



RESOLUTION NO. \_\_\_\_\_

**BOARD LETTER APPROVAL**

A handwritten signature in black ink that reads "Donna I. Stevener".

**DONNA I. STEVENER**  
Chief Administrative Officer

A handwritten signature in blue ink that reads "David H. Wright".

**DAVID H. WRIGHT**  
General Manager

**DATE:** April 24, 2018

**SUBJECT:** Amendment No. 3 to Contract No. 418 for Furnishing and Delivering Ink Dye with Supplies Distributors, Inc.

**SUMMARY**

The proposed Amendment No. 3 (Amendment) to Contract No. 418 (Contract), a sole-source contract, with Supplies Distributors, Inc. (SDI) extends the Contract term for five years from August 17, 2018 to August 16, 2023, and increases the Contract amount by \$1,000,000 from \$4,829,000 to a new amount not to exceed \$5,829,000 (budgeted).

The Amendment allows SDI to continue furnishing and delivering specialized ink dyes for the existing Ricoh IP 5000 mainframe printers to minimize any disturbances that will negatively impact LADWP's ability to bill customers and generate revenue, particularly as LADWP transitions from bi-monthly to monthly billing. The requested funding will be a contingency to accommodate cost increases associated with inserting additional graphics on customer bills. All other terms and conditions of the Contract will remain unchanged.

City Council approval is required according to Charter Section 373.

**RECOMMENDATION**

It is requested that the Board of Water and Power Commissioners (Board) adopt the attached Resolution recommending City Council's approval of the Amendment to the Contract with SDI.

**ALTERNATIVES CONSIDERED**

The following alternatives to the Amendment were considered:

- A. Develop and advertise a new solicitation and award a new contract.
- B. Do not amend and terminate the Contract as scheduled on August 16, 2018.

Alternative A is not a viable alternative to the Amendment. LADWP considered a competitive bidding process in order to use different ink dye for customer bill printing. However, this alternative required adjustments to the software used by the highly-specialized Ricoh IP5000 production printers and modifications to the paper specifications. Changes to the ink dye would require modification to both the specialized printer and paper to maintain hardware and software compatibility and prevent an unstable bill printing environment.

Alternative B is not a desirable option at this time. It is not in LADWP's best interest to be without an ink dye contract in support of the automation of the customer print-to-mail bill process.

LADWP purchased the existing Ricoh IP5000 printers in 2010, and they have been generating accurate and efficient prints. As such, it is neither reasonable nor necessary to replace these functioning printers at this time. However, LADWP will constantly evaluate printer performance and will consider printer replacement should the need arise. At such time, LADWP will also consider issuing competitive bids for both ink dye and paper in order to increase vendor participation.

As a result of the ongoing settlement efforts to the recent litigation associated with incorrect customer billing, it is critical for LADWP to ensure that customer billing is accurate and that no interruptions occur in the customer bill print process. Any changes in the printing equipment would require modification to all related printing materials simultaneously to maintain compatibility; and any of these changes could cause unstable bill print environment. LADWP deemed it most practicable to amend the existing Contract at this time to minimize uncertainty.

### **FINANCIAL INFORMATION**

The Amendment is for a term of five years and an additional amount of \$1,000,000 (budgeted) is required for this Amendment, which will result in a new Amendment amount not to exceed \$5,829,000.

The table below provides the cost breakdown:

	Current Minimum Expenditure	Amendment No. 1	Requested Amendment No. 2	Requested Amendment No. 3	Amendment Maximum Expenditure
Original Period (Contract No. 01489-2)	\$ 140,000				\$ 140,000
1 <sup>st</sup> Optional Period		\$ 1,189,000			\$ 1,189,000
2 <sup>nd</sup> Optional Period			\$ 700,000		\$ 700,000
3 <sup>rd</sup> Optional Period			\$ 700,000		\$ 700,000
4 <sup>th</sup> Optional Period			\$ 700,000		\$ 700,000
5 <sup>th</sup> Optional Period			\$ 700,000		\$ 700,000
6 <sup>th</sup> Optional Period			\$ 700,000		\$ 700,000
7 <sup>th</sup> Optional Period				\$ 200,000	\$ 200,000
8 <sup>th</sup> Optional Period				\$ 200,000	\$ 200,000
9 <sup>th</sup> Optional Period				\$ 200,000	\$ 200,000
10 <sup>th</sup> Optional Period				\$ 200,000	\$ 200,000
11 <sup>th</sup> Optional Period				\$ 200,000	\$ 200,000
<b>Contract Total</b>	\$ 140,000	\$ 1,189,000	\$ 3,500,000	\$ 1,000,000	\$ 5,829,000

## **BACKGROUND**

The original Contract No. 01489-2 was established on August 17, 2011, under the General Manager's authority, as a sole-source contract with SDI, for a contract amount of \$140,000 and a one-year term expiring on August 16, 2012. The purpose of the contract was to supply certified ink dye for the production of redesigned LADWP customer bills.

On February 27, 2012, the Board approved Amendment No. 1 to Contract No. 01489-2 to increase the contract limit by \$1,189,000 for a total of \$1,329,000 and to extend the contract term for another year expiring August 16, 2013. Additionally, Contract No. 01489-2 was renumbered to Contract No. 418.

Amendment No. 2 to the Contract with SDI was processed to increase the contract amount by \$3,500,000 to a new contract amount of \$4,829,000, and extend the Contract term up to five years with five one-year renewal options from August 17, 2013 through August 16, 2018. Amendment No. 2 to the Contract was approved by the Board on October 16, 2013, (Resolution 19604) and by the City Council on November 20, 2013, (Board action File No. 13-443).

The life expectancy of the Ricoh IP5000 printer is approximately 10 years. The printer manufacturers specifically design and perform quality assurance on their ink to be compatible with their printers. They must assure color management and service maintenance. They provide accurate print quality from their printers by performing detailed quality assurance of their ink. Also, they adhere to their service maintenance contract because their ink has been thoroughly tested through all the components within their printers.

ink dyes are integral part of the LADWP print process. The ink dyes used for these printers are specially configured and thoroughly tested to meet production of high printing demands associated with LADWP's bill printing operations.

In a recent review of ink dye usage, Ricoh recommended LADWP to switch from ink dye to a more advanced specialized ink dye plus. The ink dye plus gives LADWP ability to change colors on the bills, provides more vibrant color options, better color quality, and is cheaper than regular ink dyes currently in use. LADWP intends to conduct tests to ensure compatibility of ink dye plus with Ricoh IP5000 printers and associated software and the paper currently in use before transitioning to ink dye plus.

SDI has not had a price increase since the Contract was established in 2011.

LADWP has conducted business with SDI and vendor performance to date has been satisfactory.

In accordance with the Mayor's Executive Directive No. 4, the City Administrative Officer's (CAO) Report was approved on April 12, 2018.

### **ENVIRONMENTAL DETERMINATION**

Determine item is exempt pursuant to California Environmental Quality Act (CEQA) Guidelines 15060 (c)(3). In accordance with this section, an activity is not subject to CEQA if it does not meet the definition of a project. Section 15378 (b)(4) states that governmental fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment do not meet the definition of a project. Therefore, the Amendment to the Contract for furnishing and delivering ink dye is not an action subject to CEQA.

### **CITY ATTORNEY**

The Office of the City Attorney reviewed and approved the Amendment to the Contract and Resolution as to form and legality.

### **ATTACHMENTS**

- Procurement Summary
- Resolution
- CAO Report