



# Staff Report

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Agenda Item:            **Lease Agreement for Folding Machine** – Approval of a Lease Agreement between the Town of Clarkdale and Pitney Bowes for a folding machine.

Staff Contact:            Carlton Woodruff, Finance Director

Meeting Date:            August 12, 2008

Background:            During the month of March 2008, Town staff started a process of meter reading and water utility billing that had previously been contracted through the City of Cottonwood. The Town currently bills 1,642 active utility accounts that require a mailed statement each month.

With the new INCODE utility module, trash, sewer, and water billings have been consolidated on a single statement. Bills are printed on 8.5 x 11 perforated paper with a payment voucher attached. A return envelope is also mailed with each billing. The first few billings were completed by hand by six employees and took approximately six hours. This included outsourcing the folding process for \$20.00 per month.

Pitney Bowes has an office machine available that will perform this task in a cost effective way, saving staff time and increasing productivity. The OfficeRight DI200 will fold the statement and one insert (informational items to customers) and stuff the two pages along with the return envelope into a regular mailing envelope and seal it. One employee is required to keep paper supplies in the machine and remove finished items.

This machine is available for lease with a 48 month term. Monthly payments of approximately \$150.00 (depending on lease option selected) include the lease payment and the maintenance contract. This lease contract is available only through the State Procurement Contract and per the state contract is cancellable after 12 months if more cost effective options become available.

Council's approval of this lease agreement will give the Finance Director authority to execute the required Purchase Order and Lease Agreement documents.

Recommendations:    To approve a Lease Agreement between the Town of Clarkdale and Pitney Bowes for a folding machine and give Finance Director authority to execute the lease.



**CUSTOMER PROPOSAL**

**For:**

**TOWN OF CLARKDALE  
890 MAIN ST  
CLARKDALE, AZ 86324**

**May 22, 2008**

**PURCHASE QUOTATION**

<u>QTY</u>	<u>ITEM</u>	<u>PROGRAM I.D.</u>	<u>DESCRIPTION</u>	<u>RENTAL AMOUNT***</u>	<u>UNIT PRICE</u>	<u>DISCOUNT/ TRADE IN ALLOWANCE</u>	<u>NET PRICE*</u>	<u>EMA/SMA TOTAL ANNUAL* RATE</u>
			Mall Stream Solution - 1			\$0.00	\$0.00	\$0.00
1	DI23	STANDARD	OfficeRight DI200 (3) Feeder System (H201, H20A, Training & Installation Included)		\$4,321	\$0.00	\$4,321.00	\$354.00
<b>TOTALS</b>				<b>\$0.00</b>			<b>\$4,321.00</b>	<b>\$354.00</b>

\*\*\* Billed quarterly for rented items.  
\* Applicable taxes will be added.

## ***CUSTOMER PROPOSAL:***

*For:*

**TOWN OF CLARKDALE  
890 MAIN ST  
CLARKDALE, AZ 86324**

**May 22, 2008**

**LEASE TERM: 48 Months      LEASE FREQUENCY: Quarterly**

### **LEASE PAYMENT INFORMATION**

# of Payments	Lease	EMA	Sftg/SMA	Meter	Smrtmlr	IntelliLink	V Plan	Total
48	\$126	\$26	\$0	\$0	\$0	\$0	\$0.00	\$152

Rates are Monthly but billed Quarterly

### **EQUIPMENT DETAILS**

Qty	Pack/Item	Equipment Description
		<b>Mail Stream Solution - 1</b>
1	DI23	OfficeRight DI200 (3) Feeder System (H201, H20A, Training & Installation Included)
1	VAAG	Service Level Agreement Coverage

ote: Applicable taxes will be added to the above lease payments.

Includes Equipment Maintenance Agreement

Attachment 3

Agencies (each referred to as a "Participating Agency") eligible to acquire Pitney Bowes Mailing Equipment under WSCA Contract EPS050076-A2-2 (as amended from time to time, "EPS050076-A2-2") will have the option to acquire such Equipment through an Installment Lease Agreement, a Rental Agreement or a Fair Market Value Lease Agreement, subject to the applicable terms and conditions set forth herein.

**INSTALLMENT LEASE AGREEMENT OPTION A**

Pitney Bowes Global Financial Services LLC may serve as a sub-contractor under EPS050076-A2-2 and be the financing party under such Installment Lease Agreements.

The pricing plan for the Installment Lease Agreement is as follows:

<i>Monthly Billing:</i>		<i>Quarterly Billing:</i>	
Term	Lease Rate	Term	Lease Rate
36	.0317	36	.0960
48	.0247	48	.0750
60	.0205	60	.0625

The terms and conditions are as follows:

1. **GENERAL.** All Installment Lease Option A Agreements (each referred to herein as "Installment Agreement") consist of the following terms and conditions in addition to the applicable terms and conditions of EPS050076-A2-2. By issuing a Purchase Order under the Installment Agreement, the Participating Agency is requesting that Contractor leases the referenced equipment (the "Equipment") for essential governmental purposes. Such Equipment does not include any referenced IntelliLink™ Control Center or postage meter, which remains the property of Contractor or one of its wholly owned subsidiaries. Any IntelliLink™ Control Center or postage meter is subject to the applicable USPS regulations and meter terms and conditions as may be provided by Contractor.
2. **TERM.** Each Installment Agreement shall commence upon acceptance of the Equipment and shall continue until the earlier of: (i) termination at Contractor's Option upon the Participating Agency's failure to pay when due the amount required or failure to perform any other obligation under an Installment Agreement or under EPS050076-A2-2, (ii) the occurrence of an event of non-appropriation or termination for Contractor default under EPS050076-A2-2, (iii) termination in accordance with paragraph 3 below, or (iv) the expiration of the specified term.
3. **CANCELLATION OR TERMINATION.** The Participating Agency intends to enter into an Installment Agreement for the entire agreed upon term and Contractor relies upon such represented intention when determining the applicable pricing plan. If the Participating Agency cancels or terminates an Installment Agreement prior to its expiration (other than for non-appropriations or Contractor default pursuant to EPS050076-A2-2), the Participating Agency shall pay a termination charge equal to the net present value of the monthly payments

remaining through the completion of the term, discounted to present value at a rate of 6% per year.

4. **REMEDIES.** If the Participating Agency fails to pay when due any amount required, or fails to perform any other obligation under an Installment Agreement or under EPS050076-A2-2 and fails to cure the same within thirty (30) days of the Participating Agency's receipt of written notice thereof, Contractor may, at its option and without further demand or notice, take one or any combination of the following actions: terminate the relevant Installment Agreement, take possession of the relevant Equipment (and the meters), declare the entire amount of all payments, and other amounts due and to become due, for the then current fiscal period for which funds have been appropriated to be immediately due and payable, and pursue any other remedy permitted by applicable law.
5. **REPRESENTATIONS; MISCELLANEOUS.** The Participating Agency represents and warrants that: (a) it shall timely file an information reporting return (e.g. Form 8038 - GC or, as necessary, Form 8038 - G) with the Internal Revenue Service in accordance with Section 149(e) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder and the Participating Agency hereby appoints Contractor as its Agent for the purpose of maintaining a registration system as required by Section 149(a) of the Code; and the Participating Agency is (and shall continue to be) a State or local government entity, and that any obligation arising out of this Agreement constitutes an obligation by or on behalf of a state or political subdivision thereof, within the meaning of Section 103 of the Code and the regulations thereunder. The Participating Agency acknowledges that the Installment Agreement is entered into based on the assumption that the interest portion of each Period Payment is not includible in gross income of the owner thereof for Federal income tax purposes under Section 103(a) of the Code. A portion of each Period Payment that the Participating Agency shall pay includes interest. If any interest is determined not to be excludible from gross income in accordance with Section 103(a) of the Code, the Participating Agency's Period Payment shall be adjusted in an amount sufficient to maintain Contractor's original after tax yield utilizing Contractor's consolidated marginal tax rate, which adjusted Period Payments the Participating Agency agrees to pay as provided in this Agreement. The rate at which the interest portion of Period Payments is calculated is not intended to exceed the maximum rate or amount of interest permitted by applicable law. If such interest portion exceeds such maximum, then at Contractor's option, if permitted by law, the interest portion will be reduced to the legally permitted maximum amount of interest, and any excess will be used to reduce the principal amount of the Participating Agency's obligation or be refunded to the Participating Agency.
6. **ASSIGNMENT.** The Participating Agency may not assign, transfer or sublet any interest in an Installment Agreement or the Equipment without Contractor's prior written consent.
7. **TITLE.** Title to the equipment passes to the Participating Agency at the time and place of acceptance of each unit of equipment. The Contractor or its duly authorized assignee shall have a purchase money security interest in the equipment, until payment of all installments are made. Upon payment of the final installment, or any concluding payment option, the Contractor or his duly authorized assignee shall have no further interest in the equipment.
8. **PURCHASE OPTION.** The Participating Agency shall have the option to purchase the Equipment at any time during the Term "as is, where is" by paying the remainder of all installment payments.

**9. RISK OF LOSS.** The Participating Agency is responsible for Equipment loss, damage or destruction from any cause, whether or not insured from the date of acceptance and for the entire term. No Equipment loss, theft or damage shall relieve the Participating Agency of its obligation to make the payments or perform its obligations under an Installment Agreement. **Notwithstanding the foregoing, the Participating Agency shall not be responsible for Equipment loss, damage or destruction if Contractor has delivered non-conforming goods.**

## RENTAL AGREEMENT OPTION B

The pricing plan for the Rental Agreement is as follows:

Term:	Rental Factor:
36 Months	.0450

The terms and conditions are as follows:

- 1. GENERAL.** All Rental Option B Agreements (each referred to herein as "Rental Agreement") consist of the following terms and conditions in addition to the applicable terms and conditions of EPS050076-A2-2. By issuing a Purchase Order under this Rental Option B, the Participating Agency is requesting that Contractor rent the referenced equipment (the "Equipment") for essential governmental purposes. Such Equipment does not include any referenced IntelliLink™ Control Center or postage meter, which remain the property of Contractor or one of its wholly owned subsidiaries. Any IntelliLink™ Control Center or postage meter is subject to the applicable USPS regulations and meter terms and conditions as may be provided by Contractor.
- 2. TERM.** The Term of each Rental Agreement shall commence on the date of delivery of the Equipment and shall continue for 36 months, unless earlier terminated in accordance with EPS050076-A2-2. The Participating Agency intends to enter into each Rental Agreement for at least the 36 month period and Contractor has relied upon such represented intention when determining the applicable pricing plan.
- 3. REMEDIES.** If the Participating Agency fails to pay when due any amount required, or fails to perform any other obligation under a Rental Agreement or under EPS050076-A2-2 and fails to cure the same within thirty (30) days of the Participating Agency's receipt of written notice thereof, Contractor may, at Contractor's option and without further demand or notice, take one or any combination of the following actions: terminate this Agreement, take possession of the Equipment (including meters), declare the entire amount of all payments, and other amounts due and to become due for the then current fiscal period for which funds have been appropriated to be immediately due and payable, and pursue any other remedy permitted by applicable law.
- 4. ASSIGNMENT.** The Participating Agency may not assign, transfer or sublet any interest in a Rental Agreement or the Equipment without Contractor's prior written consent.
- 5. RISK OF LOSS.** The Participating Agency is responsible for Equipment loss, damage or destruction from any cause, whether or not insured from the date of acceptance and for the entire term. No Equipment loss, theft or damage shall relieve the Participating Agency of its obligation to make the payments or perform its obligations under a Rental Agreement. **Notwithstanding the foregoing, the Participating Agency shall not be responsible for Equipment loss, damage or destruction if Contractor has delivered non-conforming goods.**

## OPTION C

### LEASE AGREEMENT WITH FAIR MARKET VALUE ("FMV") PURCHASE OPTION

Pitney Bowes Global Financial Services LLC will serve as a sub-contractor under EPS050076-A2-2 and will be the Lessor under such FMV Lease Agreements.

The pricing plan for the FMV Lease Plan is as follows:

<i>Monthly Billing:</i>		<i>Quarterly Billing:</i>	
Term	Lease Rate	Term	Lease Rate
36	.0334	36	.1008
48	.0270	48	.0817
60	.0231	60	.0705

The terms and conditions are as follows:

- 1. GENERAL.** All FMV Lease Option C Agreements (each referred to herein as "Lease") consist of the following terms and conditions in addition to the applicable terms and conditions of EPS050076-A2-2. By issuing a Purchase Order under this FMV Lease Option C, the Participating Agency is requesting that Pitney Bowes Global Financial Services LLC leases the referenced equipment (the "Equipment") for essential governmental purposes. Such Equipment does not include any referenced IntelliLink™ Control Center or postage meter, which remain the property of Pitney Bowes Inc. or one of its wholly owned subsidiaries. Any IntelliLink™ Control Center or postage meter is subject to the applicable USPS regulations and meter terms and conditions as may be provided by Pitney Bowes Inc.
- 2. TERM.** Each Lease shall commence upon acceptance of the Equipment and shall continue until the earlier of (a) termination at Lessor's option upon the Participating Agency's failure to pay when due the amount required or failure to perform any other obligation hereunder or under EPS050076-A2-2, or (b) the occurrence of an event of non-appropriations or termination for Contractor default under EPS050076-A2-2, (c) cancellation or termination in accordance with paragraph 3 below, or (d) expiration of the term specified on the relevant Purchase Order and satisfaction by the Participating Agency of all obligations thereunder.
- 3. CANCELLATION OR TERMINATION.** The Participating Agency intends to enter into a Lease for the entire agreed upon term and Lessor relies upon such represented intention when determining the applicable pricing plan. If the Participating Agency cancels or terminates a Lease prior to its expiration (other than for non-appropriations or Contractor default pursuant to EPS050076-A2-2), the Participating Agency shall pay a termination charge equal to the net present value of the monthly payments remaining through the completion of the term, discounted to present value at a rate of 6% per year.
- 4. REMEDIES.** If the Participating Agency fails to pay when due any amount required, or fails to perform any other obligation under a Lease or under EPS050076-A2-2 and fails to cure the same within thirty (30) days of the Participating Agency's receipt of written notice thereof, Lessor may, at its option and without further demand or notice, take one or any combination of the following actions: terminate the relevant Lease, take possession of the relevant

Equipment (and related meters), declare the entire amount of all lease payments, and other amounts due and to become due, for the then current fiscal period for which funds have been appropriated to be immediately due and payable, and pursue any other remedy permitted by applicable law.

5. **ASSIGNMENT.** The Participating Agency may not assign, transfer or sublet any interest in a Lease or the Equipment without Lessor's prior written consent.
6. **OWNERSHIP.** Lessor owns the Equipment and the Participating Agency shall keep the Equipment free from any liens or encumbrances. Each Lease is a "finance lease" governed by Uniform Commercial Code Article 2A.
7. **END OF LEASE OPTIONS.** Upon 90 days prior written notice, the Participating Agency may, if not in default, elect among the following options with respect to the Equipment: (a) purchase the Equipment "as is, where is" for fair market value, as determined by Lessor based upon what a willing and able buyer would pay a willing and able seller in an arm's length transaction, or (b) return the Equipment in its original condition, reasonable wear and tear excepted, by de-installing the Equipment and making it available for Contractor's retrieval. If the Participating Agency has not elected one of the above options, the Participating Agency shall be deemed to have entered into successive month-to-month extensions of the relevant term.
8. **RISK OF LOSS.** The Participating Agency is responsible for Equipment loss, damage or destruction from any cause, from the date of acceptance and for the entire term. No Equipment loss, theft or damage shall relieve the Participating Agency of its obligation to make the payments or perform its obligations under a Lease. **Notwithstanding the foregoing, the Participating Agency shall not be responsible for Equipment loss, damage or destruction if Contractor has delivered non-conforming goods.**