



**STAFF REPORT
ACTION REQUIRED**

Sole Source Contract Amendment to Various Digital Photocopier and Facsimile Equipment Contracts

Date:	December 18, 2009
To:	Government Management Committee
From:	Chief Information Officer, Information & Technology Division Director, Purchasing and Materials Management Division (PMMD)
Wards:	All
Reference Number:	P:/2010/Internal Services/pmmd/GM10002pmmd (AFS #8856)

SUMMARY

This report requests authority to increase the value and to extend the contract end date of existing sole source contract with 4-Office Automation Ltd. to allow the Divisions to maintain their current photocopier rental agreements, of 36 or 48 month periods with an option to renew for an additional one (1) or two (2) year periods, and to continue to purchase consumables for facsimile equipment received on this contract only until such time as a new Request for Quotation (RFQ) for consumables has been awarded in 2010.

This report is also requesting authority to increase the value and to extend the contract end date of an existing sole source contract with Ricoh Canada Inc., to allow the Divisions to maintain their current photocopier rental agreements, of 36 or 48 month periods with an option to renew for an additional one (1) or two (2) year periods.

This report further advises of the decrease in value and the extended contract end date, to December 31, 2010, of the existing sole source contract with Sharp Electronics of Canada Ltd. to allow the Divisions to continue to purchase related consumables for facsimile equipment only until such time as a new RFQ for consumables has been awarded in 2010.

RECOMMENDATIONS

The Chief Information Officer and the Director, Purchasing and Materials Management recommend that:

1. Council grant authority to increase Contract No. 47012285 with 4-Office Automation Ltd. by \$1,500,000.00 net of GST from \$4,824,117.37 net of GST to a revised total not to exceed \$6,324,117.37 net of GST and to extend the contract end date from December 31, 2009 to December 31, 2013 with the option to renew for an additional one (1) or two (2) year periods all in accordance with the current legal agreement which will allow the Divisions to maintain their current photocopier rental agreements of 36 or 48 month periods for units rented during the period of October 1, 2007 through to December 31, 2009 and to allow the Divisions to continue to purchase consumables for the facsimile equipment received on this contract only until such time a new RFQ for consumables has been awarded in 2010.
2. Council grant authority to increase Contract No. 47013004 with Ricoh Canada Inc. by \$500,000.00 net of GST from \$1,231,578.95 net of GST to a revised total not to exceed \$1,731,578.95 net of GST and to extend the contract end date from December 31, 2009 to December 31, 2013 with the option to renew for an additional one (1) or two (2) year periods all in accordance with the current legal agreement which will allow the Divisions to maintain their current photocopier rental agreements of 36 or 48 month periods for units rented during of October 1, 2007 through to December 31, 2009.

Financial Impact

Listed below is a summary of amendments to Contract No. 47012285 with 4-Office Automation Ltd., Contract No 47013004 with Ricoh Canada Inc., and Contract No. 47012286 with Sharp Electronics of Canada Ltd. is as follows:

Firm Name	Current Contract Value (net of GST)	Amendment Increase/Decrease of Contract Value (net of GST)	Revised Contract Value (net of GST)
4-Office Automation Ltd.	\$4,824,117.37	\$1,500,000.00	\$6,324,117.37
Ricoh Canada Inc.	\$1,231,578.95	\$500,000.00	\$1,731,578.95
Sharp Electronics of Canada Ltd	\$1,000,000.00	(\$946,500.00)	\$53,500

Contract No. 47012286 with Sharp Electronics of Canada Ltd. will be decreased by \$946,500.00 from \$1,000,000.00 net of GST to a revised total not to exceed \$53,500.00 net of GST and will extend the end date from July 3, 2009 to December 31, 2010 which will allow the Divisions to continue to purchase consumables for the facsimile equipment

purchased from this contract only during October 1, 2007 through to December 31, 2009, until such time a new RFQ for consumables has been awarded in 2010.

Funds required will be requested, and will be available in the appropriate City Programs' 2010 operating budget submissions and requested in the appropriate City Programs' for 2011-2013 Operating Budget Submissions.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

In October 2005, the Province of Ontario issued a Request for Proposal (RFP) and awarded contracts to five (5) proponents for the provision of Digital Photocopiers, Facsimile Equipment and consumables which were available for the Broader Public Sector to issue contracts under the same terms and conditions.

City Council at its meeting of September 25, 26 and 27, 2006, granted authority to enter into non-exclusive agreements with each of these five (5) vendors for a period ending July 3, 2008 with an option to renew for an additional one (1) year term.

<http://www.toronto.ca/legdocs/2006/agendas/committees/adm/adm060905/it014.pdf>

On September 25, 2007, the Information & Technology Division received authority to redistribute funds previously requested amongst the five (5) vendors based on the demands.

<http://www.toronto.ca/legdocs/mmis/2007/gm/bgrd/backgroundfile-7316.pdf>

On September 17, 2008, the Government Management Committee, granted authority to increase the value of the contract with 4-Office Automation Ltd. for the rental of photocopiers and the purchase of facsimile equipment, services, and consumables.

<http://www.toronto.ca/legdocs/mmis/2008/gm/bgrd/backgroundfile-15405.pdf>

ISSUE BACKGROUND

Since 2007, the Information & Technology Division has been managing the existing contracts with 4-Office Automation Ltd., Ricoh Canada Inc., and Sharp Electronics of Canada Ltd. for City divisions based on the Terms and Conditions of the Province Of Ontario Master Agreement for the following:

- A) Purchase of facsimile equipment with one (1) year warranty with the option to extend such warranty for two (2) years and/or and the ability to purchase consumables at a fixed price, and

- B) Rental of digital photocopiers for an initial term of 36 and 48 months with an option to extend for one (1) or two (2) additional years inclusive of consumable supplies required to operate the equipment.

The authority to purchase new facsimile equipment and consumables, and new rental of digital photocopiers under the Province of Ontario Master Agreement and the resulting blanket contracts terminated on July 3, 2009. The Information & Technology Division submitted sole source requests to Purchasing and Materials Management Division to amend the contract end dates only for Ricoh Canada Inc. and for 4-Office Automation Ltd. from July 3, 2009 to December 31, 2009. The value of both contracts remained the same, pending the contract awards from the RFP issued by the Province of Ontario. The RFP review and contract awards have been delayed by the Province of Ontario and will not occur until 2010.

To date, the City has purchased approximately 318 facsimile machines through 4-Office Automation Ltd. and Sharp Electronics of Canada Ltd. To maintain the warranty of the facsimile equipment, the ability to purchase required consumables specifically for these units at a fixed price was part of the agreement.

Similarly, the City has rented approximately 422 digital photocopiers through 4-Office Automation Ltd. and 87 digital photocopiers through Ricoh Canada Inc. Consumable supplies required to operate the equipment are included as part of the rental cost and copy per page charged.

The total value of the existing sole source contracts for both 4-Office Automation Ltd. and Ricoh Canada Inc. do not include the option for the additional one (1) year or two (2) year renewal periods, following the initial term of 36 or 48 month rental period, or the ability to purchase consumables for facsimile equipment only, in order to operate the equipment.

As of December 31, 2009 the existing agreement(s) are terminating with the Province of Ontario, the City can no longer purchase new facsimile equipment or rent any new digital photocopiers under the existing agreement(s). The existing digital photocopier agreements are in place and the City must continue its rental agreements for the initial term with options to renew such rentals for either one (1) or two (2) additional years at the same terms and conditions set forth in the Master Agreement. If rental agreements are terminated during the initial term early termination charges would apply. Therefore, it is necessary that Divisions continue with the arrangements of their rental agreements and continue to have the ability to purchase consumables for facsimile equipment as necessary to operate their equipment and to ensure that warranty provisions are not violated.

All Divisions will be requested to postpone any new facsimile or photocopier requirements until the City has reviewed the Province of Ontario's awarded vendors as a result of their RFP. Should a Division require a facsimile or photocopier machine on an

emergent basis the Information & Technology Division will acquire a unit under an existing blanket contract until the new contract(s) are in place.

COMMENTS

The Province of Ontario has issued a new RFP for the provision of photocopier, and facsimile equipment and they are currently finalizing their evaluation and award. The resulting agreement(s) will also be available to the Broader Public Sector. The award is expected to be completed in 2010 and the City will be in a position to review and analyze the results and identify if any of the equipment being provided under such agreement(s) will meet the City's need as a result of the "eprint strategy" underway within the Information & Technology Division.

The Purchasing and Materials Management Division (PMMD) is also working on issuing a new RFQ for consumables to replace the existing contract (which ends April 4, 2010) and will continue to incorporate the consumables used for existing City equipment as well as consumables required for the new models of equipment purchased on the current contracts. The consumables purchased as a result of the RFQ will be in accordance with the Purchasing of Printer and Replacement Toner Cartridges for Printers Policy. A copy of the policy can be found at:

http://insideto.toronto.ca/purchasing/pdf/replacement_toner_march08.pdf

Contract No. 47012286 with Sharp Electronics of Canada Ltd. will be decreased by \$946,500.00 from \$1,000,000.00 net of GST to a revised total not to exceed \$53,500.00 net of GST and will extend the contract end date from July 3, 2009 to December 31, 2010 which will allow the Divisions to continue to purchase consumables from this contract only for the facsimile equipment purchased during October 1, 2007 through to December 31, 2009, until such time a new RFQ for consumables has been awarded in 2010.

CONCLUSION

It is being recommended that authority be granted to increase the value of the contract with 4-Office Automation Ltd. by \$1,500,000.00 net of GST from \$4,824,117.37 net of GST to a revised total not to exceed \$6,324,117.37 and to extend the contract end date of existing sole source contract to December 31, 2013 to allow the Divisions to maintain their current photocopier rental agreements of 36 or 48 month periods with an option to renew for an additional one (1) or two (2) year periods and to continue to purchase consumables for the facsimile equipment from this contract only, until such time a new RFQ for consumables has been awarded in 2010.

This report is also requesting authority to increase the value of the contract to Ricoh Canada Inc by \$500,000.00 net of GST from \$1,231,578.95 net of GST to a revised total not to exceed \$1,731,578.95 net of GST and to extend the contract end date of existing sole source contract to December 31, 2013 with an option to renew for an additional one

(1) or two (2) year periods to allow the Divisions to maintain their current photocopier rental agreements of 36 or 48 month periods.

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SIGNATURE

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