

File No. **100251**

Committee Item No. **1**
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Sub - Committee: Budget and Finance

Date: April 21, 2010

Board of Supervisors Meeting

Date:

Cmte Board

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Completed by: Andrea S. Ausberry

Date Friday, April 16, 2010

Completed by: _____

Date _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

1 **[Approval of Contract with AT&T for City Telecommunications Services - \$75,000,000.]**

2 Ordinance approving a contract with AT&T for the purchase of telecommunications
3 services and equipment for a maximum cost of \$75,000,000, for a four and one-half
4 year term beginning on March 1, 2010.

5 Note: Additions are single-underline italics Times New Roman;
6 deletions are ~~strikethrough italics Times New Roman~~.
7 Board amendment additions are double underlined.
8 Board amendment deletions are ~~strikethrough-normal~~.

9 Be it ordained by the People of the City and County of San Francisco:

10 Section 1. The Board of Supervisors of the City and County of San Francisco hereby
11 finds that:

12 (a) The City's Telecommunications Contract

13 (1) The City and County of San Francisco currently purchases local and long
14 distance telephone and data services telecommunications services under a contract with
15 AT&T (formerly Pacific Bell and SBC), its subsidiaries and affiliates, that the Board of
16 Supervisors approved on June 19, 2007. A copy of the agreement is on file with the Clerk of
17 the Board of Supervisors in File No. 070423 (2007 contract). The 2007 contract was to expire
18 on November 27, 2009, until the City and AT&T extended the contract to February 28, 2010.
19 The Department of Technology (Department) now seeks approval of a new four year, six-
20 month contract with AT&T (the 2010 Contract), a copy of which is on file with the Board of
21 Supervisors in File No. 100251.

22 (2) Under San Francisco Administrative Code Section 21.16, a department may
23 rely on the results of a competitive solicitation by another department. On September 18,
24 2008, the Airport awarded AT&T a contract for telecommunications and voice data services
25 after a competitive bid process. The Department believes it is reasonable to rely on the

1 Airport's competitive bid process because a new competitive bid process would likely not yield
2 better prices or terms.

3 (3) The Department has negotiated with AT&T to develop an agreement that
4 combines the most beneficial pricing and terms of the Airport contract with the benefits from
5 other public entity contracts that the City may purchase under. The 2010 Contract includes
6 terms that allow the City to purchase services under the best pricing available to other public
7 entities. This pricing is based on the service agreements that are attached to the contract as
8 exhibits and include: (1) the State of California Calnet 2 agreement; (2) the Western States
9 Contracting Alliance agreement; (3) the San Francisco Airport Sonet agreement; and (4) the
10 Merced County agreement. The contract also allows City non-profits to purchase
11 telecommunication services directly from AT&T at the preferred pricing available to the City.

12 (4) City agencies, including the San Francisco Public Utilities Commission, the
13 San Francisco International Airport, and the San Francisco Public Library have entered into
14 agreements with AT&T to purchase Calnet 2 services. Some of these agreements were
15 signed after the Board reviewed the 2007 contract, and were not included in the Board's
16 review at that time. This contract identifies and incorporates these service agreements.

17 (5) The Department expects the total cost of the AT&T contract, including
18 existing service agreements for individual departments from March 2010 through August 2014
19 will not exceed seventy five million dollars.

20 (b) Calnet Contract

21 (1) From 2001 to 2007, the City purchased telecommunications services from
22 AT&T under a competitively bid contract between the State of California ("State") and AT&T
23 titled the California Integrated Information Network agreement ("Calnet 1 Contract"). The
24
25

1 Calnet 1 Contract allowed local agencies to purchase telecommunications services at
2 competitive prices using the bargaining power of the State.

3 (2) In 2007, after an extensive competitive bidding process, the State awarded
4 different parts of the five year Calnet 2 Contract to AT&T (for most services) and to Verizon
5 (for certain advanced services such as Voice over Internet Protocol), there are two additional
6 one-year extensions available upon request by the State.

7 (3) Although the City signed a five-year agreement in order to purchase
8 services from AT&T under the Calnet 2 Contract in 2007, the agreement allowed the City to
9 cancel the agreement in 2009 without paying any penalties.

10 (4) After reviewing the current pricing offered by AT&T and assessing the City's
11 telecommunications needs for the next four and one-half years, the Department has
12 determined that is beneficial for the City to continue purchasing these services from AT&T
13 under Calnet 2.

14 (c) Airport Contract

15 (1) In 2008, the San Francisco Airport issued a request for proposals in order to
16 procure basic telecommunications services, as well as additional services it needed for the
17 Airport that were not available under Calnet 2. At the conclusion of the process, the Airport
18 selected AT&T to provide these services. The 2010 Contract incorporates the additional
19 services requested by the Airport and upon approval of the 2010 Contract, the interim
20 agreement between AT&T and the Airport will terminate.

21 (3) After the 2010 Contract is approved, the Department will review and monitor
22 expenditures under the Airport's telecommunications agreement in order to assure the City is
23 not exceeding the contract's guaranteed maximum amount of 75 million dollars, and receiving
24 the best service options and pricing for all telecommunications services.

1 (d) Approval of Specific Contract Provisions

2 The Master Agreement contains changes to three contracting requirements as set forth
3 in the Administrative Code. These changes are:

4 (1) Using a non-standard insurance provision (Section 15) because the vendor is self-
5 insured. The Risk Manager has approved this provision.

6 (2) Waiving a right to seek incidental and consequential damages and limiting
7 AT&T's liability to the City (Section 17). Such provisions are standard in the industry and
8 necessary in order to realize the other benefits of the 2010 Contract.

9 (3) Modifying the Local Business Enterprise Utilization provision (Section 32)
10 because the contract is based on other public entities contracts. The Human Rights
11 Commission Director's designee has approved this provision.

12 Section 2.

13 Pursuant to Section 9.118(b) of the Charter, the Board of Supervisors hereby
14 authorizes the Department and the Office of Contract Administration to enter into the 2010
15 Contract for an amount not to exceed \$ 75,000,000.

16
17
18 APPROVED AS TO FORM:
19 DENNIS J. HERRERA, City Attorney

20 By: 

21 Margarita Gutierrez
22 Deputy City Attorney

LEGISLATIVE DIGEST

[Contract with AT&T for City telecommunications services.]

Ordinance approving a contract with AT&T for the purchase of telecommunications services and equipment for a maximum cost of seventy five million dollars, for a four and one-half year term beginning on March 1, 2010.

Existing Law

The City has been purchasing telecommunications services from AT&T (formerly known as Pacific Bell and SBC) since 1990 under a Master Agreement for Provision, Installation and Maintenance of Telecommunications Services. The Master Agreement was amended many times. On June 16, 2007, the Board of Supervisors authorized a new Master Agreement which allowed the City to purchase telecommunications services from AT&T through August 31, 2009 (2007 Agreement). This agreement was extended to February 28, 2010. After analyzing the services requested by City Departments for the next four and one-half years and reviewing the procurement process carried out by the San Francisco Airport in 2008, the Department of Technology (DT) has negotiated a new contract through which the City can procure telecommunication services from AT&T until August 31, 2014 (the 2010 Contract).

Amendments to Current Law

The 2010 Contract has a non-standard insurance provision in Section 15 because the vendor is self-insured. The City is waiving a right to seek incidental and consequential damages and limiting AT&T's liability to the City in Section 17. These provisions are standard in the industry and it is to include them in the Agreement in order to receive the other benefits of the contract. The City has agreed to a modified LBE provision in Section 32 because the contract incorporates agreements that were previously negotiated by other public entities.

Background Information

The City purchases a variety of telecommunications services from AT&T (including local and long distance telephone service and data services). In order to obtain the best pricing, since 2001 the City has been purchasing these services (except for long-distance service) through the competitively bid contract between the State of California and AT&T entitled the California Integrated Information Network agreement ("Calnet 1 Contract"). After an extensive competitive process, the State awarded the Calnet 2 Contract both to AT&T (for most services) and to Verizon (for certain advanced services such as Voice over Internet Protocol). The City can now purchase services from either AT&T or Verizon under the Calnet 2 Contract

FILE NO.

based on the 2007 Agreement. The City currently has authority to purchase under the 2007 Agreement until February 28, 2010.

Under San Francisco Administrative Code Section 21.16, a department may rely on the results of a competitive solicitation by another department. On September 18, 2008, the Airport awarded AT&T a contract for telecommunications and voice data services after a competitive bid process. DT believes it is in the best interest of the City to rely on the Airport's competitive bid process because better prices and terms would likely not be achieved through an additional bid process.

A number of City agencies, including the San Francisco Public Utilities Commission, the San Francisco International Airport and the San Francisco Public Library, have purchased certain advanced telecommunications services under Calnet 2 through agreements that were signed after the Board approved the 2007 Agreement. To obtain the best pricing (and with respect to the San Francisco Public Library to ensure e-rate funding from the federal government), those agencies signed three to five-year agreements. The 2010 Contract incorporates the terms of those contracts under these existing agreements.

Key Terms

The Department has negotiated with AT&T to develop an agreement that combines the most beneficial pricing and terms of the Airport contract with the benefits from other public entity contracts that the City may purchase under. The 2010 Contract includes terms that allow the City to purchase services under the best pricing available to other public entities. This pricing is based on the service agreements that are attached to the contract as exhibits and include (1) the State of California Calnet 2 agreement; (2) the Western States Contracting Alliance agreement; (3) the San Francisco Airport Sonet agreement; and (4) the Merced County agreement. The Agreement also allows City non-profits to purchase telecommunication services directly from AT&T at the preferred pricing available to the City.

DT has determined it will continue to purchase services from AT&T under the Calnet 2 Contract for the full four and a half years remaining on the contract. DT has established a guaranteed maximum amount of 75 million dollars for the 2010 Contract based on: past usage of basic telecommunications services, annual costs for specific projects currently planned by the Municipal Transportation Agency, the San Francisco Airport, the Department of Technology, the Police Department and the Laguna Honda Hospital rebuild project.

Item 1
File 10-0251

Department(s):
Department of Technology, all City Departments

EXECUTIVE SUMMARY

Legislative Objective

- The proposed ordinance would approve a not-to-exceed \$75,000,000 agreement between the City and AT&T for the purchase of telecommunications services and equipment, over a 4.5 year term (54 months) from March 1, 2010 through August 31, 2014.

Key Points

- The proposed agreement combines various existing and new AT&T telecommunication services and equipment agreements into one Citywide Master Agreement. Attachment I is a memorandum from the Department of Technology (DT) explaining the background, rationale, and benefits of the proposed agreement.

Fiscal Impact

- DT determined the \$75,000,000 not-to-exceed agreement amount based on past City use of basic telecommunications services and equipment and specified future large telecommunications projects, as summarized in Attachment II provided by DT.
- There is estimated to be little, if any savings to the City by comparing the 2007 now-expired City agreement with AT&T to the proposed new agreement with AT&T, because the last agreement's pricing and the new agreement's pricing are both based on the same Calnet 2 rates, which have not changed. However, Calnet 2 rates are reported to average at least 65 percent less than full pricing rates, and such full pricing rates would result without the proposed Agreement with AT&T. Based on the estimated Calnet 2 average savings of 65 percent, to purchase comparable services and equipment, the City would expend approximately \$214,285,714 based on such full pricing, or \$139,285,714 more than the proposed not-to-exceed \$75,000,000 agreement with AT&T.
- DT also estimates that it would require at least two years and \$145,363 for the City to conduct a separate RFP process for Citywide telecommunications equipment and services.

Policy Considerations

- The proposed telecommunications services and equipment agreement with AT&T was not subject to a competitive bidding process by the City because the proposed agreement is actually an aggregation of contracts that were all previously competitively bid and awarded to AT&T either by the City or other public agencies, most notably the State of California's Calnet 2 agreement. The City's Administrative Code Section 21.16 allows the City to rely upon the competitive bidding processes of other public agencies.
- Because the City did not conduct its own competitive bidding process for the proposed telecommunications services and equipment agreement, neither the Department of Technology nor the Budget and Legislative Analyst is able to determine if the City would have received

lower rates or better services from other telecommunications firms.

- The proposed ordinance allows for exceptions to the City's standard contract language, including (a) a non-standard insurance provision and (b) a limitation on AT&T's liability and waiver of incidental and consequential damages.
- Various organizations, referred to as "public agencies" in Exhibit H of the agreement are eligible to purchase telecommunication services from AT&T at the City's preferable pricing rates.

Recommendations

- Amend the proposed ordinance for retroactivity.
- Amend the proposed ordinance to remove all non-City agencies and entities from Exhibit H. DT plans to introduce an amendment to Exhibit H at the Budget and Finance Committee meeting of April 21, 2010 to remove all non-City agencies and entities.
- One year prior to the end of the proposed agreement, or approximately September 1, 2013, DT should report to the Board of Supervisors on the (a) specific LBEs retained and the amount of the proposed agreement awarded to each LBE and (b) expenditures incurred by each City department each year under the subject AT&T agreement, and for the City as a whole.
- Approval of the proposed ordinance, as amended, is a policy decision for the Board of Supervisors because (a) the City did not conduct its own competitive bidding process for this telecommunications services and equipment agreement, and (b) the proposed ordinance would allow for two exceptions to the City's standard contract language.

BACKGROUND

The City currently purchases a variety of telecommunications services and equipment from AT&T, including local and long distance telephone services and data services. With the exception of cell phone wireless carriers, AT&T is currently used for all of the City's telecommunications services and equipment. Since 1990, the City has been purchasing telecommunications services and equipment from AT&T under contract. On June 16, 2007 the Board of Supervisors approved Ordinance 145-07 (File 07-0423) which authorized a new agreement with AT&T. The 2007 agreement did not include a not-to-exceed amount and instead allowed the City to purchase telecommunications services and equipment from AT&T through August 31, 2009, subject to the agreement's expenditures being appropriated by the Board of Supervisors. The Office of Contract Administration (OCA), working together with the City Attorney's Office, approved two amendments to the 2007 agreement with AT&T in order to extend the term for six months through February 28, 2010. Currently the City has no agreement for telecommunications services and equipment in place.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would approve a new not-to-exceed \$75,000,000 agreement between AT&T and the City and County of San Francisco for the purchase of telecommunications services and equipment for a 4.5 year term (54 months) from March 1, 2010 through August 31, 2014. Given that the March 1, 2010 effective date for the proposed agreement has already past, the proposed ordinance should be amended to provide for retroactive approval back to March 1, 2010.

According to Ms. Christine Martin, Chief of Staff of the Department of Technology (DT), the proposed agreement will combine all existing and proposed new AT&T services and equipment under one "Citywide Master Agreement", as part of DT's new efforts to consolidate information technology procurement and contracting on a City-wide basis.

Attachment I, provided by Ms. Martin, is a memorandum further explaining the background, rationale, and benefits of the proposed agreement. Attachment I states that the proposed agreement subsumes a separate agreement between the San Francisco Airport and AT&T for telecommunications services and equipment, that was awarded by the Airport to AT&T after a competitive bid in September of 2008.

The proposed Citywide Master Agreement includes terms that allow the City to purchase telecommunications equipment and services and equipment under the best pricing available to other public entities, including:

- The State of California's Calnet 2 agreement¹;
- The Western States Contracting Alliance agreement;
- The SF Airport's Sonet agreement; and
- Merced County's AT&T agreement.

The proposed ordinance would allow exceptions to the City's standard contract language in two areas: (a) a non-standard insurance provision, and (b) limitations on AT&T's liability to the City, including a waiver of incidental and consequential damages. Each of these exceptions are discussed in greater detail below under "Policy Considerations." The proposed agreement also contains a new Local Business Enterprise (LBE) provision, with a subcontracting LBE goal of ten percent, depending upon the nature of the services and the availability of LBEs with the pertinent skills.

According to Ms. Martin, if the Board of Supervisors approves the proposed ordinance, City departments would be required to purchase all telecommunications services and equipment from

¹ Calnet is a State of California program that offers State and non-State agencies a comprehensive array of telecommunications services and equipment throughout the State of California. The Calnet 2 agreement was competitively bid under California Contracts Code Section 12102(b) and Government Code Section 14931 which provide authorization for all public agencies that accept the Terms and Conditions of the Calnet 2 agreement to procure services and equipment through the Calnet agreement. The term of the subject proposed new agreement with AT&T is 4.5 years, which coincides with the Calnet 2 agreement termination date of August 31, 2014.

AT&T. However, City departments would be able to determine the specific type of telecommunications services and equipment to be purchased. Ms. Martin notes that the proposed agreement is similar to other Citywide term agreements negotiated by the Office of Contract Administration (OCA), such as for City office supplies.

FISCAL ANALYSIS

\$75,000,000 Not-to-Exceed Amount

According to Ms. Martin, DT determined the \$75,000,000 not-to-exceed amount in the proposed agreement based on past usage of basic telecommunications services and equipment, together with the costs for large telecommunications projects currently planned in several departments. Attachment II provided by Ms. Martin provides a summary of DT's calculation for the \$75,000,000 not-to-exceed amount.

As discussed in Attachment II, DT estimates that \$45,297,162 (\$39,231,162 plus \$6,066,000), or 60.4 percent, of the \$75,000,000 will be used for basic telecommunications services and equipment. An additional \$15,128,009, or 20.2 percent, is for a Project and New Services Allowance. According to Ms. Martin, the Project and New Services Allowance was estimated based on (a) project-based expenditures over the past two years, (b) large projects anticipated to be required over the next 4.5 years, and (c) additional allowances for new telecommunications services. Large projects anticipated include additional requirements of the Laguna Honda Rebuild Bond-funded Project, the San Francisco General Hospital Rebuild Bond-funded Project, and projects at San Francisco International Airport, the Public Utilities Commission and the Municipal Transportation Agency. The remaining \$14,574,829 (\$75,000,000 less \$45,297,162 less \$15,128,009), or 19.4 percent, will be used for additional services and equipment as listed in Attachment II. Ms. Martin advises that the amounts used to calculate the \$14,574,829 are based on amounts included in existing agreements that were prorated to coincide with the term of the proposed new Citywide Master Agreement.

According to Ms. Martin, excluding the Project and New Services Allowance of \$15,128,009 from the total not-to-exceed \$75,000,000, results in a net amount of \$59,871,991, or estimated annual expenditures under the proposed 4.5 year agreement of approximately \$13,304,887 annually. According to Ms. Martin, of the \$13,304,887 annual estimated expenditures, approximately 65 percent (\$8,648,117) would be expended annually from General Fund departments, while the remaining 35 percent (\$4,656,770) would be expended from enterprise (non-General Fund) departments. As discussed in Attachment I, DT and OCA will review and monitor the expenditures under the proposed agreement to ensure that the combined use of telecommunications equipment and services by City departments does not exceed \$75,000,000 prior to the end of the 54-month term.

The Budget and Legislative Analyst notes that all expenditures under the proposed agreement would be subject to Board of Supervisors appropriation review and approval.

Estimated Savings Under the Proposed Agreement

In response to a Budget and Legislative Analyst inquiry regarding what the estimated savings would be to the City when comparing the 2007 now-expired agreement with AT&T to the proposed new agreement, Ms. Martin stated that there will be little, if any savings. According to Ms. Martin, because the last agreement's pricing and the new agreement's pricing are both based on Calnet 2 rates, which have remained the same for the vast majority of AT&T services and equipment, the actual cost to the City for these same AT&T services and equipment will not change.

However, Ms. Martin notes that entering into the proposed new agreement will result in savings to the City as compared to not entering into a new agreement because the City is able to leverage its significant spending power by bundling all AT&T services and equipment as well as leverage even larger agreements, such as the State of California's Calnet 2 agreement, which was competitively bid. According to Ms. Martin, if there is no agreement in place, the City would be charged full pricing, called tariff rates, by AT&T for the telecommunications services provided. Mr. Joe Foster, Program Director of Calnet for AT&T, reports that Calnet 2 services cost an average of at least 65 percent less over full pricing rates, although the costs will vary depending on the actual equipment and services selected. The Budget and Legislative Analyst calculates that based on this estimated Calnet 2 average savings of 65 percent, to purchase comparable services and equipment, City would expend approximately \$214,285,714 based on such full pricing, or \$139,285,714 more than the proposed not-to-exceed \$75,000,000 agreement with AT&T.

Efficiencies Resulting from Implementation of Proposed Agreement

Attachment I states that the proposed agreement will result in savings because the agreement streamlines the City's procurement process and improves the control over AT&T expenditures across all City departments. As discussed in Attachment I, "the City will achieve significant efficiencies, in terms of streamlined procedures, as well as enhanced control, by having a centralized review and approval over contract commitments and expenditures." In response to a Budget and Legislative Analyst inquiry regarding what the implementation, review and approval process and procedures will be, Ms. Kendall Gary, Director of Technology Procurement at DT, stated: "All telecommunications purchases citywide will be required to have approval from DT prior to execution of any procurement request. DT will manage this review and approval through the CIO review process² that is currently in place between the Office of Contracts Administration and DT and as discussed in the Information Technology procurement section of the December, 2009 Budget Analyst's management audit on Citywide Procurement. DT will also track and monitor monthly expenditures for basic telecommunications services and

² The CIO currently reviews all technology procurement and supporting documentation to identify technology consolidation and standardization opportunities as well as to ensure compliance with City policies approved by the Committee on Information Technology (COIT) prior to approval in the City's procurement system. Currently, the CIO does not review telecommunication procurements made under existing agreements, but upon approval of this Master Agreement, the CIO will initiate the review and monitoring process for procurement requests associated with AT&T.

equipment to ensure that expenditure rates are not increasing at a rate that will reach the \$75,000,000 not-to-exceed threshold prior to the end of the term.”

Ms. Martin notes that the Airport’s agreement with AT&T, which is significantly smaller in scope and amount, took approximately 15 months to complete the competitive Request for Proposal (RFP) process, with estimated costs to the Airport of approximately \$45,426.³ Ms. Martin estimates that if the City were to conduct a separate competitive RFP process for telecommunications services and equipment, it would require at least two years and at least 0.5 FTE 1824 Principal Administrative Analyst at a cost of approximately \$145,363. Therefore, Ms. Martin concludes that by aggregating the previously competitively bid contracts with AT&T into one City-wide Master Agreement, the City will avoid lengthy bid processes for these services and estimates a Citywide administrative savings of approximately \$145,363. In addition, Ms. Martin advises that during this two-year period, the City would be required to pay the AT&T full pricing rates as described above.

POLICY CONSIDERATIONS

Competitive Bidding of Master Agreement

The Budget and Legislative Analyst questioned why the subject proposed new agreement with AT&T was not subject to a competitive bidding process by the City. In response, Ms. Martin stated that the proposed new agreement with AT&T for telecommunications services and equipment has not been competitively bid by the City because the proposed agreement is actually an aggregation of contracts that were all previously competitively bid and awarded to AT&T either by the City or other public agencies, most notably the State of California’s Calnet 2 agreement. The City’s Administrative Code Section 21.16 allows the City to rely upon the competitive bidding processes of other public agencies.

As stated in Attachment I, “The Department did not competitively bid this agreement as a separate contract because all subsumed contracts were competitively bid by much larger governmental or quasi-governmental organizations that have significantly greater buying power. Additionally, the Calnet 2 agreement includes a “most favored nations” clause that ensures that AT&T offers its Calnet 2 customers’ rates that are at least as low as the rates it offers any other organization with equal or lower volume of business for comparable services.” According to Ms. Martin, if the City had competitively bid the proposed agreement between the City and AT&T for a not-to-exceed \$75,000,000, the resulting rates would have been higher than the Calnet 2 agreement which includes over \$2 billion of expected purchases of telecommunications equipment and services by various public agencies.

Ms. Martin confirms that all of the amounts included in Attachment II, including all addenda amounts, are based on rates resulting from these competitive processes.

³ According to Ms. Martin, one 1824 Principal Administrative Analyst conservatively spent .25 FTE hours working on the RFP for the Airport agreement, the cost of which would be approximately \$45,426 in salary and benefit costs.

However, because the City did not conduct its own competitive bidding process for this telecommunications services and equipment agreement, neither the DT nor the Budget and Legislative Analyst is able to determine if the City would have received lower rates or better services from other telecommunications firms. Therefore, the Budget and Legislative Analyst considers approval of the proposed ordinance to be a policy decision for the Board of Supervisors.

Waiving of Standard Contracting Language

According to Ms. Margarita Gutierrez of the City Attorney's Office, the proposed ordinance would also allow for exceptions to the City's standard contract language as follows:

(a) The proposed agreement has a non-standard insurance provision in Section 15 because AT&T is self-insured. According to Ms. Gutierrez, self-insurance is a non-standard way of providing insurance under Section 21.20 of the City's Administrative Code. Therefore, Ms. Gutierrez advises that to comply with Section 21.20, the Risk Manager has to approve the AT&T self-insurance provision. Mr. Matt Hansen, Risk Manager, advises that he has reviewed and approved AT&T's self-insurance provision.

(b) The proposed agreement limits AT&T's liability to the City and waives incidental and consequential damages to the City, as otherwise required under City Administrative Code Section 21.23. According to Ms. Gutierrez, it is a telecommunications industry standard to limit the contractor's liability to the City and waive the City's right to seek incidental and consequential damages because of the service nature of telecommunications. According to Ms. Gutierrez, the proposed agreement complies with Section 21.23 of the Administrative Code.

Because the proposed ordinance would allow for these two exceptions to the City's standard contract language, the Budget Analyst considers approval of the proposed ordinance to be a policy decision for the Board of Supervisors.

Extending Preferable Pricing to Various Public, Non-Profit and Other Entities

According to page 3 of Attachment I, the proposed agreement will allow various organizations to purchase telecommunication services from AT&T at the preferable pricing rates available to the City. Exhibit H in the proposed agreement included in this report as Attachment III, is a list of 61 City agencies/departments and 37 "public agencies" (in this case "public agencies" also includes non-profits and other organizations) that are allowed to procure telecommunications services from AT&T at the proposed agreement's preferable rates.

As shown on pages 3 and 4 of Attachment III, the 37 "public agencies" represent a diversity of organizations. The list includes: public/private partnerships (Academy of Sciences, SF Zoo), large public agencies (SF Unified School District, SF Community College District, SF Housing Authority, SF Transportation Authority), professional associations (Police Officers Association, Bar Association of San Francisco, SF Fireman's Credit Union), and service provision nonprofit organizations (Glide Foundation, Haight Ashbury Free Medical, Catholic Charities, Mission Cultural Center). This list also includes other entities (Sacramento Transportation Authority, State Correctional Office) which are public jurisdictions outside of San Francisco. Ms. Martin

notes that AT&T has reported that these other agencies and entities are under separate agreements with AT&T and not utilizing the City's agreement terms.

The Budget and Legislative Analyst notes that based on our inquiries, DT has reviewed and revised the list in Exhibit H to only include City and County of San Francisco departments and commissions. Ms. Martin states that DT will introduce an amendment to Exhibit H at the Budget and Finance Committee meeting of April 21, 2010 to remove all non-City agencies and entities.

Compatibility with Findings of Prior Audits

In the Budget Analyst's management audit on Citywide Procurement, Section 8 on Information Technology states: "Citywide planning and purchasing for IT supplies has historically been uneven due to the decentralized and short term nature of IT funding.... The City lacks citywide enterprise agreements with large manufacturers of goods and services...although City leaders have agreed on the need for these agreements." A 2008 Controller's report identified the same need. The Budget and Legislative Analyst notes that the proposed agreement should help address the need for Citywide planning and purchasing of telecommunications services and equipment.

RECOMMENDATIONS

1. Given that the proposed agreement commences on March 1, 2010, amend the proposed ordinance for retroactivity.
2. Given the concerns raised by the Budget and Legislative Analyst over the "public agencies" included in Exhibit H to the agreement (Attachment III to this report) that are eligible to receive the City's preferable pricing under the proposed agreement, the Budget and Legislative Analyst recommends that DT remove all non-City agencies from Exhibit H. DT plans to introduce an amendment to Exhibit H at the Budget and Finance Committee meeting of April 21, 2010 to remove all non-City agencies and entities.
3. One year prior to the end of the proposed agreement, or approximately September 1, 2013, the DT should report back to the Board of Supervisors regarding (a) the specific LBEs retained and the amount of the proposed agreement awarded to each LBE under the subject AT&T agreement and (b) the expenditures incurred by each City department each year under the subject AT&T agreement, and for the City as a whole.
4. Approval of the proposed ordinance, as amended, is a policy decision for the Board of Supervisors because (a) the City did not conduct its own competitive bidding process for this telecommunications services and equipment agreement, and (b) the proposed ordinance would allow for two exceptions to the City's standard contract language.



City & County of San Francisco
**Department of
Technology**
Powered by Innovation

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MEMORANDUM

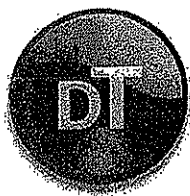
Date: March 17, 2010
To: Catherine Rauscher, Budget Analyst's Office
From: Christine Martin, Chief of Staff
Subject: AT&T Master Agreement

The Department of Technology has been working with over the past nine months to review business requirements and negotiate terms and conditions for a Citywide Master Agreement with AT&T. This is the first agreement to come forward under a new program to consolidate information technology procurement and contracting across the City working with the City Attorney and the Office of Contracts Administration. The proposed Master Agreement brings AT&T services under one contract by incorporating current and new agreements, vetted through competitive processes, for a term of four and one half years, or until August 31, 2014, with a not-to-exceed amount of \$75,000,000.

Specifically, this Citywide Master Agreement achieves the following:

- Better leverages the significant spending power of the City by bundling all AT&T purchases of goods and service together;
- Leverages even larger agreements competitively bid through other governmental agencies, most significantly, the State of California's Calnet 2 contract for landline phone and other telecommunications services;
- Allows for progressive implementation of new technology solutions such as Voice over Internet Protocol (VoIP) for the City's telecommunications requirements consistent with industry trends; and
- Streamlines the procurement process and improves the control over AT&T expenditures across all City departments.





City & County of San Francisco
**Department of
Technology**
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Background

The City and County has been purchasing telecommunications services from AT&T since 1990. These services most recently have been procured through a Telecommunications Contract approved by the Board of Supervisors in January 2001 and last reviewed and amended by the Board in June 2007. Pursuant to the Telecommunications Contract, the City and County of San Francisco has leveraged the State of California's collective buying power, which through extensive competitive bidding processes awarded the California Integrated Information Network agreement for telecommunications services to AT&T first in December 1998 (Calnet 1) and then in January 2007 (Calnet 2). The Calnet 2 agreement includes a "most favored nations" clause that ensures that AT&T offers its Calnet 2 customers rates that are at least as low as the rates it offers any other organization with equal or lower volume of business for comparable services.

In addition, City agencies, most significantly the San Francisco Public Utilities Commission, Airport, Library, and Public Health, have utilized the Telecommunications Contract to obtain specialized telecommunications services and equipment not covered under Calnet 2, but covered under the Telecommunications Contract. Several of these addenda and agreements were brought into the Telecommunications Contract in 2007 and others have been added since that time. A summary of these sub-component agreements and related contract amounts by category is attached.

At the time of the June 2007 amendment of the Telecommunications Contract with AT&T and review by the Board of Supervisors, the Department of Technology projected a savings of \$71,127 per month or \$853,524 annually due to the new Calnet 2 rates. A comparative analysis indicates that the City has reduced its expenditures for basic telecommunications service from Calnet 2 by approximately \$73,225 a month or 9%, between September 2007 to December 2009, which is \$878,700 annually. Additionally, the Department noted at the time that telecommunications services could be provided through the City's fiber network, thereby reducing costs. However, the need to enhance the fiber network infrastructure and security, coupled with limited funding for expansion, precluded a significant shift to this technology over the past one to two years. However, shifting to the fiber network, especially as VoIP technology matures, continues to be a significant component of the Department's strategic telecommunications plan.

Citywide Master Agreement





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As noted above, the Department of Technology has been working over the past nine months to review the business requirements and negotiate terms and conditions for a Citywide Master Agreement with AT&T. The proposed Master Agreement brings AT&T services under one contract and leverages a number of other governmental agencies competitive processes to increasing the City's collective buying power to reduce overall costs.

The new 2010 Master Agreement subsumes a separate agreement between the San Francisco Airport and AT&T for telecommunications services that was awarded after a competitive bid process in September 2008 and includes terms that allows the City to purchase telecommunications services under the best pricing available to other public entities, including 1) the State of California's Calnet 2 agreement, 2) the Western States Contracting Alliance agreement, 3) the San Francisco Airport's Sonet agreement, and 4) Merced County's AT&T agreement.

Further, whereas the previous Telecommunications Contract had no Local Business Enterprise (LBE) requirements, the proposed 2010 Master Agreement includes an LBE subcontracting goal of 10% depending upon the nature of the services and availability of LBE's with the pertinent skill sets.

Competitive Process

The Department did not competitively bid this agreement as a separate contract because all subsumed contracts were competitively bid by much larger governmental or quasi-governmental organizations that have significantly greater buying power. Additionally, as previous stated, the Calnet 2 agreement includes a "most favored nations" clause that ensures that AT&T offers its Calnet 2 customers rates that are at least as low as the rates it offers any other organization with equal or lower volume of business for comparable services.

Efficiency and Control

In addition to realizing the best pricing available, by bundling all AT&T telecommunications goods and services under one Master Agreement, the City also achieves significant efficiencies, in terms of streamlined procedures, as well as enhanced control, by having a centralized review and approval over contract commitments and expenditures. The Department of Technology has been working closely with the Office of Contracts Administration and will be reviewing and monitoring contract commitments and expenditures to ensure the City obtains the best service options and pricing available as well as to ensure that the combined use of the proposed Master Agreement by City departments does not exceed the \$75,000,000 prior to the end of the term.



Department of Technology
 AT&T Master Agreement
 March 1, 2010

Contract	Description	Annual	Term	Basis
Cabinet 2	Basic Telecommunications Services	8,718,036	39,231,162	Historical spend rate under Cabinet 2 for these services
Airport Services RFP	Basic Telecommunications Services	1,348,000	6,066,000	Contract amount to be subsumed prorated to term of Master Agreement
		<u>Subtotal</u> 10,066,036	45,297,162	
Addendum 15 to Cabinet 2	Legacy Long Distance Lines	321,576	1,447,092	Contract amount to be subsumed prorated to term of Master Agreement
Addendum 16 to Cabinet 2	SFO Opt-E-Man - subsumed into Airport Services			
Addendum 17 to Cabinet 2	SFO Long Distance Lines - subsumed into Airport Services			
Addendum 18 to Cabinet 2	PUC Opt-E-Man - included in Addendum 19			
Addendum 19 to Cabinet 2	PUC Opt-E-Man	184,313	829,409	Contract amount to be subsumed prorated to term of Master Agreement
Addendum 20 to Cabinet 2	Public Library Opt-E-Man	439,035	1,975,658	Contract amount to be subsumed prorated to term of Master Agreement
Addendum 21 to Cabinet 2	SFO Sonnet Ring	137,863	620,384	Contract amount to be subsumed prorated to term of Master Agreement
Addendum 22 to Cabinet 2	DPH Opt-E-Man	266,153	1,197,689	Contract amount to be subsumed prorated to term of Master Agreement
Addendum 23 to Cabinet 2	DPH Laguna Honda Hospital Project Requirements			Amount encumbered under previous agreement
Addendum 24 to Cabinet 2	Police Department Opt-E-Man	246,384	1,108,728	Contract amount to be subsumed prorated to term of Master Agreement
Addendum 25 to Cabinet 2	Public Library Dedicated Internet Access	403,358	1,815,111	Contract amount to be subsumed prorated to term of Master Agreement
Western States Contracting Alliance	Wireless Services	1,240,169	5,580,761	Historical spend rate under existing contract
		<u>Subtotal</u> 3,238,851	14,574,829	
	Project and New Services Allowance*		15,128,009	
		<u>Total</u> 23,370,923	75,000,000	

* Project and new services allowance has been estimated based on project-based expenditures over the past two years, projects expected over the next 4.5 years, and allowing for new telecommunications services. Large projects anticipated include residual requirements of the Laguna Honda Rebuild Bond-funded Project, San Francisco General Hospital Rebuild Bond-funded Project, and projects at San Francisco International Airport, Public Utilities Commission, Municipal Transportation Agency and others.

EXHIBIT H
CITY AGENCIES AND DEPARTMENTS

CCSF-ADMIN SVCS
CCSF-ADULT & AGING
CCSF-ADULT PROBATION
CCSF-ANIMAL CARE
CCSF-ART COMMISSION
CCSF-ASIAN ART
CCSF-ASSESSOR/RECORDER
CCSF-BOARD OF SUPERVISORS
CCSF-BUILDING INSPEC
CCSF-CHILD SUPPORT SVCS
CCSF-CHILDREN, YOUTH & FAMILIES
CCSF-CITY ATTORNEY
CCSF CIVIL SERVICE COMMISSION
CCSF-CITY PLANNING
CCSF-CONVENTION FACILITIES
CCSF-CONTROLLER
CCSF-DISTRICT ATTORNEY
CCSF-PUBLIC HEALTH
CCSF-ECONOMIC DEVLPMT
CCSF-ELECTIONS
CCSF-EMERGENCY COMMO
CCSF-ENTERTAINMENT COMMISSION
CCSF-ENVIRONMENT

CCSF-ETHICS COMM
CCSF-FIRE
CCSF-HETCH HETCHY
CCSF-HUMAN RESOURCES
CCSF-HUMAN RIGHTS COMM
CCSF-HUMAN SERVICES
CCSF-JUVENILE PROBATION
CCSF-LAGUNA HONDA HOSPITAL
CCSF-LAW LIBRARY
CCSF-LIBRARY
CCSF-LIGHT, HEAT & POWER
CCSF-MAYOR
CCSF-MEDICAL EXAMINER
CCSF-MENTAL HEALTH
CCSF-MUNI
CCSF-REC & PARK
CCSF-PARKING & TRAFFIC
CCSF-PERMIT APPEALS
CCSF-POLICE
CCSF-PORT COMMISSION
CCSF-PUBLIC ADMIN/GUARDIAN
CCSF-PUBL DEFENDER
CCSF-PUBL UTIL COMM
CCSF PUBLIC WORKS
CCSF-PURCHASING
CCSF-REAL ESTATE

CCSF-REDEVELOPMENT AGENCY
CCSF RENT BOARD
CCSF RETIREMENT
CCSF-SAN FRAN GENERAL
CCSF SHERIFF
CCSF-STATUS OF WOMEN
CCSF-TAXICAB COMM
CCSF-TECHNOLOGY
CCSF-TREAS TAX COLL
CCSF-TRIAL COURTS
CCSF-WAR MEMORIAL
CCSF-WATER

PUBLIC AGENCIES

ACADEMY OF SCIENCE
AFRICAN AMERICAN HEALTH
BAR ASSOCIATION OF SAN FRANCISCO
BLACK COALITION ON AIDS
CATHOLIC CHARITIES
FRIENDS OF THE MISSION
GLIDE FOUNDATION
HAIGHT ASHBURY FREE MEDICAL
IMMUNE ENHANCEMENT PROJECT
INNER CITY
INSTITUTO FAMILIAR DE LA RAZA
IRIS CENTER

MEDICAL CITY AGENCY
MISSION CULTURAL CENTER
MOSCONE CENTER
PETER CLAVER COMMUNITY CENTER
POLICE OFFICER'S ASSOCIATION
PROJECT OR
QUAN YIN HEALING ARTS
S.F. ZOO
S.F.O.
SACRAMENTO TRANSPORTATION AUTHORITY
SAN FRANCISCO AIDS OFFICE
SF COMMUNITY COLLEGE DISTRICT
SF FEDERAL AGENCY
SF FIREMAN'S CREDIT UNION
SF HOUSING AUTHORITY
SF TRANSPORTATION AUTHORITY
SF UNIFIED SCHOOL DISTRICT
SOCIAL SERVICES - EPISCOPAL
SOMA HEALTH CENTER
SOUTH OF MARKET CULTURAL CENTER
STATE CORRECTIONAL OFFICE
TRAUMA FOUNDATION
WALDEN HOUSE
WESTSIDE COMMUNITY MENTAL HEALTH
YOUNG COMMUNITY DEVELOPERS

FEB 26 2010

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City and County of San Francisco
Office of Contract Administration
Purchasing Division
City Hall, Room 430
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102-4685

**Agreement between the City and County of San Francisco and
A T & T Corp.**

This Agreement is made the twenty sixth day of February, 2010, in the City and County of San Francisco, State of California, by and between: AT&T Corp. for itself and on behalf of its Affiliates identified in this Agreement hereinafter referred to as "Contractor," and the City and County of San Francisco, a municipal corporation, hereinafter referred to as "City," acting by and through its Director of the Office of Contract Administration or the Director's designated agent, hereinafter referred to as "Purchasing."

Recitals

WHEREAS, the Department of Technology ("Department") wishes to engage Contractor for certain telecommunication services including, but not limited to internet service provider services, cellular, local toll voice services, wide area network services, cable television/media content services, disaster recovery, telecommunications consulting and other services; and,

WHEREAS, a Request for Proposal ("RFP") was issued on June 8, 2007 by the San Francisco Airport Commission, and City selected Contractor as the highest qualified scorer pursuant to the RFP; and

WHEREAS, pursuant San Francisco Administrative Code Section 21.16, the Department may utilize the results of a competitive solicitation by another City department; and,

WHEREAS, Contractor represents and warrants that it is qualified to perform the services required by City as set forth under this Agreement and will arrange to have an Affiliate identified in this Agreement provide the services in accordance with this Agreement; and,

WHEREAS, approval for this Agreement was obtained when the Civil Service Commission approved Contract number 4070-09/10 on December 21, 2009; and

WHEREAS, as of the Effective Date of this Agreement, this Agreement shall supersede and replace the Interim Agreement between the City and County of San Francisco and AT&T Corp. for Telecommunications Services at the Airport, Contract No. 8844 (Airport Agreement) with all services currently being provided by AT&T to the Airport or the Department of Public Health for the City and County of San Francisco under the Airport Agreement now being provided by Contractor under the terms and conditions of this Agreement.

WHEREAS, as of the Effective Date of this Agreement, this Agreement shall supersede and replace the Master Agreement For Provision, Installation and Maintenance of Telecommunications Service Between Pacific Bell and the City and County of San Francisco, dated June 26, 1990 (the "1990 Master