



STAFF REPORT ACTION REQUIRED

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

Date:	October 22, 2015
To:	Government Management Committee
From:	City Clerk Director, Purchasing and Materials Management
Wards:	All
Reference Number:	P:/2015/Internal Services/PMMD/gm15007pmmmd (AFS22106)

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 Printer) for a five year period effective January 1, 2016 to December 31, 2020 in the amount of \$565,854 net of HST and \$575,813 net of HST recoveries.

City Council approval is required in accordance with City of Toronto, Municipal Code Chapter 195, Purchasing, as the current request exceeds the Chief Purchasing Official's authority of the cumulative five (5) year commitment limit under Section 1 of the Purchasing By-Law.

RECOMMENDATIONS

The City Clerk and the Director, Purchasing and Materials Management Division recommend that:

1. City Council grant authority to 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 Printer, for an additional five year period, starting January 1, 2016, at a cost estimate of \$200,570 net of HST and \$204,100 net of HST

recoveries and on terms and conditions satisfactory to the City Clerk and in a form satisfactory to the City Solicitor.

2. City Council grant authority to the City Clerk to negotiate and enter into an agreement with Spicers Canada ULC for the purchase of ORC (consumables) for the NexPress Printer from Spicers, the current exclusive Canadian distributor or subsequent distributors should it change during the five year period, for a period of five years, starting January 1, 2016, at a cost estimate of \$365,284 net of HST and \$371,713 net of HST recoveries on terms and conditions satisfactory to the City Clerk and in a form satisfactory to the City Solicitor.

Financial Impact

The total value of these proprietary and exclusive contracts identified in this report is estimated at \$565,854 net of HST and \$575,813 net of HST recoveries.

The funding of the service, support, parts and consumables for the NexPress Printer is included in the 2015 Approved Operating Budget for the City Clerk's Office under Cost Centre GV0005. The funding for 2016, 2017, 2018, 2019 and 2020 will be included in 2016-2020 annual Operating Budget Submissions for the City Clerk's Office.

All expenditures relating to these contracts are recovered through IDC/IDR with City Divisions, Agencies and Corporations and some external clients requesting printing services from City Clerk's Office, Corporate Information Management Services, Information Production unit.

Table 1 – Annual Estimate 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
2016	\$36,937	\$65,940	\$102,877
2017	\$38,784	\$69,897	\$108,681
2018	\$40,723	\$74,090	\$114,814
2019	\$42,760	\$78,536	\$121,296
2020	\$44,897	\$83,249	\$128,145
TOTAL	\$204,101	\$371,712	\$575,813

The Annual Estimate Future Funding Details are based on current costs with an estimated 5% annual increase for service & maintenance and a 6% annual increase for consumables.

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

DECISION HISTORY

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

The following is the link to the City Council Decision Document:

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

ISSUE BACKGROUND

On January 29, 2010, the City Clerk's Office purchased a used NexPress colour digital printing press. The used unit was purchased for \$443,000 CDN net of applicable taxes. The cost of a new unit at that time was \$731,000 US net of applicable taxes.

The NexPress Printer is integral to the production workflow at the printing facility at 2 Hobson Avenue.

It is a specialized piece of equipment, requiring regular preventative maintenance and software upgrades. A customer agreement dated July 1, 2010 was duly executed when the equipment was purchased and remains in effect until cancelled by either party. Kodak does not authorize third party support of any Kodak branded NexPress products. All service must be provided directly by Kodak authorized technicians.

In accordance with the executed agreement with Kodak, all consumables are distributed by their Canadian partner Spicers Canada exclusively to maintain pricing discounts and warranties. In addition, City Clerk's Office staff who operate the NexPress Printer must be trained and certified by Kodak in accordance with the agreement, at a weeklong training session.

Below is a full history of service/maintenance and consumable purchases for the NexPress.

Vendor	Description	Year	DPO/PO#	Value	Spent
Kodak Inc.	Service/Maintenance	2010	DPM10-206	\$30,000	\$30,000
Spicers/Paperlinx	Consumables	2010	DPM10-286	\$20,000	\$13,600
Kodak Inc.	Service/Maintenance	2011	DPM11-434	\$30,000	\$30,000
Spicers/Paperlinx	Consumables	2011	DPM11-435	\$25,000	\$24,200
Spicers/Paperlinx	Consumables	2011	DPM11-511	\$1,192	\$1,192
Kodak Inc.	Service/Maintenance	2012	DPM12-221	\$30,000	\$30,000
Spicers/Paperlinx	Consumables	2012	DPM12-222	\$25,000	\$25,000
Spicers/Paperlinx	Consumables	2012	DPM12-446	\$40,000	\$39,400
Kodak Inc.	Service/Maintenance	2013	3497518	\$29,112	\$29,112
Spicers/Paperlinx	Consumables	2013	3500702	\$50,000	\$50,000
Kodak Inc.	Service/Maintenance	2014	3513437	\$29,112	\$9,704
Kodak ULC*	Service/Maintenance	2014	3517202	\$19,408	\$19,408
Spicers/Paperlinx	Consumables	2014	3506091	\$50,000	\$34,000
Kodak Inc.	Nexpress Primary Server	2014	3514293	\$39,081	\$39,081
Kodak ULC	Nexpress Backup Server	2014	3520003	\$39,081	\$39,081
Kodak ULC	Service/Maintenance	2015	3529340	\$36,288	\$12,312
Spicers ULC*	Consumables	2015	47019055	\$174,918.	\$48,283
Total				\$668,193	\$474,373

* Vendor name change

COMMENTS

The NexPress Printer averaged 130,000 impressions per month of high-end offset quality, digital colour copies for various print products.

The NexPress Printer has an estimated 25 year life span. These proprietary and exclusive contracts for service/maintenance and ORCs consumables will ensure that this digital short-run colour press will continue to provide the City of Toronto with high print quality impressions with quick turnaround service.

Kodak has provided written confirmation that they do not authorize any third party support and any Kodak branded Nexpress products and all service must be provided by Kodak authorized technicians. In addition, all ORCs are distributed by Spicers, and their pricing incorporates a 40% Discount on Ink, Developer, and ORCs.

The Fair Wage Office has reported that the recommended firms have indicated that they have reviewed and understand the City's Fair Wage Policy and Labour Trades requirements and have agreed to comply fully.

CONTACT

Daphne Gaby Donaldson
Deputy City Clerk,
Corporate Information Management Services
City Clerk's Office
Tel: 416-392-9683,
ddonald@toronto.ca.

Jacque Breen
Manager, Corporate Purchasing,
Policy & Quality Assurance
Purchasing and Materials Management
Tel: 416-392-0387
jbreen@toronto.ca

SIGNATURE

Ulli Watkiss
City Clerk

Michael Pacholok, Director
Purchasing & Materials Management