



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Scott P. Johnson

**SUBJECT: REPORT ON RFP FOR ON-SITE
REPROGRAPHIC SERVICES
AT CITY HALL**

DATE: July 30, 2007

Approved

Date

8/2/07

RECOMMENDATION

Report on Request for Proposal for on-site reprographic services at City Hall and adoption of a resolution authorizing the Director of Finance to:

1. Execute a three year agreement with Newcal Industries, Inc. (Pleasant Hill, CA) to operate a copying and printing facility in City Hall for the period September 1, 2007 through August 31, 2010, for a total three year compensation not to exceed \$3,000,000 in total per copy charges.
2. Execute two one-year options to renew the agreement subject to annual Consumer Price Index adjustments and annual appropriation.

OUTCOME

To provide comprehensive and cost-effective reprographic services, including copying and printing to City Hall tenants and Departments citywide.

EXECUTIVE SUMMARY

Staff recommends award of contract for reprographic services to Newcal Industries, Inc., the company which submitted the most advantageous proposal for on-site reprographic services. As directed by Council, staff included a contracting-in analysis. Based on the analysis of "hard" costs only, the average cost per copy for contracting-in the service would be 139% higher.

BACKGROUND

Prior to Fiscal Year 2003, the City gradually reduced staff in the City's Print Shop due to aging equipment, changes in the printing and graphic design industry, and non-competitive cost of an

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in-house print shop. As a result, in 2003 the City awarded a contract to FedEx Kinko's for reprographic services with an on-site location at old City Hall. In summer of 2005, the service location for onsite reprographic services was moved to the first floor of City Hall.

On November 21, 2006, Item 3.7, Council approved an extension to the current contract with FedEx Kinko's to allow staff sufficient time to competitively procure the service and requested that staff analyze to contract-in the service. As mentioned in the Council Memorandum adopted by Council on June 4, 2007, FedEx Kinko's is closing in-house copy centers across the nation due to lack of profitability. On June 5, 2007, Council extended the contract until August 31, 2007.

Prior to requesting a second extension on the current contract, on January 24, 2007, Finance issued a notice inviting on-site reprographic services providers to submit proposals (RFP) and two 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 to provide cost-effective reprographics services at City Hall with updated specifications to increase competition by requesting that proposers respond to one or more of three different cost models:

1. The successful proposer will pay rent as soon as the proposer reached 50% of the 2005 copying volume (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 of copying tasks, the proposer would be required to deliver the copy job to the requesting department.

ANALYSIS

A notice inviting proposals was re-published on April 12, 2007 affording interested contractors a competitive opportunity to provide on-site copy and printing services at City Hall as well as off-site services for more complex copying, printing and associated services. The Request for Proposals (RFP) included the aforementioned changes. The RFP was advertised on the City's

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BidLine website and the DemandStar bid notification system. In addition, nine companies, which previously expressed interest in the on-site copy and printing service center, were emailed the RFP posting notification.

Eleven companies downloaded the RFP documents of which six attended the mandatory pre-proposal conference and copy center site visit held on April 20, 2007. Ikon, Newcal Industries, Inc., and San Jose Blue submitted proposals by the May 9, 2007 deadline.

The proposal evaluation consisted of a thorough review of each company’s written proposal for Technical Approach, Quality of Proposal, and Cost weighted as outlined in the table below by a three-member evaluation panel consisting of representatives from the Finance Department, the Office of Economic Development, and the Library. Prior to receiving proposals, all panel members were required to sign a confidentiality agreement and a conflict of interest form. No conflicts of interest were identified. Cost proposals were evaluated independently by Finance and scores were not disclosed to the evaluation team to ensure an unbiased evaluation of the technical aspects of the proposals.

All proposers responded to the two on-site cost models. Due to slight changes in specifications, exceptions taken by proposers, and the need for enhanced clarity regarding cost proposals, Finance invited all three proposers to participate in a Best and Final Offer (BAFO). In Ikon’s response to the BAFO, Ikon took exceptions to the City’s Insurance requirements, which resulted in a non-responsive proposal eliminating Ikon from further consideration in the evaluation process.

The table on the next page contains the final evaluation scores for Newcal Industries and San Jose Blue. San Jose Blue scored higher in experience due to their experience working with local municipalities. San Jose Blue’s focus is more on large format and blueprint reprographic services. San Jose Blue’s online capabilities and ability to use local satellite offices during the implementation period led to a higher technical approach score. Newcal has been in business since 1991 giving the company’s proposal a lower experience score when compared to San Jose Blue’s 60+ years’ experience. Newcal specializes in providing facilities management which leads to a lower client cost and increase in service efficiency. When comparing cost, which represents the largest component in the overall score, Newcal proposed a cost nearly 40% lower than San Jose Blue as noted in the following table.

Table 1 – Cost per Copy Comparison

Company	8.5 x 11 Black & White	8.5 x 11 Color	8.5 x 14 Black & White	8.5 x 14 Color	11 x 17 Black & White	11 x 17 Color
Newcal Industries	\$0.029	\$0.29	\$0.029	\$0.29	\$0.055	\$0.56
San Jose Blue	\$0.039	\$0.42	\$0.049	\$0.53	\$0.078	\$0.84

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Table 2 – Tabulation of Points

Company	Experience (20 pts)	Technical Approach (30 pts)	Local Business Preference (5 pts)	Small Business Preference (5 pts)	Cost (40 pts)	Total
Newcal Industries	10	21	0	0	40	71
San Jose Blue	15	23	5	0	25	68

The Notice of Intended Award was issued on July 19, 2007 allowing parties interested in the procurement to submit a protest to the attention of the Chief Purchasing Officer within ten days of the notice. Any protest received and the respective resolution will be communicated to Council in a supplemental memo.

The proposed contract provides for on-site copy and printing services at City Hall including equipment and personnel to staff the copy center. Personnel will be paid at the living wage rate as per the RFP wage requirements. The proposed no rent cost model resulted in a lower cost per copy to the City. As detailed in Table 1, Newcal Industries will provide services at the existing copy center space located in the City Hall Tower, 1st floor for a per copy charge of \$0.029 for 8 ½” x 11” black and white copies (35% less than San Jose Blue) and \$0.29 for color copies (45% less than San Jose Blue).

Given the results of the RFP process and the attached contracting-in analysis, as summarized below, staff recommends award of the contract to Newcal Industries, Inc. which submitted the most advantageous proposal.

Contracting-In

As requested by Council, attached to this memorandum is a contracting-in analysis. The contracting-in analysis assumes two City staff members to operate the copy center, the volume of copies as identified in the RFP, and a three-year leasing cost of new reprographic equipment. The weighted average per copy cost, which represents a mix of black & white, color copies and various sizes, for contracting-in the service is 139% higher than the cost submitted by Newcal Industries, Inc. The weighted average per copy cost for contracting-in does not include the cost for the development of an online website for document submission, necessary miscellaneous equipment such as computer hardware and software, office furniture, telephones and fax, dollies, carts, vehicles, and appropriate costs for supervision. In contrast, per the RFP, the recommended contractor included all costs to run the copying center in its cost per copy charges.

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EVALUATION AND FOLLOW-UP

This memorandum includes a contracting-in analysis as requested by Council during the November 21, 2006 Council meeting.

POLICY ALTERNATIVES

Not Applicable.

PUBLIC OUTREACH/INTEREST

- ✓ **Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**

- Criterion 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)**

- Criterion 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)**

This item meets Criteria 1. Therefore, the memorandum will be posted on the City's website for the August 23, 2007 Council meeting. To outreach to potential vendors, the RFP was advertised on the City's internet BidLine, the Demand Star bid notification system and a Notice of the RFP was emailed to interested vendors.

COORDINATION

This memorandum has been coordinated with Human Resources, City Attorney's Office, and the City Manager's Budget Office.

FISCAL/POLICY ALIGNMENT

This Council item is consistent with Council approved Budget Strategy Memo General Principle #2, "We must focus on protecting our vital core City services."

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COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT:
Not to Exceed Amount \$3,000,000

2. COST ELEMENTS OF AGREEMENT/CONTRACT:
Black and White Copying of Various Paper Sizes Approximately \$2,500,000
Color Copying of Various Paper Sizes Approximately \$500,000
Not to Exceed Amount \$3,000,000

3. SOURCE OF FUNDING: Various Department Funds.

4. FISCAL IMPACT: Funding is available in departmental annual appropriations.

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.

Attachment

Attachment - Contracting-In Analysis

The analysis to identify costs for contracting-in reprographic services consists of a labor cost and equipment lease cost comparison. The tables below identify the cost factors for Black and White and Color copies, using various sizes of paper, and compare the projected City costs with the costs from the most advantageous proposal.

Table 1 - Cost for Black and White Copies

Paper Size	Paper Cost ¹	Equipment ^{2,4}	Labor ^{3,4}	Total	Price per Copy ⁵	Price per Copy as Proposed
8 1/2 x 11	\$14,697.94	\$20,699.06	\$86,777.20	\$122,174.20	\$0.0549	\$0.029
8 1/2 x 14	\$816.55	\$1,149.95	\$4,820.96	\$6,787.46	\$0.0549	\$0.029
11 x 17	\$1,633.10	\$1,149.95	\$4,820.96	\$7,604.01	\$0.0615	\$0.055

¹ Based on annual volume as estimated in the RFP

² Based on annual lease cost of new equipment

³ 2 FTEs, based on cost Off-set Press Operator classification including 30% fringe rate

⁴ Equipment and Labor cost is allocated to the various paper sizes based on annual volume as estimated in the RFP

⁵ Total cost divided by annual volume of copies as identified in the RFP

Table 2 - Cost for Color Copies

Paper Size	Paper Cost ¹	Equipment ^{2,4}	Labor ^{3,4}	Total	Price per copy ⁵	Price per Copy as Proposed
8 1/2 x 11	\$3,477.11	\$45,053.19	\$16,894.19	\$65,424.50	\$0.1509	\$0.29
8 1/2 x 14	\$481.72	\$2,502.91	\$938.55	\$3,923.19	\$0.1629	\$0.29
11 x 17	\$772.68	\$2,502.91	\$938.55	\$4,214.14	\$0.1750	\$0.56

¹ Based on annual volume as estimated in the RFP

² Based on annual lease cost of new equipment

³ 2 FTEs, based on cost Off-set Press Operator classification including 30% fringe rate

⁴ Equipment and Labor cost is allocated to the various paper sizes based on annual volume as estimated in the RFP

⁵ Total cost divided by annual volume of copies as identified in the RFP

The tables above demonstrate that contracting-in reprographic services increases the cost per copy to the City by 139% on average (weighted by copy type and paper size). The cost comparison, however, does not include start-up costs and ongoing costs in order for the City to provide comparable services as specified in the RFP. The start-up costs include creation of a web-based order receipt, tracking and confirmation system, creation of a job cost calculation and billing system, and equipment for two staff members including but not limited to computer hardware and software, office furniture, telephones and fax, dollies, carts, and vehicle. The ongoing costs include office supplies and supervision.

The cost avoidance for contracting-in reprographic services is minimal. The City does not require a contract administrator and does not need to issue payment for the services provided.