CITY COUNCIL COMMUNICATION:

98-247

AGENDA:
JUNE 15, 1998

SUBJECT:
ACCEPT BID FOR PRICE CONTRACT FOR COMPUTER SYSTEMS: BID #G98-287

TYPE:
RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:
MICHAEL ARMSTRONG
INFORMATION TECHNOLOGY DIRECTOR

ITEM ____

OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA

SYNOPSIS —

The Information Technology (IT) Department anticipates the purchase of up to 400 computer systems during the coming 12 months. These systems are required to replace obsolete units which will not support modern software applications, to replace systems that are not Year 2000 compliant, to replace mainframe terminals with desktop computer systems, and to support new applications that will be deployed in the coming months. This contract establishes unit prices for standard system configurations ordered in various quantities. It will provide a low unit cost, will minimize deployment costs, and will lead to reduced support costs by establishing a long-term (three-year) on-site warranty. While IT will be the primary user of this contract, all City departments will be able to purchase equipment at contract prices. Most funding for purchases made from this contract will be from IT Capital Improvements Program (CIP) funds (Index Code #346049). Lesser amounts may be expended from other departmental funds during the contract term.

FISCAL IMPACT –

The proposed contract does not require the City to purchase a specific quantity of computer systems. IT plans to acquire up to 400 units during the term of the contract. Funds in the amount of $1,000,000 have been designated in the IT CIP budget (Index Code #346049) for the purchase of desktop computer systems and required software. Expenditures pursuant to this contract will not exceed the designated amount.

RECOMMENDATION –

Acceptance of bid in amounts proposed by low bidder.

BACKGROUND –

The Final Report of the Data Management and Communications Committee recommended that the City acquire a large quantity of computer systems to build an installed base that is Year 2000 compliant, that can support today's standard software and which can be used to replace 'dumb' terminals on users desktops.

As IT began planning replacement acquisitions, several goals emerged which could be addressed by selecting the proper acquisition method. These goals include:

• **Acquire systems at the lowest possible per-unit cost, taking advantage of discounts available for volume purchases.** The proposed contract establishes unit prices for various order quantities. For example, our lowest bid price for entry-level systems configured and delivered is $1,491 each, based on an order quantity of 101-200 units. Unit prices for other order quantities (1-20, 21-50, 51-100) are slightly higher. The current Iowa State Contract price for the identical unit is $1,694. Similar price differentials are available for the other two standard configurations that we specified.

• **Take advantage of the dual trends of rapidly declining prices and rapidly increasing power.** A year-long contract allows the City to stage orders to take advantage of price reductions. This contract is tied to an existing pricing schedule provided by the manufacturer (Compaq Computer Corp.). When Compaq's price for a system drops, so does the amount the City pays for that system. When the manufacturer reconfigures its product line, the contract provides that the City can take immediate advantage of increases in power without increases in cost. For example, between the time bids for this contract were let and the time bids were opened, our entry level system moved from a 200-MHz system to a 266-MHz. The price point remained the same.

• **Keep acquisition and deployment costs to a minimum.** By establishing a year-long contract, the City will avoid the costs of advertising and letting bids for each quantity purchase that may be made. Contract specifications require that the contractor install network adapters and software specified and acquired by the City before units are delivered. This reduces the amount of staff time required to configure and deploy systems.

- **Reduce maintenance and repair costs.** By acquiring large quantities of equipment from a single manufacturer, the City can begin to develop consistency in its installed base of computer equipment. This is a key factor in holding maintenance costs to an acceptable level. The proposed contract requires that equipment be furnished with a three-year on-site warranty. This feature will reduce maintenance costs even further.

Bids for this contract were extremely competitive. An objective cost-evaluation system was applied to each bid, with quantities weighted to avoid distortions that might be possible when asking for bids for several items. A 1 percent local preference premium was added to all bids received from companies not located within the City of Des Moines. The lowest four bids fell within a range of less than 3 percent.

Please note that this is the first City contract where the Internet played a central role. Instead of providing technical specifications directly with the bid, prospective bidders were directed to a World Wide Web site where the specifications are available to the public. This method allowed us to avoid staff costs in preparing detailed technical specifications while assuring that all interested parties had access to the latest technical information that they required to prepare their bids.