

# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Scott P. Johnson  
Randall Murphy

**SUBJECT:** SEE BELOW

**DATE:** May 27, 2008

Approved

*Christine J. Shippey*

Date

*6-3-08*

**COUNCIL DISTRICT:** Citywide

**SUBJECT: REPORT ON REQUEST FOR PROPOSALS FOR PURCHASE AND  
INSTALLATION OF A STORAGE AREA NETWORK (SAN) FOR THE  
CITY'S NETWORK OPERATIONS CENTER (NOC)**

## RECOMMENDATION

Report on Request for Proposals (RFP) for the purchase of a Storage Area Network (SAN) Solution and adoption of a resolution authorizing the Director of Finance to:

1. Execute an agreement with Systems Technology Associates ("STA") of Tustin, CA, for the design, purchase, implementation and first year of maintenance and support of a SAN to house the City's electronic data and provide enterprise backup, fileserver and disaster recovery solutions, for a total amount not-to-exceed \$2,236,336 including all hardware, software, professional services including installation and training, one year of extended maintenance and support, shipping and applicable sales tax.
2. Execute change orders not-to-exceed 15% contingency in the amount of \$335,450 to cover any unanticipated changes or requirements related to the initial purchase, design, implementation, and support of the system.
3. Exercise four one-year options for ongoing maintenance and support subject to appropriation of funds.

## OUTCOME

Implement a state-of-the art NOC that will streamline the City's existing server and enterprise storage environment, allow for appropriate growth over the next five years, perform the majority of data processing functions as well as provide business continuity and disaster recovery for the City's critical electronic data storage functions.

## **EXECUTIVE SUMMARY**

The memorandum reports on the request for proposal process and recommends award of contract to STA for the purchase and installation of a storage area network for the City of San Jose.

## **BACKGROUND**

The City requires the purchase and installation of a SAN for the City's NOC at City Hall to address the following business objectives:

- Improve the City's ability to comply with new federal guidelines for e-discovery of digital data.
- Enhance business processes and more cost-effectively meet customer service needs of City employees and the community.
- Optimize the use of existing technical staff and infrastructure resources.
- Enable more cost effective maintenance and management of information technology infrastructures.
- Enhance disaster recovery and business continuity processes pertaining to technology solutions, in particular enterprise applications such as HR/Payroll, IBS, and FMS.
- Heighten organizational flexibility and agility to accommodate the City's evolving service needs through scalable technology solutions.

Through adoption of these business objectives, the City will transform its technical environment with the following results:

- Reduce the number of Windows file servers which must be supported and maintained by City staff thereby achieving greater efficiencies, specifically around cost control, maintenance and system administration.
- Migrate servers and data from various locations to the main data center located at City Hall.
- Replace older hardware, operating systems, and utilities.
- Improve file server reliability and maintainability by replacing multiple standalone server units with a fault-tolerant, redundant solution.
- Implement a highly available, high performance enterprise storage network providing 30 terabytes of usable storage initially and sufficient scalability to support anticipated needs for the next five years.
- Benefit from changes in the storage industry's technology by adopting a modular approach, which would allow the City to capitalize on increased performance and capacity while taking advantage of reducing costs in the marketplace.

In 2006/2007, staff conducted an RFP to procure a SAN solution. On April 10, 2007 (item 2.10), Council approved staff's recommendation to reject all proposals because of ambiguities in the specifications and authorized the re-solicitation of proposals.



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**ANALYSIS**

Based on lessons learned during the last procurement process, staff developed an innovative solicitation process breaking up the procurement into two distinct but interdependent Requests for Proposals (RFPs). The first RFP (Phase 1 RFP) was designed to pre-qualify companies most qualified to work closely with the City to perform the necessary discovery and due diligence to submit a technical proposal. After the completion of the first RFP, staff issued a second RFP (Phase 2 RFP) to only the pre-qualified proposers to address the City's technical requirements.

**Phase 1 RFP**

To pre-qualify proposers, Phase 1 RFP was issued on September 20, 2007 and advertised on the City's e-procurement system. 85 companies viewed the RFP and a total of eight proposals were received by the deadline of October 12, 2007:

Company Name	Proposals meeting Minimum Qualifications
Vion, (Washington, DC)	Yes
Systems Technology Associates (STA) (Tustin, CA)	Yes
CompuCom (Dallas, TX)	Yes
Eplus Technology (Sunnyvale CA)	Yes
Unisys Corporation (Mission Viejo, CA)	Yes
Helio Solutions (San Jose, CA)	Yes
Ciber Inc. (San Francisco, CA)	Yes
GovStor (Sacramento, CA)	No

The proposal submitted by GovStor was determined to be non-responsive because the required minimum qualification for references as defined in the RFP was not met. GovStor was notified in writing on October 15, 2007.

**Evaluation:** A three-member evaluation panel was named with representatives from the Information Technology and Airport Departments. Proposals were scored by each team member independently and discussed only in a group setting with a purchasing representative present to facilitate the discussion. Written proposals were evaluated against criteria and weights defined in the RFP and summarized in the table below:

Evaluation Criteria (weight)	Vion	STA	CompuCom	Eplus	Unisys	Helio	Ciber
Experience (40%)	29%	28%	23%	33%	30%	22%	19%
Technical Capability (50%)	28%	40%	31%	39%	44%	30%	27%
Local Business Preference (5%)	0	0	5%	5%	0	5%	0
Small Business Preference (5%)	0	0	0	0	0	0	0
Total (100%)	56%	68%	58%	77%	74%	57%	46%

The objective of the Phase 1 RFP was to select the most qualified proposers that would then be invited to participate in the Phase 2 RFP and submit technical proposals for a SAN solution. The

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evaluation team recommended that the top three ranked companies (see bolded columns in the previous table) be invited to participate in oral presentations, because these three companies were most closely ranked by the evaluation team. After completion of oral presentations, these three companies were invited to participate in the second RFP for the submission of technical proposals.

***Phase 1 Objections and Protest Period:*** The RFP included a process for Proposers to object to requirements of the RFP. Staff did not receive any objections. In addition, the RFP included a ten-day protest period that commenced when all participants were notified of disqualification or selection to advance to the next phase of the RFP process. The unsuccessful proposers were notified of the City's decision to not be invited to the Phase 2 RFP, in writing, on October 30, 2007. Staff did not receive any protests in response to the pre-qualification process of the Phase 1 RFP.

### **Phase 2 RFP**

After completion of the pre-qualification process, Phase 2 RFP was issued on January 11, 2008. A mandatory site visit and review of IT operations was held on January 25, 2008. During the mandatory site visits, proposers validated the current state of the City's IT environment, asked questions and conducted the necessary due diligence to fully understand the City's current technical environment and requirements. All three companies submitted technical and cost proposals by the February 25, 2008 deadline.

***Evaluation of Technical Proposal:*** The same three-member evaluation panel evaluated proposals against criteria and weights established in the Phase 2 RFP as demonstrated in the table below.

***Evaluation of Cost Proposal:*** Cost proposals were opened at the conclusion of the technical proposal evaluation.

***Best and Final Offer (BAFO):*** A Best and Final Offer (BAFO) was issued to clarify the City's requirements regarding maintenance of SAN and to receive cost proposals based on a five year cost of ownership. All three proposers submitted BAFOs by the April 28, 2008 deadline.

The final scores of the evaluation and the BAFO are summarized in the table below:

<b>Evaluation Criteria (weight)</b>	<b>STA</b>	<b>Eplus</b>	<b>Unisys</b>
Supplier Expertise, Technical Methodology & Approach (20%)	13%	10%	14%
Technical (45%)	38%	25%	29%
Cost (20%)	11%	20%	14%
EP <sup>3</sup> (5%)	4%	4%	4%
Local Business Preference (5%)	0	5%	0
Small Business Preference (5%)	0	0	0
<b>Total pts. and score</b>	<b>66%</b>	<b>64%</b>	<b>61%</b>
<b>Rank</b>	<b>1</b>	<b>2</b>	<b>3</b>



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***Local and Small Business Preference:*** In accordance with City policy, ten percent of the total evaluation points were reserved for local and small business preference. Eplus requested and was granted the local business preference. The preference was not a factor in the final award recommendation.

***Environmental Preference:*** In alignment with the City's Environmentally Preferable Procurement Policy (EP<sup>3</sup>), Proposers were required to confirm compliance to various environmental criteria such as: Restriction of Hazardous Substances (RoHS), Energy Efficiency and Power Management Features, Mercury Elimination, Short chain Chlorinated Parafins, Recycled Content Declaration, End of Life Management, Corporate Performance, Institute of Electrical and Electronic Engineers (IEEE) and Electronic Product Environmental Assessment Tool (EPEAT) standards.

***Phase 2 Objections and Protest Period:*** The RFP included a process for Proposers to object to specifications and requirements of the RFP. Staff did not receive any objections. In addition, the RFP included a ten-day protest period to dispute the award recommendation that commenced on May 21, 2008 when all participants were notified of the award recommendation, and will end on May 30, 2008. In the event that any protests are received, staff will submit a supplemental memo to update Council.

***Recommendation and Summary of Agreement:*** Staff recommends award of contract to STA because the evaluation committee deemed STA's proposed solution to be the most advantageous and "best value" for the City. The evaluation team scored STA's proposal the highest overall and the proposal met or exceeded all of the RFP specifications; provided the most detailed and comprehensive proposal; and demonstrated a superior understanding of the City's requirements throughout the proposal process. Specifically, STA's technical proposal was found to be superior in the following key areas:

- Solution clearly demonstrated compatibility with the City's existing technology investments.
- Provided detailed results of the benchmarking/validation of City requirements as a basis for the design of the proposed solution.
- Addressed in detail how the solution would meet or exceed validated requirements.
- Identified a clear understanding of the integration requirements to ensure high availability of mission critical systems (e.g. FMS, IBS, HR/Payroll) in a multi-vendor environment.

In addition, staff conducted thorough reference checks with Swift Brands, Inc. and Vanguard University. Both references were very positive.

The proposed agreement with STA will include the purchase and implementation of the SAN Solution that consists of Hewlett Packard hardware, software including related third party software, and first year of maintenance and support. Additionally, through the procurement process, staff fixed the price for maintenance and support for years two through five after implementation. The agreement includes detailed description of the base system, scope of work defining all deliverables and associated testing and acceptance criteria, a milestone schedule, and a compensation schedule with payments contingent on the successful completion and the City's acceptance of key milestones.



## EVALUATION AND FOLLOW-UP

This memorandum will not require any further follow-up from staff.

## POLICY ALTERNATIVES

*Alternative #1: Not to award the contract and continue with existing storage environment.*

**Pros:** Cost avoidance of initial purchase.

**Cons:** The City is at capacity and cannot support the growing demand for storage.

**Reason for Not Recommending:** This alternative is not a viable because service level impacts have been realized, resulting in equipment downtime and staff reassignments from normal production duties to emergency response.

*Alternative #2: Expand storage on a per server basis immediately*

**Pros:** Spreads cost across multiple years.

**Cons:** Does not meet the green initiatives of IT to consolidate redundant functions where possible. Workload of staff would also increase in maintaining silos of data.

**Reason for Not Recommending:** The total cost of ownership is higher than implementing central storage.

*Alternative #3: Move storage to a hosted (SaaS) application*

**Pros:** Reduced burden on file storage

**Cons:** As discussed in Item 3.4 of the May 6, 2008 Council meeting, the SaaS marketplace has not yet matured to the point where it is a viable solution to the City's business requirements.

**Reason for Not Recommending:** The City has very real storage needs that cannot wait for the marketplace to reach maturity. In addition, there are many very highly specialized systems that require the City to continue funding storage.

## PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater; **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This item meets Criterion 1. The memorandum will be posted on the City's website for the June 17, 2008 Council agenda. To provide outreach to potential vendors, Phase 1 RFP was advertised through the City's e-procurement system.



**COORDINATION**

This memorandum has been coordinated with the City Manager’s Budget Office and the City Attorney’s Office.

**FISCAL/POLICY ALIGNMENT**

This action is consistent with the following General Budget Principles “We must focus on protecting our vital core city services for both the short- and long-term” and “We must continue to streamline, innovate, and simplify our operations so that we can deliver services at a higher quality level, with better flexibility, at a lower cost” and the Strategic Initiative “Make San Jose a Tech-Savvy City; lead the way in using technology to improve daily life.”

**COST SUMMARY/IMPLICATIONS**

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT:

Project Delivery (including 1 <sup>st</sup> year support)	<b>\$2,236,336</b>
Contingency (if applicable)	\$335,450
<b>Total Project Cost</b>	<b>\$2,571,786</b>

2. COST ELEMENTS OF AGREEMENT/CONTRACT:

<b>Description</b>	<b>Cost</b>
Hardware	\$861,920
Software and licensing	\$460,009
Professional Services	\$584,064
Maintenance and Support (1 <sup>st</sup> year)	\$221,283
Estimated Sales Tax	\$109,060
<b>Total</b>	<b>\$2,236,336</b>
Contingency	\$335,450
<b>Not to Exceed Contract Amount</b>	<b>\$2,571,786</b>

3. SOURCE OF FUNDING:                      General Fund (001)  
    Civic Center Improvements Fund (473)

4. FISCAL IMPACT:                              Funding for ongoing maintenance is available in ITD annual appropriations. See below.

The cost evaluation was based on a 5-year total cost of ownership that includes all required maintenance and support of the system. After the first year of maintenance and support, maintenance and support costs for years two through five are shown below and will be subject to



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Council appropriation. Maintenance and support costs will be funded out of the Non-personal/Equipment budget of the Information Technology Department.

Contract Year	Maintenance and Support Cost
Year 2	\$243,344.63
Year 3	\$251,928.74
Year 4	\$360,137.35
Year 5	\$378,144.73

**BUDGET REFERENCE**

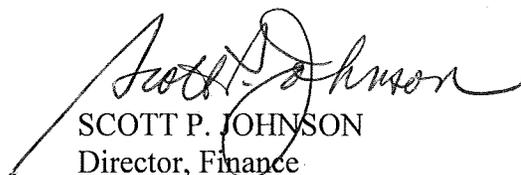
The table below identifies the fund and appropriations proposed to fund the agreement recommended as part of this memo.

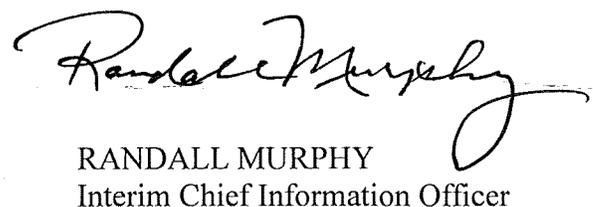
Fund #	Appn #	Appn. Name	Total Appn	Amt. of Agreement	2007-2008 Adopted Operating Budget Page	2007-2008 Adopted Capital Budget Page	Last Budget Action (Date, Ord. No.)
001	0432	Non-personal / Equipment (Information Technology Department)	\$5,669,005	\$221,283*	VIII-82		2/12/08 Ord. Res. 28241
473	5152	Technology, Furniture & Equipment	\$9,962,301	\$2,350,503		V-1211	10/16/07 Ord. Res. 28143
TOTAL			\$15,631,306	\$2,571,786			

\* Maintenance and support costs will be funded out of the Non-personal/Equipment budget of the Information Technology Department.

**CEQA**

Not a project.

  
 SCOTT P. JOHNSON  
 Director, Finance

  
 RANDALL MURPHY  
 Interim Chief Information Officer

For questions please contact Walter C. Rossmann, Chief Purchasing Officer, at (408) 535-7051.

