

**SOUND TRANSIT
STAFF REPORT**

MOTION NO. M2006-40

Copier Equipment and Services

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	5/4/06	Discussion/Possible Action to Recommend Board Approval Action	Hugh Simpson, CFO	(206) 398-5082
Board	5/11/06		Pete Rogness, Budget Manager	(206) 398-5102

PROPOSED ACTION

(1) to ratify the Equipment Agreement with IKON Office Solutions for copiers; (2) to ratify the Services Agreement with IKON Office Solutions for copier maintenance, supplies, and copy services; (3) to approve an expenditure \$1,805,000 for past costs incurred under the two agreements; (4) to approve \$583,000 for copier maintenance and supplies over the remaining life of the copiers; and (5) to approve \$275,000 for interim copy services until a competitive Request for Proposal process is completed.

KEY FEATURES of PROPOSED ACTION

- Sound Transit currently has two types of agreements with IKON Office Solutions (IKON) - an Equipment Agreement for copiers and a Services Agreement for copy services, including maintenance and copier operation. Both agreements were executed in 2004 and both will expire on December 31, 2009.
- Sound Transit intended to “piggyback” these procurements using a Washington State purchasing contract, pursuant to Resolution 78-1, Section 14.C, and processed the Agreements as a “routine expense of government” pursuant to Resolution 78-1, Section 7.B. Staff has now concluded that these Agreements did not properly “piggy-back” on the state purchasing contract, and do not qualify as a “routine expense of government.”
- Under the Equipment Agreement, Sound Transit received a competitively negotiated price using the state purchasing contract. The Services Agreement terms suited Sound Transit’s business needs and contained a price-per-copy term that represented a significant savings.
- Given that the Agreements provide needed equipment, services, and staff support at a significant cost savings, staff is seeking Board ratification of the Equipment Agreement for the remaining life of the current equipment leases, and ratification of the Services Agreement. For operational reasons, Sound Transit must keep in place the maintenance and supply provisions of the Services Agreement. Staff, however, plans to terminate the copier operation provision of the Services Agreement in approximately six months, by which time a competitive procurement for copier operations can be completed.
- Since entering into these agreements in 2004, budget for both the capital and operating costs have been included within the adopted budgets, and expenditure levels have been within Board-adopted budgetary levels.

BUDGET IMPACT SUMMARY

There is no action outside of the Board-adopted budget; there are no contingency funds required, no subarea impacts, or funding required from other parties other than what is already assumed in the financial plan.

BUDGET and FINANCIAL PLAN DISCUSSION

Goods and services procured under these contracts were obtained within Board-adopted budgetary levels.

Budget for acquisition of copiers is primarily found within Administrative Capital (page 215 of the Adopted 2006 Budget). Copiers that were acquired for use in field offices, however, were charged to the specific project. Although payment for the equipment is made monthly over the life of the lease, for budget authorization and accounting purposes, Sound Transit recognizes the full cost of the copiers at the time of acquisition.

Budget for copy operational services is included within the departmental staff budgets, within transit operations and within project budgets. Costs for these services are charged to the department or program using the services at the time that the services are rendered, at which time adequacy of budget is verified.

BUDGET TABLE

Not applicable to this action.

M/W/DBE – SMALL BUSINESS PARTICIPATION

Prime Consultant/Contractor

Not applicable to this action.

EEO Commitment

In its national workforce, IKON employs 31% People of Color and 36% Women. IKON's local workforce is 23% People of Color and 36% Women.

PROJECT DESCRIPTION and BACKGROUND for PROPOSED ACTION

Procurement of copiers

Sound Transit procures copiers for use throughout the agencies facilities, including the administrative offices, project field offices, operations facilities, and the copy center. Copiers have always been procured under the Washington state procurement system. Due to the structure of the agreement between the state and its vendors, Sound Transit has acquired this equipment as capital assets, with the agency recognizing the full value at the time of acquisition for budget authority purposes and making the capital lease payments to the vendor over its useful life. Sound Transit obtained a competitive price for these leases under the state contract.

These transactions have been interpreted to be a routine expense of government pursuant to Section 7.B of Resolution 78-1. As such, staff has not sought Board approval for these procurements. Staff has now determined that these procurements do require Board approval.

Procurement of copy services

The Services Agreement provides a single point of copy services through staffing of the copy center for most copy projects and through access to outside vendors when needed due to high volume, specialty requirements, or short deadlines. The agreement also provides for copier maintenance, supplies (paper and toner), and a “price per copy” term. Sound Transit receives a better price per copy under the Services Agreement than it would have under the state purchasing contract.

Prior to October 2004, the copy center was staffed by Sound Transit employees. Outside copy services were obtained through various contracts with individual printing and reprographic vendors. Maintenance of copiers was included within the copier lease agreements and supplies were obtained through contracts with suppliers. In October 2004, Sound Transit executed a Services Agreement with IKON to provide these services. From a business perspective, the agreement provides a number of benefits to the agency, including:

- Professional management and staffing.
- Scaleable – IKON agrees to staff the copy center at a level consistent with requested copier volumes, bringing in support and reducing staff as necessary.
- Single point of contact – agency staff interfaces with copy center personnel, who manage copy jobs and interface with outside copy vendors when necessary. Outside copy work is charged back to the agency at cost without mark-up from IKON.
- Free up agency staff that were previously providing copy center service to do other work. One position was subsequently not refilled on turnover, reducing agency overhead costs.

Since the initiation of these contracts, the agency has incurred expenditures of \$1,805,000. Staff estimates that there will be \$583,000 in copier maintenance and supplies over the remaining life of the copiers through December 31, 2009. Staff also estimates \$275,000 in copy service expenditures over the next six months.

Staff will begin a competitive RFP process immediately for copier services, which will be focused on value and small business participation.

CONSEQUENCES OF DELAY

A delay will affect the agency’s ability to pay the vendor for services rendered and may result in an interruption of service. Delay may also result in a litigious situation with IKON.

PUBLIC INVOLVEMENT

Not applicable to this action.

ENVIRONMENTAL COMPLIANCE

Not applicable to this action.

LEGAL REVIEW

SOUND TRANSIT

MOTION NO. M2006-40

A motion of the Board of the Central Puget Sound Regional Transit Authority (1) ratifying the Equipment Agreement with IKON Office Solutions for copiers; (2) ratifying the services Agreement with IKON Office Solutions for copier maintenance, supplies, and copy services; (3) approving an expenditure of \$1,805,000 for past costs incurred under the two agreements; (4) approving \$583,000 for copier maintenance and supplies over the remaining life of the copiers; and (5) approving \$275,000 for interim copy services until a competitive Request for Proposal process is completed.

Background:

Sound Transit procures copiers for use throughout the agencies facilities, including the administrative offices, project field offices, operations facilities, and the copy center. Copiers have always been procured under the Washington state procurement system. Sound Transit currently has two types of agreements with IKON Office Solutions (IKON) - an Equipment Agreement for copiers and a Services Agreement for copy services, including maintenance and copier operation. Both agreements were executed in 2004 and both will expire on December 31, 2009.

Sound Transit intended to "piggyback" these procurements using a Washington State purchasing contract, pursuant to Resolution 78-1, Section 14.C, and processed the Agreements as a "routine expense of government" pursuant to Resolution 78-1, Section 7.B. Staff has now concluded that these Agreements did not properly "piggy-back" on the state purchasing contract, and do not qualify as a "routine expense of government" and do require Board approval.

Since the initiation of these agreements, the agency has incurred expenditures of \$1,805,000. Staff estimates that there will be \$583,000 in copier maintenance and supplies over the remaining life of the copiers through December 31, 2009. Staff also estimates \$275,000 in copy service expenditures over the next six months. Those expenditures are approved by this motion.

Motion:

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority to (1) ratify the Equipment Agreement with IKON Office Solutions for copiers; (2) ratify the Services Agreement with IKON Office Solutions for copier maintenance, supplies, and copy services; (3) approve an expenditure \$1,805,000 for past costs incurred under the two agreements; (4) approve \$583,000 for copier maintenance and supplies over the remaining life of the copiers; and (5) approve \$275,000 for interim copy services until a competitive Request for Proposal process is completed.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on May 11, 2006.



Mark Olson
Board Vice Chair

ATTEST:



Marcia Walker
Board Administrator