

At the July 21, 2015 work session, the City Council directed KPMG to seek a Best and Final Offer from Xerox that included separate pricing for both five and seven year terms with two optional one year extensions with each.

The current contract annual cost if continued for full year would be \$ 5,038,301. The total five and seven year term cost estimates are \$ 25,977,411 and \$ 36,136,256 respectively. An annual comparison of the five and seven year terms, respectively, is as follows.

<u>Annual Pricing:</u>	<u>Five Year Option</u>	<u>Seven Year Option</u>
Year 1:	\$4,883,473	\$4,701,919
Year 2:	\$5,034,867	\$4,847,867
Year 3:	\$5,190,803	\$4,998,192
Year 4:	\$5,351,417	\$5,153,028
Year 5:	\$5,516,850	\$5,312,509
Year 6:	N/A	\$5,476,774
Year 7:	N/A	\$5,645,967

These prices do not include some City expenses paid directly by Xerox with no markup that are typically less than \$100,000 a year.

Staff recommends the seven year term due to the proposed cost savings and the expense to rebid. The proposed cost is based on the projected activity levels during the bid process that may increase with new budget initiatives. Therefore, a 5% contingency is included in the requested authorization amount.

FINANCIAL IMPLICATIONS:

Funds for these services have been programed into Information Technology Services FY 2015-2016 operating budget, ITS 151001.

STAFF RECOMMENDATION/ACTION DESIRED:

Staff recommends that Council authorize the City Manager to enter into a contract with Xerox State & Local Solutions, Inc. to provide managed Information Technology services for an amount not to exceed \$4,937,015 for the first year, including a 5% contingency, and not to exceed \$37,943,068 for the seven year contract.