



SAN FRANCISCO
DEPARTMENT OF
TECHNOLOGY

New Master Agreement with AT&T

To: Budget and Finance Committee
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Overview

New Master Agreement to Replace Existing Agreement with AT&T

- ❑ New Agreement - \$80M for 6.5 years (\$11.1M/year + 11% contingency)
- ❑ Existing Agreement - \$140M for 12 years (~\$11.8M/year)
- ❑ Piggyback on and co-term with the State's CALNET Next-Gen Agreement
- ❑ Rates are 23% below the state & local government averages in the US

Critical agreement for all City Departments and Multiple Projects

- ❑ Provides reliable telephone and internet services for all City Departments
- ❑ Enable the City to upgrade the telecom infrastructure with faster and better voice and data circuits



Benefits of Agreement

Savings

- ❑ 65% discount off the AT&T tariff rates - leveraging the collective buying power and extensive competitive process of the entire California State

Efficiency

- ❑ "Most Favored Nation" status - very unlikely that our own solicitation would lead to lower rates
- ❑ Would cost the City \$2.4-5.3M to conduct our own solicitation or switch to a different vendor

Other Benefits

- ❑ No commitment of spend
- ❑ Month-to-month term, no early termination charges



Questions from the Board on 12/1/2020

Q1: As many employees work from home during the Covid-19 pandemic, should it result in a reduced cost for AT&T services?

Answer: The pandemic did not result in a reduced cost because most employees are still using the AT&T telephony infrastructure when they are telecommuting. In particular, forwarding City calls to personal cell phones or landlines takes up two lines per call, resulting in an increased usage.

Q2: How do we know that the contract pricing, based on the State's CALNET contract, is the best available pricing?

Answer: The CALNET contract contains a Most Favored Nation clause, which guarantees the City the lowest pricing of any public or private entity. In addition, DT has recently hired Gartner to do a comprehensive analysis and Gartner concluded that our rates are about 23% below market rates for state and local governments in the US.

Q3: Can we use other vendors to reduce cost? Should we put these services out to bid?

Answer: Yes. DT and OCA have established three new agreements with AT&T's competitors through a public solicitation. We will reduce the cost whenever and wherever possible.



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Any Questions?