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STATE PROCUREMENT OFFICE
NOTICE OF AND REQUEST FOR EXEMPTION
FROM CHAPTER 103D, HRS

STATE PROCUREMENT OFFICE
STATE OF HAWAII

1. TO: Chief Procurement Officer
2. FROM: DAGS/ICSD/PSB *DAG*

Department/Division/Agency

Pursuant to §103D-102(b)(4), HRS, and Chapter 3-120, HAR, the Department requests a procurement exemption to purchase the following:

3. Description of goods, services or construction:
Furnish, deliver and install laser printing system to replace or upgrade three Laser Xerox DP2K135M (1 own, 2 lease , Modification #2) Laser printers for the State of Hawai'i requiring no changes or modifications to customers systems, programming, processing, forms or paper requirements. Current Contract No. 52261, RFP-04-056-O.

See Attached --- SPO-7 QUESTION #3 03-15-2001 Furnish, Deliver and Install Laser Printing System

4. Name of Vendor: Xerox Corporation Address: 700 Bishop Street, Suite 1200, Honolulu, HI 96813	5. Price: \$252,873.00 \$ 3,017,652.29 <i>dkk</i>
6. Term of Contract: <i>cpo Approved ddk</i> From: 11/2004 To: <i>7 years ddk</i> 10/2011	7. Prior Exemption Ref. No. 0

8. Explanation describing how procurement by competitive means is either not practicable or not advantageous to the State:

The ICSD is requesting approval to terminate the current lease ahead of the contracted date and renegotiate a new lease .

See Attached --- SPO-7 QUESTION #8 03-15-2001 Furnish, Deliver and Install Laser Printing System

9. Details of the process or procedures to be followed in selecting the vendor to ensure maximum fair and open competition as practicable:
Base specifications will be the same as those in the current contract, No. 52261, RFP-04-056-O.

10. A description of the agency's internal controls and approval requirements for the exempted procurement:
Completion of a requisition form that itemizes all costs associated with the procurement. Subsequently, a departmental comments and recommendations form is completed that is reviewed and approved by the ICSD Assistant Administrator, Administrator, and DAGS Comptroller.

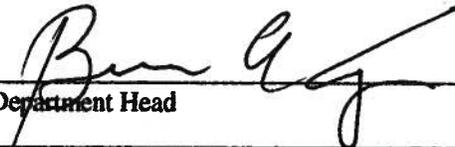
REQUEST FOR EXEMPTION FROM CHAPTER 103D, HRS (Cont.)

12. A list of agency personnel, by position, who will be involved in the approval process and administration of the contract:		
Name	Position	Involvement in Process
Wayne Sasaki	Branch Chief	<input checked="" type="checkbox"/> Approval <input checked="" type="checkbox"/> Administration
Todd Crosby	Assistant Administrator	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Administration
Debra A. Gagne	Administrator	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Administration
		<input type="checkbox"/> Approval <input type="checkbox"/> Administration
		<input type="checkbox"/> Approval <input type="checkbox"/> Administration
		<input type="checkbox"/> Approval <input type="checkbox"/> Administration

13. Direct inquiries to: Department: DAGS
 Contact Name: Debra A. Gagne
 Phone Number: 586-1910
 Fax Number: 586-1922

Agency shall ensure adherence to applicable administrative and statutory requirements

14. I certify that the information provided above is, to the best of my knowledge, true and correct.

 _____
 Department Head 3/16/2011
Date

Reserved for SPO Use Only

15. Date Notice Posted - 3/17/11
 Reposted 4/15/11

The Chief Procurement Officer is in the process of reviewing this request for exemption from Chapter 103D, HRS. Submit written objections to this notice to issue an exemption from Chapter 103D, HRS, within seven calendar days or as otherwise allowed from the above posted date to:

Chief Procurement Officer
 State Procurement Office
 P.O. Box 119
 Honolulu, Hawaii 96810-0119

Chief Procurement Officer's comments:

As there is at least one other vendor who has indicated an interest in responding if a solicitation is issued, this request is disapproved to allow open competition.

16. APPROVED DISAPPROVED NO ACTION REQUIRED

 _____
 Chief Procurement Officer 5/3/2011
Date

Attachment to SPO-07

QUESTION #3, 03-15-2001 Furnish, Deliver and Install Laser Printing System

There is little or no room for error or delay when printing 42 million pages of output annually. The mechanical nature of these 7-year-old printers is prone to failure. The vendor is meeting their obligations relative to their maintenance agreement. However the frequency of maintenance needed and the frequency of jamming during critical runs is making it necessary to replace these printers with newer models, less prone to break down. Time lost to jams or repairs is time we are not able to spend printing the output our customers rely upon. For the 5-month period from October to February we have experienced 63 service calls, each a minimum of 2 hours in duration. Computer operators reported 21 instances of printing jamming in the months of January and February alone. A recent check print run experienced 184 paper jams in one run resulting in payroll checks being delayed for hours. On the average, the operator may take 5 to 7 minutes to clear the jam and to have the printer functional again.

QUESTION #8, 03-15-2001 Furnish, Deliver and Install Laser Printing System

The current laser printer is leased from Xerox Corporation, and the vendor has made every effort to keep the printer operational. The current lease has 9 months remaining before the current contract ends.

The printer is more than 7 year's old and is failing more frequently. In the past several months, the Xerox maintenance staff have been at ICSD everyday keeping the machine operational. Although the printers are restored to operation, the time it takes to fix them is increasing and the length of time it stays fixed is shortening. The time the printers are actually available for use is significantly down, and this has impacted critical financial and money payment systems necessary for the continuation of government functions.

The reliability of the current printer along with the diminished staff at ICSD to undertake both the technical and procurement roles necessary to replace the printers though normal procurement means makes this route impractical.

We need to replace our Xerox printers. We need to replace them as soon as we can before the problems being exhibited become worse. It would be advantageous and expeditious to work directly with the current provider, Xerox Corporation (the only provider of Xerox high-speed printers in Hawai'i), to contract for new equipment that can be implemented with no changes, modifications, or impact to existing operational processes. We have integrated our programming, forms, and operational processes to be dependent upon the Xerox printers for almost 20 years. It is impractical to change or re-do all the Xerox specific programming and coding.

The ICSD is requesting approval to terminate the current lease ahead of the contracted date and renegotiate a new lease .

SPO-7 QUESTION #3 03-15-2001 Furnish, Deliver and install Laser Printing system

Description of goods services or construction.

Replace 2 Xerox DP135 printers with 2 Xerox Nuvera DPS144MXC printers. There is little or no room for error or delay when printing 42 million pages of output annually. The mechanical nature of these 7 year old printers is prone to failure. The vendor is meeting their obligations relative to their maintenance agreement. However the frequency of maintenance needed and the frequency of jamming during critical runs is making it necessary to replace these printers with newer models, less prone to break down. Time lost to jams or repairs is time we are not able to spend printing the output our customers rely upon. For the 5 month period from October to February we have experienced 63 service calls, each a minimum of 2 hours in duration. Computer operators reported 21 instances of printing jamming in the months of January and February alone. A recent check print run experienced 184 paper jams in one run resulting in payroll checks being delayed for hours. On the average, the Operator may take 5 to 7 minutes to clear the jam and to have the printer functional again.

SPO-7 QUESTION #8 03-15-2001 Furnish, Deliver and install Laser Printing system

Explanation describing how procurement by competitive means is either not practicable or not advantageous to the State.

The current laser printer is leased from Xerox corporation and the vendor has made every effort to keep the printer operational. The current lease has 9 months remaining before the contract ends.

The printer is more than 7 years olds and is failing frequently. In the past several months, the Xerox maintenance staff have been at ICSD every day keeping the machine operational. Although the printers are restored to operation, the time it takes to fix them is increasing and the length of time it stays fixed is shortening. The time the printers are actually available for use is significantly down and this has impacted critical financial and money payment systems necessary for the continuation of government functions.

It is impractical to wait 9 more months to replace these printers. We will continue to experience production delays.

It is advantageous to replace a Xerox printer with a Xerox printer as any issues with custom code, training, conversion, incompatible fonts, forms or signature files will be non-existent.

We need to replace our Xerox printers now. We need to replace them as soon as we can before the problems being exhibited become worse. It would be advantageous and expeditious to work directly with the current provider, Xerox Corporation, (the only provider of Xerox high speed printers in Hawai'i) to contract for new equipment that can be implemented with no changes, modifications or impact to existing operational processes. Utilizing the same printer technology and vendor specific programming parameters will allow us to take the old printers out and put the new printers in quickly. We have integrated our programming, forms and operational processes to be dependent upon the Xerox printers for almost 20 years. It is impractical to change or re-do proprietary Xerox specific programming and coding.

It is practical and advantageous for the State of Hawaii to replace 2 DP135 printers with 2 Nuvera DPS144MXC printers for operational and environmental reasons.

Nuvera 144MX versus DocuPrint 135MX

10% faster (144ppm vs. 135 ppm)

50% Fewer Parts than a DP135

47% Less Power Consumption in Run Mode: DP135MX 6,400 watts vs Nuvera 144MX 3,402 watts

75% Less Power Consumption in Standby Mode: DP135MX 2,350 watts vs Nuvera 144MX 592 watts

99.96% Filtering System Efficiency (0.000615 grams of contaminants are emitted while 1.5535 grams are collected per ream of paper)

97% Machine's Parts that are Recyclable

30% Less Heat

4 Times less Noise Emission than that of the DP135MX

The ICSD is requesting approval to terminate the current lease ahead of the current contract date and renegotiate a new lease .

State of Hawaii, ICSD
Justification for Exemption to Procurement Policy for (2) Xerox 144DPSMX and
Associated Software

The Production Services Branch of the Information and Communications Services Division (ICSD) has unitized Xerox production printers and software for over 24 years. Xerox service and equipment has served us well over this period, allowing us to focus on our core competencies and meet our level of service requirements to our customers. The current production printers are approaching the end of their useful life, resulting in ICSD experiencing increased challenges of meeting required levels of service.

The Xerox production printers and associated software are an integral part of our operation. As is the case with all mainframe integrations, there is a very high level of codependency between our mainframe software, applications and workflow and the Xerox equipment and software. Xerox developed the technology of laser printing directly from the mainframe and has continued to be in the forefront of this industry. A great deal of time and money have been invested in ensuring that all systems coexist and communicate flawlessly with each other. The print engines (laser printers) are only a component of the solution and not the solution itself. ICSD is in need of changing only a component of the solution (print engines) and not the entire solution (software and workflow in addition to print engines) The replacement of the entire solution would be prohibitively expensive in both time and money and is not required. This codependency means that any change in equipment or software has the potential of seriously impacting production at ICSD and our ability to meet the demands of our customers.

ICSD requires the immediate replacement of the 2 aging Xerox production laser printers so as not to jeopardize the level of service we are required to provide. ICSD requests an exception to the procurement process for the acquisition of new production MICR laser printers for the following reasons:

1. No other vendor can provide print engines that seamlessly integrate with the software that ICSD utilizes on the mainframe. ICSD's mainframe produces LCDS data streams. LCDS is a proprietary Xerox data stream that was developed in response to customer demand for mainframe printing to cut sheet laser printers. If another vendor were to provide print engines to ICSD, the entire workflow would need to be altered, programmed and tested. It would be impossible to duplicate our existing work processes. Any other vendor would require additional hardware and software in addition to the printers to transform the LCDS data stream to a print language that their printers can utilize. This would impose additional cost to ICSD and would require excessive time spent on testing. Even after the investment of time and money, there would be no guarantee that results would be in the desired output. The implementation of a change this drastic would jeopardize ICSD's ability to produce output uninterrupted. ICSD cannot afford to lose any production time what so ever. A change to a different workflow would, in high probability, result in days of lost production. This is unacceptable. There is no requirement to change the entire workflow solution; ICSD only requires replacement of a component of the solution (print engines.)

2. Many years ago, ICSD made a decision to utilize XPAF software to enable the elimination of bus & tag communication in favor of TCPIP. XPAF is a proprietary Xerox solution which was developed to allow direct communication between the mainframe and laser printers utilizing TCPIP. This is a much more productive communication method and has resulted in a dramatic increase in productivity at ICSD. Any other vendor would need to offer some other solution to utilize TCPIP. This, again, is adding unnecessary components to our workflow solution. If a replacement to XPAF were attempted, ICSD would face the daunting task of rewriting portions of our applications and migrating all those applications to the new system. In addition, countless hours of programmers time would be required to test the outcome, with absolutely no assurance that the output (checks and reports) would be accurate. This is too big a risk for ICSD to entail and totally unnecessary.
3. It is critical that we account for each and every page or check that is printed on our laser printers. This accountability is enabled through a proprietary Xerox application residing directly on the print engine. Media Log is resident on the laser printer controller and thus can track and account for each step in the printing process. Media Log tracks whether a job was printed, from which tray each sheet was fed and which stacker each sheet was delivered to. In addition, Media Log accounts for each and every wasted sheet: how many sheets were purged and how many sheets were removed in jam recovery. This level of accountability ensures we know the status of each and every check we print with no chance of lost, duplicate or misdirected checks. No other vendor is capable of providing this level of accountability; if ICSD were to utilize any other vendor for our print engines, we would lose this accountability.
4. The nature of our printing (checks and confidential reports) requires a high level of security for access to the printing process. ICSD utilizes a proprietary Xerox software application called Resource Security which resides directly on the printers to ensure we have the highest level of security in our printing process. Resource Security allows our logos, signatures and other customer specific resources to be encrypted. Authorized operators/supervisors have personal passwords for access to these encrypted resources. Encryption occurs automatically when the authorized user logs out and the software allows for remote login to release encrypted resources. Resource Security enables security and control of highly confidential resources. We cannot have the risk of a signature being accessed and applied to an unauthorized check. This application also precludes the inadvertent use of resources (like check stock), remote printing under controlled release environments and insures proper release and utilization of specific signatures and logos on our documents, reports and checks. This capability is a function of the software on the printers and cannot be duplicated by any other vendor.
5. ICSD desires to implement a solution to produce PDF documents directly from our mainframe data stream. Xerox offers a solution as an add-on to the XPAF software that enables this directly on the mainframe. This will enable ICSD to choose whether to direct a data stream to a printer or to produce a PDF or both. No other vendor can offer a solution that does this directly on the mainframe. Any other vendor will require additional hardware and software to accomplish the desired outcome. This would be an unacceptable solution as it would require additional resources (hardware) and result in additional cost to maintain.

The preceding points make it necessary and desirable for ICSD to maintain the established vendor relationship with Xerox Corporation. Our entire production system from mainframe data streams

transformed for printing with accompanying security and formatting rely on a seamless and tightly integrated Xerox solution. Replacing one component of this solution-the print engines- are all that is necessary. This is the most cost effective and expedient upgrade to an otherwise highly functional solution. An exemption to the procurement process will ensure that ICSD continues production uninterrupted with no risk of lost data and missed deadlines.