

TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES

DATE: NOVEMBER 18, 2002 CMR: 436:02

SUBJECT: APPROVAL OF CONTRACT WITH MBA OF CALIFORNIA, INC. IN THE AMOUNT OF \$748,299 FOR A THREE-YEAR PERIOD FOR THE RENTAL AND MAINTENANCE OF CONVENIENCE COPIERS

RECOMMENDATION:

Staff recommends that Council

1. Approve and authorize the Mayor to execute the attached contract agreement with MBA of California, Inc. in an amount not-to-exceed \$229,433 per year for a three-year time period for the lease and maintenance of organization-wide convenience photocopiers, plus an additional estimated amount of \$20,000 for color copies for Police, Utilities Engineering and the Printshop; and
2. Authorize the City Manager or his designee to negotiate and execute one or more change orders to the agreement with MBA of California, Inc. The total amount of the change orders shall not exceed \$45,887 annually. This amount is expected to cover increases in total number of copies made, or any additional requirements for new photocopy machines.

BACKGROUND:

Since 1987, the City has contracted for photocopy services with various vendors. The City's current copy services contract with Rabbit copiers expired on March 31, 2002 and has been extended to provide staff with sufficient time to complete the Request for Proposals (RFP) process.

On June 18, 2002, staff issued an RFP to 11 qualified firms. The services requested were rental and maintenance of 53 new photocopiers strategically located in City departments. These will replace all existing copiers and will provide basic departmental copying needs. All photocopy supplies, with the exception of paper, are included in the agreement. The

City's Print Shop will continue to support the larger, more complicated copy requirements. Firms were given 28 days to respond to the request. A total of four firms submitted proposals. Those firms not responding indicated that they were not able to provide new rental equipment, along with technical maintenance support, at competitive rates.

DISCUSSION:

An evaluation committee consisting of ten representatives from throughout the City, reviewed the four proposals and scheduled interviews for three of the firms, including the City's current copier service provider. The interviews were structured as two-hour sessions, and the vendors were invited to provide demonstrations of their equipment as part of the evaluation process. The committee carefully evaluated each of the firm's proposals based on the following criteria: 1) qualifications and experience of proposed project manager and key staff; 2) similar experience, methodology and expertise in the type of work required; 3) demonstrated experience and methodology used in performing the work/service and response time; 4) the response to the RFP, including the contractor's approach and methodology proposed; and 5) the proposed fee relative to the services to be provided. After a thorough evaluation, it was the consensus opinion of the committee that MBA of California, Inc. was the firm best qualified to meet the City's needs.

All of the equipment proposed by MBA of California, Inc. includes built-in scanners that allow the user to scan documents at no cost (since no copy is printed) directly to e-mail and to the City's network. MBA will also provide one copy of software (similar to Adobe Acrobat) for each machine, which allows the user to manipulate the document once it's converted into PDF format. This feature has far-reaching implications in terms of the development of paperless transfer of information for agenda items, PDF documents, etc. The City will own this software beyond the lease term.

The Kyocera-Mita machines proposed by MBA of California, Inc. are designed with a straight paper path, which reduces the instances of jamming; and a short copy and print paper path, providing for easier clearing of jams and misfeeds when they do occur. The technical specifications provided by MBA of California include the use of recycled paper, which supports the direction of the City toward a sustainable environment.

The rental and maintenance charges are based on a flat per-copy rate of \$.03823 per copy for black and white copies up to 462,000 per month (after which an overage per-copy price of .0075 will be charged) and \$.075 for color copies. Three departments in the City have requested the option for color printers: the Print Shop, Utilities Engineering and the Police Department. Staff has estimated \$20,000 for color copies for the three departments combined. Currently, copies are being routinely sent to Kinko's for an excess of \$.50 per page.

Traditionally, the City has paid a flat rental rate in addition to a “per copy” rate for each machine. MBA has combined those into one “per copy” rate. The rental covers a base minimum number of copies of 5,544,000 at the rate of \$.03823 per copy. The rate drops to \$.0075 for copies over this amount. The additional \$45,887 requested covers this amount and any additional requirements for new photocopier machines.

RESOURCE IMPACT

Funds for this project are included in the fiscal year 2001-02 and 2002-03 Budgets. Staff evaluated lease versus purchase options. MBA will extend to the City the option to purchase all the equipment quoted in its proposal for \$525,012 (which includes shipping, installation, training, and applicable taxes). Maintenance (service) and supplies based on 5,544,000 annual copies at \$.0075 would be \$41,580. Over a three-year period, this amounts to \$124,740.

Copier Lease (est. annual based on 5,544,000 copies)	Copier Purchase (flat cost, based on current need)
\$229,433	\$525,012 equipment cost
<u>x 3 years</u>	<u>+124,740</u> (41,580x3 years maintenance cost)
\$688,299	\$649,752

The difference between the lease versus purchase options is approximately \$38,547. The copier lease includes all standard base equipment, service and supplies (with the exception of paper) for the lease period. Considering that the City’s internal rate of return would be higher than the cost of financing for leasing the copiers, there is no financial advantage to purchasing rather than leasing these machines.

The following issues should also be considered:

1. Technology is rapidly changing. As it exists now, at the end of the three-year cycle, the City would not be shackled with obsolete machinery.
2. Problems arising with a problematic piece of equipment, a “lemon.” In a lease, the City has the flexibility to replace the defective equipment with another copier at no cost. If the City owns the equipment, this option does not exist.
3. In a lease, City departments have the flexibility to upgrade or downgrade their equipment based on their needs.

ENVIRONMENT ASSESSMENT

These services do not constitute a project under the California Environmental Quality Act (CEQA). Therefore, no environmental assessment is required.

ATTACHMENTS

Attachment 1: Agreement

Attachment 2: MBA's Rental vs Purchase Options

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