

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

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| AGENDA TITLE: | Authorize City Manager to Execute a Purchase Order with Pacific Office Automation in the Amount of \$163,895.22 for the Lease of New Copiers |
| DEPARTMENT: | Administrative Services Department/Information Technology Division |
| PRESENTED BY: | Katherine Moriarty, Information Technology Manager |
| ACTION: | <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Discussion <input type="checkbox"/> Public Hearing |

PROBLEM/ISSUE STATEMENT:

The City currently has 14 black and white copiers that were purchased in 2009. The copiers have reached end of life and need to be replaced. In anticipation of their replacement, each year since the 2009 purchase, money has been placed in the City's equipment replacement fund to procure new copiers. The City's Equipment Replacement Fund has a balance of \$320,002, which will cover the costs of the new copiers.

The City considered two options for the replacement of the copier fleet, and staff has proposed to enter into a 60-month lease for new copiers. Following a bid process, Pacific Office Automation was selected as the least expensive vendor to provide the copiers on lease. Staff recommends that Council provide the authority to execute a purchase order with Pacific Office Automation for lease of the copier fleet.

RESOURCE/FINANCIAL IMPACT:

The cost of the lease of the equipment is \$163,895.22 (\$149,676 + \$14,219.22 in tax). Pacific Office Automation is providing the City with a \$15,000 payment for the old copier fleet, making the effective cost to the City for this lease \$148,895.22. The funds are available through the Citywide Equipment Replacement Fund. There is \$320,002 in the fund for the replacement of the copier fleet, which includes a 2016 allocation of \$25,200.

There will be no residual value to the copiers after the lease term. It will be the responsibility of the lessor to dispose of the copiers at that time.

RECOMMENDATION

Staff recommends that Council move to authorize the City Manager to execute a purchase order in the amount of \$163,895.22 with Pacific Office Automation for the lease of 11 copiers.

Approved By: City Manager **JN** City Attorney **MK**

BACKGROUND

The City currently has 14 black and white copiers that were purchased in 2009. The copiers have reached end of life and need to be replaced. In anticipation of their replacement, each year since the 2009 purchase, City departments made annual contributions to the Citywide Equipment Replacement Fund in order to ensure that there were sufficient funds for the replacement of the copiers within five years (the life expectancy of copier devices). The City's Equipment Replacement Fund has a balance of \$320,002, which will cover the proposed lease.

Two of the black and white copiers were decommissioned and will be disposed of. In 2013, these two copiers were replaced by leased color copiers. Of the remaining 12 copiers, 11 will be replaced. The 12th copier has very low usage. The selected vendor has agreed to replace that copier with a copier from the vendor's inventory that has not reached end-of-life. The City will pay a per-page cost that will cover the support of that copier, when needed.

ALTERNATIVES ANALYSIS

The City considered two options for the replacement of the black and white copier fleet: 1) purchase, and 2) a 60-month lease.

Purchase

The following points were considered in connection with this option:

- Purchase cost is \$11,292.59 less than the lease option over the five-year life cycle.
- Purchase does not allow for payments over time (i.e. investment of the fund balance allows the fund to potentially grow in value over time.)
- Purchase does not allow for equipment changes based on the City's needs (changes in equipment when capacity grows or shrinks.)
- Purchase results in the City's liability for keeping the copier fleet operationally reliable. In the event that a City-owned copier could not be returned to operability, it would be the City's responsibility to replace that copier.
 - Some of our currently owned copiers are not reliable and jam once to several times a day. While the City negotiated a maintenance contract on these units, our vendor is unable to maintain reliable operability.

60-month Lease

The following issues were considered in connection with this option:

- Lease cost for the 11 needed black and white copiers is \$2,494.60 per month.
- Lease will enable the City to pay for the copiers over the 60 months of operation versus a lump sum payment, and therefore, investment of the fund balance allows the fund to potentially grow in value over time.
- Lease will enable the City flexibility should requirements for copying and printing change.
- Lease will result in the responsibility for the reliable operation of the copier fleet to transition to the vendor. In the event a copier does not reliably operate, the vendor will be required to replace the unit with one that is fully operational.

- The City has already experienced this situation with our color copier fleet. A replacement for the color copier was delivered and installed to replace one that was not reliably operating as a component of the lease agreement.

Maintenance

The maintenance of the copier fleet, whether leased or purchased, is determined on the number of pages printed (per-page cost). These operational costs are budgeted through the general fund, and are not included in the lease cost.

Replacement Recommendation

Staff is recommending the lease of the copiers for the following reasons:

- Equipment downtime has a substantial impact to staff productivity, so the provision of reliable printing and copying is important;
- A lease allows the flexibility to increase or decrease capacity based on operational need;
- The City can pay the lease monthly and invest the fund balance (while interest income received will not equate to the difference in the purchase cost versus the lease cost, there will be some benefit in not paying for the copiers in one lump sum); and
- The City does not need to dispose of the old equipment at end of life.

Lease Procurement

Bids were received from three copier vendors for the proposed lease:

- Copiers Northwest,
- Preferred Copiers, and
- Pacific Office Automation.

A complete analysis of costs was performed, and Pacific Office Automation was the least expensive vendor over the 60-month lease period. Both cost and service levels were considered. While all three vendors offered the same level of service and while each used the Washington State contract that the City can also benefit from, greater discounts to that contract were offered by Pacific Office Automation. Pacific Office Automation also offered a 'trade in' value for our existing copiers that was greater than that offered by the other two vendors.

RESOURCE/FINANCIAL IMPACT

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