

Alaska's Participation in National and Regional Purchasing Cooperatives

The purpose of this document is to provide information about Alaska's participation in national and regional purchasing cooperatives and use of multi-state cooperative contracts.

Cooperative Purchasing is authorized per AS 36.30.700. The State participates in numerous multi-jurisdictional cooperatives for a wide variety of goods and services, ranging from computers to cyber security services to hospital supplies. While almost every State department participates in multiple cooperative agreements, the focus of this paper is our involvement in multi-state purchasing cooperatives resulting in contracts for use by the State and its political subdivisions. The organizations we're involved with that generate the greatest number of such contracts, and the greatest savings opportunities are:

Western States Contracting Alliance (WSCA)

Alaska is a founding member of this group of 15 States and is an active participant in developing its contracts. Our statutory procurement preferences make it impractical for us to lead WSCA procurements, but we contribute by providing staff to conduct market research and participate on sourcing teams.

National Association of State Procurement Officials (NASPO)

NASPO is WSCA's parent organization. Membership includes the lead procurement officials of each state, the District of Columbia and US Territories. Aside from the benefits of the cooperatively established contracts, we use NASPO as a conduit to collaborate with other states, gaining valuable information and assistance from our peers across the country on a variety of issues.

Minnesota Multistate Contracting Alliance for Pharmaceuticals (MMCAP)

Membership in MMCAP includes 46 states and the Cities of Chicago and Los Angeles. Thousands of facilities benefit from the contracts provided by MMCAP. In Alaska, facilities managed by the departments of Corrections and Health and Social Services as well as numerous health clinics access these contracts for drugs, pharmaceuticals, and related supplies. Alaska is sometimes able to procure drugs via MMCAP that it otherwise would not have access to, as was the case during a flu vaccine shortage several years ago.

Alaska benefits disproportionately from participation in these purchasing cooperatives because our relatively low purchasing volume is leveraged significantly when combined with that of other states. Paying the same for a copier or computer as the State of California or Texas is a good achievement for a state with such a low population. Cooperatively procured contracts provide excellent cost savings opportunities as well as administrative efficiencies because our procurement personnel aren't required to procure and administer these contracts themselves.

State agencies are not the only entities in Alaska to benefit from the State's involvement in cooperative procurement. Local Governments, School Districts, the University of Alaska, and Tribal governments also have access to State of Alaska contracts, including cooperative contracts. In FY10, political subdivisions saved over \$8 million by using State contracts, over \$7 million of those savings are a direct result of cooperative contracts.

FY 10 savings from cooperatively procured contracts:

State of Alaska savings:	\$6.55 million
Political subdivision savings:	\$7.06 million
Total State and political subdivision savings:	\$13.61 million

The Division of General Services (DGS) attempts to limit any negative impacts of our use of cooperative procurements on Alaskan businesses. The best result is when Alaskan based businesses are part of the cooperative contracting process. This is a common outcome - purchases from cooperative contracts for copiers, pharmaceuticals, industrial tools and supplies, small package delivery, and tires are all fulfilled by Alaskan based businesses. The difficult challenge arises when we have a cooperatively procured contract available which would compete with a locally based provider. In those instances, DGS provides the estimated spend data and savings potential available from the cooperative contract to the Commissioner of Administration for consideration. In some instances, it has been a good tradeoff to use the cooperative contract, as it was with computers - the use of the WSCA computer contracts has saved the State and its political subdivisions tens of millions of dollars. But the last thing we want is to harm Alaskan businesses or the local economy to achieve cost savings, which might eventually lead to the revocation of our authority to participate in cooperative procurements.

State of Alaska Office Supplies Contract

Existing State Contracts

The State of Alaska currently has regional contracts for office supplies with three firms: Staples (Anchorage/Fairbanks), Office Plus (Juneau) and Jud's Office Supply (Ketchikan). These contracts were competitively solicited by the Division of General Services. To date, \$19.1 million in purchases have been made from the contracts. The contracts use a single percentage discount and expire on December 31, 2012 with no remaining renewal options.

Western States Contracting Alliance (WSCA) Contract

The State of Oregon, on behalf of WSCA, solicited and awarded office supplies contract to two nationwide vendors with physical locations in Alaska: OfficeMax and Staples. The WSCA contracts use 45 unique categories allowing vendors to offer deeper percentage discounts for some commodities when compared to the current contracts. These contracts were solicited with Alaska's participation and met Alaska's public notice requirements per AS 36.30.130.

Analysis

A comparison between current state contracts and available WSCA contracts was performed using one year of State of Alaska spend data. Following is the evaluation comparing WSCA pricing against the state contract pricing:

<u>LOCATION</u>	<u>CURRENT CONTRACTOR</u>	<u>RECOMMENDED CONTRACTOR</u>	<u>ADDITIONAL SAVINGS</u>	<u>EST. ADDITIONAL ANNUAL SAVINGS</u>
Juneau	Office Plus	OfficeMax	36%	\$181,160
Fairbanks	Staples	OfficeMax	13%	\$13,036
Anchorage	Staples	Re-bid		
Ketchikan	Jud's	Re-bid		
TOTAL ADDITIONAL ANNUAL SAVINGS				\$194,196

Additional savings are possible as the WSCA contracts cover items not discounted in the current state contracts. Some examples of WSCA contract items not covered under the State contracts include:

- Clocks, Hooks, Lamps
- Fans, Heaters
- Headsets, Headset Accessories, Headphones
- Mailing Tubes, Mailing Tubs, Packaging, Envelopes, Letter Openers
- Mouse, Keyboards, Wristrests, Keyboard Pads, Mousepads, Keyboard Trays
- USB Drives, Flash Memory, Zip Disks

Options

1. Rebid all locations
2. Join WSCA contracts in Juneau and Fairbanks and rebid Anchorage and Ketchikan

Conclusion

In an effort to obtain the best possible pricing, convenience, and customer service, DGS recommends participation in the WSCA contracts with OfficeMax for the Juneau and Fairbanks markets. OfficeMax has multiple locations in Alaska, contributing to the local economy. For Anchorage and Ketchikan, state solicitations would be conducted. The Anchorage solicitation would benchmark the discount offered against the WSCA contract discounts, reserving the right to use the WSCA contract in Anchorage if it would result in savings.

WSCA Light Duty Auto Parts Contracts

The WSCA Light Duty Auto Parts contract was led by the State of California and is a multiple-award contract. Four parts distributors were included in the award: NAPA, AutoZone, O'Reilly - representing Kragen, Checkers, and Schuck's stores, and Buck's 4x4, who is a Parts+ distributor. NAPA and O'Reilly both have a strong retail presence across Alaska.

Currently, the State of Alaska, Department of Transportation and Public Facilities (DOTPF) does not have any contracts for light duty auto parts and runs a quote solicitation process to procure light duty auto parts when needed. DOTPF has expressed an interest in using the WSCA contracts.

In addition to Alaska receiving the same discount that much larger states such as California will receive by using the WSCA contracts, all contracts include free shipping within a 30-mile radius of a retail store and on all orders over \$150 regardless of distance, online ordering capabilities, and access to all parts for all makes and models of light duty vehicles. We believe that political subdivisions will also take advantage of and benefit from these contracts.

Recommendation:

Execute Participating Addendums (PA's) with all four contractors.

Benefits: Cost savings through discounts and free shipping, administrative ease of use (i.e. no quote process needed), increased customer choice and flexibility.

Because no state contracts exists, we believe that no vendors will be displaced. The most likely result of executing these PA's is that agencies will continue using the same vendors they use now, but will receive more favorable pricing.

Political subdivisions will also take advantage of and benefit from these contracts.

WSCA Laboratory Supply and Equipment

The Division of General Services is investigating the option of participating in the WSCA contract award for laboratory supplies and equipment.

The State of Alaska currently has 2 contracts for laboratory supplies and equipment, one with Fisher Scientific and one with VWR International. These contracts were competitively solicited by the Division of General Services and were awarded April 1999. Awards were made to each bidder based on the lowest price per category per brand.

To allow the State of Alaska to participate in the WSCA award, on January 1, 2003, the State of Alaska contracts with Fisher and VWR were placed on a month to month basis. The contracts had 2 renewal options left. The final renewal option would expire December 31, 2004.

The State of Alaska participated in the solicitation process with the State of Idaho and signed a WSCA Intent to Contract, July 3, 2002, (attached). The State of Alaska Standard Terms and Conditions (in whole) and Alaska's estimated quantities from both Alaska contractors became part of the WSCA solicitation and the Participating States/Unique Terms and Conditions. See attached WSCA solicitation *Attachment A* page 11.

On May 1, 2003, the State of Idaho awarded the WSCA contract to Fisher Scientific. The WSCA solicitation received 2 responsive bids, one from Fisher Scientific and the other from VWR International. The award was made to one bidder based on the lowest price form a list of the 100 highest use items from 3 of the participating states, e.g. Alaska, Idaho and Montana. The breakdown of the Alaska evaluation items consisted of 50 from the Alaska contract with Fisher and 50 from VWR. The other states named in the solicitation; Hawaii, Nevada, Washington and Colorado did not provide lists of items for evaluation and therefore were not considered.

After award of the WSCA contract, the State of Alaska intends to compare the discounts given in the WSCA contract with the State of Alaska's contract. The State of Alaska will participate in the WSCA award if the prices are determined to be in the best interest of the State. Based on the volume of the 7 participating states, it is anticipated the discounts in the WSCA contract will be greater than those received by the State of Alaska alone in its contract awards. Another significant difference between the WSCA and Alaska contracts is the WSCA contract does not allow the contractor to charge shipping charges to Alaska, which as we know can be significant to Alaska purchases.

Currently, do to the amount of work involved in the evaluation process, time constraints and other priorities, the evaluation process has not yet started.

Discussion topics

1. The State of Alaska included the entire Standard Terms and Conditions boilerplate, including the preferences page. In hindsight it is apparent the entire State of Alaska Terms and Conditions are not applicable and therefore were included in error. Question: Can the State of Alaska participate in the WSCA award even though the preferences were not evaluated by WSCA?
2. VWR International is aware of the State's intent to participate in the WSCA award. The State of Alaska received a formal letter from VWR International (attached) questioning our ability to award a contract that was not evaluated with the Alaska preferences as stated in the WSCA state unique terms and conditions.