



DATE: March 31, 2025
TO: Angela Calvillo, Clerk of the Board
FROM: Sailaja Kurella, Director of Office of Contract Administration (OCA) and Purchaser
SUBJECT: Resolution to approve amendment to PeopleSoft Contract ID 1000023748 (TC 91115) with Intervision Systems, LLC.

Enclosed is the resolution authorizing the Office of Contract Administration (“OCA”) to amend PeopleSoft Contract ID 1000023748 (OCA Term Contract 91115) with Intervision Systems, LLC. (“Intervision”), increasing the contract not-to-exceed (NTE) amount from \$40,000,000 to \$74,040,000, with no change to the contract term end date of January 31, 2027.

Background

This contract was awarded pursuant to a competitive solicitation conducted on September 20, 2021 by the Office of Contract Administration (OCA) for the purchase of networking equipment, software and hardware/software support manufactured by three manufacturers: Juniper Networks Inc. (“Juniper”), Hewlett Packard Enterprise Company (“HPE”) and Aruba Networks (“Aruba”). The solicitation resulted in the award of three contracts, one for each manufacturer, and one of which exceeds \$10,000,000. The contracts are limited solely to hardware, software and standard software/hardware support. They do not include professional services or technical services beyond standard support. The NTE amount for each contract was based on City’s projected total five-year spend from each manufacturer which in turn was based on historic expenditures and anticipated upcoming projects. A summary of each of these as-needed Citywide networking equipment, software, and hardware/software support contracts is provided below in Table 1.

Table 1: Summary of As-Needed Citywide Contracts for Networking Equipment, Software, and Hardware/Software Support as of January 31, 2025

Supplier Name	Product Line	PeopleSoft Contract ID	Contract Start Date	Contract End Date	Initial Contract NTE Amt
Intervision Systems LLC	Juniper	1000023748	2/1/2022	1/31/2027	\$40,000,000
CDW Government LLC	HPE	1000023749			\$8,500,000
Intervision Systems LLC	Aruba	1000023750			\$8,500,000

Contract Pricing

Contract ID 1000023748 provides catalog discounts for Juniper’s full range of product offerings ranging from 10% to 80% off Juniper’s list price. Depending on the total volume being purchased at the time of any individual transaction, City is able to negotiate deeper discounts than these minimum discounts. The minimum discounts offered for Juniper are set forth in Table 2.



Table 2: Range of Product Offerings & Minimum % Discounts off Juniper's List Price

JUNIPER	
Product Family	Minimum % Discount Off of Juniper's List Price
EX switches	59.00%
EX MP based switches	59.00%
QFX 5K series Switches	63.00%
QFX 10K series switches	63.00%
Switch Licenses (EX and QFX)	45.00%
MX Series Router Bundle	68.00%
MX Series MPC cards	68.00%
Optics	80.00%
Cables and auxiliary items	59.00%
Support (Discounting includes all SVC SKU's)	10.00%
Mist wireless - Includes pricing for all AP's and accessories	32.50%
Mist Cloud subscription and services - Includes all subscriptions and services	10.00%

Contract Usage

Contract ID 1000023748 with Intervision was executed on February 1, 2022 for \$40,000,000. Since its execution approximately 36 months ago, two City agencies have encumbered \$36,835,713 in purchase orders against this contract, approximately \$20M of which was for a one-time capital project, the NextGen Network Upgrade, at San Francisco International Airport, which will be detailed further below. Excluding the purchases related to the NextGen project, the average monthly encumbrance against this contract is \$464,514. The primary users of this contract are the San Francisco International Airport ("SFO") and the San Francisco Public Utilities Commission ("PUC"). A complete breakdown of total PO encumbrances by contract and agency is provided in Table 3.

Table 3: Breakdown of Total PO Encumbrances by City Departments as of January 31, 2025¹

Department	Total
SFO	\$14,509,678.73
PUC	\$2,212,858.60
Grand Total	\$16,722,537.33



San Francisco International Airport – NextGen Network Upgrade

In addition to expenditures necessary to maintain its ongoing operations, San Francisco International Airport (SFO) is also currently in the midst of wide-ranging system upgrades as part of the congressionally mandated Next Generation Air Transportation System (NextGen). NextGen is a large-scale initiative by the Federal Aviation Administration (FAA) to modernize the U.S. National Airspace System (NAS), and it revamps "air traffic control infrastructure for communications, navigation, surveillance, automation, and information management to increase the safety, efficiency, capacity, predictability, flexibility, and resiliency of U.S. aviation."¹

The NextGen transition from a radar-based air traffic control system to a satellite-based one is driven by safety – the safety of air passengers and visitors to San Francisco International Airport, and to be able to meet and exceed current and future FAA air safety standards. To do so, SFO must modernize the network infrastructure on which not only the air traffic control system relies, but also the multitude of networking capacity and cybersecurity safeguards that power airport operations, airlines and airport vendors, as well as the wifi network that passengers take as a given at a first-class airport.

The decision to initiate the SFO NextGen Network Upgrade project was made at SFO when upon review of the upcoming Capital projects and the demands from airlines, tenants, and the commission made clear that the nearly twenty-year-old network would be unable to support the growth. Additionally, SFO is faced with having to comply with stricter TSA cybersecurity requirements. The SFO NextGen Network Upgrade project will deliver carrier-grade networks to support the increased demand from airlines and airport tenants. The project will deliver 400g bandwidth to support emerging digital transformation technologies and avoid congestion, including supporting the increased demand for CCTV video data. The new network will increase reliability with the ability to support enhanced segmentation and lays the groundwork for full compliance with evolving TSA cybersecurity requirements.

The Citywide contract for Juniper Networking Equipment (Contract ID 1000023748) with InterVision Systems LLC provides a unique and efficient vehicle for SFO to make the network equipment purchases essential to advancing the NextGen Network Upgrade project. Through this contract, SFO is able to leverage manufacturer price discounts that were competitively solicited and awarded. To date, SFO has made over \$20 million in network infrastructure purchases through this contract with an anticipated need for \$24 million in remaining purchases for its NextGen modernization effort. It is worth noting that SFO's NextGen Network Upgrade project is of a magnitude that greatly exceeds what could have been predicted based on recent historical capital project expenditures known at the time the contract NTE amount was determined.

Not to Exceed Amount Calculations – Proposed Contract Amendment

Based on total PO encumbrances since the execution of Contract 1000023748 with Intervision, the contract will be out of funds by April 2025. It is on this basis that OCA now seeks to increase the NTE amount of Contract ID

¹ Federal Aviation Administration's NextGen website: <https://www.faa.gov/nextgen>.



1000023748 with Intervision by \$34,040,000 for a new contract NTE amount of \$74,040,000. The basis for this amount is detailed in Table 4 below. This increase will help ensure adequate contracting capacity through the contract's end date of January 31, 2027.

Table 4: NTE Calculations for Contract 1000023748 with Intervision for Juniper Products based on PO Encumbrance data as of January 31, 2025

Contract 1000023748 Start Date: Feb 1, 2022 End Date: January 31, 2027	
Total Encumbered Funds	\$37,223,287
Avg Monthly Encumbrances Since Contract Start Date	\$464,514
Number of Months to Contract End Date	24
Total Funds Needed through Contract End Date (Before any Adjustments)	\$11,145,675
Less Remaining Contract Balance in PeopleSoft	(\$2,776,713)
Plus Contingency (15%)	\$1,671,851
One-Time Cost for SFO's NextGen Upgrade	\$24,000,000
Total Additional Funds Needed through Contract End Date	\$34,040,813
<u>Proposed Revised Executed Contract NTE</u> <u>(rounded to nearest ten thousand)</u>	<u>\$74,040,000</u>

Should this contract amendment request be denied, OCA would be required to solicit for a new contract for Juniper products, and there is no guarantee that the City will be able to secure the substantial price discounts that are currently in place. Further, uncertainty in global macroeconomic conditions, such as import tariffs anticipated to go into effect during this calendar year, will likely only compound the degree of uncertainty whether under a newly solicited contract, the City would be able to maintain, let alone improve upon, its current contract pricing.

If you have any questions or require additional information, please contact Jonathan Jew on my team at 628-652-1615.

Enclosures:

1. Proposed Amendment 1 – Contract 1000023748 (Intervision Systems LLC)
2. Original Agreement – Contract 1000023748 (Intervision Systems LLC)
3. SFETH Form 126(f)4 – Contract 1000023748 (Intervision Systems LLC)
4. Resolution – Contract 1000023748 (Intervision Systems LLC)