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**CITY OF TEMPE**  
**REQUEST FOR COUNCIL ACTION**

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**Council Meeting Date: 11/15/2018**  
**Agenda Item: 5B**

**ACTION:** Accept City staff's recommendation to not approve the utilization of a one-year U.S. Communities cooperative contract with Amazon Services LLC, for an on-line marketplace for miscellaneous products that are not available from contracted suppliers. (Item continued from the August 30, 2018 and October 22, 2018 Regular Council Meeting agendas)

**FISCAL IMPACT:** Total cost of this one-year contract was not to exceed \$150,000. Sufficient funds have been appropriated in various City-wide cost centers within the General Fund and other department operating funds for the anticipated expenditures in the current fiscal year.

**RECOMMENDATION:** Based on additional staff review, it is not recommended that this contract be approved as there are no longer any compelling advantages associated with its utilization.

**BACKGROUND INFORMATION:** (R-TC-17006) Prince William County Public Schools (PWCPS) solicited proposals and awarded a U.S. Communities cooperative contract for an on-line market place for various products. PWCPS served as Lead Public Agency on behalf of the U.S. Communities Government Purchasing Alliance through a public agency clause, which provides that any public entity may purchase products or services through this contract.

This request was originally presented for review at the August 30, 2018 Regular Council Meeting. At that meeting, Council tabled the request and directed staff to reach out to the local supplier community to determine what steps could be taken to increase procurement opportunities for them. As a result, staff conducted a supplier event at the Tempe History Museum Community Room on the evening of October 17<sup>th</sup>. The City issued invitations to over 600 Tempe based businesses along with promotion through the Tempe Chamber of Commerce and City generated social media notifications. A total of 17 businesses attended the event that included a diverse cross section of offerings. At the meeting staff discussed its purchasing and contracting process and attendees provided input and opinion on the City's local spending efforts.

In recognition of Council's dual concerns regarding the growing expenditures with Amazon and the need to ensure that local businesses are more involved in City procurement opportunities, staff has carefully examined Amazon expenditures and taken the following actions:

- Purchasing blocks have been put in place that prevents Procurement Card holders from purchasing office supplies, custodial supplies and other previously contracted items from Amazon;
- Meetings have been conducted with employees to educate them on strategies to increase purchasing opportunities with local suppliers;
- Procurement staff continues to identify and meet with local suppliers to explore their interests, capabilities, and fit within the City's procurement program.

To evaluate the effectiveness of these efforts, staff developed a four-month spend report on Amazon purchases from July through October of 2018. This report confirms an important momentum change in Amazon spend as shown below in Table 1.

Table 1

Period Reviewed	Amazon Spend
July 1, 2017 – October 31, 2017	\$60,239
March 1, 2018 – June 30, 2018	\$92,378
July 1, 2018 – October 31, 2018	\$50,208

As shown above, for the first four months of this fiscal year the City's spending with Amazon has been reduced by 17% as compared to the same time period one year ago. Additionally, when comparing the last four months of the previous fiscal year against the first four months of the current fiscal year a 46% reduction in Amazon spend is realized. Although this latter comparison is not ideal due to the higher spending occurring at the close of a fiscal year, both comparisons support the conclusion that a change has occurred in the volume and trajectory of City spend with Amazon which until now has been on a steady increase over each of the past five years.

Staff has further evaluated the benefits of the U.S. Communities contract since originally presenting the contract at the August 30<sup>th</sup> Council meeting. At that time, Amazon had not confirmed if the free Business Prime membership that was offered to entities that joined the U.S. Communities contract would continue to be offered past January 14, 2019. Amazon has recently confirmed that Business Prime will not be free past January 14<sup>th</sup>.

As a result of Amazon's decision, staff believes there are no longer any compelling reasons to adopt the U.S. Communities contract. Without the U.S. Communities contract the City will still be able to closely monitor and manage Amazon spending and will be able to continue to block item categories. Staff is confident that basic advantages associated with utilizing its Amazon Business account will be sufficient to continue to effectively manage and control this spend.

**ATTACHMENTS:** N/A

**STAFF CONTACT(S):** Michael Greene, C.P.M., Procurement Administrator, (480) 350-8516

Department Director: Renie Broderick, Internal Services Director

Legal review by: David Park, Assistant City Attorney

Prepared by: Lisa Goodman, CPPO, Procurement Officer