



Memorandum

TO: Public Safety, Finance and
Strategic Support Committee

FROM: Scott P. Johnson
Randall Murphy

SUBJECT: SEE BELOW

DATE: April 3, 2008

Approved

Christine I. Shypp

Date

4-4-08

**SUBJECT: REPORT ON INFORMATION TECHNOLOGY OPEN PURCHASE
ORDER PROCESS**

RECOMMENDATION

Accept this report.

BACKGROUND

As requested through the Committee workplan, this memorandum provides an overview of the City's purchasing processes for Information Technology.

ANALYSIS

The following sections outline the purchasing processes for Information Technology including PCs, monitors, peripheral computer equipment, and shrink-wrap software, except for Microsoft Software. Below also outlines the Information Technology strategy for such products and the internal approval process.

Procurement of Technology

The City currently utilizes four agreements with three suppliers to procure technology and technology-related items that meet the technical and performance specifications as determined by the Information Technology Department (ITD).

Desktop PCs and Monitors

The first contract is the City's current agreement with Computerland who partnered with HP in submitting a competitive bid. In accordance with SJMC Chapter 4.12, the award basis was low price. The bid was open to all prospective bidders and did not specify brands or manufacturers. The bid estimated annual usage but machines are ordered by Departments on an as-required basis. The City is not obligated to meet any minimum order levels.

In addition to meeting ITD's technical and environmental requirements, the bid specification addresses the total acquisition cost (TAC) for the purchase, delivery, payment and product warranty/support for the period of time that product is anticipated to be in service. Pricing is inclusive of the following services:

- Delivery within ten days of receiving the order
- Delivery to multiple City locations
- Summary invoicing/payment
- Three years (from date of product receipt) of product maintenance and support
- 7x24x365 of technical support from HP/Computerland
- Product repair/replacement within 24 hours to minimize user down-time.
- Record keeping and reporting to track all serial numbers, acquisition dates, etc. to maintain product history.
- Price protection (see below).

The agreement includes a price protection feature recognizing that the cost for technology tends to decrease over time. Prices may decrease, but cannot increase over the life of the agreement. Every six months, pricing is evaluated and adjusted utilizing a formula that applies the percentage discount (off manufacturers' list price) that was submitted at the time of the bid off the current manufacturer's list price that is in-effect at the time of evaluation. This contractual condition guarantees that the City will get the same or greater features/functionality at the initial bid price or less, if the manufacturer's list price decreased.

Computer Peripherals, Printers, Hardware and Software

For the purchase of a variety of technology items, the City utilizes three agreements with three suppliers; Computerland, CDWG, and X-Tech. This requirement was competitively bid utilizing the RFP process in accordance with SJMC Chapter 4.12 with no source or brand name restrictions. These agreements are designed to allow City Staff to procure a full range of computer equipment, peripherals, supplies, hardware and software on an as-required basis. In addition to providing ITD approved products, these agreements were designed to simplify the acquisition, delivery and invoice process. Because of the broad nature of these purchases, three suppliers were selected to ensure service and product availability. The agreements establish baseline pricing on a cost plus basis, but employees may "shop" between the three suppliers to get the best value for their specific requirement that may include pre-sales assistance, price, availability, and delivery.

Pricing includes the following services:

- Pre/post sales support
- Summary invoicing/payment
- Delivery in ten days to specified City location

All four of the agreements described above include the City's terms and conditions and insurance requirements designed to protect the City's interests in the event of a claim or dispute.

Procurement Cards and Retail

If a City contract is not available to acquire goods, City employees are issued Procurement Cards. The paragraphs below describe the City's Procurement Card Policy as it relates to Information Technology purchases and outlines staff's concerns with retail purchases of Information Technology hardware and software.

Procurement Cards

Pursuant to CPM 5.1.2, the City's Procurement Card may be used to purchase supplies, materials, and equipment and services that do not exceed the single transaction limits as set forth in the Policy (typically \$2500 per single transaction for product and \$1000 for services). Best purchasing practices suggest that if there is a significant volume of p-card purchases such that the aggregate expenditure is significant, then these items should be consolidated, competitively bid, and put under contract to ensure the lowest TAC overall. Typically individual p-cardholders do not achieve the same cost savings taking into consideration the cost of shopping, ordering and picking up product at a retail location. Accordingly, CPM 5.1.2 restricts the use of the p-card for items that are available on Citywide agreements.

The City's P-Card program also recognizes the trade-off between ease of use and controls. For IT items, there are a number of controls in place to ensure that the City receives product meeting ITD specifications and requirements. Allowing the use of the P-card to purchase these items will make it difficult, if not impossible, to monitor compliance with ITD guidelines

Retail

The market for the technology items is very competitive and large retailers such as Fry's and Best Buy may occasionally advertise similar or identical product for less than the City's contract price. Additionally, it is difficult to clearly compare the latest offer from retailers versus the City contractors for the following reasons:

- Many times the item is not identical: memory, drive capacity, etc as the City requires, may be different than the City's configuration.
- The item is similar but the manufacturer is not the same. Many items that are compared are from manufacturers with products that target the home consumer and are not typically used in the business environment (e.g. Gateway vs. Dell or HP).

- Specially priced retail items are only available at the low price for a short period. As stated previously, the City's contracts ensure availability at a fixed price for several years.
- Aggressive large retailer pricing is usually consumer and not business oriented. Large retailers were invited to participate in the City's bidding opportunities, but declined to submit a bid because the business model for such retailers is not compatible with the City's requirements. Also, their prices do not include the value-added services that the City requires as discussed above.
- Retail stores have not agreed to the City's business and legal terms and conditions. Instead, such stores require agreement to their own sales terms and conditions (which is provided at the time of the sale) affording minimal protection to the City.

ITD Approval

All technology purchases must be reviewed and approved in ITD with the following exceptions:

- PC peripherals under \$500, not requiring installation
- All replacement printers, scanners, projectors and/or fax machines under \$2,500
- All "typical" software listed on the HelpDesk website under \$5,000
- All maintenance renewals

For Mayor/Council and Council appointee requests, all technology purchases also require the approval of the Mayor's Budget Office before an order may be placed.

ITD serves many important roles in the review of technology requests, including:

- Assurance of network compatibility
- Assurance of network security
- Assurance of compliance with Council and City policies
- Better control of license compliance
- Seeking opportunities to leverage volume purchasing
- Seeking opportunities to leverage support resources
- Confirmation of funding sources and coordination with the City Manager's Budget Office

Development of Specifications

ITD provides specifications to Purchasing in assistance with competitive solicitation processes. Several criteria are considered in the development of specifications such as:

1. Meeting the needs of users – When purchase orders are due for renewal, ITD evaluates whether the current products are meeting the needs of end-users based upon HelpDesk requests over the previous year.

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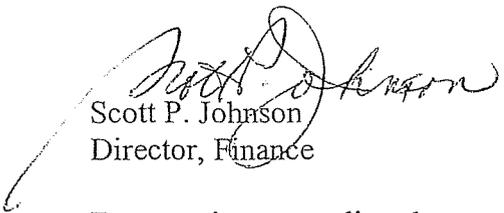
2. Review of Best Practices – ITD periodically polls local or similar sized cities to determine best practices.
3. Identified Issues – Specifications may change as a result of issues experienced over the previous year, such as a model of PC with frequent failure of particular components.
4. Analysis of Emerging Trends – Frequent requests for previously non-standard equipment prompts further review and possible additions and/or deletions of specifications.
5. “Green” Technology – Environmental consideration and City goals for “green” technology are used in the development of technology specifications.

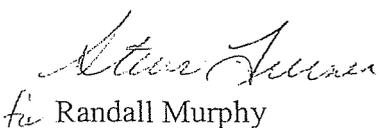
Through contractual agreements such as the multi-year contract for PCs and Monitors, the City is able to standardize on products from the same manufacturer. Standardized equipment allows ITD to leverage support through a shared knowledge base and equipment inventory. It facilitates deployment and ensures that all City employees will have the required shared tools, regardless of which desk they occupy, and also reduces the “haves” versus the “have-nots” of General Funded and Special Funded Departments.

Standardized PC configuration is allowing the City to develop a desktop image (ghost) which will reduce staff time in preparing new PCs for deployment. With reduced staff resources, this is a valuable efficiency.

COORDINATION

This memo has been coordinated with the City Attorney’s Office.


Scott P. Johnson
Director, Finance


for Randall Murphy
Interim Chief Information Officer

For questions regarding the procurement processes, please contact Mark Giovannetti, Purchasing Officer, at x57052 and for questions regarding the development of IT specifications, please contact Vijay Sammeta, Acting Deputy Director, at x53566.

