



**To:** General Purposes Committee **Date:** September 7, 2022  
**From:** Ivy Wong **File:** 03-1000-20-8041/Vol  
Acting Director, Finance 01  
**Re:** **Award of Contract 8041P - Supply and Delivery of Office Supplies**

**Staff Recommendation**

1. That Contract 8041P - Supply and Delivery of Office Supplies be awarded to two contractors, for an aggregate contract value of \$1,320,000.00 for a three-year term, to Corporate Express Canada, Inc., operating as Staples Advantage Canada and Mills Office Productivity, as described in the report titled "Award of Contract 8041P - Supply and Delivery of Office Supplies", dated September 7, 2022 from the Acting Director, Finance;
2. That the Chief Administrative Officer and General Manager, Finance and Corporate Services be authorized to extend the initial three-year term, up to the maximum total term of five years, for the maximum total amount of \$2,314,400.00, excluding taxes, as described in the report titled "Award of Contract 8041P - Supply and Delivery of Office Supplies", dated September 7, 2022 from the Acting Director, Finance;
3. That staff be authorized to extend both contracts for the final two years of the five year contracts; and
4. That the Chief Administrative Officer and General Manager, Finance and Corporate Services be authorized to execute the contract.

Ivy Wong  
Acting Director, Finance  
604-276-4046

<b>REPORT CONCURRENCE</b>	
<b>CONCURRENCE OF GENERAL MANAGER</b> 	
<b>SENIOR STAFF REPORT REVIEW</b>	<b>INITIALS:</b> 
<b>APPROVED BY CAO</b> 	

## Staff Report

### Origin

The City entered into an agreement for Office Supplies with Mills Office Productivity (“Mills”) in 2011 through a Request for Proposal (“RFP”) administered by the Vancouver Regional Cooperative Purchasing Group (“VRCPG”). Aside from City of Richmond, affiliates also covered under the contract included Richmond Public Library and Lulu Island Energy Corporation.

The City's current contract with Mills for office supplies expired in May 2022 and has been extended on a month-to-month basis to enable a competitive process to be undertaken.

This report summarizes the public tendering process for Contract 8041P and provides a recommendation for the provision of office supplies.

This report supports Council’s Strategic Plan 2018-2022 Strategy #5 Sound Financial Management:

*Accountable, transparent, and responsible financial management that supports the needs of the community into the future.*

This report supports Council’s Strategic Plan 2018-2022 Strategy #5 Sound Financial Management:

*5.2 Clear accountability through transparent budgeting practices and effective public communication.*

*5.3 Decision-making focuses on sustainability and considers circular economic principles.*

### Analysis

The City currently purchases a wide variety of office supplies and custom printed items from Mills on an “as required” basis, with the majority of requirements being procured through the supplier’s online portal. The City’s annual spend on office supplies has fluctuated in recent years and reduced during the pandemic due to staff working remotely.

### Procurement Process

Request for Proposals 8041P - Supply and Delivery of Office Supplies was posted to BC Bid on January 18, 2022 which resulted in three bids being received by the closing date of February 17, 2022.

The RFP required proponents to provide fixed prices for specific products (core items and custom printed items) and propose a competitive discount structure for all other office supplies available from the proponent and their respective suppliers. Staff reviewed previous usage statistics to communicate the City’s product requirements. While some items are recurring purchases (reflected as core items), many purchases are one-off purchases.

The following illustrates the overall service requirement:

- Core Items: Items that are purchased frequently where the vendor commits to a contracted fixed price. These items represent roughly 40% of the City's overall annual spend. Examples of core items are binders, copy paper, notebooks, pens, toner cartridges and tape.
- Custom Printed Items: This sub-category represents approximately 15% of the City's overall annual spend. Examples of custom printing needs include printed envelopes, business cards, and letterhead.
- All other office supplies: This is the largest and most diverse category, characterized by many one-off purchases that are subject to a discount based on the Proponent's listed web price. Examples of discounted items are furniture, IT peripherals and accessories and white boards.

Three proposals were received by the closing date from the following proponents:

- Mills Office Productivity
- Staples
- Novexco Inc.

#### Review Process

The proposals were evaluated by City staff and consisted of a two-phased evaluation process, with the two highest scoring proponents progressing to the second evaluation phase.

The first phase involved independent reviews of each proposal scored against the following pre-determined criteria:

- Corporate background, expertise and experience
- Ability to meet service and operational requirements
- Circular Economy
- Financial Proposal, including value added proposals

Table 1 provides a summary of the financial proposals received and the total score awarded by the evaluation panel after the first phase of the evaluation process.

The financial proposals received reflect the total proposed pricing for core items and custom printing needs only. Discounts for non-core items (typically one-off purchases) were reviewed separately.

Table 1 - Phase 1 Evaluation Results

	<b>Mills Office Productivity</b>	<b>Staples</b>	<b>Novexco Inc.</b>
Core Items	\$95,251.47	<b>\$92,947.62</b>	\$132,099.96
Custom Printed Items	<b>\$37,244.70</b>	\$86,147.00	\$74,123.70
Total	\$132,496.17	\$179,094.62	\$206,223.66
Evaluation Score	73%	78%	58%
Results of Phase 1 evaluation	shortlisted	shortlisted	Not shortlisted

The shortlisted proponents proceeded to phase two of the evaluation process. Representatives from Mills and Staples were invited to an interview with City staff to validate their respective proposals and to provide a demonstration of their ordering system.

Table 2 reflects the total evaluation scores awarded by the evaluation panel following the second phase of the evaluation.

Table 2 - Phase 2 Evaluation Results

<u>Proponent</u>	<u>Evaluation Score</u>
Staples	80%
Mills	68%

Upon identifying Staples as the lead proponent, staff negotiated additional value added incentives.

1. Signing bonus of \$100,000.00, payable in three increments of \$33,333.00 each year, provided annual revenue targets are met.
2. Annual rebates based on the prior year’s spend.

Award Recommendation

Staff recommend awarding the primary contract to Staples for the supply of core items and all other office supplies, and a separate contract to Mills for the supply of custom printed items.

Staples provided the most competitive pricing for core items required by the City and a competitive discount structure for non-core items. They have proposed an experienced team and a sound transition plan to meet the City’s operational needs. Staples also demonstrated their organization’s alignment with the City’s circular economy plans and were early adopters in box reuse, air guard packaging, optimized routing, and the reuse/recycling of cartridge components. Their ordering platform was straightforward to use and intuitive where best buys and eco-friendly alternative products are easily identified.

Mills has been the City’s office supplies provider since 2011 and proposed the most competitive prices for custom printed items.

**Financial Impact**

As per the terms of the RFP, Staples are committed to a fixed pricing structure for all core items for the first two years of the contract. The proposed percentage discounts for non-core items will remain in place for the initial term (three years) of the contract. Similarly Mills are committed to a fixed pricing structure for custom printed items during the first two years of the contract. As summarized below in Table 3, the estimated total cost of the proposed contract over a three-year term is estimated at \$1,320,000.00, including contingency and including incentives. A 10% contingency is required to accommodate potential changes, such as increased ordering of supplies to support staff returning to in-office work.

Table 3: Total Initial Three-Year Term Cost

	<b>Estimated Total Cost with both proponents (excluding financial incentives)</b>
Year 1	\$400,000.00
Year 2	\$400,000.00
Year 3	\$400,000.00
<b>Subtotal</b>	<b>\$1,200,000.00</b>
Contingency (10%)	\$120,000.00
<b>Total (for 3 year initial term)</b>	<b>\$1,320,000.00</b>

Table 4: Total Two-Year Term Extension Cost

The City has the option to extend both contracts for an additional two year term under the same terms and conditions. Pricing beyond the additional two (2) year Term will be negotiated. The estimated cost associated with this extension is summarized in Table 4.

	<b>Estimated Total Cost with both proponents in Years 4 and 5</b>
Year 4	\$420,000.00
Year 5	\$484,000.00
<b>Subtotal</b>	<b>\$904,000.00</b>
Contingency (10%) for years 4 and 5 (10%)	\$90,400.00
<b>Total (reflecting additional 2 year term)</b>	<b>\$994,400.00</b>

The maximum contract value over a five-year contract term is estimated at \$2,314,400.00 including contingency.

Various departmental operating budget accounts will fund the contract and is subject to annual approval by Council. The actual expenditures of the contract will reflect Council approved budgets.

**Conclusion**

A reliable and diverse supply of office supplies and printed materials are essential to City services. Staff recommend that contract 8041P be awarded to both Staples and Mills for a three year fixed term, with the option to renew for one further two year term.

September 7, 2022

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A handwritten signature in black ink, appearing to read 'DAA', followed by a horizontal line and a period.

David Aarons  
Manager, Purchasing  
(604-276-4061)