



Legislation Text

File #: 12-0542, **Version:** 1

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 \$1,148,962 including interest, payable over a four-year period. (Citywide)

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.

To reduce PC-related expenditures, the City extended the PC replacement cycle from three to four years as part of the City's Financial Strategic Plan. Leading information technology industry experts, such as Gartner, Inc., have found that the average lifespan of a PC is 43 months and, therefore, recommend a four-year replacement cycle to achieve the lowest total cost of ownership. The City's own experience validates the four-year replacement cycle. By refreshing PCs every four years, the City workforce benefits from reduced downtime caused by hardware failures and from faster, more robust machines, increasing productivity. For example, a PC that saves an employee five minutes a day (including boot up, logging in, response to applications, etc.) would save the individual about 20 hours per year. In addition, the refresh cycle enables TSD to minimize the amount of staff resources dedicated to repairing hardware.

The City expects to install a total of approximately 900 computers, as well as LCD monitors and servers. The estimated cost to replace these computers and servers is \$1,100,000. This is an approximately 12 percent reduction from the previous lease finance acquisition approved in Fiscal Year 2011. The equipment will continue to be acquired from Dell Marketing L.P., utilizing Dell Master Purchase Agreement No. 28280, which was previously approved by the City Council.

In addition to the purchase of PCs, TSD would also acquire server hardware. The City's critical applications like Internet/Intranet, workers' compensation, permitting, work order management, and many Public Safety applications run on servers. This financing will allow the City to replace aging servers that are becoming unreliable and are large consumers of energy.

To ensure that the City is receiving the best pricing possible, TSD researched other procurement opportunities, such as consolidated purchase programs with other governmental institutions. As a result, the City was able to confirm that it has the best available pricing. Through this and other efforts, TSD was able to reduce the annual PC and server equipment by \$320,500 over the last two fiscal years.

Moreover, TSD continues to pursue opportunities to further reduce personal computing and server infrastructure costs. Currently, the Department is implementing 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. There are approximately 75 City staff in the virtualization pilot project. This number will grow by over 300 in the next few months when the mobile computers in Police vehicles are converted to virtual computers. Additionally, we are moving forward with implementing less expensive tablet devices in place of traditional laptop computers for the City's field operations.

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

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

This matter was reviewed by Deputy City Attorney Gary J. Anderson on June 5, 2012 and by Budget Management Officer Victoria Bell June 8, 2012.

City Council action is requested on July 3, 2012 to ensure timely replacement of personal computers and servers.

The total amount to be financed under the lease agreement will not exceed \$1,100,000 and will be financed over a four-year period. The total debt service, principal and interest, for the agreement are estimated at \$1,148,962, which equates to an annual payment of \$287,241. The contract amount and payments are based upon an estimated interest rate of 2.15 percent, which is 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. Charges to client departments to cover the cost are included in the FY 12 Adopted and FY 13 Proposed Budgets. There is no local job impact related to this item.

Approve recommendation.

CURTIS TANI
DIRECTOR OF TECHNOLOGY SERVICES

JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

PATRICK H. WEST
CITY MANAGER

