

Item 1 File 11-0487	Department: Office of Contract Administration (OCA)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objective</p> <ul style="list-style-type: none"> Resolution authorizing the Office of Contract Administration (OCA) to execute the First Amendment to an existing agreement between the City and En Pointe Technology Sales Inc. (En Pointe), increasing the not-to-exceed amount by \$4,000,000, from \$24,000,000 to \$28,000,000. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> OCA administers a number of agreements with various firms for as-needed technology products and related computer services through the City's Technology Store. Subsequent to a competitive bidding process to identify multiple vendors to offer technology products to City Departments through the City's Technology Store, OCA awarded an agreement to En Pointe in a not-to-exceed amount of \$24,000,000, with a term of three years, from January 1, 2009 through December 31, 2011. Technology product purchases are funded by monies appropriated by the Board of Supervisors in the annual various Departmental budgets by the Board of Supervisors. Although the proposed first amendment would increase the not-to-exceed amount of the existing agreement by \$4,000,000, from \$24,000,000 to \$28,000,000, such increased funds must be previously appropriated by the Board of Supervisors. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> Over the first 27 months of the 36-month agreement with En Pointe from January 1, 2009 through March 31, 2011, or 75 percent of the term, actual expenditures have totaled \$20,922,806, or 87.2 percent of the current not-to-exceed amount of \$24,000,000. The proposed First Amendment would increase the not-to-exceed authorization in the En Pointe agreement by \$4,000,000, or 16.7 percent from \$24,000,000 to \$28,000,000. All purchases through the subject En Pointe agreement are funded through City Departmental budgeted funds, as previously appropriated by the Board of Supervisors. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> Approve the proposed resolution. 	

MANDATE STATEMENT & BACKGROUND

Mandate Statement

In accordance with Charter Section 9.118, any amendment of over \$500,000 to an agreement over \$10,000,000 in anticipated expenditures 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 such firms for either:

- (a) as-needed technology products, or
- (b) as-needed technology services (such as software programming, software customization, or network security services) and products related to such services.

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 the manufacturer, federally funded purchases, or specific projects which are large enough to require a separate RFP process. However, for purchases in excess of \$100,000, Departments are required to obtain bids from no fewer than three pre-qualified vendors from the City's Technology Store, and then purchase technology products from the lowest bidding vendor.

On April 8, 2008, OCA issued a Request for Proposals (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 \$120,000,000¹ 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) three agreements totaling \$72,000,000, each in an equal amount of \$24,000,000, for as-needed technology products only (no services are available under such agreements) with En Pointe Technology Sales Inc. (En Pointe), Xtech Joint Venture, and ComputerLand, and
- (b) four agreements totaling \$48,000,000, each in an equal amount of \$12,000,000, for as-needed technology services and products related to such services with En Pointe, ComputerLand, Cornerstone Technology Partners, and Xtech Joint Venture.

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) \$72,000,000 in technology products and (b) \$48,000,000 in technology services and related products.

One of the Three \$24,000,000 Agreements Was Increased to \$41,000,000

On September 28, 2010, the Board of Supervisors approved a \$17,000,000 increase in the as-needed technology products only agreement awarded to Xtech Joint Venture, from a not-to-exceed \$24,000,000 to a not-to-exceed \$41,000,000 (Resolution No. 458-10). This increase was approved because actual expenditures incurred during the first 18 months or 50 percent of the term of the 36-month agreement with Xtech Joint Venture, from January 1, 2009 through June 30, 2010, totaled \$20,403,941, or 85.0 percent of the original not-to-exceed amount of \$24,000,000. Based on the \$17,000,000 increase in Xtech Joint Venture's not-to-exceed amount to a not-to exceed \$41,000,000 amount, the current total not-to-exceed amount for the three as-needed technology products only agreements is \$89,000,000 (\$24,000,000 for two agreements plus \$41,000,000 for one agreement).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize OCA to execute the First Amendment to the existing as-needed technology products only agreement between the City and En Pointe, increasing the not-to-exceed amount by \$4,000,000, from \$24,000,000 to \$28,000,000. The proposed First Amendment would not impact the existing three-year term of the agreement, from January 1, 2009 through December 31, 2011. As previously noted, the existing agreement has an option to extend the term by two additional years through December 31, 2013.

FISCAL IMPACT

The proposed resolution would authorize OCA to execute the First Amendment to an existing agreement between the City and En Pointe, increasing the not-to-exceed amount by \$4,000,000, or 16.7 percent from \$24,000,000 to \$28,000,000.

As shown in Table 1 below, from January 1, 2009 through March 31, 2011, or over 27 months, City Departments expended a total of \$62,261,315 out of the total previously authorized combined not-to-exceed amount of \$89,000,000 (\$24,000,000 per agreement x two agreements plus \$41,000,000 for the third agreement) for technology products. As also shown in Table 1 below, 33.6 percent of technology product purchases were made by City Departments under the En Pointe agreement, as compared to 21.4 percent of purchases from ComputerLand and 45.0 percent of purchases from Xtech Joint Venture, the other two pre-qualified technology product vendors.

Vendor	Expenditures from January 1, 2009 through March 31, 2011	Percent of Total Product Expenditures
En Pointe	\$20,922,806	33.6%
ComputerLand	13,345,071	21.4%
Xtech Joint Venture	27,993,438	45.0%
Total	\$62,261,315	100.0%

As shown in Table 2 below, the current average En Pointe expenditure rate is \$774,919 per month over the first 27 months of its existing agreement with the City. Based on this average monthly expenditure of \$774,919, En Point expenditures are estimated to exceed the current not-to-exceed amount of \$24,000,000 by July 31, 2011. As also shown in Table 2 below, based on a continued average monthly expenditure rate of \$774,919, over the 36-month term of the agreement, En Pointe expenditures are projected to total \$27,897,084 by the agreement's termination date of December 31, 2011. Ms. Fong stated that the total estimated expenditures of \$27,897,075 were rounded up to the requested \$28,000,000 amount under the proposed resolution.

Table 2: Total Estimated En Pointe Expenditures	
Expenditures from January 1, 2009 through March 31, 2011	\$20,922,806
Amount of Agreement Term Elapsed	÷27months
Average Monthly Expenditures	\$774,919
Total Term from January 1, 2009 through December 31, 2011	x 36 months
Estimated Total Expenditures	\$27,897,084
Requested Amended Not-To-Exceed Amount (rounded up to \$28,000,000)	\$28,000,000

POLICY CONSIDERATION

The Budget and Legislative Analyst Estimates that the Current \$89,000,000 in Technology Product Agreements Will be Sufficient to Cover Departmental Purchases Currently Estimated to total \$82,807,549.

As shown in Table 3 below, over the 27-month period from January 1, 2009 through March 31, 2011, or 75 percent of the total three-year (36 month) term of each agreement, actual City expenditures, under all three technology products only agreements combined, total \$62,261,315 or 70.0 percent of the combined current not-to-exceed amount of \$89,000,000. If the \$62,261,315 in technology product only expenditures during the first 27 months of these agreements continues at the same average monthly expenditure rate of \$2,305,975 over the entire 36 month period of the agreement (\$62,261,315 divided by 27 months) for the last nine months of these agreements, the Budget and Legislative Analyst projects that the City would expend an estimated total of \$83,015,100 (\$2,305,975 x 36 months) over the three year (36-month) terms of the three as-needed technology product only agreements, which is (a) \$5,984,900 or 6.7 percent less than the currently authorized \$89,000,000 not-to-exceed total under the three agreements, and (b) \$9,984,900 less than the proposed combined \$93,000,000 not-to-exceed amount for the three technology products only agreements (\$89,000,000 plus the subject requested additional \$4,000,000).

Table 3: Rates of Expenditure for the Three as-Needed Technology Product Only Agreements			
Vendor	Expenditures from January 1, 2009 through March 31, 2011	Not-To-Exceed Amount	Percent of Not-To-Exceed Amount Expended
En Pointe	\$20,922,806	\$24,000,000	87.2%
ComputerLand	13,345,071	24,000,000	55.6
Xtech Joint Venture	27,993,438	41,000,000	68.3
Total	\$62,261,315	\$89,000,000	70.0%

As noted above, the Board of Supervisors previously authorized an increase to one of the three technology product only agreements, Xtech Joint Venture, from a not to exceed amount of \$24,000,000 to a not to exceed amount of \$41,000,000. This has resulted in a total not to exceed amount for the three technology product only vendors of \$89,000,000 as previously authorized by the Board of Supervisors. Although this previously authorized not-to-exceed amount of \$89,000,000 for all three technology products only agreements is sufficient to cover the latest total costs of \$83,015,100 as projected by the Budget and Legislative Analyst, for the remainder of the three-year term of the three agreements, Ms. Fong advises that it is necessary to increase En Pointe's previously authorized not to exceed agreement amount of \$24,000,000 by the subject requested not to exceed amount of \$4,000,000 to a not to exceed agreement amount of \$28,000,000 based on projected expenditures of \$27,897,084 by the agreement end date of December 31, 2011. Further, according to Mr. Fong, without the requested \$4,000,000 increase, En Pointe would no longer be able to compete for City business, thus resulting in decreased overall competition with the City Technology Store's other two technology product only vendors. Therefore, OCA is requesting the proposed not-to-exceed \$4,000,000 increase in the En Pointe agreement from the existing not-to-exceed limit of \$24,000,000 to a new not-to-exceed total of \$28,000,000, in order to maintain sufficient competition with the other two technology product only vendors for future Departmental technology product only purchases to be made through the City's Technology Store.

While the proposed increase in the not-to-exceed amount of \$4,000,000 for the technology product only agreement with En Pointe, from a not-to-exceed amount of \$24,000,000 to a not-to-exceed amount of \$28,000,000, provides a not to exceed \$4,000,000 increased expenditure authorization in the subject agreement's not-to-exceed amount, all expenditures for such technology only product purchases are subject to separate appropriation approval by the Board of Supervisors.

RECOMMENDATION

Approve the proposed resolution.