

# Kankakee Printing Solutions

October 2015 Finance Meeting

# February 2015 Meeting

- I met with Mr. Whalen to discuss the current contract (2013-2017)
- Mr. Whalen asked the District to opt out of the 5 year (front-loaded) agreement
- The District paid about \$474,000 for the first 3 years of the contract (\$158,000 per year)
- If District Opted Out of Contract: Years 4 and 5 (based on average) would cost the District about \$316,000 because of added equipment cost
- Because District Continued with the Current Contract: Years 4 and 5 (based on average) will cost the District \$46,000 due to no more charge for equipment
- That is a difference of **\$270,000!**

# Print Management Solution

- Print Management Solution
  - District had 417 HP Printers
    - Direct costs included the printers, toner, parts.
    - Indirect costs include IT time for repairs, down time, and toner on the shelves.
  - Assume 600,000 copies in past 2 months...

	<b>Old Direct Cost</b>	<b>Proven</b>
2 Months Cost:	\$8,400 (\$0.014)	\$4,500 (\$0.0075)
1 Year:	\$50,400	\$27,000
5 years:	\$252,000	\$135,000

**5 Year Savings = \$117,000**

# Equipment Costs

- Added color printing capacity for every building in the district (copiers did not have option before these added machines)
- 22 copy machines on lease
- Cost for all machines is about \$3,000 per month (\$36,000 per year)
  - Will be paid from Capital Projects Fund (Bond Proceeds)

The two agreements are able to coexist and be active at the same time.

# Overage Charges – Main Agreement

- Equipment Cost built into cost per copy
- Set minimum number of copies
- Overage penalty if cost per copy is exceeded
- The District exceeded its minimum number of copies by over 1,000,000 copies each of last two years

# Equipment Cost Simplified

## Example

- Assume equipment cost \$10,000 during a 5 year contract (\$2,000 per year).
- Assume that the minimum amount of copies is 1,000 per year at \$0.05 per copy (for maintenance).
- Attach equipment cost to the cost per copy.
- $\$2,000/\text{year for equipment} \div 1,000 \text{ copies per year} = \$2.00$  per copy for equipment
- If you add that to \$0.05 for each copy for maintenance, then the new rate would be \$2.05.
- After hitting 1,000 copies, the equipment should be paid in full.
- Any overage rate should be charged \$0.05.
- Martin Whalen would charge us \$2.05 for each copy over 1,000.

# Martin Whalen Numbers

- First 3 years, cost per copy (including equipment) = \$0.0133
- Value of maintenance = \$0.0035 - \$0.0038 per years 4 & 5 of contract (after equipment is paid off)
- Current minimum copies: 10.75 Mil/year
- District made about 12 million copies in each of the past 2 years
- **Charged about \$11,000 just for payments that could be categorized as paying for the same equipment twice.**



# FY 2015 Overages

**Bill To:** Kankakee School District 111  
Diane  
240 Warren Avenue  
Kankakee, IL 60901

**Customer:** Kankakee School District 111  
240 Warren Avenue  
Kankakee, IL 60901

Account No	Payment Terms	Due Date	Invoice Total	Balance Due
1678000	Net 15 Days	07/30/2015	\$17,793.96	<b>\$17,793.96</b>

  

Overage Details						
Meter Group	Total Copies	Covered Copies		Billable	Rate	Total
b/w copies	12,087,144	10,749,252	0	1,337,892	\$0.013300	\$17,793.96
					Base Amount:	\$0.00
						<b>\$17,793.96</b>

# Multiple Contracts with Martin Whalen

- 9 contracts with Martin Whalen
- Only 1 of the 9 had been bid out
- Contracts were written to:
  - Automatically renew after the initial term
  - Allow current vendor to raise service rates without notice
  - They were “non-cancellable”

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Terms and Conditions

Martin Whelan Office Solutions (hereinafter referred to as MWOS) by its acceptance hereof, agrees to furnish to the named customer within, maintenance service as described below o the equipment listed on this agreement.

1) After execution by MWOS management, the term of this agreement shall commence on the installation date of the equipment or the start date indicated on the reverse side. After the initial term, the agreement shall automatically renew annually. MWOS reserves the right to cancel the contract with written notice if customer does not maintain their account with MWOS or one of MWOS's financial affiliates with current payments, or if manufacturer has announced that the product will no longer be supported with availability of parts or supplies.

2) Faxed and copied documents: You agree that a facsimile copy of the Agreement with facsimile signatures may be treated as an original and will be admissible as evidence of the Agreement.

3) During the period of this agreement, MWOS will maintain the equipment in good working condition in accordance with MWOS service policies. Service will include scheduled and unscheduled repairs requested by the customer during normal working hours (8:00 a.m.-5 p.m.), Monday through Friday except holidays. Customer agrees to allow MWOS access to clean, inspect or repair the equipment during hours listed above.

4) Customer will provide MWOS with true and accurate meter readings. It is the client's responsibility to report meter readings to MWOS in the time-frame specified in the meter bill cycle field and coinciding with the commencement date of the agreement. MWOS may, at its discretion, utilize an automated meter reading collection tool to facilitate meter reading collections. Meter readings not received by the date listed will be estimated, and customer agrees to pay invoices for estimated usage.

5) MWOS reserves the right to adjust the service rates without notice.

6) Toner-inclusive black & white equipment agreements assume a 6% toner fill per click. Toner-inclusive color equipment agreements assume a 20% toner fill per click. The service rate may be adjusted based on actual toner usage. Single clicks are based on letter and legal size paper. Ledger (11x17) paper will be counted as two clicks/pages. MWOS reserves the right to invoice separately for shipping and handling of supplies related to this contract. Upon contract termination any and all unused supplies must be returned to MWOS. This contract does not include "MICR" toner products. MICR toner may be used in the equipment but must be purchased separately.

7) MWOS may inventory, at customer's location, toner cartridges and other consumable supplies for use in the equipment covered in this contract. Inventory toner cartridges and oth consumable supplies included in the agreement are the property of MWOS. MWOS reserves the right, and customer agrees to allow them access to their facility(s), to audit and adjust inventory levels during the term of this agreement or to remove any unused supplies at the conclusion of this agreement. Customer agrees that failure to return any unused toner cartridges may result in additional charges.

8) Customer shall pay reasonable costs in the collection of any amount due hereunder, in the recovery of any property pursuant to or in the enforcement of rights against the customer including attorneys' fees, whether or not suit is brought, MWOS shall not be obligated to provide services as called for in the contract unless the customer is current with all payments due to MWOS or any of its financial affiliates.

9) The following services are not included or covered under this contract, and any services rendered for such causes shall be billable: a) Preparation for relocation of equipment, actual relocation or installation of relocated equipment, b) Installation or removal of accessories or attachments, c) Installation of any consumable item including, but not limited to paper, toner, staples, or any other consumable item referred to in the equipment operator's manual. d) Repairs made necessary by (1) service or alterations performed by another organization, (2) Electrical conditions external to the equipment that are inadequate or out of manufacturer's specifications, (3) Customer's failure to provide and maintain an operating environment that is clean and/or within temperature and humidity specifications, (4) Failure of customer to operate the equipment in accordance with the instructions contained in the operator's manual, accidents, neglect, misuse, failure of air conditioning, electrical power, power surges, strikes, or flood, (5) Operator inefficiency or misuse as determined solely by MWOS, including, but not limited to, improper changing or loading of paper, toner, or other supplies or peripheral attachments.

10) Customer shall provide a suitable place of installation as specified by MWOS in accordance with UIL and/or manufacturer's specifications, for electrical service, and machine clearances (for adequate operating and serviceability). Floor surface must be stable and level.

11) MWOS shall not be responsible for direct, incidental, or consequential damages including, but not limited to, lost profits or damages arising out of the use of the equipment.

12) MWOS will not be liable for delays or inability to service caused directly or indirectly by strikes, accidents, climate conditions, parts availability, unsafe travel conditions, or other reasons beyond our control.

13) This agreement does not include support or service related to any external and/or connected accessories or peripheral product, whether listed on this agreement or not. This agreement does not cover NIC or JetDirect cards, network and PC support. Service or support for software, calibration, and interface maintenance service for such accessories and devices may be available as a rider to this contract (for an additional fee), or on an hourly fee basis.

14) Client understands that equipment manufacturers may issue modifications or upgrades to the equipment, software, or print drivers. Client agrees that installation service for such modifications or upgrades is not covered under this agreement. Installation services (for modifications and upgrades) are available at the then current billable rate.

15) Changes to the operating environment are specifically beyond the scope of this agreement. Changes, (including, but not limited to, changing operating systems, network software, workstation software, passwords, hardware, etc.) may result in loss of functionality due to incompatibility, or such changes may necessitate adjustment of configuration settings to restore functionality. Services to restore functionality are available on an hourly fee basis.

16) MWOS reserves the right to withhold service and/or machine supplies if Customer's account with MWOS or any of MWOS's financial affiliates is not current.

17) This is a non-cancelable contract. Should MWOS accelerate the payments due, the payments for the remainder of the contract will become immediately due. The billing will be based on the average monthly usage over the past year, or the life of the contract, or the allowance, whichever is the greatest.

Ver: 2/24/10

# Automatic Renew

1) After execution by MWOS management, the term of this agreement shall commence on the installation date of the equipment or the start date indicated on the reverse side. After the initial term, the agreement shall automatically renew annually. MWOS reserves the right to cancel the contract with written notice if customer does not maintain their account with MWOS or one of MWOS's financial affiliates with current payments, or if manufacturer has announced that the product will no longer be supported with availability of parts or supplies.

# Adjust Rates Without Notice

- 5) MWOS reserves the right to adjust the service rates without notice.

# “Non-Cancelable Contract”

17) This is a non-cancelable contract. Should MWOS accelerate the payments due, the payments for the remainder of the contract will become immediately due. The billing will be based on the average monthly usage over the past year, or the life of the contract, or the allowance, whichever is greatest.



[illegible]



# What happened since the new contract?

- 3 Meetings with Martin Whalen
- 1 Meeting with Advantage Copier
  - Advantage Copier walked through all buildings
- District has plan to evaluate print usage at end of first quarter
  - Move the MWOS copiers to the higher-volume area and move the Proven copiers to the lower-volume area
  - Have begun process
  - Martin Whalen has been uncooperative despite the fact that they would benefit with these moves

# Public Comments

- Mr. Whalen claimed at the board meeting that the district was going to spend \$300,000 this year.
  - **Completely inaccurate.** Contract projects to be \$300,000 over 5 years.
  - District has only paid Proven **\$1,125 YTD** (\$8,875 is encumbered) for copies and maintenance
  - District has paid Canon **\$9,221 YTD** for the equipment (which we will own at end of contract)

# Public Comments

- Mr. Whalen claimed that the contract with Proven was with an outside company.
  - Both Proven (Bourbonnais) and Martin Whalen (Bradley) are located in Kankakee County
  - Both Proven and Martin Whalen have headquarters in Tinley Park, Illinois
  - Martin Whalen is owned by Global Imaging Systems, a Florida-owned company
  - Proven Business Systems is an Illinois-owned company

# Local Districts Using Proven

- St. Anne School District
- Momence CUSD #1
- Manteno CUSD #5
- Central CUSD #4
- Peotone School District
- Grace Christian Academy
- St. Paul School & Church
- Unity Christian Academy
- Iroquois CUSD #9
- Milford Public School District #124
- BBCHS Band Boosters

# Public Comments

- *This contract was unnecessary*
  - As a business owner, would I have wanted this deal? Yes! But, as a taxpayer in Kankakee, this deal was unnecessary and put more of a burden on taxpayers. The district has a contract in place with MWOS for \$.0035 per page. The better strategy would have been to work with the MWOS and route printer pages to those machines. It's a good strategy, it was just executed poorly. Signing a new no-bid contract for more than \$300,000 when the district is in poor financial shape is irresponsible.

# Public Comments

- Mr. Whalen claims that the district is going to be well under its minimum copy allotment (10.75 Million) as a result of this printing initiative. He claims that there will be an excess cost of over \$70,000 per year.
- Through 4 months, the District has made 3.5 Million copies with Martin Whalen.
- Projects to be 10.5 Million copies during this year, so we are right on track to reach the minimum.
- **This means that the district is trending to avoid the \$0.0133 cost for any overage copies. Last year the total overage was \$17,500.**

# Conclusion

- Exploring other vendors
  - “Kankakee is a vault.”
  - “I gave up trying to do business with Kankakee.”
- Reading the fine print
- Expect this backlash anytime a long-term vendor loses any business
- **All decisions are made with data and we hope that all of our vendors, as well as our community, will support our efforts to create a fiscally sound school district.**

Our primary goal is to prepare our children to compete in a global economy while maintaining a **BALANCED BUDGET.**