

CITY OF OAKLAND
AGENDA REPORT

FILED
OFFICE OF THE CITY CLERK
OAKLAND,
2008 MAY 15 PM 6:47

TO: Office of the City Administrator
ATTN: Deborah Edgerly
FROM: Department of Information Technology
DATE: May 27, 2008

RE: **A Resolution Authorizing The City Administrator To:**

- (1) Exercise The Renewal Clause Of The Master Lease-Purchase Agreement With Sun Microsystems Finance, Inc., To Finance The Purchase Of The Hardware, Equipment, Software And Services Necessary To Accomplish A "Technology Refresh" Of The City's Primary Information Technology Systems Infrastructure In A Finance Amount Not- To-Exceed Three Million Two Hundred Twenty-Two Thousand Five Hundred Dollars (\$3,222,500); And,**
- (2) Purchase The Sun Microsystems Equipment And Services From Govstor, LLP Through A State Of California Department Of General Services Cooperative Agreement Established Under The California Strategic Sourcing Initiative Statewide Contract Program In An Amount Not-To-Exceed Two Million Four Hundred Ninety-Two Thousand Eight Hundred One Dollars (\$2,492,801); And,**
- (3) Waive The City's Formal Bidding And Competitive RFP/RFQ Selection Requirements, And Informally Bid And Award Contracts To Third Party Vendors For The Purchase Of Related Equipment And Services Needed For The Sun Microsystems' Technology Refresh In An Amount Not To Exceed Four Hundred Seventy Thousand Four Hundred Seventy Four Dollars (\$470,474), Without Return To Council.**

SUMMARY

A Resolution has been prepared which authorizes the City Administrator to execute renewal of the Sun Microsystems Finance Inc. (Sun Finance) five (5) year Master Lease-Purchase Agreement (Lease Agreement), and negotiate and execute related purchase contracts to accomplish a technology refresh. The current lease expires on April 9, 2009. After four (4) years of service, the existing equipment has reached end-of-life and is ineffective for achieving the required system security, configurations, performance, and capacity at the end of the lease. Through the renewal of the Lease Agreement, the City will finance the purchase of equipment and services to accomplish a technology refresh

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single repository decision-making framework. The technology refresh clause of the Lease Agreement will allow the City to upgrade, replace, and add equipment after the mid-term of the lease without financial penalty and with discounts, trade-ins, maintenance credits, and terms.

Much progress is being made to transition more of the City's critical business functions into the Oracle Applications framework. The Budget Office is implementing Oracle's Public Sector Budgeting application as a replacement for the standalone BRASS budget application. Department of Contracting and Purchasing is implementing Oracle's procurement and contracting Procure-To-Pay solution. Department of Personnel Resource Management is evaluating the implementation of Oracle's Human Resource online recruitment, learning and training management, benefits management, and self-service applications. The technology refresh of the underpinning primary IT systems infrastructure will provide capacity to support this growth, sustain the performance of Oracle Applications currently in use, and maintain the reliability and security of the overall solution.

FISCAL IMPACT

Approval of this resolution will authorize the City Administrator to renew the City's five (5) year Lease Agreement with Sun Finance in an amount not to exceed \$3,222,500. This amount includes lease finance charges.

The current lease expires on April 9, 2009. Total appropriated funds budgeted to pay the balance of the current lease payments is \$1,048,068. An additional new lease budget appropriation of \$2,174,432 will be required to fund the total new lease amount of \$3,222,500 over the next five years. The City has not identified a funding source for the new lease budget amount of \$2,174,432 beyond the FY 2008-09 budget. Capital improvement funds will need to be identified and appropriated beginning in FY 2009-10. The five (5) year budget requirements are detailed in the table below.

FIVE (5) YEAR LEASE FINANCING BUDGET REQUIREMENTS

	FY 2007-08 May & June	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	TOTALS
Budget Description							
New Lease Budget*	107,417	644,500	644,500	644,500	644,500	537,083	3,222,500
Current Lease Budget	226,876	821,192	0	0	0	0	1,048,068
TOTAL NEW LEASE BUDGET							\$2,174,432

* Lease budget amounts include all financing charges.

The total finance amount of \$3,222,500 will be used to purchase Sun Microsystems Inc. equipment and services in an amount not to exceed \$2,492,801. An additional amount not to exceed \$470,474 will be used to purchase equipment and services from third party

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vendors. There are no penalty fees for the buyout of the remaining lease payments. Equipment and maintenance agreement credits and trade-in allowances are included. Acquisition of the Sun Microsystems Inc. equipment and services will be made through the State of California Strategic Sourcing Initiative (CSSI) contracts. CSSI Statewide Contracts are awarded through a competitive bid process that establishes the best value supplier to provide specific goods and services on a statewide basis to state and local agencies. The Sun Microsystems Inc. equipment and services will be purchased through the CSSI approved supplier Govstor, LLC. Acquisition of third party equipment and services will be accomplished through informal competitive bid quotations.

BACKGROUND

In 2001, the Department of Information Technology (DIT) instituted a strategy to finance equipment of services to support Oracle Applications. This strategy was continued and approved in Resolution No. 78453 by the City Council for inclusion in the current Lease Agreement with Sun Finance. A "technology refresh" clause was included in the lease to provide the City with the option to upgrade, replace, or add equipment and services after the mid-term of the lease with discounts and on the same terms as similarly situated customers. The clause allows the City to execute a refresh of the technology to avoid obsolesces and lack of processing capacity that could negatively impact the performance, security, reliability, and growth of the City's critical business applications. The City's current five (5) year lease agreement with Sun Finance will expire on April 9, 2009. Most of the leased equipment technology is now at end-of-life and needs to be refreshed. Many of the City's critical business functions have not been integrated into the Oracle Applications framework. Additional processing capacity will be needed to transition these standalone functions into the Oracle centralized, single repository processing environment. For these reasons, DIT recommends that the City Council approve renewal of the lease agreement to accomplish a technology refresh.

PROJECT DESCRIPTION

Overview

This project will perform a technology refresh of the City's primary IT systems infrastructure. Equipment and services will be acquired through Sun Microsystems Inc. and third party vendors under the renewal of the City's Lease Agreement with Sun Finance. The technology refresh will include upgrading, replacing, and adding equipment and services to the IT systems infrastructure used to support the Oracle Applications.

The Department of Information Technology will accomplish the technology refresh within a three (3) month period.

A project team of Sun Microsystems and third party vendor project managers, engineers, programmers, technicians, and DIT technical staff will perform the following work:

- Replace Obsolete Equipment
Replace end-of-live tape library systems and application servers.

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- Upgrade Internal and External Security
Install additional security equipment and services to protect against theft of employee personal information and compromise of data system controls. Security research trends indicate that the majority of security breaches are committed by internal sources rather than external sources from the Internet. Additional security equipment and services will further fortify the City's internal confidential information and data system controls. External security will also be beefed up to allow suppliers to securely access the City's contracting and purchasing services through the use of secure Internet firewalls and intrusion detection software.
- Improve Disaster Recovery Capabilities
Install additional data storage and backup systems that will allow the City to continue critical business function processing in the case of a manmade or natural disaster.
- Provide Standard Integration Solution
Install a middleware system to provide a standard means of integrating non-Oracle applications (i.e., Fleet Management, Order Management, Permit and Code Enforcement System, etc.) with the City's critical business functions.

Methodology

The Department of Information Technology will manage the work under the State of California CSSI Contract and through Professional Services Agreements with the prime contractor and third party vendors. All of the work will be performed following a proven project methodology recommended by the contractor. The methodology will employ a quality assurance framework process that includes distinct checkpoints throughout the project life-cycle. Each phase of the project will be broken into activities consisting of defining, measuring, analyzing, designing, configuring, verifying, and controlling the work. The contractor will partner with the IT staff to ensure a timely and successful implementation using a mutually agreed to project plan and timeline.

SUSTAINABLE OPPORTUNITIES

Economic: Implementation on this project provides the opportunity to hire local business resources at every instance possible.

Environmental: Technological improvements will reduce the need for power and cooling to run the equipment. This will lower the City's cost for energy consumption to run equipment in support of Oracle applications.

Social Equity: Improvements in Internet security will allow the City to extend online business services to the community, creating a closer partnership between the City and its supplier and business partners.

DISABILITY AND SENIOR CITIZEN ACCESS

Activities permitted by the ordinance will be subject to all applicable accessibility standards under Title 24 and the Americans with Disabilities Act and Older Americans Act.

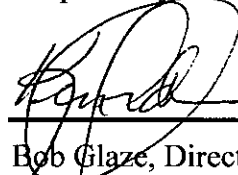
RECOMMENDATIONS AND RATIONALE

DIT recommends that the City Council approve renewal of the lease agreement to accomplish a technology refresh. The technology refresh has proven to be beneficial to sustaining the growth, performance, security, and reliability of the City's Oracle Applications solution. While many of the critical business functions have been transitioned to Oracle Applications, some functions continue to operate as a standalone process. This situation is to change, with the Department of Personnel Resource Management's current evaluation of Oracle Applications for employee orientation and training, recruitment, and benefits management functions. Plans are in progress to transition the budget, contracting and purchasing critical business functions to Oracle within the next 6 months. Implementing recruitment, contracting and purchasing solutions for online access by the public will make it mandatory that DIT fortify the City's Internet security. The technology refresh will support these requirements with an updated of the primary IT system infrastructure.

ACTION REQUESTED OF THE CITY COUNCIL

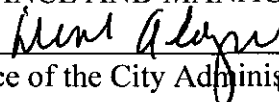
Staff requests that the City Council adopt the resolution to authorize the City Administrator to execute renewal of the Sun Microsystems Inc. Master Lease-Purchase Agreement, and negotiate and execute related purchase contracts to accomplish a technology refresh in an amount not-to-exceed 3,222,500.

Respectfully Submitted,

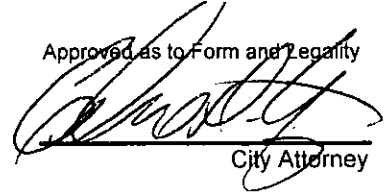
 for Bob Glaze
Bob Glaze, Director
Department of Information Technology

Prepared By:
Ken Gordon, Division Manager
Application and Database Services
Department of Information Technology

APPROVED AND FORWARDED TO THE
FINANCE AND MANAGEMENT COMMITTEE:


Office of the City Administrator

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City Attorney

OAKLAND CITY COUNCIL

OFFICE OF THE CITY CLERK
OAKLAND

RESOLUTION No. _____ C.M.S.

2000 MAY 15 PM 6:48

Introduced by Councilmember _____

A RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO:

- (1) EXERCISE THE RENEWAL CLAUSE OF THE MASTER LEASE-PURCHASE AGREEMENT WITH SUN MICROSYSTEMS FINANCE, INC., TO FINANCE THE PURCHASE OF THE HARDWARE, EQUIPMENT, SOFTWARE AND SERVICES NECESSARY TO ACCOMPLISH A "TECHNOLOGY REFRESH" OF THE CITY'S PRIMARY INFORMATION TECHNOLOGY SYSTEMS INFRASTRUCTURE IN A FINANCE AMOUNT NOT- TO-EXCEED THREE MILLION TWO HUNDRED TWENTY-TWO THOUSAND FIVE HUNDRED DOLLARS (\$3,222,500), AND**

- (2) PURCHASE THE SUN MICROSYSTEMS EQUIPMENT AND SERVICES FROM GOVSTOR, LLP THROUGH A STATE OF CALIFORNIA DEPARTMENT OF GENERAL SERVICES COOPERATIVE AGREEMENT ESTABLISHED UNDER THE CALIFORNIA STRATEGIC SOURCING INITIATIVE STATEWIDE CONTRACT PROGRAM IN AN AMOUNT NOT-TO-EXCEED TWO MILLION FOUR HUNDRED NINETY-TWO THOUSAND EIGHT HUNDRED ONE DOLLARS (\$2,492,801), AND**

- (3) WAIVE THE CITY'S FORMAL BIDDING AND COMPETITIVE RFP/RFQ SELECTION REQUIREMENTS, AND INFORMALLY BID AND AWARD CONTRACTS TO THIRD PARTY VENDORS FOR THE PURCHASE OF RELATED EQUIPMENT AND SERVICES NEEDED FOR THE SUN MICROSYSTEMS' TECHNOLOGY REFRESH IN AN AMOUNT NOT TO EXCEED FOUR HUNDRED SEVENTY THOUSAND FOUR HUNDRED SEVENTY FOUR DOLLARS (\$470,474), WITHOUT RETURN TO COUNCIL.**

WHEREAS, the City of Oakland (City) desires to execute the Technology Refresh Clause of the Master Lease-Purchase Agreement that was executed between the City and Sun Microsystems Finance Inc. ("Sun Finance") on August 7, 2004 and approved by the City Council in Resolution No. 78453 on April 6, 2004; and,

WHEREAS, the technology refresh clause provides the City with the option to upgrade, replace, or add equipment after the mid-term of the lease with discounts and terms as similarly situated customers; and

WHEREAS, the City must execute the technology refresh to avoid equipment obsolesces and lack of processing capacity that could negatively impact the performance and growth of the City's Oracle Applications and other emerging applications designed to provide services to all city agencies and departments; and

WHEREAS, Sun Microsystems Inc. (Sun Microsystems) has demonstrated that it

can provide the necessary equipment and services and has the qualifications and technical experience to perform the technology refresh; and,

WHEREAS, the City will purchase the Sun Microsystems equipment and services from Govstor, LLC located at 830 Jefferson Blvd., Suite 30, West Sacramento, California under the California Strategic Sourcing Initiative (CSSI) Statewide Contract Agreement; and,

WHEREAS, the City has determined that the State of California Department of General Services has entered into a Statewide CSSI Contract with Govstor, LLC for the procurement of Sun Microsystems equipment and services by state and local government agencies and Oakland Municipal Code Section 2.04.080 (Cooperative Purchasing Agreements) authorizes purchases without advertising and bidding through other governmental contracts; and,

WHEREAS, the CSSI contract was awarded to Govstor, LLC through a competitive bid process to establish the best value supplier to procure the Sun Microsystems equipment and services on a statewide basis; and,

WHEREAS, in accordance with Charter section 902(e), the City Council finds that because of the financial savings the City will realize from procuring the Sun Microsystems equipment and services through Govstor, LLC under the CSSI contract, it is in the public interest to purchase the equipment and services necessary to perform the technology refresh directly from Govstor, LLC; and,

WHEREAS, the City must purchase third party equipment and services to support Sun Microsystems' performance of the technology refresh to ensure a turnkey installation; and,

WHEREAS, the City wishes to waive the formal bidding requirements of Section 2.04.050 and the competitive RFP/RFQ selection requirements of Section 2.04.051 A. of the Oakland Municipal Code (the "OMC"), because it is in the best interests of the City to do so pursuant to OMC Section 2.04.050 I (5) and OMC Section 2.04.051 B, respectively, based upon the City's need to acquire products and services that have proven to be technically and functionally compatible to achieve a turn-key installation; and,

WHEREAS, the City of Oakland will request informal competitive bid quotations from third party vendors to purchase the third party equipment and services to support Sun Microsystems' performance of the technology refresh; and,

WHEREAS, the City will provide local vendors maximum opportunity to bid on the third party equipment and services; and,

WHEREAS, City Council desires to finance the equipment and services to be provided by Sun Microsystems and third party vendors through the renewal of the Master Lease-Purchase Agreement between the City and Sun Finance dated August 7, 2004; and

WHEREAS, City Council finds that the services provided pursuant to the agreement authorized hereunder are of a professional and specialized nature;

NOW THEREFORE, the City Council of the City of Oakland hereby finds, determines, declares and resolves as follows:

RESOLVED, that the proposed form of the Master Lease-Purchase Agreement by and between the City and Sun Finance, on file with the City Clerk, is hereby approved. The City Administrator, the Director of the Finance and Management Agency or the Treasury Manager, or a designee of any such official, is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver, Master Lease-Purchase Agreement, substantially in such form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution thereof; provided, however, that interest rate on the Master Lease-Purchase Agreement shall not exceed 4%, the term of the Master Lease-Purchase Agreement shall not exceed five (5) years; and the aggregate amount to be paid pursuant to the terms of the Master Lease-Purchase Agreement shall not exceed \$3,222,500, provided that such lease/finance documents will be reviewed for form and legality by the City Attorney; and be it

FURTHER RESOLVED, that the proposed form of Escrow Agreement, by and between the City, and an escrow agent to be selected by the City Administrator, the Director of the Finance and Management Agency or Treasury Manager, or a designee of any such official, on file with the City Clerk, is hereby approved. The City Administrator, Director of the Finance and Management Agency or Treasury Manager, or a designee of any such official, is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver, in connection with each Lease, an escrow agreement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof, provided that such escrow documents will be reviewed for form and legality by the City Attorney; and be it

FURTHER RESOLVED, that the City Administrator, Director of the Finance and Management Agency, Treasury Manager and other appropriate officers of the City are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents and certificates which they deem necessary or advisable in order to consummate the execution and delivery of the documents mentioned herein and otherwise to effectuate the purposes of this Resolution and the transactions contemplated hereby, including, but not limited to, entering into agreements, executing contracts and/or purchase orders, and appropriating lease finance funds from Sun Finance, or to such financial entities to be selected by the City Administrator, Director of the Finance and Management Agency or Treasury Manager at such terms that are consistent with the pricing parameters set forth in this Resolution, and expending and allocating such funds to Govstor, LLC and to third party vendors for acquisition of Sun Microsystems equipment and services and third party vendor services, software, and tools; and executing related contract documents to performance the technology refresh including, but not limited to, a Products and Services Warranty, a Maintenance Agreement and Statement of Work, provided that all such certificates, contracts, agreements, purchase orders and all related lease and loan documents will be reviewed for form and legality by the City Attorney; and be it

FURTHER RESOLVED, that the City Council hereby authorizes the City Manager or her designee to approve any subsequent amendments to or extensions of said Agreements with the exception of those related to an increase in the contract price or the allocation of additional funds provided that such amendments or extensions shall be reviewed for form and legality by the City Attorney and filed with the City Clerk's office; and be it

FURTHER RESOLVED, that the proceeds of the sale of the Leases may be invested in any Permitted Investment set forth in the Escrow Agreement, including but not limited to the State of California Local Agency Investment Fund or any other investment in accordance with the City's then-current Investment Policy, and be it

FURTHER RESOLVED, that, with respect to the purchase of third party equipment and services from third party vendors to support Sun Microsystems' performance of the technology refresh, the Council hereby finds and determines that it is in the best interests of the City to waive the formal bidding requirements of OMC Section 2.04.050 and the competitive RFP/RFQ selection requirements of OMC Section 2.04.051 A, because, pursuant to OMC Section 2.04.050 I (5) and OMC Section 2.04.051B, the City finds and determines that the City's need to acquire products and services that have proven to be technically and functionally compatible to achieve a turn-key installation; and be it

FURTHER RESOLVED, that the City Administrator is authorized to informally bid and award contracts to third party vendors for the purchase of third party equipment and services to support Sun Microsystems' performance of the Technology Refresh, in an amount not-to-exceed \$470,474, without return to Council, provided such contract/purchase order documents are reviewed for form and legality by the City Attorney and filed with the City Clerk; and be it

FURTHER RESOLVED, that all actions heretofore taken by the officers and agents of the City Council with respect to the transactions contemplated hereby are hereby ratified, confirmed and approved, and be it

FURTHER RESOLVED, that this Resolution shall take effect immediately upon its passage.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2007

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, BRUNNER, CHANG, KERNIGHAN, NADEL, QUAN, REID, and PRESIDENT DE LA FUENTE

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____

LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California