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Item No. 11.1.3

Halifax Regional Council
October 21, 2008

TO: Mayor Kelly and Members of Halifax Regional Council

A handwritten signature in cursive script, appearing to read "Dan English".

SUBMITTED BY:

Dan English, Chief Administrative Officer

DATE: October 7, 2008

SUBJECT: **RFP # 08-400R, Replacement of Digital Printers/Copiers and Print On Demand Digital System**

ORIGIN

An RFP #08-400R, Replacement of Digital Printers/Copiers and Print On Demand Digital System was issued to replace several pieces of HRM's printing/copy equipment that is at the end of lease/end of life.

RECOMMENDATION

It is recommended that Halifax Regional Council:

1. Approve a withdrawal of \$64,447.66 from the Service Improvement Reserve (Q310) in order to pay out the balance owing on existing leases for components of HRM's existing digital printing system; and
2. Pending Ministerial Approval - Award RFP # 08-400R, Replacement of Digital Printers/Copiers and Print On Demand Digital System to the highest scoring proponent, Konica Minolta for a five (5) year lease cost of \$173,178.00 including net HST as detailed in the Budget Implications section of this report.

BACKGROUND

In 2002/2003, based upon increased opportunities for efficiencies and flexibility for the Municipality, as well as, better value for dollars spent, HRM decided to perform many of the printing functions, previously performed externally, within Corporate Communications. An RFP was released and new digital copying equipment, including a server and operating system was acquired under a long term lease. Due to steadily increasing demand, several additional copiers were acquired over the last six (6) years. This has resulted in several leases which expire on different dates. The varying dates of the ongoing leases limit HRM's ability to competitively lease a new printing system from any vendor other than the one who supplied the existing system since any new machines must be compatible with the existing system. In addition, with the rate at which technology advances this is an important consideration.

The equipment leased in 2002/2003 is currently beyond it's expected life span of approximately five (5) years. The older equipment which currently does the bulk of HRM's black and white printing, is now under constant maintenance and there is a concern that the timely delivery of printed materials, such as the tax bills, parking notices and summons, and the day to day requirement for printed materials, may be threatened should the existing three (3) black and white copiers all fail at the same time.

The Printing Centre leases all equipment used for copying and mail preparation. The reason for this approach is that the technology is advancing rapidly and the continuous volume of work being processed by this machinery means their useful life is a maximum of five years. If this equipment was purchased rather than leased, the Printing Centre would be left with equipment at the end of five years that has little value and would not be able to meet the needs of HRM.

Leasing equipment from a single supplier means that it is all compatible and serviced by a single provider. If the digital copiers, server and software were supplied by different vendors, it would be difficult to have the equipment serviced promptly as there would be conflicts among the different suppliers as to whose responsibility it was to undertake repairs. It has been our experience that having a single supplier translates to higher quality service levels and prompt reaction times.

Early in 2008, an RFP was issued to explore the opportunity to obtain a replacement multi-component printing solution comprised of a server, operating system software, and black and white and colour digital copiers. Several proposals were received, all of which would require complete replacement of the existing equipment. In addition to providing for HRM's current printing demand, the proposed solutions anticipated and allowed for growth, improved quality and efficiency for the next five (5) year period. Due to efficiencies in the new technology, the proposals also indicated up to a 13% decrease in the fee per page charge which covers the cost of maintenance and supplies and also allows for a significant decrease in turn-around times.

The solution recommended enables HRM to approach the equipment replacement in a more strategic fashion. By paying out the balance owing on the existing leases we are able to award an all inclusive contract to a single vendor. This approach not only ensures operating efficiencies, it enables an improved service relationship.

A recommended Proponent has been selected. In order to proceed with securing the new leases, it is necessary to pay out the leases on the two pieces of equipment that have not yet expired.

DISCUSSION

In response to RFP # 08-400R five (5) Proposals were received :

Xerox
Office Interiors
Konica Minolta
Canon
Ikon.

Upon review of all proposals, the Canon and Ikon proposals were not found to meet the minimum requirements of the RFP and were not evaluated. The Three (3) remaining proposals are as follows:

Xerox
Office Interiors
Konica Minolta

The remaining proposals met all of the mandatory minimum requirements of the RFP and were evaluated by staff representing Corporate Communications, IT and BPIM and facilitated by Procurement based on the Scored Criteria listed in Appendix A, Proposal Evaluation Criteria as follows:

Firm	Total Score (Max 130)
Konica Minolta	124
Office Interiors	117
Xerox	113

The evaluation process included on-site visits at client sites of each of the proponents in order to further evaluate equipment, service capabilities and performance. Per the terms of reference of the RFP, costs were evaluated based on the total cost of the equipment including variable costs over the length of the lease using the highest anticipated usage forecast for the term as stated in the Scope of Work.

This award will commit HRM to purchasing any directly related equipment, services and software

upgrades from Konica Minolta for the duration of the lease period.

Based on 2007/2008 production levels, which are expected to increase due to increased service offerings and increased efficiencies as a result of the new equipment, the annual savings are \$22,962. Over the term of the new lease, this represents a total savings to the Municipality of \$114,810 based on 2007/2008 levels.

	Total paid in 2007- 2008	Total proposed annual charges based on 2007/2008 production levels	Proposed Savings over 2007-2008 annual charges
Black and White per sheet service costs	\$49,345	\$38,770	\$10,575
Colour per sheet service costs	\$20,720	\$10,187	\$10,533
Lease and Software maintenance costs	\$47,172	\$45,318	\$1,854
Totals	\$117,237	\$94,275	\$22,962

BUDGET IMPLICATIONS

Funding for the payout of existing leases in the amount of \$64,447.66, is available in the Service Improvement Reserve (Q310). The budget availability has been confirmed by Financial Services.

Over the life of the contract (60 months) it will impact the operating budget in 6 fiscal years. Operating Cost Centre A124 - 6203 will be charged as follows

Fiscal Year		Fixed Lease Cost (incl. Net HST)
2008/2009	Half Year	\$17,317.80
2009/2010		\$34,635.60
2010/2011		\$34,635.60
2011/2012		\$34,635.60
2012/2013		\$34,635.60
2013/2014	Half Year	\$17,317.80

Budget Summary: A124, Office Services

Cumulative Unspent Budget as of Oct 16, 2008	\$ 378,948.00
Add: Withdrawal from SIR reserve Q310	\$ 64,447.66
Less: Payout of outstanding lease amount	\$ 64,447.66
Less: Current portion of lease	<u>\$ 17,317.80</u>
Balance	\$ 361,630.20

*Assuming the operating budget remains the same in subsequent years, there will be enough funds to cover the costs for the life of the contract.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation. If approved, this will increase the amount of withdrawals from Reserves.

ALTERNATIVES.

Halifax Regional Council could direct staff to purchase the equipment rather than leasing. This would not be a viable alternative as it would mean we would have to absorb the cost of the equipment in one budget year. Also, we would still have to either buy out the existing leases or continue paying those leases until they expire. After five years, the equipment we purchase now would be out of date, and worn out and we may be in a position to have to purchase new equipment again.

ATTACHMENTS

Appendix "B" - Evaluation Criteria

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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APPENDIX "B"

PROPOSAL EVALUATION CRITERIA

Scored Criteria	Value	Konica/ Minolta	Office Interiors	Xerox
1. Expertise and references relevant experience of the firm and project manager; recent experience in related sales; recent experience in site evaluation and equipment delivery, set-up and training; at least three (3) references with similar systems; availability of manufacturer Certified Technicians; direct relationship with equipment manufacturer;	20	20	20	20
2. Delivery and Warranty: mechanical warranty - parts and labour; electrical/electronic warranty - parts and labour; ability to provide long term service; details regarding method by which long term service will be provided; evaluation of reference responses regarding the provision of service and support.	20	18	15	16
3. Serviceability: evaluation of samples of material printed on the same system; evaluation of features, benefits and performance of each system; compatibility and ability to integrate with existing equipment	40	38	36	30
5. Training:	20	18	18	18
6. Environmental Responsibility	10	10	10	10
4. Costs/Financial based on maximum anticipated usage over 5 years:	20	20 (\$686,779.52 net HST incl)	18 (\$733,257.00 net HST incl)	19 (\$718,929.39 Net HST incl)
Total	130	124	117	113