



Gavin Newsom
Mayor

Naomi Kelly
Director and Purchaser
Purchasing

MEMORANDUM

To: Department Heads

Cc: IT Managers, Office Managers, ReproStore, Salla Vaerma-Jadlos, Gary Lazar

From: Naomi Kelly, Director and Purchaser *N. Kelly*

Date: March 01, 2010

Subject: CopySmart Program * Lease Expirations – Potential Cost Savings

Since the implementation of the CopySmart program, multiple leases have been established with our three contractors. As you may know, many of the CopySmart leases are now coming to completion. The terms of the contract allow for the following favorable options:

Option A: Lease Renewal-Reduced Price

The terms under this option are the most favorable if your current equipment fits your needs. Prior to the lease expiration, the departments may negotiate with the contractor for renewal terms per this option. The contract states that;

- 1) No renewal term shall exceed 50% of the original lease rate.
- 2) The contractor can provide a quote for a 12 or 24 month lease extension which could result in significant savings for multi-unit leases. The quote for this lease extension shall be based on a calculation of at most 60% of the Fair Market Value of the in-place equipment multiplied by the prevailing State and Local interest rates for a Fair Market Value Lease. This lease option shall include the same base monthly full service maintenance component in effect during the original lease.

Option B: Purchase Existing Equipment

Purchase all or any of the equipment on the last day of the original lease at Fair Market Sales Value.

Option C: Let Lease Expire and Reevaluate New Equipment

Contractor has the right to the equipment, minus any city owned components, if the city allows the lease to expire. Once the lease expires, the department would be required to order new machines per the CopySmart program guidelines. This could require a new survey to determine which equipment fits the departmental requirements. The survey would allow for review of any new industry developments since the original lease or changes in departmental requirements.

The city budget deficit will have an influence on departmental decisions regarding the CopySmart leases. If feasible and practical, OCA recommends that the current short term solution would be to renew the lease at the lower price option. This would improve cash flow on a short term basis and allow departments to take advantage of new technologies and equipment when a new contract is available in 2011. If your department feels the other options are in order and you contracted your leases through the CopySmart program, please contact Diane Handa at 415-554-6913 or James Flowers at 415-554-6740 with OCA to discuss your next steps. If your department feels the other options are in order and you contract through the ReproStore, please contact Gary Lazar at 415-581-3951.

* The City and County of San Francisco (CCSF) issued a Request For Proposal in September of 2005 to establish contracts with three vendors for the lease, purchase, or rental on a cost per copy basis of multi-functional printing devices (MFDs). CCSF entered into three contracts for MFDs in July 2006 with Konica Minolta Business Solutions USA, Ricoh Business Systems, and Xerox Corporation. These contracts were incorporated into the CopySmart process which was rolled out in August 2006. CCSF extended the contracts on June 21, 2009 for an additional year.