

CITY COUNCIL MEETING
JANUARY 4, 1984

CC-47
LEASE PURCHASE
OF IBM SYSTEM
36 APPROVED

Council was apprised that the City has been informed by our IBM representative that an IBM System 36 Computer is available to the City of Lodi. In anticipation of our needs he placed a non-binding tentative order for this new system. His rationale was based on his knowledge of the City of Lodi's present system and future requirements. Our present IBM System 34 is rapidly reaching the point that it cannot be further effectively expanded.

Our computer study is in the final stages and Council should be made aware that Ernst & Whinney is going to recommend the City obtain an IBM System 36.

While we are under no obligation to accept this equipment now, it may be advantages to do so for the following reasons:

The system available falls under an existing contract with the State of California that allows for a 30% discount. There is no guarantee this same agreement will be available next fiscal year.

The City would not be able to obtain a piece of equipment until after June of 1984 and we do not know the price.

The City has a current offer from a computer broker to purchase the City owned system 34 for \$16,845.00. If we wait until July of 1984 to sell the system it would be expected the price will drop 15% to 20%.

The system hardware and software anticipated will cost \$61,754.00 including tax. The sale of our present system will reduce the net cost to \$44,909.00.

Following discussion, on motion of Council Member Murphy, Reid second, Council approved the lease/purchase of an IBM System 36. Further, on motion of Council Member Reid, Murphy second, Council declared the City's System 34 as "surplus property".

COUNCIL COMMUNICATION

TO: THE CITY COUNCIL	DATE	NO.
FROM: THE CITY MANAGER'S OFFICE	December 29, 1983	
SUBJECT: Lease/purchase of IBM System 36		

Recommendation: The City Council authorize the City Manager to enter into a lease purchase agreement with IBM for a System 36 Computer and related hardware and software components.

Background: We have been informed by our IBM representative that an IBM System 36 Computer is available to the City of Lodi. In anticipation of our needs he placed a non-binding tentative order for this new system. His rationale was based on his knowledge of the City of Lodi's present system and future requirements. Our present IBM System 34 is rapidly reaching the point that it cannot be further effectively expanded.

Our computer study is in the final stages and Council should be made aware that Ernst & Whinney is going to recommend the City obtain an IBM System 36.

While we are under no obligation to accept this equipment now, it may be advantageous to do so for the following reasons:

The system available falls under an existing contract with the State of California that allows for a 30% discount. There is no guarantee this same agreement will be available next fiscal year.

We would not be able to obtain a piece of equipment until after June of 1984 and we do not know the price.

The City has a current offer from a computer broker to purchase the City owned system 34 for \$16,845.00. If we wait until July of 1984 to sell the system it would be expected the price will drop 15% to 20%.

The system hardware and software anticipated will cost \$61,754.00 including tax. The sale of our present system will reduce the net cost to \$44,909.00.

Council is strongly urged to give this proposal favorable consideration and to authorize the City Manager to enter into a 5 year lease purchase agreement for the purchase of this equipment.



Jerry L. Glenn
Assistant City Manager

CITY COUNCIL

EVELYN M. OLSON Mayor
JOHN R. (Randy) SNIDER
Mayor Pro Tempore
ROBERT C. MURPHY
JAMES W. PINKERTON Jr.
FRED M. REID

CITY OF LODI

CITY HALL, 221 WEST PINE STREET
POST OFFICE BOX 120
LODI, CALIFORNIA 95241
(209) 334-5634

HENRY A. GLAVES, Jr.
City Manager
ALICE M. REIMCHE
City Clerk
RONALD M. STEIN
City Attorney

December 23, 1983

MEMO

1/4 cc 20 cc 47
MEMO-letter

CITY OF LODI

City Hall • 221 West Pine Street • Lodi, California 95241

(209) 334-5634

RECEIVED

ALICE M. REIMCHE
CITY CLERK

Henry A. Glaves, Jr.

City Manager

Date DEC. 27, 1983

Subject Council Agenda Item
(attached)

Hank:

I'm sorry that I couldn't meet with you last Friday or today to discuss the attached. I will be on vacation Wednesday and Thursday (12/28 & 12/29), but I will be back on Friday. I have met with Jerry on the problem.

I would like to have this scheduled for the January 4th Council meeting if it meets with your approval. If we can't make the Jan. 4th meeting then I don't believe we can complete the arrangements with IBM.

If you have any questions we can go over them Friday morning, or you can call me at home 368-1339.

Bob

CITY COUNCIL

EVELYN M. OLSON, Mayor
JOHN R. (Randy) SNIDER
Mayor Pro Tempore
ROBERT C. MURPHY
JAMES W. PINKERTON, Jr.
FRED M. REID

CITY OF LODI

CITY HALL, 221 WEST PINE STREET
POST OFFICE BOX 320
LODI, CALIFORNIA 95241
(209) 334-5634

HENRY A. GLAVES, Jr.
City Manager

ALICE M. REIMICHE
City Clerk

RONALD M. STEIN
City Attorney

December 23, 1983

MEMO

TO: Henry A. Glaves Jr., City Manager

FROM: Robert H. Holm, Finance Director

In May of 1983 IBM announced the introduction of the System 36 to the business world and, our department placed a non binding, tentative order for this new system pending:

1. Recommendation by the consultants that the City has a need to move up to the next size computer.
2. City Council authorization of the purchase.

One of the recommendations of the forthcoming Ernst and Whinney computer study is that the City move up to the next larger size mini-computer which would be an IBM System 36. This move is recommended for several reasons some of which are:

1. The City already has a fairly large investment in IBM's System 34 hardware and software (program applications) and it is considered prudent to minimize ongoing data processing support costs by staying with that line of mini-computers.
2. There are several high priority information systems that are needed to be computerized such as; a work order accounting system, Personnel system, Police Dept. crime analysis and Case Management system, Police Evidence Inventory system, Stolen Property Tracking system and Community Development Document Indexing system. Our present System 34 would not be able to support all of this increased activity.

During the course of the computer study our consultants and City staff found it necessary to discuss with IBM Marketing Representative the configurations and costs of the System 36 and its capabilities to meet the City's needs over the next 5 years. In trying to anticipate the City's needs and to schedule delivery sometime at the close of the consultants' study the IBM Marketing Representative, without City permission, placed an order for a System 36 to be delivered. This equipment has arrived and is in a warehouse in Brisbane; IBM would like us to take delivery.

The City is legally under no obligation to accept delivery of this equipment, however, it may be advantageous to the City to do so for the following reasons:

1. This particular System 36 falls under an existing contract that IBM has with the State of California Government Procurement Office that allows for a 30% discount. This contract will expire in June and there is no guarantee that the State and IBM will enter into another agreement with similar discounts.
2. The next delivery schedule for a System 36 to the City is estimated to be after June 1984. Acceptance now would allow us time to make the conversion from the System 34 and also allow us to proceed with those high priority system applications much earlier than anticipated.
3. The City has a current offer from a computer broker to purchase the City owned System 34 for \$16,845.00. This offer is only good for a short time and if the City were to wait until after June 1984 to sell this system it is estimated the price would drop anywhere from 15% to 20%.

Cost of purchase of the IBM System 36 is as follows:

HARDWARE

S/36 Central Processing Unit	\$ 44,600.00
Additional 256K memory	2,500.00
Workstation Expansion	2,000.00
Communications	8,122.00
TOTAL HARDWARE	\$ 57,222.00
30% Discount	(17,167.00)
NET	\$ 40,055.00
#5225 400 LPM Printer	\$ 13,945.00
15% Discount	(2,029.00)
NET	\$ 11,853.00

SOFTWARE

System support programs	\$ 4,700.00
RPG II & Utility package	1,400.00
34 - 36 Migration aid	250.00
TOTAL	\$ 6,350.00
Total Hardware and Software	\$ 58,258.00
Sales Tax	3,496.00
GRAND TOTAL	<u>61,754.00</u>

Note:

City to sell its System 34 on its own for \$ 16,845.00.
Net cost to City is \$ 44,909.00.

The City has two methods of financing available if we wish to accept delivery of this equipment.

1. Direct purchase - a lump sum payment of \$ 61,754.00 to IBM using Capital Outlay Fund money and put back into this fund the \$ 16,845 we receive from the sale of the System 34 leaving a net expenditure of \$ 44,909.00.

Mr. Graves
Dec. 23, 1983
Page 3

2. Lump sum payment of software \$ 6,350.00, and sales tax of \$ 3,496.00 or total of \$ 9,846.00 and a 5 year lease/purchase plan whereby we would pay IBM \$ 1,102.89 per month for 60 months. This includes a 10% per annum financing charge.

I would recommend the City accept delivery of the IBM System 36 that is available and that the City use the 5 year lease/purchase plan. Presently, as City Treasurer, I am able to get a better return on City money than 10% per annum.



RHH:mm

Robert H. Holm, Finance Director
CITY OF LODI