

AGENDA



Thursday, December 9, 2010

**Purchasing Office
RECOMMENDATION FOR COUNCIL ACTION****Item No. 41**

Subject: Authorize award, negotiation, and execution of a 72-month requirements supply contract through the State of Texas Department of Information Resources (DIR) cooperative purchasing program with DELL MARKETING LP, Round Rock, TX, for the purchase of approximately 7,500 computers, 450 monitors, and related deployment services to be phased in over a four-year period in an estimated amount not to exceed \$8,032,483. The equipment portion is to be financed over a six-year period.

Amount and Source of Funding: Funding in the amount of \$911,089 is included in the Fiscal Year 2010-2011 Capital Budget of the Financial and Administrative Services Department, Communications and Technology Management. Funding in the amount of \$338,990 is available in the Fiscal Year 2010-2011 Operating Budget of the Financial and Administrative Services Department, Communications and Technology Management. Funding for the remaining 60 months of the original contract period is contingent upon available funding in future budgets.

Fiscal Note: A fiscal note is attached.

For More Information: Mick Osborne, Specialist Sr. Buyer/974-2995

MBE/WBE: This contract will be awarded in compliance with Chapter 2-9C of the City Code (Minority Owned and Women Owned Business Enterprise Procurement Program). Although this contract is exempted from the MBE/WBE Program, Dell has committed to 5.0% MBE and 2.0% WBE subcontractor participation and performed good faith efforts.

This contract is for the purchase of Dell personal computers (PCs), laptops, monitors, and related deployment services to replace the City's aging computers. Today, approximately 45% of the PCs in the general fund and support services departments are five years old or older. By next year, this percentage will increase to 60+% without this planned refresh of PC hardware. The need to invest in the replacement of the City's PCs has become increasingly evident in the rising demand for support services to maintain these older systems. Industry research indicates that as a PC reaches the five-year point, organizations can expect to lose worker productivity and face rapidly increasing support costs for each additional year of operation. It has been the City's practice to replace a PC when it fails. To mitigate these concerns, Communications and Technology Management (CTM) has developed a PC lifecycle plan to more systematically modernize and refresh the City's PCs with this contract.

To fully leverage the recently approved Microsoft Enterprise Level Agreement (MSELA), it is essential that hardware be refreshed on a regular basis. Regular refreshes will assure that the City of Austin can take full advantage of the regular releases of Windows operating systems and associated software applications from Microsoft under the MSELA. The majority of the City's current PC configurations are not capable of fully utilizing the new Windows 7 operating system and the most current Office programs.

This contract would replace approximately 7,500 desk-top PCs, laptops, and workstations in the general fund and support services departments over a 60-month period. In Fiscal Year 2010-2011, CTM plans to replace approximately 3,500 systems to begin the process of implementing a PC lifecycle management program. Of these 3,500 systems, 84% of them are six years old or older. An estimated 450 monitors will be replaced over the life of the contract. The contract will also cover services that are needed to

deploy the PCs. All enterprise fund departments have their own schedules; they are not part of this project.

Using Dell for the deployment of the system ensures a seamless process that will reduce errors and downtime for the employees. Also, using outsourced deployment services allows internal IT resources to continue supporting day to day operations to further reduce employee downtime.

CTM considered several purchasing options for the PC refresh and related costs can be found below.

Purchase Option - The approximate cost of this option would total \$7,735,186 over the six years. If the entire purchase price were to be paid up front each year, the City would save \$297,296 in financing costs overall; however, this option would require the City to pay for the PCs at the time of purchase instead of allocating the costs more evenly over a longer period.

Lease Option - The Fair Market Value Lease option would be the most expensive option for acquiring PCs under the recommended PC lifecycle timelines. The total scheduled costs for the contract period would be \$9,266,645 plus an additional buy-out option to acquire ownership at the end of the lease period. Current high-end estimates put the fair market value of these systems at about 12% or \$1,111,998. The total cost of the systems is estimated to be as high as \$10,378,000 when all factors are considered.

Tax Exempt Lease Purchase Option - This option allows the City to spread the costs of each annual purchase over the subsequent four-year period. This option also allows the City to take advantage of low interest loans available to government entities through Dell Financial Services. This is the recommended option with a total lease cost for the contract period, including interest, of \$7,339,760, not including deployment costs. The cost for deployment services is \$692,773.

This RCA is one in a series of four RCAs that, when combined together, fulfill the City's goal to put PC hardware for the general fund and PC software for the entire City on a lifecycle:

- PC refresh for the general fund puts PCs on a 5-year lifecycle plan through the use of a low-cost financing agreement with Dell.
- Microsoft enterprise licensing agreement, approved by Council on September 23, 2010, allows the City to put all the desktop software and most of the other Microsoft products on a City-wide agreement purchased via Summus Industries.
- Microsoft enterprise licensing agreement for the Library, approved by Council on September 23, 2010, allows the city to put all the desktop software and most of the other Microsoft products on an agreement purchased via Dell. (Summus is not authorized to sell the educational license agreements).
- The predeployment engineering services contract, approved by Council on July 29, 2010, facilitates the deployment of new PCs purchased via a financing contract with Dell.