



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Scott P. Johnson

SUBJECT: REPORT ON RFP FOR CITYWIDE
COPIERS/MULTI-FUNCTION DEVICES

DATE: September 24, 2007

Approved

Date

9/27/07

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Report on Request for Proposal (RFP) for Copiers/Multi-Function Devices and adoption of a resolution authorizing the Director of Finance to:

1. Execute an equipment rental agreement with Ricoh Business Solutions (San Jose, CA) for copiers/multi-function devices including installation, maintenance, and consumables, and applicable sales taxes, for a three-year initial term, subject to annual appropriations, with a first year maximum compensation of \$837,061 including \$200,000 contingency for the renting of additional equipment, as required.
2. Exercise three one-year options to renew the agreement subject to annual appropriations.

OUTCOME

To provide cost-effective state-of-the-art copiers/multi-function devices which allow for copy, scan, print, email, and fax document processing capabilities.

BACKGROUND

The City currently utilizes four suppliers to provide and maintain approximately 275 copiers throughout the City at a total annual cost of approximately \$950,000. The copiers are typically rented with a three year minimum commitment. Currently numerous models are utilized that perform a range of functions from basic copying to scanning, printing, and faxing in a networked environment. Most of the leased machines are at least three years old which increases down-time and maintenance.

The City's existing practice of contracting with four suppliers offering numerous different models has decreased office efficiencies. For example, different invoice presentations from each supplier are confusing to Departments, models are not uniform across departmental operations, and too many copier choices make it difficult to manage copier usage and increase copier usage charges. Further, multiple suppliers, copier models, and consumables do not allow the City to leverage its annual expenditures for this service and related products and receive the best price.

To address these issues, the Finance Department's Purchasing Division staff developed a Request for Proposal (RFP) with the following key objectives:

- Reduce cost through economies of scale by selecting one supplier to manage the entire copier program.
- Provide purchasing flexibility by specifying copier models which meet the City's varied operational requirements.
- Provide flexible lease terms by adding, upgrading, downgrading, or deleting equipment without penalty as operational needs dictate.
- Specify machines that perform multiple functions, including copying, network printing, scanning, emailing, and faxing. This will reduce the need for Departments to replace and purchase equipment designed for these additional functions.
- Require intuitive interfaces. Fact-finding sessions with City staff revealed that many users do not use some features, such as two sided copying, because the interface of existing equipment is too complex.
- Include Environmental Preferable Procurement Policy (EP³) standards such as requirements for low energy usage; ISO 14001 certification or similar evidence of environmental management systems undertaken by suppliers; use of recycled content in the manufacture of the equipment, supplies and packaging; machines capable of using 100% recycled paper; and overall paper reduction through two-sided copying, emailing, and scanning capabilities.

ANALYSIS

A Request for Proposal (RFP) was advertised on the City's bid line and posted on the DemandStar bid notification system on April 23, 2007. A mandatory pre-proposal conference was held on May 7, 2007, and was attended by eleven companies. Five proposals were received by the due date of June 4, 2007:

- Canon Business Solutions, San Jose, CA
- OCE of North America, San Francisco, CA
- Rabbit Office Automation, Sunnyvale, CA
- Ricoh Business Systems, San Jose, CA
- Toshiba Business Solutions, San Jose, CA

The initial proposal review consisted of a pass/fail assessment of proposals to ensure that all minimum qualifications were met and that all proposals were complete. The proposal submitted by Canon Business Solutions was determined to be non-responsive because Canon's proposal did not include the required documentation to verify the performance specifications for each class of machine the company proposed.

Phase 1 of the evaluation process was to assess the experience of proposers and their technical capability, including the functionality of the proposed hardware and the proposers' ability to install, maintain, and manage the City's copier program. A five-member evaluation panel with representatives from Planning, Building and Code Enforcement (PBCE), the City Manager's Office, the City Clerk's Office, Parks, Recreation and Neighborhood Services (PRNS), and Finance reviewed and scored the proposals.

Upon conclusion of Phase 1 of the evaluation, the team recommended that proposals submitted by Rabbit Office Automation and OCE North America did not score in the competitive range, i.e., that these proposals reasonably could not achieve award of contract. Both companies were notified of staff's decision and offered a debriefing session. Upon request by OCE North America, City staff debriefed the company to further explain the evaluation team's determination.

Ricoh Business Systems and Toshiba Business Solutions were invited to participate in Phase 2 of the evaluation process that included product demonstrations and an oral interview/presentation. In addition, products were tested at City Hall for one week in order to evaluate usability and to collect end-user feedback.

At the conclusion of Phase 2, a Best and Final Offer (BAFO) was issued to allow both finalists to make any final changes to their original cost proposal submission.

The overall scores and ranking of the finalists are summarized below. As illustrated, Ricoh's proposal scored higher in experience, technical categories, and response to the City's environmental procurement requirement.

Rank	Company	Experience	Technical	Cost	Local Business Preference	Small Business Preference	Total
Maximum points/weight >>>		15	35	40	5	5	100
1	Ricoh Business Systems (San Jose, CA)	15	35	39	5	N/A	94
2	Toshiba Business Solutions (San Jose, CA)	14	30	40	5	N/A	89

The cost difference between Ricoh and Toshiba was approximately \$11,000 during the first contract year. Ricoh and Toshiba both applied for and were granted five points for the City's Local Business Preference.

The agreement includes a monthly rental fee per machine and a per copy charge. The copier program will include customer consultation, order management, delivery, installation, training, maintenance, consumables (except paper), copier moves, and copier removal. Each Department will have the opportunity to choose from six models. All models offered by Ricoh include the capability to scan, fax, print and copy. Additionally, Ricoh has committed to make available to the City the newest available technology and will substitute originally proposed equipment with more advanced equipment at any time during the contract term, at the same price, terms and conditions, as the original equipment proposed. Therefore, as equipment ages, the City's copiers/multi-function devices can be upgraded during the six year contract (including the initial term of three years and assuming the City exercises the three one-year options to extend the initial contract term) allowing the City to take advantage of new functionalities as they become available.

Cost Analysis

Under the City's existing copier program, the total annual expenditure in FY 2006-2007 was approximately \$950,000. Under the new program, the estimated annual cost to operate the same number of machines is estimated to be \$637,061; a 33% cost savings or \$939K for the initial three year term of the agreement. In addition, the enhanced fax/printer functionality incorporated in these new generation copiers will further reduce costs because fewer dedicated printers and fax machines will be required to meet Department requirements.

Implementation Plan

After award of contract, staff will meet with department representatives to outline the options available and explain the process and timeframe for replacement of current copiers with multi-function devices. The full implementation process will be piloted with the Finance and Information Technology departments. Other departments in City Hall will follow with outlying facilities completed in the final phase of the project. It is anticipated that replacement of all copiers citywide and full implementation of all MFD features will be completed by March 31, 2008.

Summary

Both Ricoh and Toshiba submitted excellent proposals. However, the evaluation team concluded that Ricoh's solution is superior as summarized below:

- Ricoh demonstrated a far better understanding of the City's requirements. Ricoh's solution includes a proactive service plan with a full time on-site Key Operator.
- Ricoh has an automated data transfer program for maintenance support which will indicate when preventive maintenance is required including notifying the end user with status reports on the liquid crystal display screen on the device. Ricoh's "@Remote" program further supports this process by placing automatic service calls to the Ricoh Dispatch Center, so any technician dispatched for Preventive Maintenance will arrive with the necessary parts to complete the process which further minimizes downtime.
- Support of the City's Environmental Preferable Procurement Policy: Ricoh's recycling program was recognized by the World Environmental Center with a Gold Medal for International Corporate Achievement in Sustainable Developments. Only one of these

awards is given annually worldwide. Ricoh's equipment is certified under ISO 14001. Every Ricoh manufacturing plant (globally) has achieved zero-waste to landfill. Ricoh will minimize pollution through proper recycling and disposal of office equipment and supplies. Ricoh collects and recycles 100% of cartridges and machines. This commitment translates into energy conservation, increased productivity, and the minimization and proper disposal of waste and obsolete/end-of-life equipment.

The RFP included a protest process. The ten-day protest period allowing any proposer to dispute the award recommendation commenced on August 20, 2007 when all participants were notified of the award recommendation. The City's Chief Purchasing Officer did not receive any protests.

EVALUATION AND FOLLOW-UP

This memorandum will not require any further follow-up from staff.

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 Criterion 1. The memorandum will be posted on the City's website for the October 16, 2007 Council agenda. To outreach to potential vendors, this RFP was advertised on the City's Bidline and the Demand Star bid notification system. In addition, this RFP was emailed to seven vendors directly.

COORDINATION

This memorandum was coordinated with the City Manager's Budget Office and the City Attorney's 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."

COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT:

Not to Exceed Amount for First Contract	
Year of Three-Year Contract	\$837,061

2. COST ELEMENTS OF AGREEMENT/CONTRACT:

Citywide Leasing of Copiers/Multi-function Devices for first contract year	\$637,061
Contingency for first contract year	\$200,000
Not to Exceed Amount	<u><u>\$837,061</u></u>

3. SOURCE OF FUNDING: Various Department Funds.

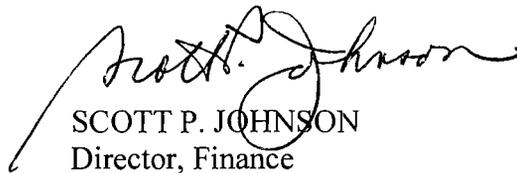
4. FISCAL IMPACT: Funding is available in departmental annual appropriations.

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.