



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL** **DATE: APRIL 9, 2019**

**FROM: INNOVATION AND TECHNOLOGY DEPARTMENT WARDS: ALL**

**SUBJECT: RECEIPT OF REVENUE, IN THE AMOUNT OF \$80,882.64, FROM SHARP ELECTRONICS CORPORATION, AND APPROPRIATION TO EXPENSE ACCOUNT, IN THE SAME AMOUNT, FOR PAYMENT TO XEROX CORPORATION FOR BALANCE OF LEASE PAYMENTS OWED**

## **ISSUE:**

Approve the receipt of revenue in the amount of \$80,882.64 from Sharp Electronics Corporation, and approve the appropriation to expense account, in the same amount, for payment to Xerox Corporation for the balance of lease payments owed

## **RECOMMENDATIONS:**

That the City Council:

1. Approve the receipt of \$80,882.64 from Sharp Electronics Corporation to revenue account number 2400000-374200; and
2. Approve the appropriation of \$80,882.64 to expense account number 2400000-424220; and
3. Authorize the City Manager, or designee, to execute all documentation necessary to effectuate the appropriation of revenue from Sharp Electronics Corporation and expenditures for payment to Xerox Corporation to pay the balance of the lease payments owed, including making minor non-substantive changes.

## **BACKGROUND:**

On April 12, 2018, the City issued Request for Proposals (RFP) No. 1817 – Managed Print Services (MPS) to seek proposals from qualified vendors for copier equipment, printer equipment, MPS services, per page rates for black/white and color printing, and optional third party leasing firm bids. After evaluating the responses based on several factors, including but not limited to, cost, vendor background, technical solution, maintenance/support and responsiveness, the City ranked Sharp Electronics Corporation as the most responsive and responsible proposal.

On January 15, 2019, City Council approved a five-year Professional Services Consulting Agreement with Sharp Electronics Corporation (Sharp) as the City's primary copier, printer, and managed print service provider.

### **DISCUSSION:**

Sharp, and the City's MPS consultant, Eco Office Werks, LLC., conducted a Xerox Early Termination Return on Investment (ROI) analysis for fifteen (15) devices that would otherwise not be replaced until 2021-2022. Through this analysis, it was determined that the City can escalate savings of \$106,728 into year one that otherwise would not be realized until year three. The ROI analysis also projects an additional net savings of \$57,300 over five years, by the early termination of the leases on the 15 Xerox devices.

The Xerox contract terms and conditions allow for an early termination of leases by paying the monthly equipment component (MEC) charge times the number of months remaining on that serial number lease. The total early termination fee for the 15 devices is \$80,882.64. Sharp agreed to pay the early termination fee for the City.

Sharp will recoup this cost over the five-year term of the agreement by adding a 1.98% fee per month to each of the new 15 machine's monthly cost. Even with the added fee the monthly charges to each department will be less than what is currently charged under the Xerox lease terms.

### **FISCAL IMPACT:**

There is no negative General Fund fiscal impact associated with the recommend actions herein. All savings will be realized in each of the department's general office expense or printing expense accounts monthly.

Upon Council approval, the Sharp revenue will be received into account 2400000-374200, Innovation and Technology Administration - Miscellaneous Revenue, and an equal appropriation will be made to the expense account 2400000-424220, Innovation and Technology Administration - All Other Equipment Maint/Repair.

Prepared by: George Khalil, Chief Innovation Officer  
Certified as to  
availability of funds: Edward Enriquez, Chief Financial Officer/Treasurer  
Approved by: Lea Deesing, Assistant City Manager  
Approved as to form: Gary G. Geuss, City Attorney

### **Attachments:**

1. Sharp Agreement to Pay Early Lease Termination
2. Xerox Early Termination Return on Investment Worksheet