



COUNCIL AGENDA: 06/25/19

FILE: 19-537

ITEM: 2.20

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Julia H. Cooper

SUBJECT: SEE BELOW

DATE: June 14, 2019

Approved

Date

6-14-19

SUBJECT: FOURTH AMENDMENT TO THE AGREEMENT WITH RICOH USA, INC. TO PROVIDE AND MAINTAIN THE CITY'S MULTI-FUNCTION DEVICES

RECOMMENDATION

Adopt a resolution authorizing the City Manager to execute the Fourth Amendment to the Agreement for Rental and Maintenance Services of Copiers/Multi-Functional Devices (MFDs) with Ricoh USA, Inc. (San José, CA) to extend services for up to two additional one-year option terms through June 30, 2021 and increase total compensation in the amount of \$1,175,000 for the period July 1, 2019 through June 30, 2020, for a not-to-exceed maximum total compensation of \$11,337,061 through June 30, 2020, subject to the appropriation of funds.

OUTCOME

Ensure ongoing maintenance, support, and rental services for MFDs Citywide to provide staff with copying, scanning, printing, and faxing capabilities.

BACKGROUND

Ricoh provides MFD rental, support, and maintenance services at various City locations. Ricoh was selected through a Request for Proposal conducted in 2007.

In October 2007,¹ the San José City Council authorized a three-year Agreement with Ricoh and three one-year options to extend the term through October 15, 2013. In November 2010,² Council authorized an extension of the initial term of the Agreement for eight additional months

¹ 2007 Council Memo: http://www3.sanjoseca.gov/clerk/Agenda/101607/101607_02.11.pdf

² 2010 Council Memo: http://www3.sanjoseca.gov/clerk/Agenda/20101102/20101102_0207.pdf

³ 2014 Council Memo: <http://sanjoseca.gov/DocumentCenter/View/25786>

through June 30, 2011, and in January 2014,³ Council authorized five additional one-year option terms (for a total of eight) to extend the agreement through June 30, 2019.

ANALYSIS

It is essential for staff to have properly maintained and operating MFDs to perform various daily tasks. The City currently has 307 MFDs which are rented, supported, and maintained through this Agreement. The Agreement is in its last option and will expire June 30, 2019.

Staff plans to prepare and release a Request for Proposal within the next year. Once a vendor has been selected, a new contract will be negotiated and executed and these services will be transitioned to the awarded vendor. Deployment of new MFDs is expected to take up to one year to complete. Approval of the recommendations in this memorandum will allow for ongoing services until a new contract is in place and all MFDs have been deployed.

Ricoh has agreed to the terms of the proposed Fourth Amendment, which are consistent with the terms of the existing Agreement, with the exception of an average pricing increase of approximately 14% for equipment rental and per copy costs. When applying the per unit costs and increased volume, the estimated expenditures under this Agreement for FY 2018-19 are \$995,000 and for FY 2019-20 the estimate is \$1,175,000 which represents an increase in expenditures of approximately 15%. This is the first price increase requested by Ricoh over the twelve-year term of the Agreement. The total annual compensation is subject to volume change in copies and the number of MFDs rented.

EVALUATION AND FOLLOW-UP

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

PUBLIC OUTREACH

This memorandum will be posted on the City's website for the June 25, 2019 City Council meeting.

COORDINATION

This memorandum has been coordinated with the Information Technology Department, City Attorney's Office, and the City Manager's Budget Office.

COMMISSION RECOMMENDATION/INPUT

This item does not have input from a board or commission.

FISCAL/POLICY ALIGNMENT

This action is consistent with the Council-approved budget strategy for the effective use of technology.

COST SUMMARY/IMPLICATIONS

The following outlines the elements of the contract.

	<u>Current Agreement</u>	<u>Fourth Amendment</u>
1. AMOUNT OF RECOMMENDATION		\$1,175,000
2. COST ELEMENTS		
- Original Agreement Year 1 (10/16/07 – 10/15/08) not to exceed	\$837,061	
- Original Agreement Year 2 (10/16/08 – 10/15/09) not to exceed	810,000	
- Original Agreement Year 3 (10/16/09 – 6/30/11) not to exceed	810,000	
- Option 1 (7/1/11 – 6/30/12) not to exceed	810,000	
- Option 2 (7/1/12 – 6/30/13) not to exceed	810,000	
- Option 3 (7/1/13 – 6/30/14) not to exceed	810,000	
- Third Amendment (adds 5 additional Options)		
- Option 4 (7/1/14 – 6/30/15) not to exceed	1,035,000	
- Option 5 (7/1/15 – 6/30/16) not to exceed	820,000	
- Option 6 (7/1/16 – 6/30/17) not to exceed	1,020,000	
- Option 7 (7/1/17 – 6/30/18) not to exceed	1,230,000	
- Option 8 (7/1/18 – 6/30/19) not to exceed	1,170,000*	
- New Option 9 (7/1/19 – 6/30/20) not to exceed		1,175,000**
TOTAL	\$10,162,061	\$1,175,000

* Actual FY 18-19 total spend estimated to be \$995,000.

** FY 19-20 estimate based on equipment rental fee and cost per copy volume projections.

3. SOURCE OF FUNDING: Various departments.

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

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BUDGET REFERENCE

This contract is charged to each individual department based on the department's MFD requirements and usage. Funding is provided by the various departments and is subject to annual appropriation of funds.

CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

/s/

JULIA H. COOPER

Director of Finance

For questions, please contact Jennifer Cheng, Deputy Director of Finance, at (408) 535-7059.