

File No. 100251

Committee Item No. 4

Board Item No. \_\_\_\_\_

### COMMITTEE/BOARD OF SUPERVISORS

#### AGENDA PACKET CONTENTS LIST

Sub-Committee BUDGET AND FINANCE

Date: April 14, 2010

Board of Supervisors Meeting

Date \_\_\_\_\_

#### Cmte Board

- Motion
- Resolution
- Ordinance
- Legislative Digest
- Budget Analyst Report
- Legislative Analyst Report
- Introduction Form (for hearings)
- Department/Agency Cover Letter and/or Report
- MOU
- Grant Information Form
- Grant Budget
- Subcontract Budget
- Contract/Agreement \*
- Award Letter
- Application
- Public Correspondence

#### OTHER

(Use back side if additional space is needed)

<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____

Completed by: Andrea S. Ausberry

Date Friday, April 09, 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 [Contract with AT&T for City telecommunications services.]

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

6 Note: Additions are *single-underline italics Times New Roman*;  
7 deletions are ~~*strikethrough italics Times New Roman*~~.  
8 Board amendment additions are double underlined.  
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 (2) 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  
23  
24  
25

**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 4**  
**File 10-0251**

**Department(s):**  
Department of Technology

## EXECUTIVE SUMMARY

### Legislative Objective

- The proposed ordinance would approve a contract with AT&T for the purchase of telecommunications services and equipment for an amount not-to-exceed \$75,000,000, for a 4.5 year term beginning on March 1, 2010 and ending August 31, 2014.

### Key Points

- In order to clarify information and obtain additional information regarding the proposed contract with AT&T, the Budget and Legislative Analyst and the Department of Technology have requested that this item be continued to the Budget and Finance Committee meeting of April 21, 2010.

### Recommendations

- Continue the proposed ordinance to the Budget and Finance Committee meeting of April 21, 2010.

FEB 26 2010

20100226-0270

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