



CITY OF LONG BEACH

R-27

DEPARTMENT OF TECHNOLOGY SERVICES

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March 1, 2011

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute a lease-purchase agreement and related financing documents with Banc of America Public Capital Corp for the financing of personal computers, computer-related equipment, and servers in an amount not to exceed \$1,313,300 including interest, payable over a four-year period.
(Citywide)

DISCUSSION

In 1997, the Technology Services Department (TSD) implemented a plan to replace all City-owned personal computers (PCs) after three years of use. The three-year replacement cycle was designed to refresh the technology to take advantage of innovations and to reduce the ongoing support costs associated with the maintenance of older equipment and software. Lease financing of the replacement program allows the City to maintain level annual expenditures and departments are able to spread the acquisition cost over the term of the financing, rather than budgeting large one-time capital outlay expenditures.

In an effort to reduce PC-related expenditures, the City implemented a program to extend the replacement cycle for PCs from three to four years as part of the City's Financial Strategic Plan. Leading information technology industry experts, such as Gartner, Inc., have found that the average lifespan of a personal computer is 43 months and, therefore, recommend a four-year replacement cycle to achieve the lowest total cost of ownership. The City's own experience validates the four-year replacement cycle. By refreshing personal computers every four years, the City workforce benefits from reduced PC downtime resulting from hardware failures and from faster, more robust machines. In fact, TSD estimates that by saving just three minutes a day from a new computer, resulting from faster boot-up, log-in, and application response times, the City could save over ten hours a year per employee.

The City expects to install approximately 1,050 replacement and new computers, LCD monitors, and servers. The estimated cost to replace these computers and servers is \$1,250,000. The equipment will continue to be acquired from Dell Marketing L.P., utilizing Dell Master Purchase Agreement No. 28280, which was previously approved by the City Council in April 2003.

To ensure that the City is receiving the best pricing possible, TSD researched other procurement opportunities, such as consolidated purchase programs with other governmental institutions. As a result, the City was able to confirm that it has the best available pricing. Through this and other efforts, TSD was able to reduce the annual debt service budget by \$191,500 in FY 2011.

Currently, TSD is exploring additional opportunities to further reduce personal computing costs. We are initiating a desktop virtualization pilot project, which would essentially transfer computing resources away from the desktop to a centralized server in the data center. This could result in reduced computing hardware costs through an extended PC lifecycle and improve employee productivity.

It should also be noted that all current purchases from Dell are EnergyStar compliant and have received the EPEAT Gold certification, which is an EPA-sponsored environmental assessment of technology equipment.

An RFP for the lease-financing was advertised on the City website notifying 197 potential proposers to secure the most favorable financing terms for this acquisition. Of those proposers, 24 downloaded the RFP via our electronic bid system. The RFP document was made available from the Purchasing Division, located on the seventh floor of City Hall, and the Division's website at www.longbeach.gov/purchasing. An RFP announcement was also included in the Purchasing Division's weekly update on Open Bid Opportunities, which is sent to 30 local, minority and women's business groups. Four proposals were received by January 27, 2011. Of those proposers, none were Minority-owned Business Enterprises (MBEs), none were Woman-owned Business Enterprises (WBEs), none were Small Business Enterprises (SBEs), and none were Long Beach Businesses (Local). After the Department of Financial Management, Treasury Bureau, conducted an evaluation of the proposals, Banc of America Public Capital Corp, of Scottsdale, AZ (not an MBE, WBE, SBE or Local), offered the best terms; therefore, it is recommended this firm provide the required financing. Lease financing provides a cost-effective alternative to facilitate the timely replacement of essential capital assets to meet immediate service demands when funding is not available for an outright purchase.

This matter was reviewed by Deputy City Attorney Gary Anderson on February 10, 2011 and by Budget Management Officer Victoria Bell on February 15, 2011.

TIMING CONSIDERATIONS

City Council action is requested on March 1, 2011 to ensure timely replacement of personal computers and servers.

FISCAL IMPACT

The total amount to be financed under the lease agreement will not exceed \$1,250,000 and will be financed over a four-year period. The total debt service, principal and interest, for the agreement is estimated at \$1,313,300 with a monthly payment of \$27,360, which equates to an annual payment of \$328,315. The contract amount and payments are based upon an estimated interest rate of 2.44 percent, which is subject to change due to market conditions at the time of final execution of the lease agreement. Sufficient funds have been budgeted in the General Services Fund (IS 385) and in the Technology Services Department (TS) to support the personal computer and server financing. Charges to client departments to cover the cost are included in the FY 11 Adopted and FY 12 Proposed Budgets. There is no local job impact related to this item.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CURTIS TANI
DIRECTOR OF TECHNOLOGY SERVICES



WILLIAM YEOMANS
INTERIM DIRECTOR OF FINANCIAL MANAGEMENT

CT:SPS:sps

APPROVED:



PATRICK H. WEST
CITY MANAGER