



CITY COUNCIL AGENDA REPORT
MEETING DATE: 11/5/2019
DEPARTMENT: Management Services

SUBJECT:

APPROVAL OF COPIER LEASE AND MANAGED PRINT SERVICES CONTRACTS

RECOMMENDED ACTION(S):

1. Award a contract in the amount of \$15,120 to Konica Minolta Business Solutions for Managed Print Services.
 2. Award a contract in the amount of \$60,685.68 to Konica Minolta Business Solutions for copier leases.
 3. Authorize the Mayor to sign, and the City Clerk to attest, the award of contracts to Konica Minolta Business Solutions substantially in the forms attached.
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EXECUTIVE SUMMARY:

The City issued a Request for Bids (RFB) to replace seven multi-function copiers whose leases have expired, and acquire one new copier for the Civic Center. The RFB included managed print services for the copiers and the City's existing printer fleet. Konica Minolta Business Solutions (KMBS) submitted the lowest responsive bid, and Staff therefore requests approval of two contracts with KMBS: (1) the lease of eight (8) Konica-Minolta copiers in the amount of \$60,685.68 for a term of five years; and (2) a maintenance agreement for managed print services in the amount of \$15,120 for a term of five years. The estimated "pay as you go" copy cost, based on past City usage, will be approximately \$78,391.62 over five years. To summarize, the total for the copier base lease, per-copy cost, and managed print services will be approximately \$154,197.30, of which \$75,805.68 are fixed contract costs, and \$78,391.62 are estimated based on anticipated usage.

BACKGROUND:

In 2012 the City initiated a strategy of reducing internal printing expenses with the following actions: (1) lease copiers (also termed multi-function devices or

MFDs) with a lower cost per page than printers, and deploy them in key locations within City Hall; (2) reduce the number of printers and shift print usage to the MFDs where possible; and (3) consolidate the equipment lease, print maintenance, and print consumables under the umbrella of a managed print services contract. The first managed print services contract was awarded to Mr. Copy in 2012 after a competitive Request for Proposals (RFP) for a term of three years, along with the lease of four Xerox MFDs deployed at City Hall (one in each copy room, one at the Building Division counter, and one at the City Clerk's offices).

The City continued this strategy and awarded a new contract to MRC (formerly Mr. Copy) in 2015 after another competitive RFP, while procuring a replacement MFD in Police Services for a count of five under contract. Also in 2015, a single Canon MFD was leased by Community Services for the Lake Forest Recreation Center under a three-year contract with C3 Technologies, for a total of six MFDs leased under two contracts. The C3 contract also provided for managed print services for the two printers located at the Recreation Center.

The 2015 MRC contract was amended in 2016 to lease a sixth MFD (a total of seven including the Recreation Center) to provide a backup copier for the 2nd floor staff. The City Manager approved an extension to the MRC Contract for the first one-year option in October 2018, and the C3 contract has transitioned to month-to-month per the contract terms. Copy and print costs have remained stable over the previous three years, as shown on the following table:

	FY16/17	FY17/18	FY18/19	3-YEAR TOTAL
Copier Lease	\$24,434	\$24,434	\$24,434	\$73,301
Per-Copy Cost	\$18,018	\$15,594	\$18,130	\$51,743
Managed Print Services	\$ 6,462	\$ 7,524	\$ 6,365	\$20,351
TOTAL	\$48,914	\$47,552	\$48,929	\$145,395

During this time, the City reduced its printer fleet from over 30 devices to 26 as printing activities have shifted to the MFDs. When the City relocates, one workgroup printer will be retired, two will be added at the new buildings, and several which have been provided by the City to the Orange County Sheriff Department (OCSD) for on-site use will be taken off the managed print services agreement, resulting in an effective count of 21 printers.

With the second renewal term of the Xerox MFD lease approaching in October 2019 aligned with the relocation to the Civic Center, the acquisition of new equipment was preferable to buying the old equipment and incurring the cost and risk of moving large, four-year old MFDs into the new facility. This would also provide the opportunity to consolidate all MFDs under one contract. Furthermore, according to the technology research firm Gartner, the latest MFD models are

more energy-efficient, durable, user-friendly, and easier to integrate with document workflows than the generation currently leased by the City.

In addition to replacing the seven existing MFDs, staff intended to add one new MFD for use in the Senior Clubhouse back office, based on anticipated needs similar to those of the Recreation Center, for a total lease of eight devices. The lease for the MFD currently at the Sports Park and Recreation Center will be terminated and the device will be replaced with a newly leased MFD. Prior to issuing the Bid, Staff was directed to limit the Bid to seven MFDs, in case the City chose to remove the Police Service MFD from the Contract, thus making a net count of seven leased MFDs in the Bid, with the option for the City to add one more at the same cost.

On July 1, 2019 the City Manager authorized Staff to solicit bids for managed print services and multi-function copier (MFD) leases, to include both the Civic Center and the Sports Park Recreation Center. The bid was issued on the City's PlanetBids web site on July 5, 2019 and closed on July 29, 2019. Firms were instructed to base pricing for their bids on the City's actual copy and print counts of each device for the previous year, with required minimum service levels, and detailed functional requirements for the proposed MFDs. The Bid required all proposers to commit to a delivery date of September 20, and the Scope of Work required on-site opening-day support at the Civic Center, regardless of the date the printers are delivered.

Staff also identified the following recommended manufacturers as acceptable, based on their listing in the most recently published Gartner "Magic Quadrant" report. Gartner limits their report to large manufacturers who can deliver on MFD supply, support, and who provide managed print services:

Canon	Lexmark	Kyocera
HP Inc.	Ricoh	Xerox
Konica-Minolta	Toshiba	

Gartner noted 90% of companies who lease MFDs use five-year terms to minimize costs, and therefore the RFB asked for a 60-month term for the Base Bid which would be to be the basis of the City's selection, and 36-month lease pricing as an Alternate Bid. Staff issued a draft Scope of Work for seven days in accordance with the Purchasing Guidelines. Questions and comments were incorporated into the RFB documents.

DISCUSSION:

Four firms submitted valid bids: Konica-Minolta Business Solutions (KMBS), C3 Technology, Advanced Office, and CBE Office Solutions. Two firms were

deemed non-responsive for failing to follow the bid instructions: Toshiba and SoCal Office Technologies (partnered with MRC, the City’s current provider). KMBS submitted the lowest responsive bid with a total cost of \$146,805.22. KMBS devices met the minimum specifications in all categories, and the firm provided repair & maintenance certifications from Konica-Minolta and Hewlett-Packard. KMBS was the only respondent to provide a fixed cost with unlimited usage for support of City printers, and free “like for like” printer replacement. The complete bid results are summarized in the table below:

Firm	MFD Lease	MFD Usage	Total MFD Cost	Managed Print Services	Total Bid
KMBS	\$ 53,293.60	\$ 78,391.62	\$ 131,685.22	\$ 15,120.00	\$ 146,805.22
C3 Technology	\$ 36,644.40	\$ 91,430.82	\$ 128,075.22	\$ 23,225.34	\$ 151,300.56
Advanced Office	\$ 15,909.00	\$ 105,891.60	\$ 121,800.60	\$ 29,623.20	\$ 151,423.80
CBE Office	\$ 81,006.60	\$ 93,313.80	\$ 174,320.40	\$ 19,995.48	\$ 194,315.88
Toshiba*	\$ 21,159.00	\$ 82,053.30	\$ 103,212.30	\$ 42,464.40	\$ 145,676.70
SoCal Office*	\$ 92,698.20	\$ 97,198.80	\$ 189,897.00	\$ 22,489.20	\$ 212,386.20

*Non-responsive bids.

Staff completed reference checks for KMBS with four agencies: City of La Habra; City of Fullerton; City of Anaheim; and City of Cypress. These agencies lease from 9 (Fullerton) to 132 (Anaheim) Konica-Minolta MFDs from KMBS including all repairs, maintenance, and consumables; Cypress contracts with KMBS for managed print services in addition to 12 MFDs. Cypress also reported KMBS successfully implemented integration between the Konica-Minolta MFDs and LaserFiche for direct import of scanning into their imaging system. All agencies confirmed the quality of the MFDs deployed at their agency and provided positive recommendations of KMBS (Attachment 1). A consistent theme was the willingness of KMBS to be flexible and adapt support to the needs of each Agency.

Staff opted to add the eighth MFD to the lease (keeping overall usage the same) and KMBS provided an updated cost at the same prices as the low capacity MFD, increasing the MFD lease cost from \$53,293.60 to \$60,685.68, and the total cost from the original bid of \$146,805.22 to \$154,197.30. Copier usage estimates are not being changed, since overall usage is not expected to vary significantly despite the additional MFD.

The agreement requires multiple documents to be completed and executed by the City as follows:

Managed Print Services Agreement (Attachment 2)

The details of the Managed Print Services Scope of Work include the following requirements for both printers and MFDs in the City’s fleet:

- Provision of consumables (except paper)
- Maintenance and repairs
- Minimum call-back time of 30 minutes
- Minimum response time of 4 hours
- Delivery of quarterly usage and cost reports
- Identification of consumable shipments
- Provide extra supplies of consumables on-site.

The KMBS Site Agreement noted as Exhibit “D” to the Managed Print Services maintenance contract specifies the printers, locations, contacts, and cost per-printer. Total cost of the Managed Print Services Agreement is \$15,120 for a five-year term, or \$3,024 per year, although this may change over the course of the contract in case of addition or removal of printers from the City’s fleet.

State and Local Government Lease-Purchase Agreement (Attachment 3)

The Lease-Purchase Agreement of the eight MFDs is structured as a purchase, and is therefore termed a “lease-purchase”. The cost of \$60,685.68 is extended over a five-year term, resulting in a favorable amortization schedule and significantly lower annual cost compared to a three-year term.

The lease agreement contains several sections: Lease Payment Schedule; Equipment Description; Acceptance Certificate (to be completed and returned after delivery); and Order Agreement (validation of the equipment and City contact info). Filing form 8035-G with the Internal Revenue Service will void the need for the City to pay property taxes on the purchase and realize savings of approximately two hundred dollars per year. KMBS will notify the City at the appropriate time and will assist the Finance Department in preparing the form if requested. The Director of Finance has met with KMBS, reviewed the process, and approved this procurement method.

To summarize, the two contracts are: (1) the lease of eight (8) Konica-Minolta multi-function devices (MFDs) in the amount of \$60,685.68 with a term of five years; and (2) a maintenance agreement for managed print services in the amount of \$15,120 for a term of five years.

The requested term of five years is outside of the approved limits in the purchasing guidelines for a maintenance contract. It is being requested to align the management services contract with the Copier lease, taking advantage of the lower cost, and to simplify contract management.

In addition to the MFD lease cost, the estimated “pay as you go” copy cost, based on past City usage, will be approximately \$78,391.62 over five years. The total cost will be approximately \$154,197.30, of which \$75,805.68 are fixed contract costs (\$15,120 for Managed Print Services and \$60,685.68 for MFD leases), and \$78,391.62 are estimated based on copier usage. Upon review of the Lease Agreement, the City Attorney recommended that the jurisdiction specified by KMBS be changed from the State of New Jersey to the State of California; KMBS accommodated this request. The City Attorney has approved the attached agreements as to form.

FISCAL IMPACT:

There are sufficient funds budgeted during Fiscal Year (FY) 2019-20 for the anticipated expenses. The Management Services FY 2019-20 Operating Budget contains \$16,000 for Managed Print Services and \$55,000 for Equipment Rentals and Leases, with the only significant expense in that category being the MFD costs. Managed print services costs will be \$3,024.00 annually, and MFD leases and copy charges combined are anticipated to be \$27,815.46 annually, which are within the City’s operating budget.

ATTACHMENTS:

1. KMBS References
2. Managed Print Services Agreement
3. KMBS State & Local Government Lease-Purchase Agreement
4. KMBS Standard Maintenance Terms and Conditions - Schedule A

Initiated By: Douglas McBratney, Information Technology Manager

Submitted By: Brett Channing, Director of Management Services

Approved By: Debra Rose, City Manager