



CITY OF LONG BEACH

DEPARTMENT OF TECHNOLOGY SERVICES

R-29

333 WEST OCEAN BOULEVARD • LONG BEACH, CA 90802 • (562) 570-6277 FAX (562) 570-6662

August 3, 2004

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Lease-Purchase Agreement With Banc of America Leasing & Capital, LLC to Finance Personal Computers and Computer-Related Products (Citywide)

DISCUSSION

In 1997, the Technology Services Department implemented a plan to replace 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, the City began financing the acquisition of PCs. This approach allowed departments to establish a stable PC expenditure level by spreading the acquisition cost over three years, rather than periodically budgeting large one-time expenditures.

COST REDUCTION STRATEGY

In 2003, in an effort to reduce expenditures associated with PCs, the Technology Services Department implemented a plan to extend the PC replacement cycle from three years to four, and in some cases, five years. Under the new plan, PCs were no longer replaced automatically based on years of service alone. Staff took a more balanced approach and left older equipment in use unless it could not support required applications, or was deemed unrepairable. The new strategy achieved its objective of extending the life span of the equipment by one year without affecting service to the public. In 2003, approximately 630 PCs, laptops and servers were replaced. Under the previous three-year replacement plan, Technology Services had replaced over 1,000 computers annually.

Technology Services continues to work toward lowering PC expenditures. In 2004, the Department plans to acquire 519 PCs, laptops, and servers. As a result of a lower level of replacements, the annual lease payments for PCs have declined from \$2.2 million in FY 02 to \$1.4 million in FY 04, a reduction of \$800,000 or approximately 36 percent.

Authorization is requested to finance this year's acquisitions over the four-year life of the equipment and software. The equipment will continue to be acquired from Dell Marketing L.P., the vendor selected for the first four-year cycle.

HONORABLE MAYOR AND CITY COUNCIL
August 3, 2004
Page 2

The Department of Financial Management conducted a bid process to secure the most favorable financing terms. Requests for bids were solicited from 11 finance corporations, and seven firms responded. Banc of America Leasing & Capital, LLC offered the best terms with a rate of 2.71 percent and is, therefore, recommended to provide the required financing.

This matter was reviewed by Senior Deputy City Attorney Donna F. Gwin on July 21, 2004, and by Budget Management Officer David Wodynski on July 26, 2004. The proposed action has also been reviewed and approved by the Department of Financial Management.

TIMING CONSIDERATIONS

As the financing proposal expires on August 16, 2004, City Council action is requested at the August 3, 2004 City Council meeting.


FISCAL IMPACT

The total amount to be financed under the Banc of America Leasing & Capital, LLC agreement will not exceed \$997,125, and will be financed over a four-year period. The total debt service (principal and interest) for the agreement is \$1,053,270. Of that amount, \$43,886.24 will be paid in FY 04. Sufficient funds have been budgeted in the General Services Fund (IS 385) and in the Technology Services Department (TS) to support this activity.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

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 \$1,053,270 payable over a four-year period.

Respectfully submitted,



CURTIS TANI
DIRECTOR OF TECHNOLOGY SERVICES

CT:tak

APPROVED:



GERALD R. MILLER
CITY MANAGER