

Non-Competitive Contracts with Kodak Canada ULC and Spicers Canada ULC for the Kodak Digital NexPress Printer

Date: November 13, 2020

To: General Government and Licensing Committee

From: Interim City Clerk, City Clerk's Office, and Chief Procurement Officer, Purchasing and Materials Management Division

Wards: All

SUMMARY

The purpose of this report is to request authority for the City Clerk to negotiate and enter into a non-competitive contract with Kodak Canada ULC (Kodak) and Spicers Canada ULC (Spicers) for the continued supply of proprietary service, support, parts and operator replaceable component (ORC) consumables for the Kodak Digital NexPress Printer (NexPress) for a five-year period effective January 1, 2021 to December 31, 2025. The total estimated cost for non-competitive contracts with both Kodak and Spicers is \$680,253, net of HST and \$692,229, net of HST recoveries.

City Council approval is required in accordance with Municipal Code Chapter 195, Purchasing, where the current request exceeds the Chief Purchasing Officer's authority of the cumulative five year commitment limit for each vendor under Article 7, Section 195-7.3(D) of the Purchasing By-law or exceeds the threshold of \$500,000 net of Harmonized Sales Tax allowed under staff authority as per the Toronto Municipal Code, Chapter 71, Financial Control, Section 71-11a.

RECOMMENDATIONS

The Interim City Clerk, City Clerk's Office and the Chief Procurement Officer, Purchasing and Materials Management Division, recommend that:

1. City Council grant authority to the Interim City Clerk, City Clerk's Office to negotiate and enter into an amending agreement with Kodak Canada ULC for the provision of proprietary service, support and parts for the NexPress, for an additional five (5) year period, beginning January 1, 2021, at an estimated cost of \$202,353 net of HST, and \$205,917, net of HST recoveries, on the terms and conditions satisfactory to the Interim City Clerk, City Clerk's Office, and in a form satisfactory to the City Solicitor.

2. City Council grant authority to the City Clerk to negotiate and enter into a non-competitive contract for the purchase of Operator Replaceable Consumables (ORCs) for the NexPress with Spicers Canada ULC, the exclusive Canadian distributor or subsequent distributor should it change during the contract term, for a period of five (5) years, beginning January 1, 2021, at an estimated cost of \$477,900, net of HST, and \$486,312, net of HST recoveries, on the terms and conditions satisfactory to the Interim City Clerk, City Clerk's Office, and in a form satisfactory to the City Solicitor.

FINANCIAL IMPACT

The total value of the proprietary and exclusive contracts identified in this report is estimated at \$680,253, net of HST and \$692,229, net of HST recoveries.

The funding of the service, support, parts and consumables for the NexPress is included in the 2021 Operating Budget submission for the City Clerk's Office under Cost Centre GV0005. The funding for 2022, 2023, 2024 and 2025 will be included in the future year Operating Budget submissions for the City Clerk's Office.

Table 1 - Estimated Annual Future Funding Details:

Year	Kodak Canada ULC Estimated Amount, Net of HST Recoveries	Spicers Canada ULC Estimated Amount, Net of HST Recoveries	Total Estimated Amount Net of HST Recoveries
2021	\$38,785	\$91,584	\$130,369
2022	\$39,949	\$94,332	\$134,281
2023	\$41,147	\$97,181	\$138,328
2024	\$42,382	\$100,132	\$142,514
2025	\$43,654	\$103,083	\$146,737
TOTAL	\$205,917	\$486,312	\$692,229

The Estimated Annual Future Funding Details are based on current costs with an estimated increase of approximately 3% each year for service, maintenance and for consumables.

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

DECISION HISTORY

City Council, at its meeting on December 9 and 10, 2015, item GM8.6, authorized the City Clerk to negotiate and enter into an amending agreement with Kodak Canada ULC for the provision of proprietary service, support and parts for the NexPress, for an additional five (5) year period, and to negotiate and enter into an agreement with Spicers Canada ULC for the purchase of ORC (consumables) for the NexPress for a period of five (5) years. Both agreements began on January 1, 2016.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.GM8.6>

City Council, at its meeting on April 12, 13 and 14, 2005, adopted recommendation #10 in the Administration Committee Report #3, authorizing the City Clerk to purchase used printing equipment through auctions, liquidation sales or trade publication advertisements not exceeding the approved amount in the City Clerk's component of the Vehicle and Equipment Replacement Reserve, as a cost savings approach to equipment replacement.

<https://www.toronto.ca/legdocs/2005/agendas/council/cc050412/adm3rpt/cl010.pdf>

City Council, at its meeting on November 30, December 1 and 2, 2004, adopted as amended the Administration Committee Report No. 9, Clause No. 5, entitled "Service Improvement Review for Printing and Reproduction Services", which mandated the Information Production unit of the City Clerk's Office as the Corporate Printer of Record for all offset printing work developed by the City, on a cost recovery basis.

<https://www.toronto.ca/legdocs/2004/agendas/council/cc041130/adm9rpt/cl005.pdf>

COMMENTS

Background - Purchase of NexPress Printer

On January 29, 2010, the City Clerk's Office purchased a used NexPress colour digital printing press (NexPress), at a cost of \$443,000 (CAD), net of applicable taxes. The NexPress is a specialized piece of equipment that requires regular preventative maintenance and software upgrades. Its expected lifespan is approximately twenty-five (25) years.

The NexPress was purchased under the City Clerk's authority to purchase used printing equipment through auctions, liquidation sales or trade publication advertisements. This enabled the City to achieve substantial savings, as a new and equivalent printing press cost \$731,000 (USD), net of applicable taxes at the time the NexPress was purchased.

Following this purchase, a customer agreement dated July 1, 2010, was executed by the City of Toronto and Kodak Canada ULC (Kodak). The agreement remains in effect until it is cancelled by either party.

Kodak does not authorize third-party support of any Kodak-branded NexPress products and all service must be provided directly by Kodak-authorized technicians. In addition,

all consumables are distributed exclusively by Kodak's Canadian partner, Spicers Canada ULC (Spicers), in order to maintain pricing discounts and warranties. For the City, this means that a 40% discount is incorporated on the pricing offered for Ink, Developer and Operator Replaceable Component (ORC) consumables.

Since its purchase, the NexPress Printer has been an essential component of the production workflow at the City's Print facility at 2 Hobson Avenue. As a digital, short-run colour press, it is used to print high-quality colour impressions with a quick turnaround time.

From its purchase until 2015, the NexPress averaged approximately 130,000 impressions per month of high-end offset-quality digital copies.

During the current five (5) year contract term, the NexPress has produced nearly 14 million total impressions, an average of more than 240,000 impressions per month. Increased demand for and usage of the NexPress is tied to an increased usage of consumables.

The Fair Wage Office has reported that Kodak Canada ULC and Spicers Canada ULC have reviewed and understands the Fair Wage Policy and Labour Trades requirements. They have also agreed to fully comply.

CONTACT

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SIGNATURE

John D. Elvidge
Interim City Clerk, City Clerk's Office

Mike Pacholok
Chief Procurement Officer, Purchasing and Materials Management Division

ATTACHMENTS

Below is a full history of the service, maintenance and consumables purchases for the NexPress, from the time of its purchase until the current contract term, net of all taxes.

Year	Vendor	DPO or PO	Description	Cost (net of all taxes)
2010	Kodak	DPM10-206	Maintenance & support	\$30,000
2010	Spicers	DPM10-286	Consumables	\$13,600
2011	Kodak	DPM11-434	Maintenance & support	\$30,000
2011	Spicers	DPM11-435 DPM11-511	Consumables	\$25,392
2012	Kodak	DPM12-221	Maintenance & support	\$30,000
2012	Spicers	DPM12-222 DPM12-446	Consumables	\$64,400
2013	Kodak	3497518	Maintenance & support	\$29,112
2013	Spicers	3500702	Consumables	\$50,000
2014	Kodak	3513437 3517202	Maintenance & support	\$29,112
2014	Kodak	3514293	Primary server replacement	\$39,081
2014	Kodak	3520003	Backup server replacement	\$39,081
2014	Spicers	3506091	Consumables	\$34,000
2015	Kodak	3529340	Maintenance & support	\$18,468*
2015	Spicers	47019055	Consumables	\$48,283
2016	Kodak	47019718	Maintenance & support	\$36,298
2016	Spicers	47019727	Consumables	\$97,377
2017	Kodak	47019718	Maintenance & support	\$36,298
2017	Spicers	47019727	Consumables	\$98,413
2018	Kodak	47019718	Maintenance & support	\$36,298

Year	Vendor	DPO or PO	Description	Cost (net of all taxes)
2018	Spicers	47019727	Consumables	\$105,458
2019	Kodak	47019718	Maintenance & support	\$36,298
2019	Spicers	47019727	Consumables	\$91,390
2020	Kodak	47019718	Maintenance & support	\$36,298**
2020	Spicers	47019727	Consumables	\$26,964***
Total				\$1,081,621

*From July 1 to December 31, 2015.

**To December 31, 2020.

***To October 6, 2020.