



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL** **DATE: JUNE 26, 2018**

**FROM: INNOVATION AND TECHNOLOGY DEPARTMENT WARDS: ALL**

**SUBJECT: ANNUAL PROCUREMENT OF SERVICES PROVIDED THROUGH THIRTY-EIGHT EXISTING SOFTWARE AND HARDWARE MAINTENANCE AND SUPPORT AGREEMENTS FOR FISCAL YEAR 2018-2019 IN THE AMOUNT OF \$1,999,233, PLUS 15% ADDITIONAL CHANGE ORDER AUTHORITY OF \$299,885, FOR A TOTAL AMOUNT OF \$2,299,118**

## **ISSUES:**

Approve the continued procurement of services provided through thirty-eight (38) existing annual software and hardware maintenance and support agreements for Fiscal Year 2018-2019, where each agreement has aggregate expenditures over \$50,000 over the life of the agreement, for an estimated total amount of \$1,999,233; plus 15% additional change order authority of \$299,885, in addition to pre-approved change order authority for each contract; for a total amount of \$2,299,118.

## **RECOMMENDATIONS:**

That the City Council:

1. Approve the continued procurement of services provided through thirty-eight (38) existing annual software and hardware maintenance and support agreements for Fiscal Year 2018-2019, where each agreement has aggregate expenditures over \$50,000 over the life of the agreement, for an estimated total amount of \$1,999,233 (Attachment);
2. Approve an additional 15% change order authority for annual renewal amounts listed in Attachment for Fiscal Year 2018-2019 totaling \$299,885, in addition to pre-approved change order authority for each contract, to be used for differences from annual estimates and minor supplemental purchases; and
3. Authorize the City Manager or his designee to execute all necessary documents for items listed in Attachment 1 for Fiscal Year 2018-2019, including, but not limited to, renewals, purchase orders, change orders, and other minor non-substantive changes.

## **BACKGROUND:**

The Innovation and Technology (IT) Department manages the majority of the City's agreements for software and hardware. At the time of purchase, software and hardware agreements are

approved following Citywide purchasing guidelines. After the initial term, many agreements include automatic renewal of maintenance and support services, for as long as the City continues to pay for those services (“evergreen” clauses). The City issues a purchase order for these renewals and references the existing agreement. This is common within the IT industry to ensure continual operation of software and hardware systems. Due to the evergreen nature of technology procurements, the IT Department requests annual City Council approval to continue annual maintenance and support services for any agreements with aggregate expenditures over \$50,000, over the life of the agreement.

Similarly, other IT agreements are set up as Master Agreements that can be used for a set period of time, such as for five years. The IT Department would either sign a renewal document and/or issue a renewal Purchase Order to complete the renewal under the existing agreement. For example, as shown in Attachment, the renewal of Oracle Technical Support Services is handled this way.

Purchasing Resolution No. 23256, Sections 602 (n) & (o) and 702 (q) & (r) outline exemptions for competitive procurement for technology-related goods and services when the items are procured from the owner/developer of the software/hardware or from a sole source provider, provided that the Manager is satisfied that the best price, terms, and conditions have been negotiated; or when the items are procured from a vendor/reseller that was originally selected based on the City’s procurement standards, provided that the vendor has been used continuously since then and, if there are any non-substantive changes to the procurement, the Manager is satisfied that the best price, terms, and conditions have been negotiated.

Although the IT Department has the ability to utilize these procurement exceptions, IT reviews all agreements annually, including the associated maintenance and support expenditures, to ensure that the products are still in use and that the best price has been negotiated for these services. This may involve working with departments and vendors to achieve cost efficiencies through product changes, restructuring of agreements, or periodic rebidding of license and service renewals, when licenses or services can be procured from multiple vendors. If the IT Department processes a bid or Request for Proposals (RFP) for any of the renewals listed on Attachment 1, IT will seek separate City Council approval for award of the bid or RFP.

All other purchases made by the IT Department during the course of the fiscal year follow Citywide purchasing guidelines to ensure that the City is receiving competitive pricing options. Any agreement for services/purchases in excess of \$50,000 that are not reflected on the attached listing was either already approved by City Council for a fixed term or will be brought forward to the City Council for separate approval.

## **DISCUSSION:**

The IT Department has determined that it is necessary to continue procurement of thirty-eight (38) annual maintenance and support services listed in Attachment 1, for an estimated total amount of \$1,999,233 for Fiscal Year 2018-2019. Overall, this amount is 9.3% more than the total amount budgeted for Fiscal Year 2017-2018. As a result of negotiation with vendors, existing budget items were actually decreased by 0.1%, however this was offset by additions for existing contracts that were not previously included in the IT Department budget.

IT is also requesting a 15% change order authority for the annual renewal amounts listed in Attachment for Fiscal Year 2018-2019 in the amount of \$299,885, in addition to the previously approved Change Order authority for each contract. The increased change order authority is

necessary to account for price differences from annual estimates and minor supplemental purchases (e.g. additional licenses, customizations, upgrades, etc.). According to Purchasing Resolution No. 23256, Section 1104, the City Council can pre-approve change orders for more than the standard allowances, provided the amount of the change order is explicitly stated in the recommendations to the City Council. Also, if the amounts are in addition to the pre-approved change order authority, this must be specifically authorized. This is requested since the annual budget amounts are estimates and to allow for the purchase of minor systems-related purchases during the fiscal year, such as additional licenses, customization, or upgrades.

The Purchasing Manager concurs that the recommended actions comply with Purchasing Resolution No. 23256.

### **FISCAL IMPACT:**

The fiscal impact of this action is \$2,299,118. \$1,999,233 has been included in the Fiscal Year 2018-2019 Innovation and Technology Department Budget, Software Maintenance/Support account numbers 2400000-424310, 2410000-424310, 2415000-424310, 2420000-424310, 2425000-424310, and 2440000-424310, for the expenditures identified in Attachment 1. These expenditures are allocated to various departments through the annual cost allocation process. The current cost allocation process is complete and incorporated into the City's Fiscal Year 2018-2019 budget.

Any change orders for the items listed in Attachment 1 (15% each, for up to a total amount of \$299,885) are subject to the availability of budgeted funds, within the IT Department budget or the budget of the department that uses the system.

Prepared by: Chris Tilden, Interim Chief Innovation Officer  
Certified as to  
availability of funds: Adam Raymond, Chief Financial Officer/Treasurer  
Approved by: Lea Deesing, Assistant City Manager  
Approved as to form: Gary G. Geuss, City Attorney

Attachment: Technology Procurements for FY 2018-2019