

Item 2 File 10-0894	Department: Office of Contract Administration (OCA)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objective</p> <ul style="list-style-type: none"> • Resolution authorizing the Office of Contract Administration (OCA) to execute the First Amendment to an existing agreement between the City and Xtech Joint Venture (Xtech), increasing the not-to-exceed amount by \$17,000,000, from \$24,000,000 to \$41,000,000. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Office of Contract Administration maintains a number of agreements with various firms for as-needed technology products and related computer services through the City's Technology Store. Subsequent to a competitive bidding process to identify multiple vendors to offer technology products to City Departments through the Technology Store, OCA awarded an agreement to Xtech in a not-to-exceed amount of \$24,000,000, with a term of three years, from January 1, 2009 through December 31, 2011. • According to OCA, Xtech has been the most utilized vendor by City Departments for products in the City's Technology Store, exceeding OCA's original projections. Over the first 18 months of the agreement with Xtech from January 1, 2009 through June 30, 2010, or 50.0 percent of the term, actual expenditures have totaled \$20,403,941, or 85.0 percent of the current not-to-exceed amount of \$24,000,000. • Because technology product purchases are funded by monies appropriated in the annual Departmental budgets by the Board of Supervisors, and the proposed increase in the not-to-exceed amount of \$17,000,000, from \$24,000,000 to \$41,000,000, simply provides authorization under in the subject agreement's not-to-exceed amount for City Departments to expend funds previously appropriated by the Board of Supervisors, the Budget and Legislative Analyst recommends approval of the proposed resolution. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed First Amendment would increase the not-to-exceed authorization in the Xtech agreement by \$17,000,000, or 70.8 percent from \$24,000,000 to \$41,000,000. All purchases through the subject Xtech agreement are funded through City Departmental budgeted funds, as previously appropriated by the Board of Supervisors. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT & BACKGROUND

Mandate Statement

In accordance with Charter Section 9.118, any amendment of over \$500,000 to an agreement over \$10,000,000 in anticipated expenditures is subject to Board of Supervisors approval.

Background

The Office of Contract Administration (OCA) maintains a number of agreements with various private firms for as-needed technology products and related services for all City Departments, through the City's Technology Store. Agreements are awarded to such firms for either:

- (a) as-needed technology products, or
- (b) as-needed technology services (such as software programming, software customization, or network security services) and products related to such services.

Departments requiring technology products and technology services are authorized to purchase such items through the City's Technology Store's vendors, who were previously pre-qualified under a competitive Request for Proposals (RFP) process, without undergoing another separate independent competitive process. However, for purchases in excess of \$100,000, Departments are required to obtain bids from no fewer than three pre-qualified vendors from the City's Technology Store, and then purchase technology products from the lowest bidding vendor.

On April 8, 2008, OCA issued a Request for Proposals (RFP) to pre-qualify various vendors for the City's Technology Store. On December 9, 2008, subsequent to this competitive RFP process, the Board of Supervisors approved the award of \$120,000,000¹ for seven agreements, for a term of three years, from January 1, 2009 through December 31, 2011, (File 08-1416) including:

- (a) three agreements totaling \$72,000,000, each in an equal amount of \$24,000,000, for as-needed technology products only (no services are available under such agreements), and
- (b) four agreements totaling \$48,000,000, each in an equal amount of \$12,000,000, for as-needed technology services and products related to such services.

Included among the three \$24,000,000 agreements previously approved by the Board of Supervisors, for City Departments as-needed technology products, is the existing \$24,000,000 agreement between the City and Xtech for the term of three years, from January 1, 2009 through December 31, 2011. The existing agreement with Xtech includes an option to extend the term of the agreement by two additional years, through December 31, 2013.

¹ According to Ms. Jaci Fong, Assistant Director of Purchasing Operations at OCA, the \$120,000,000 in total for the agreements was based on the total technology store purchases over the prior three years including (a) \$72,000,000 in technology products and (b) \$48,000,000 in technology services and related products.

Xtech was also awarded one of the four \$12,000,000 agreements for as-needed technology services and related products, as previously approved by the Board of Supervisors under File 08-1416. However, that \$12,000,000 agreement would not be impacted by the proposed resolution.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Office of Contract Administration (OCA) to execute the First Amendment to an existing agreement between the City and Xtech, increasing the not-to-exceed amount by \$17,000,000, from \$24,000,000 to \$41,000,000. The proposed First Amendment would not impact the existing three year term of the agreement, from January 1, 2009 through December 31, 2011. As previously noted the existing agreement has an option to extend the term by two additional years through December 31, 2013.

FISCAL IMPACT

The proposed resolution would authorize the Office of Contract Administration (OCA) to execute the First Amendment to an existing agreement between the City and Xtech, increasing the not-to-exceed amount by \$17,000,000, or 70.8 percent from \$24,000,000 to \$41,000,000.

According to Ms. Jaci Fong, Assistant Director of Purchasing Operations at OCA, Xtech has been the most utilized vendor of the three Technology Store vendors for City Departments procuring technology products. As shown in Table 1 below, from January 1, 2009 through June 30, 2010, or the first 18 months of these agreements terms, City Departments expended a total of \$43,671,393 out of the total authorized combined not-to-exceed amount of \$72,000,000 (\$24,000,000 per agreement x three agreements) for technology products. As also shown in Table 1 below, 46.7 percent of technology product purchases were made by City Departments under the Xtech agreement, as compared to 19.4 percent of purchases from ComputerLand and 33.9 percent of purchases from Enpointe Technologies, the other two pre-qualified technology product vendors.

Table 1: Comparison of Expenditures Over the First 18 Months of the Three Technology Product Agreements Having a Term of Three Years, or 36 Months

Vendor	Expenditures from January 1, 2009 through June 30, 2010	Percent of Total Product Expenditures
Xtech	\$20,403,941	46.7%
ComputerLand	8,457,726	19.4%
Enpointe Technologies	14,809,726	33.9%
Total	\$43,671,393	100.0%

As shown in Table 2 below, at the current average Xtech expenditure rate of \$1,133,522 per month, total Xtech expenditures will reach \$40,807,882 by the Xtech agreement's termination date of December 31, 2011. Ms. Fong stated that the total estimated expenditures of \$40,807,882 was rounded to \$41,000,000 for contracting purposes.

Table 2: Total Estimated Xtech Expenditures

Expenditures from January 1, 2009 through June 30, 2010	\$20,403,941
Amount of Agreement Term Elapsed	÷18 months
Average Monthly Expenditures	\$1,133,552
Total Term from January 1, 2009 through December 31, 2011	x 36 months
Estimated Total Expenditures	\$40,807,882
Requested Amended Not-To-Exceed Amount (rounded up to \$41,000,000)	\$41,000,000

POLICY CONSIDERATION

85.0 percent of the subject agreement's not-to-exceed amount has been utilized over 50.0 percent of the term.

As shown in Table 3 below, over the 18 month period from January 1, 2009 through June 30, 2010, or 50.0 percent of the total three-year (36 month) term of each agreement, (a) actual City expenditures under the Xtech agreement total \$20,403,941, or 85.0 percent of the current not-to-exceed Xtech authorized amount of \$24,000,000, (b) actual City expenditures under the other two agreements with ComputerLand and Enpointe Technologies are approximately 35.2 and 61.7 percent respectively, and (c) actual City expenditures under all three agreements combined total \$43,671,393 or 60.7 percent of the combined current not-to-exceed amount of \$72,000,000.

Table 3: Rates of Expenditure

Vendor	Expenditures from January 1, 2009 through June 30, 2010	Not-To-Exceed Amount	Percent of Not-To-Exceed Amount Expended
Xtech	\$20,403,941	\$24,000,000	85.0%
ComputerLand	8,457,726	24,000,000	35.2%
Enpointe Technologies	14,809,726	24,000,000	61.7%
Total	\$43,671,393	\$72,000,000	60.7%

If the \$43,671,393 technology procurement expenditures during the first 18 months of these agreements continues at the same pace for the last 18 months of these agreements, the Budget and Legislative Analyst projects that the City would expend approximately \$87,342,786 (\$43,671,393 x 2) over the course of the three year terms of the technology product agreements, which is (a) \$15,342,786 or 21.3 percent more than the original \$72,000,000 not-to-exceed total under the three agreements, and (b) \$1,657,214 less than the proposed combined \$89,000,000 not-to-exceed amount (\$72,000,000 plus the subject requested additional \$17,000,000).

According to Ms. Fong, and as discussed in Footnote 1 above, the current combined not-to-exceed amount of \$72,000,000 for all three technology procurement vendor agreements, for the three year term from January 1, 2009 through December 31, 2011, was based on City-wide Departmental expenditures from the prior three years, and was not based on forecasts for technology products provided by the individual City Departments. Therefore, due to actual Departmental expenditures which exceeded the rate of the previous three years, OCA is requesting the proposed \$17,000,000 increase in the existing not-to-exceed limit of \$24,000,000 with Xtech to provide sufficient authorization for future Departmental technology product purchases to be made under the Xtech agreement.

Because technology product purchases are funded by monies previously appropriated by the Board of Supervisors, and the proposed increase in the not-to-exceed amount of \$17,000,000, from \$24,000,000 to \$41,000,000, simply provides authorization in the subject agreement's not-to-exceed amount for City Departments to expend funds previously appropriated by the Board of Supervisors, the Budget and Legislative Analyst recommends approval of the proposed resolution.

RECOMMENDATION

Approve the proposed resolution.