



Council Communication

Office of the City Manager

Date

August 6, 2007

Agenda Item No. 41

Roll Call No. 07-

Communication No. 07-475

Submitted by: Mike Matthes, Assistant City
Manager

AGENDA HEADING:

Approving the hardware buyout option of the Seat Management Contract with Public Technology Institute, Inc. and L-3 Communications Government Services, Inc.

SYNOPSIS:

Recommend approval to exercise the hardware buyout option of the City's Seat Management Contract with L-3 Government Service, Inc. (3750 Centerview Dr., Chantilly, VA 20151, Paul Cergan, President) and Public Technology, Inc. (1301 Pennsylvania Avenue, N.W. Suite 800, Washington, D. C. 20004, Alan R. Shark, Executive Director). The contract renewal option on the city's existing contract for seat management services expired on July 17, 2007. Staff has determined that considerable cost savings are available from buying out the hardware that was previously leased under the contract and performing other services in-house.

FISCAL IMPACT:

Amount: The full funding required to exercise the buyout option and close out the contract is \$214,460. This is a reduced buyout price from the terms of the agreement that staff negotiated because of under-performance in some areas of the contract, specifically asset management. Despite this initial one-time cost, staff anticipates annual savings of \$188,500 from closing the contract.

Funding Source: Funding for the buyout option is available in the Fiscal Year 2007-08 Operating Budget, Information Technology Department, Network and Operations, GE001 IFT010100, page 197.

ADDITIONAL INFORMATION:

The City of Des Moines has had a contract with Public Technology, Inc. (contractor) and L-3 Communications Government Services, Inc. (provider) since July 8, 2002. The seat management contract includes two main components: (1) hardware and software acquisition for the deployment and refresh of desktop computers, laptops, and associated hardware and (2) seat management services including asset management, level 2 helpdesk support, and installation, moves, adds, changes and disposal for equipment. About half of all city computers are covered by this contract.

The contract renewal expired on July 17, 2007. Through a buyout option in the contract, the City has the opportunity to acquire the current desktop and laptop equipment. Currently 229 desktop configurations are still on lease and 584 desktop configurations have fully paid leases, but they remain under the seat management services component of the agreement.

Staff has determined that considerable cost savings can be achieved in two ways by exercising the buyout option in the contract:

1. **Purchase Future Equipment at a Reduced Cost through a WSCA Contract:** Rather than lease equipment, in the future the city will acquire all hardware for refresh and deployment from the State of Iowa HP Western States Contract Alliance (WSCA) - contract number A63309. Through the current seat management contract, the city pays \$1168.20 in lease costs for a standard desktop configuration. The same configuration is available through the WSCA contract for \$956. This results in a savings of \$212.20 each for all future desktop configurations.
2. **Perform Desktop Configuration In-house:** The City is contractually obligated to pay L-3 Communications a monthly fee of \$32.45 per desktop configuration currently on lease and \$19.33 per desktop configuration for seat management services under lease or out of warranty. Staff does not believe the city is receiving that level of value for this service. Although L-3 is onsite to perform the configurations, city staff must also participate in this process, creating a duplication of efforts. Staff capacity is available in the short-term to absorb the workload of services currently being performed by L-3. Therefore, if the city acquires the equipment through buyout, the monthly costs will be eliminated, resulting in a monthly savings of \$15,715, or annual savings of \$188,580. Future seat management services will be provided, as needed, by the City's Information Technology (IT) Department.

In addition to the cost savings, there are other advantages to buying out the contract. First, by owning the hardware, the IT Department will be able to perform necessary upgrades to equipment. The city has approximately 600 computers that still use the Windows 2000 operating system. Because these are leased machines, we do not have the ability to perform necessary upgrades. At the end of this year, Microsoft will stop supporting Windows 2000. Unless upgrades are performed, the city could be exposed to security vulnerabilities through software that is no longer supported.

Another advantage is that the city can better perform asset management. Although asset management was included in the seat management contract, this is a function that was never performed as the city had anticipated. Ideally all city computers were to be upgraded on a three-year cycle, but many city machines have exceeded that lifespan. The IT Department is currently performing its own asset inventory to determine future upgrades. The software and staff are already in place for this effort. By bringing the asset management function in-house, we will have greater flexibility in managing our hardware and software needs. The goal will be to hold down costs by extending the life of machines and strategically allocating the hardware.

Though the IT Department is able to absorb the immediate workload associated with bringing this function in-house, over the long-term additional resources may be required. Once the asset inventory is completed, further analysis will be necessary to determine the appropriate scheduling for future upgrades and new deployments. This analysis will include examining options to find the most cost-effective method for completing the work, such as by adding additional staff on a full- or part-time basis or contracting for service. In any event, staff feels confident that the cost savings generated through this action to buyout the contract will be more than sufficient to cover any additional resource needs that are identified.

PREVIOUS COUNCIL ACTION(S):

Date: November 21, 2005

Roll Call Number: 05-2799

Action: Amendment and renewal of Seat Management Contract with Public Technology, Inc. and L-3 Government Services to provide technology services. ([Council Communication No. 05-671](#)) Moved by Hensley to approve. Motion Carried 7-0.

Date: September 27, 2005

Roll Call Number: 04-2057

Action: Addendum to Seat Management Contract with Public Technology, Inc. and EER Systems, Inc. to reflect name change of EER Systems, Inc. to L-3 Communications Government Services, Inc. Moved by Hensley to approve. Motion Carried 7-0.

Date: July 8, 2002

Roll Call Number: 02-1707

Action: Contract with Public Technologies/EER Systems for Seat Management pilot program. ([Council Communication No. 02-374](#)). Moved by Coleman to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE