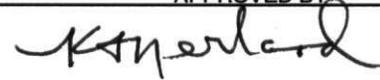


AGENDA ITEM NO.

COUNCIL MEETING July 31, 2007

APPROVED BY



DEPARTMENT DIRECTOR

CITY MANAGER

DATE: July 31, 2007

FROM: KENNETH A. NERLAND, Director
General Services Department

THROUGH: JANET SMITH, Purchasing Manager
Purchasing Division

BY: GERALD S. TODD, Management Analyst III
Administration Division

SUBJECT: AWARD A THREE-YEAR CONTRACT FOR CITYWIDE COPIER LEASE PROGRAM TO RAY MORGAN COMPANY OF FRESNO (RFP NO. 8862)

KEY RESULT AREA

Customer Service

RECOMMENDATIONS

Staff recommends that the City Council award a three-year contract in the amount of \$957,522 with three possible one-year extensions for a citywide copier lease program to Ray Morgan Company of Fresno, California.

EXECUTIVE SUMMARY

The City is seeking a contract to provide copiers on a cost per copy basis. This contract will provide multi-function copiers with ability to scan documents, to print directly from personal computers, and, as an option, fax or RightFax. The cost per copy pricing structure and multi function capability offers the most cost effective solution to meet city-wide copying and printing needs. After evaluation of proposals, staff recommends award of a three-year contract with provisions for three one-year extensions to Ray Morgan Company of Fresno on the basis of their Alternative Proposal 2.

KEY OBJECTIVE BALANCE

Customer Satisfaction is improved because old and worn out copiers will be replaced without departments having to purchase the copiers. The copiers will be of the same brand, all models will be uniform in function and commands throughout the City. Employee Satisfaction will be improved through the use of the multi-function copiers as: i) high speed computer scanners; ii) high speed computer printers; and iii) as fax machines. Financial Management is improved in that copiers will be leased, not purchased, thereby removing the need for the departments to capitalize the cost of the copiers. Financial Management is improved because the contract has provisions for the vendor to track and report copier usage for invoicing purposes, a task currently done by City staff time.

BACKGROUND

The City of Fresno currently owns 100 copiers ranging in age from 3 to 10 years old. The average useful life of

a copier is 3-5 years and 89 of the existing inventory need to be replaced. Due to the escalating costs of purchasing and maintaining copiers, many agencies, such as Fresno Pacific College, Tulare County and State Center Community College District, have moved to a "cost per copy" lease for copiers instead of purchasing copiers. A cost per copy lease contract vs. purchase replacement could save the City of Fresno approximately \$700,000 over a three-year contract.

An RFP for a citywide copier lease program was advertised in the Business Journal on November 3, 2006, and distributed to 19 potential respondents. The RFP included three copier speed categories. The copiers are to be multi-functional with the ability to scan documents to computers, print documents directly from computers, and serve as fax machines. Five proposals were received and opened on February 27, 2007. A committee comprised of City staff and a private citizen was formed to evaluate the proposals.

However, subsequent to the committee's recommendation, the City Manager's Office directed staff to modify the specifications and to request a Last, Best, and Final (LB&F) offer from all proposers to account for some specification issues that surfaced in the evaluation process. A request for a Last Best and Final Offer was issued on June 8, 2007, that included some adjustments to the technical specifications and included revised pricing provisions as follows:

- i) Non-tiered pricing for 12 million copies per year for 3 years based on the current City-wide usage which is between 1 Million and 1.1 Million copies per month;
- ii) Tiered pricing for an additional 4.8 million copies per year based on an anticipated shift away from the use of laser printers for computer printing;
- iii) Pricing for the option to add either fax or RightFax capabilities to a limited number of machines.

Proposers were also invited to provide alternative pricing structures for the City's consideration.

On June 26, 2007, three proposers, California Business Machines, Océ Imagistics, and Ray Morgan Company, submitted LB&F offers. Staff from the General Services and Information Services Departments met to review proposals. The multi-function copiers offered by all three companies meet the revised technical requirements for the copiers.

Analysis of the proposals and LB&F:

Non-tiered pricing (12 million copies per year): When the optional fax and RightFax capabilities are included, Océ Imagistics is the lowest proposer for non-tiered pricing (see attached Exhibit 2 - Matrix "Price Page for LB&F"). However, Océ Imagistics took exception to an important service requirement, i.e. the vendor is to provide copy counts for invoicing purposes. This, along with the fact that Océ Imagistics has insufficient technical support to service this contract puts Océ Imagistics behind other proposers for consideration. .

The overall non-tiered pricing for the three LB&F offers was very close, about a 3% spread from low to high. California Business Machines is second lowest for non-tiered pricing and Ray Morgan Company is slightly (1.35%) higher than California Business Machines.

Tiered pricing (an additional 4.8 million copies per year): Ray Morgan Company had the lowest tiered pricing. Staff believes tiered pricing best reflects the City's usage over the term of this contract because printing to the multi-function copiers is significantly less costly than laser printers and as laser printers are removed from service approximately 4.8 million prints will migrate each year from laser printers to the multi-function copiers. A comparison of Ray Morgan Company's tiered pricing structure and California Business Machine various proposals showed that, from 1.1 Million copies per month to 1.7 Million copies per month, the Ray Morgan tiered pricing is the lowest pricing (See attached Exhibit 5 – Graph "Copier Costs per Month"). For the three-year term of the contract, Ray Morgan Company's tiered pricing represents a \$160,000.00 savings over California Business Machines and nearly \$172,000.00 over Océ Imagistics.

Alternative Proposals: California Business Machines did not provide tiered pricing that conformed to the LB&F specifications but submitted an alternative pricing structure with tiered pricing starting at an additional 2.22 Million per year (see attached Exhibit 3 - page 5, California Business Machines LB&F).

Ray Morgan Company provided two alternative pricing structures (see attached Exhibit 4 – Ray Morgan Company Alternative Proposals. Alternative Proposal 1 offers some limited additional features under a pricing structure slightly different from tiered pricing.

Ray Morgan Company's Alternative Proposal 2 is for higher pricing structure but it provides the City with additional features and options including but not limited to:

- The City can add a number of additional copiers at no additional cost;
- The City can add fax and RightFax functions to any copier at any time at no additional cost;
- This Alternative Proposal provides integration software so that all copiers can be integrated into the City's computer network at no additional cost, which will give the City an electronic accounting system that allows the City to track copies and prints, to add, delete, or move users which will greatly reduce staff time spent to manage copiers. It will allow any user to use any copier in the City and have that use charged to their respective division. Furthermore the integration's "open architecture" design will allow the system to integrate copying and printing with other City software programs such as Microsoft Office, PeopleSoft, etc.

Summary:

In summary, Ray Morgan Company's tiered pricing provides the lowest overall cost to the City. Alternative Proposal 2 is slightly higher, but it is still below or comparable to other proposers and it provides additional, desirable features.

A cost per copy lease program will provide a significant savings over the current practice of owning copiers. A comparison of Ray Morgan Company's Alternative Pricing structures to the cost of purchasing and maintaining copiers yields the following:

- Cost to replace 89 existing City owned copiers would be an estimated \$1,057,300.
- To defer replacement for 3 years, an additional cost for maintenance would be incurred of \$354,333 (\$118,111 per year).
- At a volume of 12.5 million per year, Ray Morgan tiered pricing approximate cost is \$689,250 and savings over purchase replacement would be approximately \$720,000; for Ray Morgan Alternative Proposal 2 the savings would be approximately \$614,000.
- Additional savings due migration away from laser printers is anticipated to be \$220,000 – \$420,000 to the City over 3 years.

Recommendation:

The City Council may award a contract to any of the proposers or reject all proposals.

Staff recommends that a three-year contract with provisions for three one-year extensions for a citywide copier lease program be awarded to Ray Morgan Company based on either Ray Morgan tiered pricing or Ray Morgan Alternative Proposal 2. Either proposal provides the City with a better value than the other proposals received. Ray Morgan tiered pricing will provide the lowest overall cost to the City for the projected usage over the three-year term of the contract. However, Alternative Proposal 2, while slightly higher in overall cost, is comparable to or lower than other proposals and Alternative Proposal 2 affords the City several options and additional software that will make the system more useful and provides a higher degree of flexibility for integration with

current and future computer systems. Of the two Alternative Proposals, staff recommends Alternative Proposal 2 from Ray Morgan Company as the “best value” to the City.

FISCAL IMPACT

As noted above the cost per copy copier lease program will provide significant savings throughout the City.

KEN/GST

Attachments

- Exhibit 1 Listing of Proposers
- Exhibit 2 Last, Best and Final Price Matrix
- Exhibit 3 California Business Machines Alternative Proposal
- Exhibit 4 Ray Morgan Alternative Proposals
- Exhibit 5 Graph Comparison of Prices

LISTING OF PROPOSERS

FOR: REQUEST FOR PROPOSALS FOR CITYWIDE COPIER LEASE PROGRAM
LAST, BEST AND FINAL OFFERS

RFP No. 8862
RFP Opening: 06/26/07

TOTAL PROPOSAL AMOUNTS

PROPOSER'S (Alphabetical Order)	<u>Non-Tiered Pricing</u>	<u>Tiered Pricing</u>
	3-years 12 million copies per year	3-years 16.8 million copies per year
1. California Business Machines 4260 N Fresno St Fresno, CA 93726	\$737,687	(See Alt 1 below)
2. OCE' Imagistics Inc. 8950 Cal Center Dr., Ste 202 Sacramento, CA 95826	\$723,616	\$1,011,261
3. Ray Morgan Co. 4148 Demaree, Ste B Visalia, CA 93277	\$747,618	\$839,354

ALTERNATIVE PROPOSALS

	<u>ALT 1</u>	<u>ALT 2</u>
1. California Business Machines 4260 N Fresno St Fresno, CA 93726	\$1,002,166*	
5. Ray Morgan Co. 4148 Demaree, Ste B Visalia, CA 93277	\$839,354**	\$957,522***

Each proposer has agreed to allow the City one hundred twenty (120) days from date proposals were opened to accept or reject their proposal.

*California Business Machines provides for a tiered pricing structure based on amounts other than specified in the LB&F request.

**Ray Morgan Alternative Proposal 1 provides for limited additional features at a different tiered pricing structure.

***Ray Morgan Alternative Proposal 2 provides for systems integration software and other features at a slightly higher tiered pricing structure.

LISTING OF PROPOSERS

FOR: REQUEST FOR PROPOSALS FOR CITYWIDE COPIER LEASE PROGRAM
LAST, BEST AND FINAL OFFERS

RFP No. 8862
RFP Opening: 06/26/07

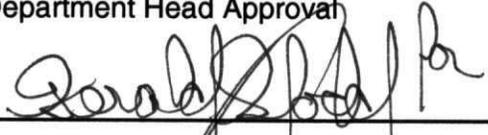
DEPARTMENT CONCLUSIONS AND RECOMMENDATION:

Award a three-year contract with up to three (3) one-year renewal terms in the amount of \$957,522 to Ray Morgan Company, Alternative Proposal 2.

Reject all proposals. Reason:

Remarks:

Department Head Approval



Title General Services Director

Date 07/20/07

Approve Dept. Recommendation

Approve GSD/Purchasing Recommendation

Disapprove

Disapprove

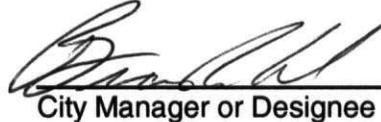
See Attachment

GENERAL SERVICES DEPARTMENT

CITY MANAGER


Purchasing Manager

Date


City Manager or Designee

Date

Exhibit 2
CITYWIDE COPIER LEASE PROGRAM
PRICE PAGE FOR LAST, BEST & FINAL 6/26/07

NON-TIERED PRICING (12 MILLION COPIES PER YEAR)

	California Business Machines, Fresno	Oce' Imagistics, Sacramento	Ray Morgan Co., Fresno
Cost Per Copy	0.0183	0.0185	0.0189
Total Three Year Lease Copy Cost Including Additional Options Including Tax	\$737,687.90	\$723,616.06	\$747,618.90

TIERED PRICING (ADDITIONAL 4.8 MILLION PER YEAR FOR A TOTAL OF 16.8 MILLION PER YEAR)

	Calif. Bus. Machines	Oce' Imagistics	Ray Morgan
Cost Per Copy		0.0185	0.0059
Total Three Year Lease Copy Cost Including RightFax Options	\$1,002,166 ⁽¹⁾	\$1,011,261	\$839,354

RAY MORGAN CO. - ALTERNATE PROPOSAL PRICING #2

Total Three Year Lease Copy Cost includes systems integration software and other features. Tiered pricing upto 12 Million per year at \$.0219 per copy, 12 Million to 16.8 Million per year at \$.006 per copy, and over 16.8 Million per year at \$.024 per copy	\$957,522 ⁽²⁾
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ADDITIONAL OPTIONS

A B & C	California Business Machines, Fresno	Oce' Imagistics, Sacramento	Ray Morgan Co., Fresno
FAX	\$530.00	\$417.00	\$450.00
Right FAX	\$1,910.25	Included Above	\$750.00
Total	\$24,402.50	\$4,700.00	\$12,000.00

(1) California Business Machines did not comply with L B & F tiered pricing. Instead they provided tiered pricing based on price breaks at 14.22 Million copies per year at \$.0159 per copy and 24 Million per year at \$.006 per copy. Calculation based on 16.8 Million per year.

(2) Ray Morgan also submitted Alternative Proposal 1 which includes limited additional features with pricing same as tiered except copies over 16.8 Million per year at \$.024 per copy. Calculation based on 16.8 Million per year.

Exhibit 3

CALIFORNIA BUSINESS MACHINES
 4260 N. FRESNO ST.
 FRESNO, CA 93726-3115
 (559) 225-5570

Addendum No. 10
 FOR: REQUEST FOR PROPOSALS
 CITYWIDE COPIER LEASE PROGRAM
 PAGE 5

TIERED PRICING – amount over 12,000,000 of Base Pricing *OVER 14,220,000 ANNUALLY

Item #	Quantity	Description	Unit Cost	Total Cost*
*TIERED PRICE FOR 2,580,000 AFTER 14,220,000				
1	4,881,000 Copies Annually over the 12,000,000	Black copies total pooled based on an estimated 1.4 million copies per month	\$.0159 per Copy	\$ 41,022.00 (2,580

+ 2ND TIERED PRICE AFTER 24,000,000 ANNUALLY IS \$0.006 PER COPY.

*Total Cost Times Three (3) Years \$ 123,066.00

(From previous page) Total Base Pricing Cost Times Three (3) Years \$ 780,678.00

***INCL ANOTHER 2,220,000 X 3 X .0183 (14,220,000 X 3)**

Total Additional Options for Copiers "A", "B", "C" \$ 24,402.50

Sales Tax (7.975%) \$ 74,019.68

Total Three Year Net Proposal Tiered Pricing Amount (including Options) \$ 1,002,166.18

The Total Three Year Net Proposal Tiered Pricing Amount (including Options) (in words) is ONE MILLION, TWO THOUSAND, ONE HUNDRED & SIXTY-SIX

Dollars and EIGHTEEN Cents

The Unit Cost shall be based on a COST-PER-COPY PROGRAM to provide copiers to meet all provisions set forth in the Scope of Work on pages 34 through 43 of the original RFP, except for items listed as optional. The Unit Cost should be to the fourth decimal point, for example "\$0.0195 per copy". The quantities listed are based on a pooled aggregate of monthly copies estimated for the whole City. **The guaranteed minimum number of copies per month is 500,000.** The quantities listed on the cost proposal form for copies and add options are annual estimates shown for costing purposes only. The actual requirement of the City may be more or less than the quantities specified. The City will pay for only the actual quantities processed over the term of the contract or the monthly minimum guarantee quantity, including any added options.

ADDITIONAL OPTIONS - one-time optional charges per copier: *NOTE: UPFRONT COST FOR 10 RIGHTFAX MFP'S IS \$19,101.25 (\$1910.25 EA), BUT ADDITIONAL MFP *cont*
 All options must be bid and all copiers being offered must be able to function with these options. The only exception is if the option is standard in the copier being offered, if so please note.

Digital Copier "A" *NETWORK FAX BOARD - \$530 EA. RIGHTFAX MFP - \$682.50 AFTER SETUP*

Item	Qty	Description	One Time Charge	Total Cost
1	2	One-time Charge to Set Up 1 ea. Copier for Fax Capabilities	\$ 530.00	\$ 1060.00
2	2	One-time Charge to Set Up 1 ea. Copier for Right Fax Capabilities	\$ 1910.25	\$ 3820.50*

* LICENSES FOR RIGHTFAX WILL ONLY BE \$390 EA + \$292.50 FOR 3YR SUPPORT. SETUP INCL IN \$19,101.25 INCLUDES KYOCAPTURE SOFTWARE WITH RIGHTFAX MOD & 3YR SUPPORT. KYOCAPTURE MIDDLEWARE SOFTWARE CAN ALSO HELP YOU WITH OTHER MFP DOCUMENT MANAGEMENT APPLICATIONS.

Car. Brown

PRICING PROPOSALS

PRICE PROPOSAL I:

It is our goal to present to the City, in all of our proposals (Proposal I and Proposal II), with BEST VALUE responses to this RFP. Part of Best Value includes, of course, not just price but the level of equipment and service support offered.

During the RFP's second go around (2-27-2007) the equipment required for Category C was "consoles." Despite the allegations made by one of our competitor's, the "console" classification is one very much recognized in our industry. Kyocera itself has several "console" units, including their flagship high-end unit. Consoles step into the "Production" category away from medium-light office duty.

Our proposal under this "Last, Best and Final" again includes the very best products in each category –far exceeding the City's requirements. This high quality equipment offering will insure the end user satisfaction for the duration of the contract.

Category A (19 units)	Category B (48 units)	Category C (22 units)
IR3025	IR3035/C4080	IR5070
Doc feed	Doc feed	Doc Feed
Cabinet	Cabinet	Console
Finisher	Finisher	Finisher
	Hole Punch	Hole Punch
Print	Print	Print
Optional stand alone Fax Board or Rightfax integration	Optional stand alone Fax Board or Rightfax integration	Optional stand alone Fax Board or Rightfax integration
Scan	Scan	Scan

Pricing under this proposal is as follows:

- 0 to 500,000 copies/prints per month priced at \$0.0378 EACH
- 500,001 TO 1,000,000 priced at NO CHARGE
- 1,000,000 to 1,400,000 priced at 0.0059 each
- 1,400,001 plus priced at \$0.024 each

- All color copies at \$0.15 for units chosen in Category B

The above proposal includes an offer for color capable equipment in category B at the same price. The IR4080 will be provided for those installations needing the added capabilities offered by the 4080. For those departments requiring color that do not quite have the available space requirements needed for a IR4080, we will substitute the IR4080 for a smaller (same size as the IR3035) IR3380.

PRICE PROPOSAL II:

Under this section, we will address the following important areas we believe are critical for a well managed Copier Program which the City's RFP Requirements does NOT address. This is a comprehensive solution designed to insure a well and smoothly managed program.

Under this proposal the City will receive the following benefits over Proposal I:

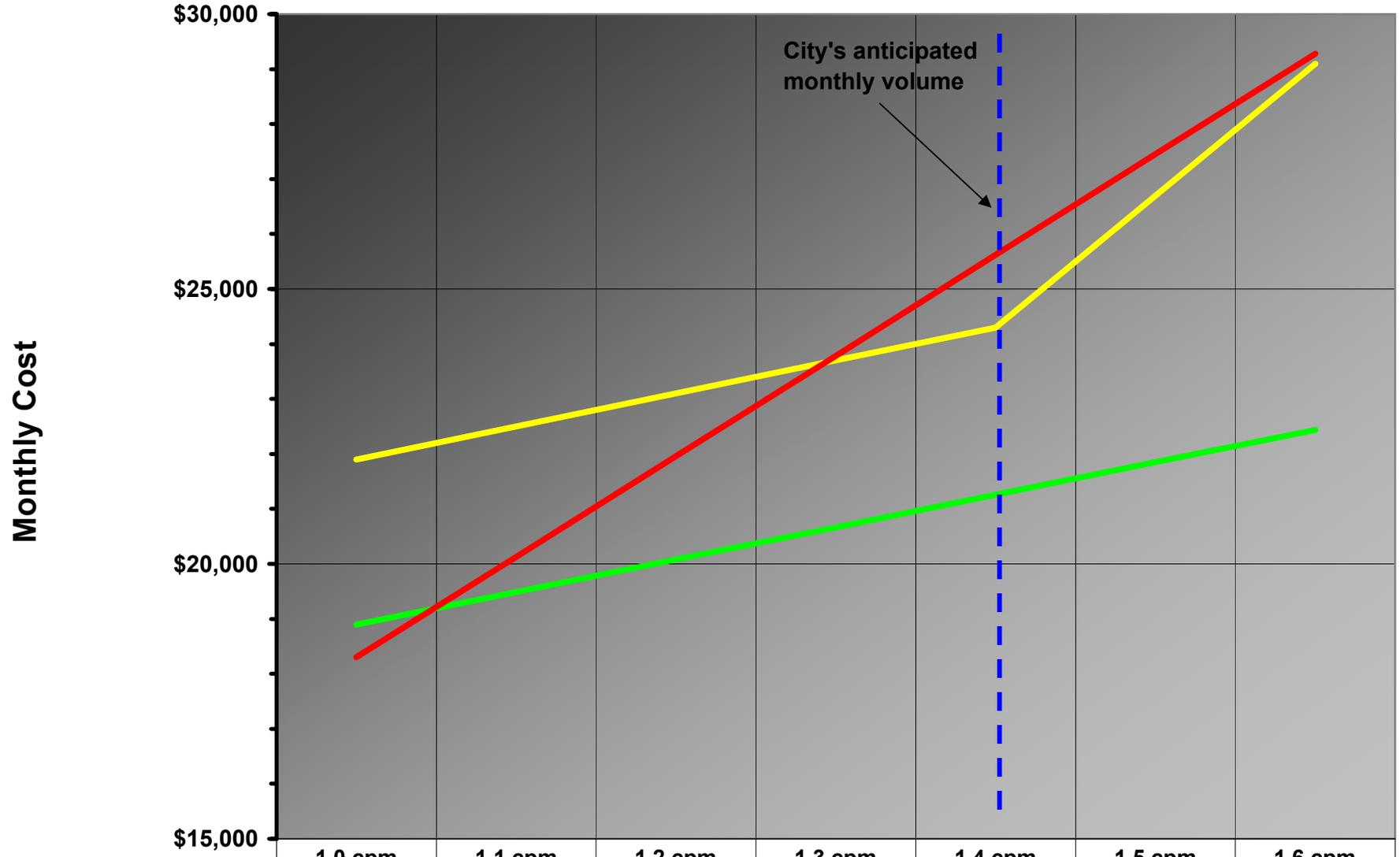
- ALL equipment may have Stand Alone Fax OR Rightfax Integration added AT ANY TIME during the contract at NO EXTRA COST.
- Up to 6 additional b/w units (beyond the 89 included under this proposal) may be added at NO EXTRA COST during the first year.
- Up to 15 additional b/w units may be added AT ANY TIME after year one for a flat rate of \$0.025 per copy/flash.
- Color upgradeability in Category A and Category C at the inception of the program (for the initial 89 machines) at NO EXTRA COST for those departments which may benefit by this added capability.
- Electronic Accounting System -ImageWare Accounting Manager – provided at NO EXTRA COST City will be able to track copies; prints plus allow to easily add and delete users plus enable users to use ANY copier within the City and have usage charged to their respective departments
- All color copies on color enabled units priced at \$0.15 each.

- Should any of added units beyond the initial 89 machines (potential of 6 units added in year one and 15 units added beyond year one) be color enabled; there will be a surcharge of \$100 per unit per month.

Category A (19 units)	Category B (48 units)	Category C (22 units)
IR3025/2880	IR3035/C4080	IR5070/5870U
Doc feed	Doc feed	Doc Feed
Cabinet	Cabinet	Console
Finisher	Finisher	Finisher
	Hole Punch	Hole Punch
Print and Scan	Print and Scan	Print and Scan
Stand alone Fax or Rightfax integration included at no charge at ANY time a department wishes to activate	Stand alone Fax or Rightfax integration included at no charge at ANY time a department wishes to activate	Stand alone Fax or Rightfax integration included at no charge at ANY time a department wishes to activate
Scan	Scan	Scan
Electronic Accounting System (ImageWare Account Manager)	Electronic Accounting System (ImageWare Account Manager)	Electronic Accounting System (ImageWare Account Manager)

- 0 to 500,000 priced at \$0.0438 each
- 500,001 to 1M at NO CHARGE
- 1,000,001 to 1,400,000 priced at \$0.006 each
- Over 1,400,001 priced at \$0.024 each
- All color at \$0.15 each in all categories

Expected Monthly Copier Cost



	1.0 cpm	1.1 cpm	1.2 cpm	1.3 cpm	1.4 cpm	1.5 cpm	1.6 cpm
Ray Morgan Tiered	\$18,900	\$19,490	\$20,080	\$20,670	\$21,260	\$21,850	\$22,440
Ray Morgan Alt 2	\$21,900	\$22,500	\$23,100	\$23,700	\$24,300	\$26,700	\$29,100
Calif. Business Mach. Tiered	\$18,300	\$20,130	\$21,960	\$23,790	\$25,620	\$27,450	\$29,280

Volume in millions (copies and prints) per month