Items 6, 7 and 8 **Files 11-1309, 11-1310 and** **11-1311**	**Departments:** Office of Contract Administration (OCA)

EXECUTIVE SUMMARY

Legislative Objective

- File 11-1309 is a proposed resolution which would authorize the Office of Contract Administration (OCA) to enter into a Third Amendment to an existing technology products only agreement between the City and Xtech to increase the existing authorization by $10,000,000 from a not-to-exceed $41,000,000 to a not-to-exceed $51,000,000.

- File 11-1310 is a proposed resolution which would authorize the OCA to enter into a Fourth Amendment to an existing technology services and products related to such services agreement between the City and Xtech to increase the existing authorization by $20,000,000 from a not-to-exceed $40,000,000 to a not-to-exceed $60,000,000; and

- File 11-1311is a proposed resolution which would authorize the OCA to enter into a Third Amendment to an existing technology products only agreement between the City and En Pointe Technology Sales, Inc. to increase the existing authorization by $9,525,000 from a not-to-exceed $28,475,000 to a not-to-exceed $38,000,000.

Fiscal Impacts

- All expenditures for technology services and related products and technology only product purchases are subject to separate appropriation approval for each City department by the Board of Supervisors.

- From January 1, 2009 through November 30, 2011, City departments expended a total of $53,989,629 for technology services and products related to such services, including $37,100,167 or 68.7 percent of which was for technology services and related products purchased from one vendor, Xtech.

- From January 1, 2009 through November 30, 2011, City departments expended an additional $80,167,766 for technology products only, of which (a) $16,734,010 or 20.9 percent were purchased from Computerland, (b) $26,876,768 or 33.5 percent were purchased from En Pointe, and (c) $36,556,988 or 45.6 percent were purchased from Xtech.

- Actual average City department purchases from January 1, 2009 through November 30, 2011 under the existing agreements were: (a) $1,060,005 per month from Xtech for technology services and products, (b) $767,908 per month from En Pointe for technology products only, and (c) $1,044,485 per month from Xtech for technology products only. Assuming that City departments continue purchasing technology products and services at these same average monthly expenditure rates, over the entire 48-month terms of the existing agreements, or through December 31, 2012, City departments would expend a total of approximately (a) $50,880,240 from Xtech for technology services and products, (b) $36,859,584 from En Pointe for technology products only, and (c) $50,135,280 from Xtech for technology products only. However, the requested authorizations are for greater amounts because of pending specific purchase orders from the Airport and the Public Utilities Commission and due to rounding.

Recommendations

- Approve the three proposed resolutions.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

In accordance with Section 9.118(b) of the City's Charter, any contract or agreement that has a term in excess of ten years or exceeds $10,000,000 in expenditures or the modification of such agreement exceeds $500,000, is subject to Board of Supervisors approval.

Background

The Office of Contract Administration (OCA) administers 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 these private firms for either:

(a) Category 1: Technology services (such as software programming, software customization, or network security services) and products related to such services, and/or

(b) Category 2: Technology products only.

City departments requiring technology products and technology services are required 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, with some exceptions made for products which are only sold directly through specific manufacturers, federally funded purchases, or specific projects which are large enough to require a separate RFP process. In addition, for purchases in excess of $100,000, City departments are required to obtain bids from no fewer than three pre-qualified vendors from the City's Technology Store, and then purchase such technology products and/or services from the lowest bidding vendor.

Original Agreements

On April 8, 2008, OCA issued a 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 $120,000,000[1] for seven technology agreements (Resolution No. 508-08), for a term of three years, from January 1, 2009 through December 31, 2011, with options to extend the terms by two additional years, or through December 31, 2013 including:

(a) Four agreements totaling $48,000,000, each in an equal amount not-to-exceed $12,000,000, for as-needed technology services and products related to such services with En Pointe Technology Sales Inc. (En Pointe), ComputerLand, Cornerstone Technology Partners, and Xtech Joint Venture (Xtech); and

(b) Three agreements totaling $72,000,000, each in an equal amount not-to-exceed $24,000,000, for as-needed technology products only with En Pointe, ComputerLand and Xtech.

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[1] According to Ms. Jaci Fong, Acting Director of OCA, the $120,000,000 total for the agreements was based on the total technology store purchases over the prior three years including (a) $48,000,000 for technology services and related products, and (b) $72,000,000 for technology products only.

Amendments to the Original Agreements

On October 9, 2009, OCA approved a First Amendment to the original not-to-exceed $12,000,000 technology services and products agreement with Xtech to increase the authorized agreement by $475,000 to $12,475,000. On November 10, 2009, the Board of Supervisors approved a Second Amendment to this not-to-exceed $12,475,000 Xtech agreement to increase the authorized agreement by $27,525,000 to $40,000,000 (Resolution No. 451-09)[2]. On November 21, 2011, OCA approved a Third Amendment to this Xtech agreement to exercise the first option to extend the agreement by one year, from January 1, 2012 through December 31, 2012.

On September 28, 2010, the Board of Supervisors approved a First Amendment to the original not-to-exceed $24,000,000 technology products only agreement with Xtech to increase the authorized agreement by $17,000,000 to $41,000,000 (Resolution No. 458-10). On November 21, 2011, OCA approved a Second Amendment to the Xtech agreement to exercise the first option to extend the agreement by one year, from January 1, 2012 through December 31, 2012.

On June 7, 2011, the Board of Supervisors approved a First Amendment to the original not-to-exceed $24,000,000 technology products only agreement with En Pointe to increase the authorized agreement by $4,000,000 to $28,000,000. On November 21, 2011, OCA approved a Second Amendment to the En Pointe agreement to (a) increase the authorized amount by $475,000 from $28,000,000 to $28,475,000, and (b) to exercise the first option to extend the agreement by one year, from January 1, 2012 through December 31, 2012.

DETAILS OF PROPOSED LEGISLATION

The three proposed resolutions would authorize the Office of Contract Administration to enter into the following:

(a) Third Amendment to the existing technology products only agreement between the City and Xtech to increase the existing authorization by $10,000,000 from a not-to-exceed $41,000,000 to a not-to-exceed $51,000,000 (File 11-1309);

(b) Fourth Amendment to the existing technology services and products related to such services agreement between the City and Xtech to increase the existing authorization by $20,000,000 from a not-to-exceed $40,000,000 to a not-to-exceed $60,000,000[3] (File 11-1310); and

(c) Third Amendment to an existing as needed technology products only agreement between the City and En Pointe Technology Sales, Inc. to increase the existing authorization by $9,525,000 from a not-to-exceed $28,475,000 to a not-to-exceed $38,000,000 (File 11-1311).

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[2] In accordance with the proposed resolution, on November 2, 2009, the Civil Service Commission approved this modification to authorize a not-to-exceed $39,000,000 of technology services with Xtech, within this not-to-exceed $40,000,000 agreement for technology services and products agreement.

[3] In accordance with the proposed resolution, on September 14, 2011, the Department of Human Resources administratively authorized a not-to-exceed $58,500,000 of technology services with Xtech, within the subject not-to-exceed $60,000,000 agreement for technology services and products agreement with Xtech.

The proposed amendments would not impact the existing terms of these three agreements, which were recently amended by OCA to extend the agreements by one year, from January 1, 2011 through December 31, 2012. All three agreements contain one more option to extend the term by one additional year through December 31, 2013.

FISCAL IMPACTS

All expenditures for technology services and related products and technology only product purchases are subject to separate appropriation approval for each City department by the Board of Supervisors.

As shown in Table 1 below, from January 1, 2009 through November 30, 2011, or 35 months, City departments expended a total of $53,989,629 out of the total previously authorized combined not-to-exceed amount of $76,000,000 for technology services and products related to such services. Based on the amounts reflected in Table 1 below, of the $53,989,629 total expended by City departments through November 30, 2011, $37,100,167 or 68.7 percent was for technology services and related products purchased from one vendor, Xtech. In comparison, of the $53,989,629 total expended by City departments for technology services and related products through November 30, 2011, (a) $5,315,741 or 9.8 percent was purchased from Computerland, (b) $5,897,723 or 10.9 percent was purchased from Cornerstone Technology Partners, and (c) $5,675,998 or 10.5 percent was purchased from En Pointe.

Table 1: Technology Services and Products Purchased by City Departments from January 1, 2009 through November 30, 2011 by Vendor and Contract Authorizations

Vendors	CY 2009	CY 2010	Year-to-Date CY 2011	TOTAL	% of Total	Original Contract Authorized	Amended Contract Authorized
Computerland	$1,503,118	$2,031,633	$1,780,990	$5,315,741	9.8%	$12,000,000	$12,000,000
Cornerstone Technology Partners	2,074,423	2,000,893	1,822,407	5,897,723	10.9%	12,000,000	12,000,000
En Pointe	3,117,571	1,791,909	766,518	5,675,998	10.5%	12,000,000	12,000,000
Xtech	12,623,621	14,660,420	9,816,126	37,100,167	68.7%	12,000,000	40,000,000
Total Services and Products	**$19,318,733**	**$20,484,855**	**$14,186,041**	**$53,989,629**	**100%**	**$48,000,000**	**$76,000,000**

As shown in Table 2 below, from January 1, 2009 through November 30, 2011, or 35 months, City departments expended a total of $80,167,766 out of the total previously authorized combined not-to-exceed amount of $93,475,000 for technology products only. Based on the amounts reflected in Table 2 below, of the $80,167,766 total expended by City departments

through November 30, 2011 for technology only products, (a) $16,734,010 or 20.9 percent were purchased from Computerland, (b) $26,876,768 or 33.5 percent were purchased from En Pointe, and (c) $36,556,988 or 45.6 percent were purchased from Xtech.

Table 2: Technology Products Only Purchased by City Departments from January 1, 2009 through November 30, 2011 by Vendor and Contract Authorizations

Vendors	CY 2009	CY 2010	Year-to-Date CY 2011	TOTAL	% of Total	Original Contract Authorized	Amended Contract Authorized
Computerland	$4,680,685	$6,434,837	$5,618,488	$16,734,010	20.9%	$24,000,000	$24,000,000
En Pointe	8,144,449	10,128,478	8,603,841	26,876,768	33.5%	24,000,000	28,475,000
Xtech	10,256,734	14,954,247	11,346,007	36,556,988	45.6%	24,000,000	41,000,000
Total Products Purchased	**$23,081,868**	**$31,517,562**	**$25,568,336**	**$80,167,766**	**100%**	**$72,000,000**	**$93,475,000**

As shown in Table 3 below, based on the 35 months that have elapsed from January 1, 2009 through November 30, 2011 under the existing agreements, City departments have purchased an average of (a) $1,060,005 per month from Xtech for technology services and products, (b) $767,908 per month from En Pointe for technology products only, and (c) $1,044,485 per month from Xtech for technology products only. Assuming that City departments continue purchasing technology products and services at these same average monthly expenditure rates, over the entire 48-month terms of the existing agreements, or through December 31, 2012, as shown in Table 3 below, City departments would expend a total of approximately (a) $50,880,240 from Xtech for technology services and products, (b) $36,859,584 from En Pointe for technology products only, and (c) $50,135,280 from Xtech for technology products only.

Table 3: Projected Authorizations Needed Through Based on Average Actual Monthly Expenditures from January 1, 2009 Through November 30, 2011

	Xtech (Services and Products; File 11-1310)	En Pointe (Products only; File 11-1311)	Xtech (Products only; File 11-1309)
Actual Expenditures from January 1, 2009 through November 30, 2011	$37,100,167	$26,876,768	$36,556,988
Agreement Term Elapsed	/35 months	/35 months	/35 months
Average Monthly Expenditures	**$1,060,005**	**$767,908**	**$1,044,485**
Total Term of Agreement from January 1, 2009 Through December 31, 2012	x 48 months	x 48 months	x 48 months
Projected Total Expenditures	**$50,880,240**	**$36,859,584**	**$50,135,280**
Requested Authorized Not-to-Exceed Amount	$60,000,000	$38,000,000	$51,000,000
Difference in Projections vs. Requested Amounts	**$9,119,760**	**$1,140,416**	**$864,720**

According to Mr. Galen Leung, Supervising Purchaser for the Office of Contract Administration, the total requested authorized amounts are greater than the projections, as shown in Table 3 above, because of specific purchase orders from the Airport and the Public Utilities Commission (PUC) that are currently pending, and due to rounding. Mr. Leung advises that the three pending requests have already been bid through the City's Technology Store, and Xtech and En Pointe are the identified low bidders, as follows:

(a) Xtech is the low bidder for the PUC's new Customer Care and Billing project, which will redesign the billing and collections systems for both the PUC's Water and Power systems, at an estimated total cost of $9,000,000, under Xtech's technology services and products agreement (File 11-1310). As shown in Table 3 above, the difference between the projected total expenditures and the requested amount in the subject amendment for the Xtech services and products agreement is $9,119,760 or only $119,760 more than projected, if the subject $9,000,000 additional pending request for the PUC is included.

(b) En Pointe is the low bidder for the PUC's new networking hardware and software project, which is primarily to connect facilities with the new PUC building, at an estimated total cost of $1,000,000, under En Pointe's products only agreement (File 11-1311). As shown in Table 3 above, the difference between the projected total expenditures and the requested amount in the subject amendment is $1,140,416 or $140,416 more than projected, if the subject $1,000,000 additional pending request for the PUC is included.

(c) Xtech is the low bidder for the Airport's new computer and networking equipment upgrade, estimated at $800,000, under Xtech's products only agreement (File 11-1309). As shown in Table 3 above, the difference between the projected total expenditures and the requested amount in the subject amendment is $864,720 or $64,720 more than projected, if the subject $800,000 pending request for the Airport is included.

RECOMMENDATIONS

Approve the three proposed resolutions.