



MEMORANDUM

TO: Members of the Legislative Fiscal Committee

FROM: Dave Reynolds, Fiscal Services Division

DATE: June 25, 2019

RE: Department of Corrections Lease-Purchase Notification

The Legislative Services Agency (LSA) received a lease-purchase notification from the Department of Corrections (DOC) on June 24, 2019, for the purchase of Sophos firewall hardware and software licensing that controls all Internet traffic. The agreement includes antivirus software licensing on all DOC workstations and servers. The DOC has used Sophos for the past three years and over that time period, the Department indicates that the number of compromised systems has been cut in half. All Sophos licenses currently in place will expire June 30, 2019.

The estimated cost of the lease-purchase is \$336,900, including \$328,700 in principal and \$8,200 in interest. The agreement will be for a period of three years at an estimated interest rate of 2.53%. The annual debt service payments are estimated to total \$112,300. The Department will use State General Fund dollars to fund the lease-purchase.

The attachment provides additional information regarding the lease-purchase.

This notice is for information purposes only and no action is required on behalf of the Legislative Fiscal Committee. Iowa Code section [8.46](#) requires State agencies proposing to enter into a lease-purchase agreement of at least \$50,000 to notify the LSA at least 30 days prior to entering into a contract. The Iowa Code section also requires the LSA to submit all notifications to the Legislative Fiscal Committee. If you have any questions, do not hesitate to contact me at 515.281.6934.

cc: Steve Dick, Department of Corrections
Kevin Vandewall, Department of Corrections
Jina Bresson, Office of the Treasurer of State
Jeff Nelson, Office of the Attorney General

1050377

LEASE-PURCHASE PRIOR NOTIFICATION

(FOR PURCHASES OF \$50,000 OR MORE)

For Reporting Requirements per Section 8.46, Code of Iowa

Agency Name: <u>Department of Corrections</u>	Budget Unit/ Fund Name: <u>238 / Central Office-GF</u>	Budget Unit/ Fund No.: <u>238/0001</u>
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ACQUISITION INFORMATION

Description of Acquisition: <u>Hardware + Software Licensing for all DOC workstations, servers, + firewalls.</u>			
Type of Acquisition <input type="checkbox"/> New <input type="checkbox"/> Replacement <input checked="" type="checkbox"/> Continuation	Duration of Contract (Mo/Yr) Start: <u>07/19</u> End: <u>06/22</u>	Contract Type: <u>Lease</u>	Estimated Useful Life: <u>3 years</u>
Funding Sources	\$	Estimated Cost if Purchased Outright:	
General Fund	\$ <u>336,943.45</u>	<u>328,697.52</u>	
Federal	\$ <u>0</u>	Principal:	
Revolving Fund	\$ <u>0</u>	<u>328,697.52</u>	
Road Use Tax	\$ <u>0</u>	Finance Charge:	
Other (Specify)	\$ <u>0</u>	<u>8,245.93</u>	
Total	\$ <u>336,943.45</u>	Interest Rate: <u>2.53%</u>	

CASH FLOW

	FY <u>20</u>	FY <u>21</u>	FY <u>22</u>	FY _____	FY _____	Total Cost
Principal	<u>112,314.48</u>	<u>106,839.99</u>	<u>109,543.04</u>			<u>328,697.52</u>
Interest	<u>0</u>	<u>5,474.49</u>	<u>2,771.44</u>			<u>8,245.93</u>
Total	<u>112,314.48</u>	<u>112,314.48</u>	<u>112,314.48</u>			<u>336,943.45</u>

JUSTIFICATION/CONSEQUENCES OF DELAY OR ABANDONMENT

<u>Lose all antivirus licensing, lose all updating on firewalls, lose all web usage monitoring for entire DOC operation</u>

Contact Person: <u>Steve Dick</u>	Title: <u>Financial Manager</u>	Phone Number: <u>515-725-5703</u> Date: <u>6/24/19</u>
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Government Leasing and Finance

Payment Tables

(Assumes funding July 1, 2019)

3 YEAR: 2.53%

Totals	336,943.45	328,697.52	8,245.93	0.00
<u>Date</u>	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Prepayment Balance</u>
1-Jul-2019	112,314.48	112,314.48	0.00	222,874.53
1-Jul-2020	112,314.48	106,839.99	5,474.49	112,829.34
1-Jul-2021	112,314.48	109,543.04	2,771.44	0.00