



CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 02/06/01
AGENDA ITEM 8
WORK SESSION ITEM _____

TO: Mayor and City Council
FROM: Finance and Internal Services Director
SUBJECT: Authorization to Acquire Computer Equipment by Lease/Purchase

RECOMMENDATION:

It is recommended that the City Council adopt the attached resolution authorizing the City Manager to execute an equipment lease/purchase agreement to procure computer equipment.

BACKGROUND:

The City's current mainframe computer is manufactured and supported by the Unisys Company. The particular model that the City has in use has reached the end of its product life and beginning December 31, 2000 only limited hardware and software support is available. In addition to reduced support for this particular model the City will also face increased license fees after December 31, 2000. The license increase is part of the Company's pricing strategy to move customers away from this particular computer. Unisys offers a slightly more powerful model of this series of computer which is fully supported and less expensive than continuing with the current model. The City could upgrade to the new model with no disruption to service. Consequently, in order to obtain full hardware and software support, while retaining the City's present computing capability and realize cost savings; staff is recommending the lease purchase of an upgraded Unisys computer.

Related to this recommendation is one of the objectives contained in the 1999-2001 Operating Budget, which is to develop a strategy to address the anticipated need to replace the City's Unisys mainframe computer. Staff has been working on this objective and plans to bring forward options for Council's consideration during the budget process for the upcoming 2001-2003 Operating Budget. The lease/purchase discussed above directly supports this objective. More specifically, any transition from the City's current hardware/software system to a new system is a significant undertaking and will require substantial time for implementation. Staff estimates that such a project will take at least three years from the date of authorization to the day the old computer is turned off and the new system is in full use. Consequently, should Council authorize a new computer system then the recommended lease/purchase would allow the City to maintain its current level of operations during the implementation period.

The cost to operate the current mainframe computer, which the City owns, for fiscal years 2000/2001 through 2002/2003 is approximately \$825,000 (license and maintenance fees). If the upgraded computer is lease/purchased then the total cost for the same period is estimated at \$540,000 (computer purchase and interest \$414,000, license and maintenance fees \$126,000). The total savings over the three-year period is \$285,000. There will be no budget impact to the

2000/001 budget. This is due to the fact that the savings realized from the licensing and support budget for the existing mainframe computer can be applied to the new computer lease. Consequently, it will not be necessary to amend the 2000/2001 budget to fund the lease/purchase agreement.

Finally, this item was taken to the Council Technology Application Committee at its January 17, 2001 meeting. Following its review of this issue, the Committee unanimously adopted a motion in support of staff's recommendation.

Prepared by:

Perry H. Carter

Perry H. Carter, Finance and Internal Services Director

Approved by:

Jesús Armas

Jesús Armas, City Manager

DRAFT

HAYWARD CITY COUNCIL

RESOLUTION NO. _____ 

Introduced by Council Member _____

**RESOLUTION AUTHORIZING EXECUTION OF
EQUIPMENT LEASE/PURCHASE AGREEMENT AND
OTHER DOCUMENTS NECESSARY TO PROCURE
COMPUTER EQUIPMENT FINANCING**

NOW, THEREFORE, BE IT RESOLVED that the City Council hereby authorizes the City Manager to execute an Equipment Lease/Purchase Agreement, and other documents that may be necessary in order to procure computer equipment lease/purchase financing, on terms satisfactory to the City Manager, in an annual amount not to exceed \$187,853, and in a form approved by the City Attorney. Such lease agreement shall be subject to the City Council's annual appropriation of funds.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2001

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward