



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Scott P. Johnson

SUBJECT: SEE BELOW

DATE: May 4, 2007

Approved

Deanne Fuhrer

Date

5/8/07

COUNCIL DISTRICT: City-Wide

SUBJECT: SECOND AMENDMENT TO EXTEND THE AGREEMENT WITH FEDEX KINKO'S, INC. (PLEASANTON, CA) FOR REPROGRAPHIC AND COPY SERVICES

RECOMMENDATION

Adoption of a resolution authorizing the Director of Finance to execute the second amendment to the agreement with FedEx Kinko's Inc. (Pleasanton, CA) by extending the term of the agreement from May 30, 2007 to August 31, 2007 and increasing the cost for black and white and color impressions and setting the cost for other services at a 5% discount of published rates.

OUTCOME

This contract extension will provide staff with sufficient time to conduct a competitive Request for Proposal (RFP) for Reprographic and Copy Services.

BACKGROUND

On September 2, 2003 Council adopted Resolution No. 71730 to negotiate and execute a one-year agreement with two one-year options with FedEx Kinko's Inc. to operate a copying facility in City Hall.

On November 21, 2006, the City Council approved the first amendment to the contract extending the term from November 30, 2006 to May 30, 2007 with FedEx Kinko's. Staff requested the contract extension to allow for sufficient time to develop specifications, issue a Request for Proposal, evaluate proposals, and recommend award of contract to Council.

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ANALYSIS

A notice inviting on-site reprographic service providers to submit proposals (RFP) was published on January 24, 2007. Proposals were received on February 27, 2007. After initial review of the proposals Finance determined that both proposals were non-responsive. Advanced Resource Options did not include a required document and Ikon Office Solutions took exception to the required lease agreement. Additionally, during the question and answer period of the RFP, several potential responders expressed concern about the fixed cost of rent, labor, equipment, and office furniture over the life of the contract and the City's inability to guarantee a minimum amount of revenue by committing to a certain level of copying volume.

Therefore, staff rejected all proposals and re-solicited the requirement with updated specifications requesting that proposers respond to three different cost models:

1. The successful proposer will pay rent as soon as the proposer reached 50% of the 2005 copies (approximately 5.5 million black and white copies). As the threshold is reached and exceeded, the successful proposer will pay rent based on a percentage of additional sales up to a maximum of \$48,000 per annum.
2. The successful proposer will pay no rent with the expectation that the cost avoidance of rent will result in a lower cost per copy charge for the City.
3. The successful proposer will offer off-site reprographics service in the immediate downtown area. Staff will be able to send copying tasks via the internet or visit the off-site location to place an order. Upon completion the proposer would be required to deliver the copy job to the department.

On April 12, 2007 the new RFP, which included the aforementioned changes, was posted on Demandstar and Bidline and emailed directly to interested vendors. On April 20, 2007 five suppliers attended the pre-proposal conference. The RFP is scheduled to close on May 9, 2007. After receipt of proposals, staff will analyze the various pricing proposals and determine which pricing and service delivery model is most advantageous to the City.

In April, during numerous meetings, Finance requested that FedEx Kinko's extend the current contract for an additional three months at the same terms and conditions. Since FedEx Kinko's is closing in-house copy centers across the nation due to lack of profitability, FedEx Kinko's initially agreed to only a one-month extension with the following increases in cost:

Type of Service	Current Cost	Recommended Cost
Black and White Impression	\$0.019	\$0.06
Color Impression	\$0.29	\$0.79
Other Services	Varied	5% Discount of published rates

After escalating the City's need for a three month extension within the appropriate levels of FedEx Kinko's management, FedEx Kinko's agreed to provide the on-site service until August 31, 2007.

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The current agreement, which Council approved in September 2003, did not allow for FedEx Kinko's to increase its prices. FedEx Kinko's on-site staff is covered by the City's Living Wage Policy, the hourly labor rate, including payment for medical benefits, for servicing the contract has increased from \$11.35 in Fiscal Year 2003- 2004 to \$13.52 in Fiscal Year 2006-2007. Concurrently, to the required labor cost increase, the City reduced its need for reprographic services due to enhanced use of email, web postings, and electronic storage of data. By raising the cost for black and white and color impressions to the rates outlined above, according to FedEx Kinko's, the company will be able to recover its costs during the three months extension.

Contracting-In

As discussed at the November 21, 2006 Council Meeting, staff will analyze the possibility to contract-in reprographic services and expects to present the analysis to Council in August 2007.

POLICY ALTERNATIVES

Not applicable.

PUBLIC OUTREACH/INTEREST

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

While this agreement does not meet any of the above criteria, this memorandum is posted on the City's website for the May 22, 2007 Council Agenda.

COORDINATION

This memorandum was coordinated with the City Attorney's Office.

FISCAL/POLICY ALIGNMENT

This Council item is consistent with the Council approved General Budget Principle "We must focus on protecting our vital core city services for both the short-and long-term".

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COST SUMMARY/IMPLICATIONS

Not applicable.

BUDGET REFERENCE

Not applicable.

CEQA

Not a project.


SCOTT P. JOHNSON
Director, Finance

For questions, please contact Walter C. Rossmann, Chief Purchasing Officer, at (408) 535-7051.