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DEPARTMENT OF
FINANCE

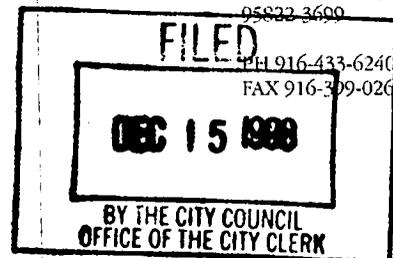
PROCUREMENT SERVICES DIVISION

CITY OF SACRAMENTO
CALIFORNIA

December 4, 1998

PS:Admin:98068:RBH:rh

5730 - 24TH STREET
BUILDING FOUR
SACRAMENTO, CA
95832-3600



City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: REPORT BACK ON PURCHASE OF RECYCLED PAPER PRODUCTS

LOCATION AND COUNCIL DISTRICT: City-wide; All districts

RECOMMENDATION:

This report is provided for Council information only and no action is necessary.

CONTACT PERSON: Bob Holbrook, Procurement Services Manager, 433-6202

FOR COUNCIL MEETING: December 15, 1998

SUMMARY:

At the City Council meeting of November 17, 1998, when the City Council awarded the contract for Printing Services resulting from Bid No. 1791, Council member Cohn requested that staff report back to the Council regarding the City's efforts to purchase recycled paper products, and how the State and other local agencies are handling the issue of recycled paper purchases. This report is provided in response to that request.

BACKGROUND:

On November 17, 1998, the City Council awarded the contract for Printing Services resulting from Bid No. 1791. Council member Cohn requested information about the use of recycled paper stock under this contract and about how the State and other local agencies are handling the issue of recycled paper purchases.

While recent contracts for paper stock and for printing services have allowed for submission of bids using both virgin and recycled paper stock, most have been awarded to bidders offering virgin stock, since the price margin between virgin and recycled stock has been well in excess of the City's current authorized 5% recycled goods preference. In the recent Bid No. 1791, the printing services were grouped into categories based on type and weight of paper stock, and bids were requested for both virgin stock and recycled stock

for each category, with preference given for recycled stock. In this bid, the closest margin between the lowest bid for virgin paper and the lowest bid for recycled paper in any of the categories was a price differential of 35% (recycled being the more expensive). At the upper end, the recycled paper was more than 100% higher in cost than the virgin paper stock.

Staff checked with the State of California, the County of Sacramento, Sacramento Regional Transit (RT), and the Sacramento Municipal Utility District (SMUD) to determine their current policies regarding the purchase of paper products. Of these agencies, only the State has a bid evaluation price preference policy which, according to the Office of Procurement, is not being used at this time due to the large price differential between virgin and recycled paper stock. Due to the price differences between virgin and recycled paper stock, both the State and the County have elected to establish separate contracts for virgin paper stock and for recycled paper stock. RT and SMUD do not have a recycled goods preference policy, and both award to the lowest bid, whether the paper stock is recycled or virgin.

The City's experience comports with that of the State and the County, in that the price difference between virgin and recycled paper stock has consistently been larger than existing bid evaluation preferences that are authorized (5% in the City's case). Both RT and SMUD have also found virgin paper stock to be consistently lower in price in their competitive bidding, though neither has any expressed preference policy.

Based on the models established at the State of California and the County of Sacramento, the City Purchasing Office intends to undertake competitive bidding to establish separate contracts for printing services that utilize recycled paper only, in addition to the existing contracts which utilize virgin paper stock. The same approach will be used for other contracts that include requirements for paper purchases, for example the contract for business cards, letterhead, and envelopes. This will provide City offices a choice between the use of recycled or virgin paper stock, depending upon their individual needs. Staff intends to continue to monitor the price differential between recycled and virgin paper stock, and will continue to maintain the "dual" contract approach until such time as the price gap between recycled and virgin paper stock closes to within a competitive margin.

FINANCIAL CONSIDERATIONS:

As noted above, in the current market the cost of recycled paper stock is generally higher than the cost of virgin paper stock. Nonetheless, on occasion some City organizations either need or prefer to use recycled paper stock for particular projects. Based on this need, the Purchasing Office intends to establish separate contracts which will provide choice of type of paper stock for the using organizations. By using separate competitive bidding for each type of stock, both virgin paper stock and recycled paper stock will be purchased at the most competitive prices available in their respective markets.

ENVIRONMENTAL CONSIDERATIONS:

Ongoing administrative and maintenance activities, such as purchases of supplies, equipment or materials which are not made for purposes of a public works construction project, do not constitute a "project" and

are exempt from the California Environmental Quality Act (CEQA). CEQA Guidelines, Sections 15061(b)(1), 15378(b)(3).

POLICY CONSIDERATIONS:

The purchase of paper products is done in accordance with the requirements for competitive bidding as set forth in Title 57 of the City Code, and in conformance with City Council's expressed policy to favor the purchase of recycled products. Although current City policy allows for the use of "the same 5% preference established by the State", the price difference between virgin paper stock and recycled paper stock has consistently been greater than that. The establishment of separate contracts for recycled paper stock and virgin paper stock will allow greater opportunities for City departments to use recycled paper stock at competitive prices when they either need or prefer to do so.

MBE/WBE EFFORTS:

The City Purchasing Office conducts all competitive bid solicitations in accordance with the City's policy of extending opportunities for participation to minority/women business enterprise (M/WBE) firms whenever such firms are available.

Respectfully Submitted,



Robert B. Holbrook
Procurement Services Manager

RECOMMENDATION APPROVED:



 WILLIAM H. EDGAR
City Manager