



CITY OF LONG BEACH

R-42

DEPARTMENT OF TECHNOLOGY SERVICES

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July 11, 2006

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 Leasing & Capital, LLC for the financing of personal computers and computer related equipment in an amount not to exceed \$2,330,000 including interest, payable over a four-year period. (Citywide)

DISCUSSION

In 1997, the Technology Services Department 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 new innovations and to reduce the ongoing support costs associated with the maintenance of older equipment and software.

As part of the replacement program, we began leasing PCs. This financing method allows us to maintain level annual expenditures. Departments are able to spread the acquisition cost over three years, 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 a part of the City's Financial Strategic Plan. This strategy was successful and substantially reduced the number of personal computers purchased and associated costs. In the four-year period ending in Fiscal Year 2006 (FY 06), the program will have reduced PC acquisition costs by over \$3.3 million, or approximately \$840,000 per year when compared to Fiscal Year 2002 costs.

Currently, there are 1,326 City PCs, laptops and servers beyond their replacement cycles. This is slightly more than last year's need to replace 1,185 computers. The estimated cost to replace 1,326 computers is \$2,136,913. The equipment will continue to be acquired from Dell Marketing L.P., utilizing Dell Master Purchase Agreement No. 28280.

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The Department of Financial Management conducted a bid process to secure the most favorable financing terms for this acquisition. Requests for bids were solicited from 22 finance corporations, and four firms responded. Of the 22 vendors, two are Minority-Owned Business Enterprises (MBEs) and one is a Long Beach firm. After an evaluation of the proposals, Banc of America Leasing & Capital, LLC offered the best terms with a rate of 3.99 percent and is, therefore, recommended to provide the required financing.

This matter was reviewed by Senior Deputy City Attorney Donna F. Gwin on June 26, 2006, and by Budget Management Officer David Wodynski on June 27, 2006.

TIMING CONSIDERATIONS

City Council action is requested on July 11, 2006, as the financing proposal expires on August 6, 2006.

FISCAL IMPACT

The total amount to be financed under the Banc of America Leasing & Capital, LLC agreement will not exceed \$2,150,000, and will be financed over a four-year period. The total debt service (principal and interest) for the agreement will not exceed \$2,330,000. Of that amount approximately \$583,000 will be paid in FY 06. Sufficient funds have been budgeted in the General Services Fund (IS 385) and in the Technology Services Department (TS) to support this activity. Charges to client departments to cover the cost will be included in the Fiscal Year 2007 Proposed Budget.

SUGGESTED ACTION:

Adopt recommendation.

Respectfully submitted,



MICHAEL A. KILLEBREW
DIRECTOR OF FINANCIAL MANAGEMENT



CURTIS TANI
DIRECTOR OF TECHNOLOGY SERVICES

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APPROVED:



GERALD R. MILLER
CITY MANAGER