Legislation Details (With Text)

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On agenda:	10/1/2013			**Final action:**	10/1/2013
Title:	Recommendation to authorize 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 $939,000 including interest and fees, payable over a four-year period. (Citywide)				
Sponsors:	Technology Services, Financial Management				
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Date	Ver.	Action By	Action	Result
10/1/2013	1	City Council	approve recommendation	Pass

Recommendation to authorize 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 $939,000 including interest and fees, payable over a four-year period. (Citywide)

City Council approval is being requested to authorize the City Manager to finance the lease/purchase through Banc of America Public Capital Corporation's Master Lease Agreement approved by City Council on May 10, 2011.

In March 2011, Financial Management conducted a Request for Proposal (RFP) RFP FM11-031 for a master lease agreement program that provides lease financing for multiple purchases in order to streamline the purchasing and financing process and take advantage of reduced interest rates offered by financial institutions in the purchasing of eligible assets. Banc of America Public Capital was selected.

Lease financing provides a cost-effective alternative to facilitate the purchase of essential capital assets to meet immediate service demands when funding is not available for an outright purchase.

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 the latest 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 2003, to reduce PC-related expenditures, the City extended the PC replacement cycle from three

to four years to reflect the industry standard. Leading information technology industry experts, such as Gartner, Inc., have found that the average lifespan of a PC remains at 43 months and, therefore, continue to recommend a four-year replacement cycle to achieve the lowest total cost of ownership. This financing is to allow PCs on the ongoing replacement cycle to be purchased.

In addition to the purchase of approximately 800 PCs, TSD would also acquire server hardware. The City's critical applications like Internet/Intranet, workers' compensation, permitting, work order management, geographic information systems and public safety applications run on servers. This financing will continue the ongoing replacement of aging servers that are becoming unreliable and are large consumers of energy.

The PCs, computer-related equipment, and servers will continue to be acquired from Dell Marketing LP, utilizing Dell Master Purchase Agreement No. 28280, which was approved by the City Council in 2003.

As part of this financing, TSD will also replace equipment in the Department of Parks, Recreation and Marine that is used to create and develop marketing and graphic arts materials to promote the Department's programs and services.

TSD continues to pursue opportunities to further reduce personal computing and server infrastructure costs. For example, the Department is expanding a desktop computing virtualization project, which essentially transfers computing resources away from the desktop to a centralized server in the City's data center, resulting in longer PC life and less frequent replacement. Currently, TSD has deployed 475 virtual PCs including 375 in Police Department Cruisers and Fire Department vehicles. It is anticipated that all Police Department patrol vehicles and Fire Department vehicles will be using virtual PCs by the end of October.

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

This matter was reviewed by Deputy City Attorney Gary J. Anderson on September 9, 2013 and by Budget Management Officer Victoria Bell September 10, 2013.

City Council action is requested on October 1, 2013 to ensure timely replacement of personal computers and servers.

The total amount to be financed under the lease including the total debt service, principal and interest, and escrow administration fee for the agreement will not exceed $939,000, equating to an estimated annual payment of $234,750. The contract amount and payments are based upon an estimated interest rate of 1.99 percent 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. Costs are recovered from client departments and are budgeted in the annual Department of Technology Services (TS) MOU. There is no impact to jobs associated with this request.

Approve recommendation.

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CURTIS TANI
DIRECTOR OF TECHNOLOGY SERVICES

JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

PATRICK H. WEST
CITY MANAGER