



Date: October 12, 2021

To: Clerk of the Board of Supervisors

From: Linda Gerull
City CIO, Executive Director
Department of Technology

**Re: Approval of new Master Agreement with AT&T for Voice and Data Network and Telecommunication Services
Supplier ID: 0000026442; Contract ID: 1000023340**

The Department of Technology (DT) manages a citywide master agreement (MA) with AT&T for the provision of wired voice and data network and telecommunication services. The City currently spends an average of \$11.6 million dollars per year under this citywide MA. The proposed new master agreement shall be for a period of 6.5 years with an option to renew for an additional 5 years, with an initial not-to-exceed amount of \$80,000,000. The City has been purchasing such network and telecommunication services from AT&T under a MA since 1990.

In order to obtain the most competitive pricing, the City has been purchasing these services off the competitively bid contract between State of California and AT&T since 2001, leveraging the significantly discounted rates from the State of California's Integrated Telecommunications Network agreements known as the CALNET contracts. These CALNET contracts are available exclusively to local government entities, school districts and State agencies. Every eight to ten years or so, the State of California would conduct a new round of public solicitations and award a new set of CALNET contracts. CALNET-Next Generation is the most recent set of CALNET contracts, replacing CALNET-3.

DT wishes to continue the purchase of wired voice and data network services from AT&T under the CALNET-Next Generation contract. In addition, our existing contract with AT&T covers a very small number of legacy services, which are no longer available under CALNET. DT has sought, and OCA has approved a sole source waiver to carry forward these legacy services to the proposed new contract.

Gartner Analysis of the CALNET Next Generation Contract Rates: Cost Savings

In order to ascertain that the CALNET-Next Generation contract rates offer the City the best pricing, DT retained the services of Gartner, a leading research and consulting firm in telecommunication and IT industry, to conduct a benchmarking analysis of AT&T's CALNET-Next Generation rates. Gartner's key findings are as follow:

1. The CALNET-Next Generation rates are similar to the CALNET-3 rates currently paid by the City. The CALNET-3 contracts, however, are coming to end of life on December 31, 2021
2. CALNET-Next Generation rates are 23% below than State and local government market rates in the United States.
3. It would cost the City \$2.4-5.3M to conduct its own solicitation or switch to a different vendor, and it is very unlikely that solicitation would lead to lower rates.

Gartner concludes that it is to the City's best interest to continue to leverage the contracts rates for telecommunication services under the State of California CALNET-Next Generation contracts.

Other Advantages of the State of California CALNET Contracts:

In addition to the cost savings, there are other benefits to continuing to leverage the State CALNET contracts with AT&T:

- 1.) Month to month term – Departments can add and delete services as needed without financial penalty. For example, during this year the City opened several pop-up clinics due to COVID that only needed temporary services. The month-to-month term available under CALNET provides the City with the flexibility to establish and disconnect service without any penalty.
- 2.) No commitment of spend, quantity or minimum purchase of any kind
- 3.) No early termination charges
- 4.) Includes "Most Favored Nation" Status of State clause (specific to CALNET)
AT&T agrees that no other similarly situated public customer of the Contractor or any of its Affiliates will receive rates for a substantially similar Service, or suite of Services, offered under substantially similar terms and conditions that are lower than the statewide rates provided in CALNET contract when the volume of business from the other public customer is equal to or less than the volume of the business delivered under this Contract

In conclusion, DT recommends that the City:

1. Continue to rely upon the competitive solicitation process of the State of California and leverage the CALNET-Next Generation rates offered by AT&T.
2. Continue to purchase network and telecommunication services from AT&T by way of a new master agreement with AT&T for a base term of 6.5 years, from January 1, 2022 to June, 30, 2028.

Thank you for your consideration.

Sincerely,



Linda Gerull
City CIO | Executive Director
Department of Technology