

M E M O



Date: July 27, 2012
To: Chair Stephen Albers and Members of the Board of Trustees
From: Clifford Jo, Director of Finance & IT
Subject: Change to Capital Improvement Plan—add two IT projects

The Information Technology Department is requesting a change to the Capital Improvement Plan to incorporate two projects:

Copier Replacements (\$143,000)

The Library has historically leased many or most of its copiers. Leases, over time, are generally more expensive than purchases because once the lease period is over, the leased equipment is gone and the going assumption (especially from the lease vendor's point of view) is that a new lease agreement would ensue. The opportunity cost of leases versus purchases is generally favorable during economic periods when interest rates are moderate to high, and when capital funds are extremely low. Interest rates continue at unprecedented historical lows, and therefore monies that are currently being used for leases should be considered instead for purchases.

Copier leases are typically around 5 years. The breakeven point for a typical copier is between 4 and 5 years depending on lease terms. With a purchase at year 6, the Library would be saving substantial money and have some equity in the copier that may be used as turn in value.

The Library uses 26 copiers of which 22 are in the branches. Of these, 16 are lease contracts. 6 lease contracts end this year; 3 leases end in 2013; the remaining 7 leases end 2014 to 2017.

The pressures on the operating budget in coming years are substantial and reducing the lease costs would ease the problem by about \$37,000 per year (\$3,088 per month), once all existing leases terminate and shift to purchases.

At an estimated \$10,000 each, copiers are not cheap. However, leasing one copier for 5 years costs the Library about \$11,580 (our current average lease payment is \$193 each per month). The breakeven point for a \$10,000 copier is 52 months. By keeping a copier through year 5 and part or all of year 6, the Library saves between \$1,500 and \$3,900 each. For 26 copiers, that equates to a savings of \$39,000 to \$101,400 between months 52 and 72 of their estimated life.

During this period, not spending \$10,000 and instead taking the lease v. purchase differential and investing the differential will yield about \$12 per year at 0.15% interest, or \$312 per year in interest revenue.

Therefore the Library proposes that copiers be purchased out of the Capital Improvement Fund as routine annual or biennial purchases, beginning this year.

In addition to the 6 lease contracts that end this year, 8 copiers that the Library owns need to be replaced. The Library recommends, therefore, a capital improvement project that replaces 14 copiers this year, and we will bring a subsequent proposal for 2013.

It is important to note that all copiers have vending stations attached to them, and that all public Internet printing will be shifted from regular printers to these copiers. Funds received from the vending stations are entered into the general fund revenues.

The Library has issued an RFP with proposals due Monday, August 6. Any award is tentative per Board approval of the capital project and approval of a purchase order. If we can make a tentative award, we will bring that to you during the Board meeting.

Network Equipment Replacements (\$80,000)

The Library has installed a number of network “switches” and “firewalls” to make the computer network function effectively and safely. Switches connect together a large number of devices, such as branch Internet PCs or branch staff PCs, with the network lines between branches and Comcast or between branches and PAC. Firewalls prevent intrusion, malicious activity, and unauthorized access of our network.

The IT Department is requesting a capital improvement project that replaces the switches and firewalls to newer equipment, as some of the existing equipment is nearing the end of its life. Specifically, 20 firewalls installed in the branches, 2 large-scale firewalls at PAC, and 9 network switches at the branches.

The Library has issued an RFP with proposals due Monday, August 6. Any award is tentative per Board approval of the capital project. It is likely that purchase orders issued to two or possibly three vendors will be less than \$50,000, so the Board will not need to approve the purchase orders.

Change to Capital Improvement Budget

We are asking the Board of Trustees to:

1. Amend the Capital Improvement Plan by increasing the budget by \$223,000. See attached resolution.
2. Authorize, by motion, the Library to sign a contract and/or purchase order with the winning copier vendor. We should have the name of the winning vendor during the Board meeting.

RESOLUTION NO. 2012-08

**A RESOLUTION OF THE BOARD OF TRUSTEES OF THE
PIERCE COUNTY RURAL LIBRARY DISTRICT
TO REVISE THE CAPITAL IMPROVEMENTS FUND BUDGET OF
ESTIMATED EXPENDITURES FOR 2012**

WHEREAS, the Board of Trustees of the Pierce County Rural Library District on December 14, 2011 approved a Capital Improvements Budget of \$1,995,700, and

WHEREAS, the Board of Trustees of the Pierce County Rural Library District on July 11, 2012 approved a revised Capital Improvements Budget of \$2,222,560 and

WHEREAS, in July 2012, the Pierce County Rural Library District concluded an analysis of needs for replacing copiers both owned and lease-terminating, replacing network equipment, and conducted respective RFPs, and

WHEREAS, in July 2012, the Pierce County Rural Library District analyzed the capital fund balance and determined that funds are available, now, therefore

**BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE PIERCE COUNTY
RURAL LIBRARY DISTRICT THAT:**

The 2012 Capital Improvements Budget of Estimated Expenditures be revised this date to the total amount of \$2,445,560 an increase of \$223,000 from the July 12, 2012 budget, to reflect the additions to, deletions from, modifications to, and/or the rescheduling of projects outlined in the overall Capital Improvements Plan.

PASSED AND APPROVED THIS 8TH DAY OF AUGUST 2012.

BOARD OF TRUSTEES, PIERCE COUNTY RURAL LIBRARY DISTRICT

Stephen Albers, Chair

Linda Ishem, Vice-Chair

Robert Allen, Member

Allen Rose, Member

J. J. McCament, Member
