***Arizona Department of Administration***

Arizona Set-Aside Procurement Program

Meeting Minutes

 July 26, 2017

**Attendance:**

**Committee Members Present:**

Barbara Corella, DCS Shanna Ellis, TCH Richard Monaco, AIB

Lori Tuell, DHS Sue Kay Kneifel, DES Brian Radecki, ACI

Christiana Moore, ADOA-SPO (in training)

**Committee Members Absent:**

Carol Carr, Achieve HS

**State Procurement Office Staff Present:**

Christopher Lacey

Punit Chhabra

Jason Rutka

Brittany Ochs

**Others Present (from Sign-in Sheet):**

D Williamson, Nobody’s Perfect Lesli Stern, Valley Life

Jennifer Baier, Valley Life Ryan Schinn, TCH

Bill Strait, Wist Office Products Justin Bahnsen, YEI

Brady Patrone, GSPA Megan McCabe, Tri Advocates

Armando Bernasconi, Quality Connections, Inc. Karin Grando, Quality Connections, Inc.

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**Minutes:**

1. **CALL TO ORDER:**

Committee ChairBarbara Corella called the meeting to order at 1:42 PM.

1. **ROLL CALL:** None.
2. **MEETING MINUTE APPROVAL:**
	1. April 18, 2017 Meeting Minutes
		1. Motion to Approve – Brian Radecki
		2. Second to Approve – Lori Tuell
		3. Motion Carries/Approved – Unanimous Vote
	2. June 2, 2017 Meeting Minutes
		1. Motion to Approve – Brian Radecki
		2. Second to Approve – Lori Tuell
		3. Motion Carries/Approved – Unanimous Vote
3. **CHAIR HANDOFF:**

Barbara Corella is assisting as the Set-Aside Committee Chair while training Christiana Moore from the State Procurement Office Staff to take over this duty.

1. **STATE PROCUREMENT OFFICE BIOGRAPHIES:**

**Jason Rutka – State Procurement Office Compliance Office**

Jason Rutka holds a Bachelor of Science in Chemical Engineering from the University of Arizona. He began his career as a Process Engineer working in Phoenix, AZ for a small aerospace company. He later transitioned to the semiconductor industry where he continued to work as a process engineer. After receiving a Master of Business Administration from Arizona State University, Jason transitioned into a new role within the supply chain organization of the semiconductor firm.

Jason has 12+ years of direct supply chain management experience and has held a variety of technical and business oriented roles as both an individual contributor and an area manager. In 2016, Jason transitioned to the public sector to join the Arizona Department of Administration procurement compliance team. He currently holds the role of Chief Compliance Officer for the State Procurement Office (SPO) and will be providing Leadership Oversight to the Set Aside Program.

**Christiana Moore – State Programs Manager**

Christiana holds a Bachelor of Supply Chain Management from Arizona State University. She graduated from ASU with honors and a full tuition scholarship. Her career has consisted of +20 years in supply chain management cutting across industries including aerospace, consumer goods, pharmaceuticals, non-profit and medical devices. She has managed $500M brand supply chains in pharmaceutical mergers and acquisitions. Her operational expertise consists of demand planning and forecasting, managing contract manufacturers as well as in-house MPS and finite factory planning and scheduling. Her most rewarding work was engaging in partnership with contract manufacturers employing a diverse workforce, including physically and developmentally disabled people (<http://cwspackaging.com/index.php/about-cws/corporate-responsibility/>) as well as serving at St. Mary’s Food Bank where she optimized the food procurement budget and was responsible for the largest single corporate donation in the organization’s history (<http://www.firstfoodbank.org/>). She currently holds the role of State Programs Manager where she supports the State Procurement Office (SPO) in program and project-related activities. She will serve as the Set Aside Program Committee Chair for ADOA-SPO.

1. **CONTRACT RENEWAL(S):**
	1. Sponges Contract for Stars
		1. Information: Contract Renewal Package Submitted to Committee
		2. Questions: None
		3. Motion to Approve – Sue Kay Kneifel
		4. Second to Approve – Shanna Ellis
		5. Motion to Extend Contract Carries/Approved – Unanimous Vote
2. **CONTRACT APPLICATION(S):**
	1. Document Imaging - Arizona Industries for the Blind
		1. Information: Application Package Submitted to Committee
		2. Questions: None
		3. Motion to Approve – Brian Radecki
		4. Second to Approve – Shanna Ellis
		5. Motion to Approve Contract Carries/Approved – Unanimous Vote
3. **CERTIFIED NONPROFIT AGENCY PROPOSAL:**
	1. Quality Connections, Inc. – OEM Printer Supplies

**QC, Inc. made a presentation supporting the Application for a Mandatory Contract in the form of a PowerPoint Presentation (some details captured below)**:

* Estimated $3M OEM Contract, project about $117K savings
* 80% Contract Market Share ($2.4M) is HP Products
* More HP Products offered by QC, Inc. vs. compared Contract
* Identical HP Product Pricing vs. compared Contract HP Product Pricing
* As a Non-Profit, QC, Inc. is exempt from paying Sales Tax
* 2 New-Hires contingent on Set-Aside Contract Award
* 50+ Total Disabled Employees w/23% Increase in Disabled Employees (15+ Disabled New-Hires)

**State Procurement Office Information:**

* Estimated $200K Savings from NASPO ValuePoint Contract (Office Depot & Wist)
* Wist Office Products is an Arizona-Based Business

**State Procurement Office Questions:**

**Question:** Can QC, Inc. service all State of Arizona Geographic and Cooperative Member locations?

QC, Inc. Response: QC, Inc. has several warehouses around the State. Additionally, QC, Inc. has partnered with several shipping companies to ensure the best possible delivery options. For remote Arizona regions and out of State Cooperative Program members, QC, Inc. will drop ship.

**Question:** Can QC, Inc. handle this increase in business?

QC, Inc, Response: Yes, with 2 possible New-Hires upon Set-Aside Contract approval.

**Question:** If QC, Inc. is not an HP OEM, what in the Value-Add Service to Drop-Ship Orders sent directly from Manufacturer?

QC, Inc. Response: Call Centers are manned by several disabled employees. QC, Inc. also provides a delivery service for toner cartridge products.

**Question:** QC, Inc.’s Overall Estimated Savings is: $117K; however, the overall estimated tax savings is: $240K. Why is there a difference?

QC, Inc. Response: Non-HP products are sometimes higher in price. The difference in purchasing cost offsets the savings.

Question: Is QC, Inc. a HP Products Authorized Distributor?

QC, Inc. Response: Yes.

Question: Does QC, Inc. have any Quality Performance Issues?

QC, Inc. Response: No, QC, Inc. has received no Formal State Contract Complaints within the last 10 years.

**State Procurement Office (SPO) Position:**

SPO recommends that the Set Aside Committee does not approve this Mandatory Contract.

SPO suggests QC, Inc. cultivate relationships with State Agencies to expand its business footprint.

**Committee Member Questions:**

Committee Member Questions to the State Procurement Office:

Question: How much of the total NASPO ValuePoint Contract Spend is on Toner?

Answer: Further research is needed to ascertain.

Question: If this Set-Aside Contract is approved, how will it affect Office Depot and Wist?

Wist Response: Loss of toner business would be impactful and potentially result in staff reduction.

Wist Office Products Representative urged QC, Inc. to consider profit margin. Wist offers 37% off HP Products and 5% of the monies that Wist makes goes directly back to their HP Manufacturer; therefore, the result is truly a 42% off Net in addition to the added Maintenance of Business (MOB) costs which could put any company in the red.

**Committee Member Comments:**

If a QC, Inc. Set-Aside Contract is to be approved and no sales tax charged, this State would have less money coming in to the General Fund. This tax loss to the General Fund would in effect negate the State Contract Savings referenced by QC, Inc.’s Proposal. The issue of not paying sales tax can be misleading on Applications.

Shanna Ellis expressed concern about violating the definition of a “pass through” contract and would like more information from the Attorney General’s Office.

Sue Kay Kneifel would like to see an “apples-to-apples” comparison on the numbers of disabled individuals hired by Office Depot and Wist Office Products, if possible.

**Committee Motion(s):**

* Brian Radecki moved to request a financial comparison between QC, Inc.’s Proposed Pricing and the NASPO ValuePoint Arizona Contract with Office Depot and Wist Office Products.
* Lori Tuell seconded this Motion.
* Sue Kay Kneifel moved to amend the Motion and requested this Contract Price Comparison take place prior to the next scheduled Quarterly meeting. The Committee would like to have this discussion via a telephonic meeting.
* Motion was Approved with Amendment by a Unanimous Vote.
1. **COMMITTEE COMMENTS AND SUGGESTIONS**: None

1. **FUTURE AGENDA ITEMS:** None
2. **CALL TO THE PUBLIC:**

D. Williamson, Chief Operations Officer of Nobody’s Perfect, Inc. expressed concern given the length of time the process has taken to vet and deliberate the application for QC, Inc.’s Mandatory Printer Contract with the State.

1. **ADJOURNMENT:** Meeting was adjourned at 3:19 PM
2. **NEXT MEETING: TBD**

For inclusion on the next regular agenda, contact Christiana Moore at (602) 542-9146. With prior notice to Christiana Moore, committee members can appoint a proxy if they are unable to attend the meeting. If you require special accommodations, please contact Christiana Moore at (602) 542-9146 at least three working days prior to the meeting.

SUBMITTED BY:

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 Barbara Corella, C.P.M., CPPB Date

 Chief Procurement Officer, DCS

 APPROVED BY THE COMMITTEE:

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 Barbara Corella, C.P.M., CPPB Date

 Chief Procurement Officer, DCS

Posted: