



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

R-33

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

June 14, 2005

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 (BoFA) for the financing of personal computers and computer related equipment, and to finance a mainframe replacement in an amount not to exceed \$2,326,000, including interest, payable over a four-year period; and authorize the City Manager to execute a Master Purchase Agreement with Mainline Information Systems, Inc. (Citywide)

DISCUSSION

In 2003, the City implemented a program to extend the replacement cycle for personal computers (PCs) from three to four years as a budget reduction strategy. The program was successful in reducing costs. Annual lease payments for PCs and servers have declined from \$2.2 million in FY 02 to \$935,000 in FY 05, a reduction of \$1.265 million. Currently, there are 1,100 City PCs over four years old. In FY 05, the plan calls for 1,185 PCs, laptops and servers to be replaced at an estimated cost of \$1,775,800. The equipment will continue to be acquired from Dell Marketing L.P., utilizing Dell Master Purchase Agreement No. 28280.

In addition, the City's five-year-old mainframe, which runs key applications including financial systems, payroll and utility billing, must be upgraded in order to run software needed for critical applications. The City used lease financing to acquire the existing mainframe. The mainframe replacement cost is approximately \$543,000, but will result in savings of \$50,000 annually in software and communications equipment costs, and will increase processing speeds by approximately 40 percent. Price quotes were solicited from three major mainframe providers. Mainline Information Systems, Inc. (Mainline) offered the most favorable overall price including a software discount of \$187,000 over three years, plus a \$40,000 trade-in allowance on the existing mainframe (current market value is \$10,000 - \$15,000). Staff recommends setting up a Master Purchase Agreement for Mainline purchases.

The Department of Financial Management conducted a bid process to secure the most favorable financing terms for these purchases. Requests for bids were solicited from over 20 finance companies and 11 responded. BoFA offered the best terms with a rate of 3.02 percent and is, therefore, recommended to provide the required financing.

HONORABLE MAYOR AND CITY COUNCIL

June 14, 2005

Page 2

This matter was reviewed by Senior Deputy City Attorney Donna F. Gwin on June 2, 2005, and by Budget Management Officer David Wodynski on June 1, 2005.

TIMING CONSIDERATIONS

City Council action is requested on June 14, 2005, as the financing proposal expires on June 30, 2005.

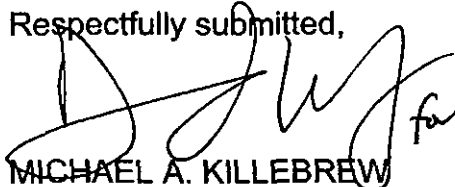
FISCAL IMPACT

The total amount to be financed under the BofA agreement will not exceed \$2,183,000 and will be financed over a four-year period. The total debt service (principal and interest) for the agreement is \$2,326,000. Of that amount, \$145,350 will be paid in FY 05. Subsequent debt service payments of approximately \$2,180,000 will be appropriated through the annual budget process. Sufficient funds have been budgeted in the General Services Fund (IS 385) and in the Technology Services Department (TS) to support this activity.

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