



Arizona Set Aside Procurement Program
Committee Meeting Minutes
October 25, 2013

Attendance:

Members Present:

Jean A. Clark, Chair, ADOA
James Apperson, DES
Rick Crago, AZ Lottery

Gary Hahn, DES
Steven King, Beacon
Vicki Kringen, TCH

Richard Monaco, AIB
Rebecca O'Brien, DHS

Members Absent:

Carol Carr, AHS

Brian Radecki, ACI

State Procurement Office Staff Present:

Delia Walters

Matthew Miles

Others Present:

Doug Arnett, QCI
Jennifer Baier, Valley Life
Mark Botterbusch, Gompers
Lenora Falbo, Vision

Steve Ingram, Goodwill
Tonnya Jensen, QCI
Jon Maddy, DePaul Industries
Rick Puls, STARS

Eddie Salazar, TCH
Dave Shaffer, DePaul Industries
Tim Weber, Vision
D Williamson, Nobody's Perfect

Minutes:

I. CALL TO ORDER: Jean Clark called the meeting to order at 1:30pm

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

III. ANNOUNCEMENTS:

1. Jim Apperson will serve as chair for the Set Aside subcommittee created to provide guidelines and policy recommendations for decisions such as contract development, optional versus mandatory use, and pricing comparisons; Richard Crago, Steve King, Dick Monaco, and Delia Walters will also serve on the subcommittee. The first subcommittee meeting is scheduled for November 15, 2013 at 10:00am. (*Note: The subcommittee meeting was rescheduled to December 10, 2013 at 3:00pm.*)
2. Set-Aside vendors and contractors are encouraged to keep their website information current. Email information updates to Delia Walters or Danielle Webster.
3. Arizona Correctional Industries Contract No. ADSP012-013874 (Office Furniture), Beacon Group SW, Inc. Contract No. ADSP010-00000078 (Records Shredding), and Centers for Habilitation Contract No. ADSP010-00000079 (Records Shredding) have been extended for one year.

IV. APPROVAL OF MINUTES: The minutes for the July 18, 2013 meeting were presented for approval.

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

SECOND: The motion was seconded by Vicki Kringen.

DISCUSSION: None.

VOTE: Passed unanimously.

V. CONTRACT ITEM:

1. DePaul Industries application to become a Set Aside Vendor.

Jon Maddy and Dave Shaffer presented to the Committee in support of DePaul Industries' Set Aside Program vendor application:

- Distributed information about organization to the Committee
- Provided brief overview of organization's history and focuses, including temporary staffing for administrative/clerical and unarmed security services
- Currently have offices in Sierra Vista, with plans to open another in Tucson

DISCUSSION: DePaul Industries is incorporated in the State of Oregon; there is no requirement in the statute governing the Set Aside Program that states vendors must be incorporated in Arizona.

Associates can be placed quickly (generally with a 24-hour notice), and assignments may last for a short period of time, or up to six months or a year.

Drug screening and background checks are conducted on all associates and E-Verify is used to check employment eligibility.

Associates are trained based on specific customer needs (i.e. food safety, workplace safety), and every associate attends soft-skills trainings prior to beginning work at DePaul Industries.

Associates are recruited through social service agencies via the State Employment Office, veterans' organizations and homeless shelters. Employers are recruited through industry organizations such as the Northwest Food Processing Association, direct sales and job fairs, much like a traditional staffing company.

DePaul Industries extends hiring preference to people with disabilities; 75% of associates placed on federal or state contracts have disabilities documented by a third-party, and verified internally by a vocational rehabilitation counselor.

In addition to the Tucson office planned to open within 60 days, DePaul plans to open offices in Phoenix within five years.

The Committee sought clarification about the criteria for becoming a Set Aside Vendor. The State Procurement Office (SPO) representative, Delia Walters, explained that the criteria are established in statute, that the DePaul Industries application addressed each criterion, and SPO reviewed the application to confirm that it meets statutory requirements.

MOTION: A motion to approve DePaul Industries as a Set Aside Vendor was made by Richard Monaco.

SECOND: The motion was seconded by Jim Apperson.

DISCUSSION: None.

VOTE: Passed unanimously.

2. Gompers Habilitation Center contract rewrite of Document Imaging Services due to its 5 year end date.

DISCUSSION: SPO is in the process of re-writing an update to the Gompers document imaging contract because it is at the end of its five-year life, and a new contract will be put in place. The new contract will again be for a one-year period with the option to extend for an additional four years.

MOTION: A motion to approve the Gompers contract re-write was made by Rebecca O'Brien.

SECOND: The motion was seconded by Vicki Kringen.

DISCUSSION: None.

VOTE: Passed unanimously.

3. Quality Connections contract proposal for toner cartridges.

DISCUSSION: The Quality Connections proposal has two aspects:

- A. Mandatory single Statewide provider for remanufactured toner cartridges

MOTION: A motion to approve mandatory use of remanufactured toner cartridges was made by Richard Monaco.

SECOND: The motion was seconded by Steven King.

DISCUSSION: On its current contract Quality Connections is priced 6% below the net cost of the nearest competitor on remanufactured toner cartridges. One main reason is that as a nonprofit, Quality Connections' customers are not charged sales tax of 8.5%.

The Committee reviewed Quality Connections pricing for remanufactured products, and compared to pricing for Vision Business Products, currently on State contract.

Quality Connections stated that they have a less expensive net cost and provide quality that exceeds the current industry standard (2.3% failure rate on remanufactured cartridges versus the industry standard of 3%).

If it is made mandatory, the Quality Connections remanufacturing contract would create approximately 20 to 24 permanent positions for people with disabilities.

Currently Quality Connections sells approximately 1/3 remanufactured toner cartridges to 2/3 OEM toner cartridges. They are currently on State contract for both products, and the State represents approximately 1/4 of Quality Connections total business.

In response to questions from Vision Business Products, Quality Connections stated that they currently employ approximately 20 people; and to meet increased demand from the State contract, they have credit with established suppliers.

Vision expressed concerns about potential service disruption.

Jean Clark clarified that if approved, the contract for mandatory use would not apply to cooperative purchasing members (local governments and nonprofits). It would apply strictly to state agencies.

The Committee discussed the implications of awarding the Quality Connections contract as permissive versus mandatory, and the impact on other suppliers currently on contract.

Vision Business Products is the only on-contract supplier that is considered a small business.

Quality Connections stated that awarding their contract would have minimal impact on competitors for the following reasons:

- 1) The existing toner cartridges contract will soon end.
- 2) The remanufactured toner cartridges make up 1/3 of the State's toner purchasing; so 2/3 will remain open for competitive bid.
- 3) The current contract includes language regarding the potential of the Committee awarding a Set Aside contract for mandatory use.

The total spend on the toner cartridges contract is \$4.3 million; the Quality Connections proposal for mandatory use impacts approximately \$500,000 of that total.

Quality Connections recently started using an email marketing program to target State and co-op purchasers in an effort to better promote their products.

VOTE: Passed unanimously.

B. OEM toner cartridges Set Aside contract at the same price as existing State contract

MOTION: A motion to approve Quality Connections as a Set Aside vendor for OEM toner cartridges was made by Vicki Kringen.

SECOND: The motion was seconded by Steven King.

DISCUSSION: Quality Connections stated that in order to achieve their goal of transitioning customers from OEM to remanufactured products, they have to establish relationships with those customers.

The Committee discussed the importance of naming Set Aside contracts so that they will be found by purchasers in ProcureAZ just as they find State contracts.

VOTE: Passed unanimously.

VI. FUTURE AGENDA ITEMS

1. Status Report from Subcommittee for procedural decisions for Set Aside Program.

VII. CALL TO THE PUBLIC

A member of the public stated that the Quality Connections contract is the first mandatory Set Aside contract that she is aware of in Arizona, and she hopes it is successful and leads the way for other nonprofits.

Jean Clark stated that if vendors need assistance in creating a proposal or preparing for difficult questions from the Committee, the State Procurement Office staff is available to assist.

VIII. COMMITTEE COMMENTS AND SUGGESTIONS

There were no comments or suggestions.

IX. ADJOURNMENT – The meeting was adjourned at 2:32 p.m.

NEXT MEETING: Wednesday, January 29, 2014 at 1:30 p.m.

For inclusion on the next regular agenda, contact Delia Walters at (602) 542-9125. With prior notice to Jean Clark, committee members can appoint a proxy if they are unable to attend the meeting. If you require special accommodations, please contact Danielle Webster 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

12/9/13
Date

Submitted by:
Danielle Webster
Executive Staff Assistant
State Procurement Office

APPROVED BY THE COMMITTEE:



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

1/29/14
Date

POSTED: