill  
Shelly Thayer, Mosaic in AZ  
Bill Loughnen, YEI!  
Paul Brown, Goodwill

**Minutes:**

- I. **CALL TO ORDER:** Jim Apperson called the meeting to order at 10:05 AM.
- II. **ROLL CALL:** Jim Apperson asked all attendees to give their name in roll call. Manuel Salazar not present.
- III. **Discussions (Procedural decisions and guidelines for the Set Aside Subcommittee to define.):**
  1. Application for Certification
    - a. Dick Monaco drafted an Application based upon the Texas Template. This document will be filled out electronically. It contains instructions, a requirement checklist and other pertinent info.
    - b. There is a current version of the application as well on the SPO website. This application does not ask for, articles of incorporation, a list of the board of directors, a copy of the organizational chart, insurance, fire and building inspection certificates or a wage exemption certificate if they have one.
      - i. SPO requires insurance at the time a contract is entered into.
      - ii. Should we also require a site visit? There are other visits that occur from other agencies. We do not want the application process to get held up because of site visits. We could do an optional visit within 30 days of receiving an application.
    - c. Recommendation was made to the committee to add the following requirements to the Application for Certification: a list of the board of directors, an organization chart, fire and building inspection certificates, a wage exemption certificate (if necessary) and the option for a site visit within a given timeframe (i.e. within 30 days of receipt of the Application.)

**MOTION:** A motion to approve the recommendation was made Steve King.

**SECOND:** The motion was seconded by Rick Crago.

**DISCUSSION:** None.

**VOTE:** Passed unanimously.

2. Should there be a recertification process?
  - a. Texas requires that Set Aside vendors fill out the Application every three years.
  - b. Contracts can last up to five years but, they have one-year renewal options every year. At the time of extension we can make updates to the contract. We can also ask for updated information at this time. We could just insert a paragraph into our contracts that requests any updates to their application must be communicated to us at this time.
3. Product Cost Analysis.
  - a. This form is based upon Texas and other Programs' analysis forms. The form contains definitions and a fillable spreadsheet. It asks for information such as material costs, labor, administrative overhead, equipment amortization, freight and other costs.
    - i. The labor is divided into direct and indirect labor. The requirement for Set Aside is to have 60% of direct labor performed by individuals with disabilities. Job coaches and individuals exclusively in a supervising role fall under indirect labor.
    - ii. Why do we also need material costs? This is to make sure that prices given to us are competitive with market rates. It also makes sure that Set Aside vendors have done their due diligence when they submit a proposal. Lastly, it would be to protect the program itself.
  - b. Goodwill who is also a part of Ability One program, where they have a similar requirement, sees this as a good idea from their perspective and from a tax payer's perspective.
  - c. AAPPD wanted to know what the committee will do with the information. The analysis will protect the State and the Committee from price gouging.

**MOTION:** A motion to recommend the use of a product cost analysis was made Steve King.

**SECOND:** The motion was seconded by Rick Crago.

**DISCUSSION:** None.

**VOTE:** Passed unanimously.

4. Service Cost Analysis
  - a. This document is similar to the last one; it is a condensed version of the Ability One Analysis Sheet. It begins with a definition page as well. Then the actual sheet lists the direct and indirect labor, worker's compensation, benefits, equipment costs and overhead.
    - i. QC felt this analysis was straightforward but, expressed concern over the product analysis in how it relates large product lines such as toner cartridges. Filling out an analysis for each product would be difficult and time consuming.

**MOTION:** A motion to recommend the use of a product cost analysis was made Rick Crago.

**SECOND:** The motion was seconded by Steve King.

**DISCUSSION:** Reminder that this is just a draft.

**VOTE:** Passed unanimously.

5. Definitions

- a. Disability: This definition is defined by statute so; this is what we have to work with.
- b. Value added: Pass-throughs do not qualify under this definition. This definition is based off the Texas definition. This definition is more applicable for products.
- c. Fair Market Price: This is based on the Indiana definition. There is a portion of this definition we did not want to include. "Fair Market Price may also be within 10% of representative sampling of companies conducted through a survey..."
  - i. The subcommittee decided to strike the percentage requirement from the definition.

**MOTION:** A motion was made by Rick Crago to recommend the definition of Disability as statutorily defined, the definition Value Added as is and the amended definition of Fair Market Price.

**SECOND:** The motion was seconded by Jim Apperson.

**DISCUSSION:** Reminder that this is just a draft.

**VOTE:** Passed unanimously.

6. Miscellaneous Recommendations and questions

- a. Dedicated Staff?
- b. More frequent subcommittee meetings?

**IV. FUTURE AGENDA ITEMS**

**V. COMMITTEE COMMENTS AND SUGGESTIONS**

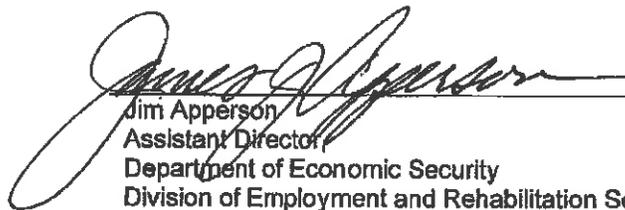
**VI. CALL TO THE PUBLIC**

- 1. Armando Bernasconi, QC: Was there any development on having a tiered Set Aside purchasing system with products or services. This would encourage purchasers to use Set Aside vendors. Is that something that can be added to the Agenda?

**VII. ADJOURNMENT:** The meeting was adjourned at 11:52 AM.

**NEXT MEETING:** Wednesday, October 15, 2014 at 1:30 PM.

For inclusion on the next regular agenda, contact Betty Austin at (602) 364-0102. With prior notice Barbara Corella, committee members can appoint a proxy if they are unable to attend the meeting. If you require special accommodations, please contact Matthew Miles at (602) 364-0134 at least three working days prior to the meeting.

  
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Jim Apperson  
Assistant Director  
Department of Economic Security  
Division of Employment and Rehabilitation Services

10/15/14  
Date

Submitted by:  
Matthew Miles  
Procurement Technician  
State Procurement Office

APPROVED BY THE COMMITTEE:

  
Barbara M. Corella  
State Procurement Administrator

10/17/14  
Date

POSTED: