



City of Sunnyvale

Agenda Item-No Attachments (PDF)

File #: 19-0196, Version: 1

REPORT TO COUNCIL

SUBJECT

Authorize the Issuance of Purchase Orders to Canon Financial Services, Inc. and Canon Solutions of America, Inc. for the Lease and Maintenance of Multifunction Devices (MFDs) (F19-045)

REPORT IN BRIEF

Approval is requested for the issuance of a three-year blanket purchase order to Canon Financial Services, Inc. of Mount Laurel, NJ for the lease of MFDs citywide in an amount not to exceed \$300,367 and a purchase order to Canon Solutions of America, Inc. of Burlington, NJ in an amount not to exceed \$138,829 for the three-year maintenance costs of MFDs as required by the City.

EXISTING POLICY

Pursuant to Section 2.08.040 of the Sunnyvale Municipal Code (SMC), City Council approval is required for contracts for the procurement of goods and services exceeding \$100,000 in any one transaction.

Further, SMC Section 2.08.220(a) authorizes the purchasing officer to direct the City's participation with one or more governmental, public or quasi-public agencies in a cooperative agreement for the procurement of goods and/or services, provided that at least one of the agencies has solicited bids and SMC Section 2.08.070 (b)(8) authorizes an exemption from competitive bidding when utilizing a cooperative agreement.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.

DISCUSSION

MFDs are all-in-one printers, copiers, and scanners that accommodate multiple paper sizes and additional office functions such as records management and e-faxing.

For the past ten years, the City has leased MFDs as the most effective solution for the City's document printing, copying, and scanning needs. This has benefitted the City because MFDs consume less space and energy compared to conventional standalone desktop units. MFDs also produce less waste and, by leasing this equipment, provides the City the flexibility to add, reduce, and adjust the MFDs it needs. Leasing relatively new MFDs that are more reliable and efficient also affords the City the ability to mitigate downtime and support workflow improvements.

The Information Technology Department (ITD) manages the MFD lease agreement with Caltronics Business Systems and the current agreement included an initial five-year term with an option to renew for one additional year, which the City exercised (RTC No. 12-300). During the term of this agreement, Caltronics Business Systems has provided the City with good customer service and reliable MFDs. However, the vendor's costs per copy have increased since the beginning of the contract term, which has resulted in a significant increase in the cost to the City.

As of today, the City has 48 MFDs including one production grade unit in the Print Shop. Together, these units produce an average of 323,500 documents per month, which 85% are black and white documents and 15% are color documents.

Moving forward, 52 MFDs are needed throughout the City, which includes the 48 existing MFDs that need to be replaced with new units and four new MFDs that have been requested for the following locations:

- (1) Department of Public Safety (DPS), Internal Affairs Office
- (1) DPS, Fire Station #5
- (1) Department of Public Works (DPW), Civic Center Project Office
- (1) Human Resource Department (HRD)

In early 2018, the City conducted a comprehensive MFD survey and has identified the need for additional units. The survey results were evaluated by the City's IT Governance Committees and the Office of the City Manager. This established the basis for the recent solicitation of bids per a cooperative procurement agreement for copiers, printers, and related devices. Established by the National Association of State Procurement Officials (NASPO) and a participating addendum with the State of California, the procurement agreement offers public agencies, such as the City, the ability to leverage larger discounts typically offered to high-volume purchasers.

In October 2018, the City solicited bids per the terms of the current NASPO agreement and received four responses. Following a comparative cost analysis of all submitted bids and in-depth discussions with vendor references, Canon Solutions of America, Inc. (a wholly owned subsidiary of Canon USA) was selected as the most qualified vendor for the City's current MFD needs. This was based on Canon's lower lease costs, low costs per copy for both black and white and color documents, and its record of providing good customer service.

Therefore, staff recommends that the City award a three-year lease agreement with Canon Financial Services, Inc. and award a three-year maintenance agreement with Canon Solutions of America, Inc. with the option to renew the maintenance agreement for two additional one-year terms, provided price and service remain acceptable. Doing so will give the City the continued benefits and flexibility associated with leasing MFDs. The latter is an important consideration given the pending move to the new Civic Center and the City's implementation of paperless workflows. If, at the end of the three-year lease, the equipment has demonstrated to be of good quality, ITD intends to exercise the equipment buyout option described in the Fiscal Impact.

FISCAL IMPACT

The City's total anticipated costs over a five-year period for leasing and maintaining MFDs will be as follows:

	Lease Payments	Maintenance Payments (estimate)	Total Payment
Year 1	\$100,122	\$46,276	\$146,398
Year 2	\$100,122	\$46,276	\$146,398
Year 3	\$100,123	\$46,277	\$146,400
Buyout Payment	\$ -	\$ -	\$52
3-YEAR TOTAL	\$300,367	\$138,829	\$439,248
Year 4 (option)	\$ -	\$46,276	\$46,276
Year 5 (option)	\$ -	\$46,277	\$46,276
5-YEAR TOTAL	\$300,367	\$231,382	\$531,801

The costs reflected above were calculated under the following assumptions and facts:

- The City's 48 existing MFDs will be replaced with new units, four new MFDs will be added to the City's MFD portfolio, and all 52 MFDs will be needed for the full duration of the contract term.
- All 52 MFDs will meet, or slightly exceed, the City's current and foreseeable needs as determined by the recent MFD survey and the input of critical stakeholders.
- Maintenance costs include the costs per copy and the costs for all printing supplies (e.g. toner cartridges, diffusers, staples, etc.) except printing paper. As such, the maintenance costs are estimates based on the City's current usage remaining constant and they will fluctuate as the City's usage changes. However, given the City's current efforts to digitize workflows and expand connectivity to its field staff, the City's overall need for printing documents is expected to decrease over time.
- Beginning in Year 4 of the contract term, the lease payments will be eliminated because at the end of Year 3, the City will have the option to purchase its MFDs for \$1.00 per unit.

It should be noted, the City will realize additional savings as new, color enabled, MFDs are deployed throughout the City, thereby eliminating the need for some of the City's existing standalone desktop units.

ITD's ongoing annual operating budget has adequate funds to support the City's MFD lease and maintenance agreement.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

RECOMMENDATION

Take the following actions:

- Authorize the issuance of a three-year blanket purchase order to Canon Financial Services, Inc. for the lease of MFDs in an amount not to exceed \$300,367, in substantially the same form as Attachment 2 to the report and in accordance with the State of California Participating Addendum to the NASPO contract;
- Authorize the issuance of a three-year purchase order to Canon Solutions of America, Inc. for the maintenance of MFDs in an amount not to exceed \$138,829, and authorize the City Manager to renew the purchase order for two additional one-year terms provided that price and service is acceptable, in substantially the same form as Attachment 3 to the report and in accordance with the State of California Participating Addendum to the NASPO contract.

Prepared by: Gregory S. Card, Purchasing Manager

Reviewed by: Timothy J. Kirby, Director of Finance

Reviewed by: Kathleen Boutté Foster, Chief Information Officer

Reviewed by: Teri Silva, Assistant City Manager

Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. State of California Participating Addendum
2. Draft Blanket Purchase Order - Lease
3. Draft Purchase Order - Maintenance