



CITY OF LONG BEACH

R-20

DEPARTMENT OF TECHNOLOGY AND INNOVATION

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October 7, 2014

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 Corporation for the financing of personal computers, computer-related equipment, and servers in an amount not to exceed \$950,000 including interest and fees, payable over a four-year period. (Citywide)

DISCUSSION

City Council approval is requested to authorize the City Manager to finance the lease/purchase of personal computers, computer-related equipment and servers through the Banc of America Public Capital Corporation's Master Lease Agreement that was approved by the City Council on May 10, 2011.

In March 2011, the Department of Financial Management conducted a Request for Proposals (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. Lease financing provides a cost-effective approach to facilitate the purchase of essential capital assets to meet immediate service demands. Banc of America Public Capital Corporation was selected.

Over 15 years ago, the Technology and Innovation Department (TID), formerly known as 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 the latest innovations and to reduce the ongoing support costs associated with the maintenance of older equipment and software. TID also leveraged lease financing for the replacement program to allow the City to maintain level annual expenditures and enable departments to spread acquisition costs 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 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 to be replaced on this recommended cycle.

In addition to the purchase of approximately 800 PCs, TID would also acquire server hardware. The City's critical applications, like website content management, workers' compensation, utility billing, permitting, work order management, geographic information systems and public safety applications, run on servers. This financing will help us to continue replacing servers to ensure they are reliable and accessible and the most energy efficient.

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

TID continues to pursue innovative approaches to further reduce server infrastructure and personal computing costs. For example, TID has deployed approximately 500 virtual servers and is also expanding desktop computing virtualization. Desktop virtualization essentially transfers computing resources away from the PC to a centralized server in the City's data center, resulting in longer PC life and less frequent replacement. Currently, TID is working with Library Services to replace 110 PCs with a virtual desktop solution and, in FY13, TID deployed 475 virtual PCs, including 375 in Police Department Cruisers and Fire Department vehicles.

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 Kendra Carney on September 8, 2014 and by Budget Management Officer Victoria Bell September 17, 2014.

TIMING CONSIDERATIONS

City Council action is requested on October 7, 2014 to ensure timely replacement of personal computers and servers.

FISCAL IMPACT

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 \$950,000, equating to an estimated annual payment of \$237,500. Contract amount and payments are based upon an estimated interest rate of 2.20 percent, and are 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) in the Technology and Innovation Department (TS) to support the personal computer and server financing. Costs are recovered from client departments and are budgeted in the annual TID MOU. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CHRIS WILDING
INTERIM DIRECTOR OF TECHNOLOGY AND INNOVATION



JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:



PATRICK H. WEST
CITY MANAGER