THE CITY OF SAN DIEGO

REPORT TO THE CITY COUNCIL

DATE ISSUED: April 11, 2012 REPORT NO: 12-031

ATTENTION: Council President and City Council Members

SUBJECT: Approval of Information Technology (IT) Services Contracts with (1) Atos IT Solutions & Services, Inc. for Data Center Services and Service Desk and Desktop Support Services, and (2) CGI Technologies & Solutions, Inc. for Application Development and Maintenance Services.

REFERENCE: City Council Resolution R-306683, dated March 14, 2011, and Request for Proposals No. 10015345-11-Z

REQUESTED ACTION:

1. Approve the Resolution to authorize the Mayor or his Designee to execute a contract with Atos IT Solutions & Services, Inc. for the provision of Data Center Services and the provision of Service Desk and Desktop Support Services pursuant to the terms and conditions contained in the Agreement, on file with the City Clerk as Document No. RR-_____, for a term of five (5) years, for an aggregate amount not to exceed $47,123,396, and one optional two-year extension for an aggregate amount not to exceed $17,283,708, contingent upon required City Council approval of an Ordinance for the optional years and actual negotiated cost.

2. Approve the Resolution to authorize the Mayor or his Designee to execute a contract with CGI Technologies & Solutions, Inc. for the provision of Application Development and Maintenance Services pursuant to the terms and conditions contained in the Agreement, on file with the City Clerk as Document No. RR-_____, for a term of five (5) years, for an aggregate amount not to exceed $70,644,132, and one optional two-year extension for an aggregate amount not to exceed $26,277,093, contingent upon required City Council approval of an Ordinance for the optional years and actual negotiated cost.

3. Authorize the Chief Financial Officer to expend an amount not to exceed $47,123,396 over the five-year term of the IT services contract with Atos IT Solutions & Services, Inc., with funding for each year being contingent upon authorization of the respective fiscal year budget and provided that the Chief Financial Officer certifies that funds are available for this purpose.

4. Authorize the Chief Financial Officer to expend an amount not to exceed $70,644,132 over the five-year term of the IT services contract with CGI Technologies & Solutions,

Inc., with funding for each year being contingent upon authorization of the respective fiscal year budget and provided that the Chief Financial Officer certifies that funds are available for this purpose.

5. Accept the Mayor's proposal to revise the Fiscal Year 2012 Budget Resolution (R-306836) to increase the Information Technology Fund (200308) by $181,133.00 from available fund balance to support the initial costs for the IT services contracts.

6. Amend the Appropriation Ordinance (O-20073) to conform with the Mayor's proposed Fiscal Year 2012 Budget Resolution and authorize the Chief Financial Officer to appropriate and expend $181,133.00 from available fund balance in the Department of IT Fund (200308) to support the initial costs for the IT services contracts.
NOTE: This action can only take place after a revised budget resolution has been finalized.

STAFF RECOMMENDATION:

Authorize the Resolutions to execute the two Information Technology (IT) Services contracts, authorize the related expenditure of funds, approve the revision to the Fiscal Year 2012 Budget Resolution, and amend the Fiscal Year 2012 Appropriation Ordinance by using available fund balance from the IT Fund for the initial contract expenses.

SUMMARY:

This action is the culmination of two year's effort, starting with the City Council's request to create an IT Sourcing Strategy in April 2010 through the subsequent RFP process in 2011. The two contracts for the three service areas recommended for award in this action are estimated to save the City approximately $7.4 to $20.1 million over five years, net of contractual transition and transfer of services costs.

With a transition of this magnitude, there is an investment in one-time transition costs that are typically recovered over a longer time frame. Accordingly, staff has negotiated pricing for a two-year option after the initial five-year term that will require Council approval. If the Council chooses to approve this option, which may be based on the performance of the vendors, total savings realized under these contracts will be approximately $21.6 to $39.4 million over seven years.

BACKGROUND

The City has received most of its IT services from San Diego Data Processing Corporation (SDDPC) since 1979. In late 2009, the City began the process of seeking competitive proposals for IT services (specifically Help Desk and Desktop Support). In April 2010, the City Council requested the Mayor bring back a comprehensive IT Services Sourcing Strategy prior to the release of any more Requests for Proposals (RFP). In August 2010, as a result of a separate RFP process, the Department of IT contracted with Avasant LLC, to assist the City in creating the necessary IT Services Sourcing Strategy, and subsequently to assist with the IT services RFP process. The initial IT Services Sourcing Strategy was presented to City Council on December 6, 2010.

After the City Council accepted the IT Sourcing Strategy Final Report, with modifications (Resolution R-306418), the Department of IT, working with its technical advisory consultant, Avasant, began development of a comprehensive RFP for IT services. Based on the information gathered for the IT Sourcing Strategy and using a cross-functional team of subject matter experts with both technical and business representatives from over fifteen departments, the RFP development team compiled the necessary requirements into a set of over forty inter-related RFP documents to be issued.

The RFP objectives were consistent with the IT Sourcing Strategy and included cost reduction, addressing obsolescence, and moving to industry standards. The result of this process is a competitive, performance-based contracting model that replaces current services which do not meet the City's objectives.

REQUEST FOR PROPOSALS PROCESS

On March 14, 2011, the City Council accepted the final Updated IT Sourcing Strategy Report (Resolution R-306683). On April 15, 2011, the City issued RFP #10015345-11-Z for IT Services, with an original due date of June 2, 2011 for proposals to be received. There were five Addenda (A-E) issued between April 19, 2011 and June 2, 2011, with a final proposal due date of June 23, 2011.

The IT Services in the RFP included four service areas: (1) Data Center Services, (2) Network Services, including Current Data Network, Current Voice Network, and Future Converged Data/Voice Network, (3) Application Development and Maintenance Services, and (4) Service Desk and Desktop Support Services. The primary services within each service area are summarized in Appendix A, Table 1.

Vendors were allowed to submit a proposal for one or more of the service areas. Each service is defined by a detailed Scope of Work (SOW) which provides minimum performance standards contained in Service Level Requirements (SLRs). The SLRs are linked to financial and other penalties when the performance drops below required levels. The scope of the RFP services excluded some City Attorney servers, the Public Safety dispatch and 9-1-1 systems, City private networks, and Library public access systems.

The RFP requires all IT services to be delivered based on national and international standards[1]. This requirement will help the City manage risk, and provide flexibility and scalability of IT services. The RFP also contained certain minimum requirements, including public sector experience in providing similar services to other government organizations in the United States, to ensure only fully qualified vendors submitted proposals to meet the City's IT service needs. As with all major service contracts, the RFP process required compliance with the City's Equal Opportunity Contracting Program (EOCP) and Small Local Business Enterprise (SLBE) program.

[1] Prevailing standards include Information Technology Infrastructure Library (ITIL) / IT Service Management (ITSM)

The City received eight responsive proposals from seven firms as shown in the following table. The current provider, SDDPC, did not submit a proposal, nor were they proposed as a subcontractor by any of the participating vendors. However, SDDPC did participate in the RFP response with ACS State & Local Solutions, Inc (ACS). ACS anticipated hiring several of the SDDPC staff who would provide services to the City as ACS employees.

PROPOSING FIRMS (listed alphabetically)	**IT SERVICE AREAS**			
	Data Center Services	**Application Development & Maintenance Services**	**Data/Voice Network Services**	**Service Desk & Desktop Support Services**
ACS State & Local Solutions, Inc.	Yes	Yes	Yes	Yes
Atos Origin, Inc. (aka Atos IT Solutions & Services, Inc.)	Yes	No	No	Yes
AT&T	No	No	Yes	No
CGI Technologies & Solutions, Inc.	Yes	Yes	No	Yes
CompuCom Systems, Inc. (Primary)	Yes	No	Yes	Yes
CompuCom Systems, Inc. (Alternative)	Yes	No	Yes	Yes
En Pointe Technologies Sales, Inc.	No	No	No	Yes
Wipro, Inc.	Yes	Yes	No	No

The City's RFP evaluation process was guided by input and assistance from the technical advisory consultant, Avasant. The responsive proposals were independently reviewed and scored by the RFP evaluation team comprised of seven City representatives from multiple departments. Because firms were allowed to propose services in any of the four stand-alone service areas, the proposals were evaluated and scored separately for each service area. Pursuant to the RFP, each firm was scored based on the weighted categories and subcategories (per service areas proposed) shown in Appendix A, Table 2.

After completing preliminary scores for Round One, five firms (ACS, Atos, AT&T, CGI, and Wipro) were invited for interviews and vendor oral presentations at the end of July 2011. At the conclusion of the oral presentations, the evaluation team completed final Round One scoring which resulted in four firms (ACS, Atos, AT&T, and CGI) being sent instructions and a request to submit their Best and Final Offer (BAFO) proposals.

The four BAFO proposals were independently reviewed and scored by the RFP evaluation team. The team then met and completed scoring the BAFO proposals for each service area, using the categories and subcategories shown in Appendix A, Table 2. As a result, three firms were invited to enter into contract negotiations for the four IT service areas, respectively, indicated below:

- Data Center Services: Atos IT Solutions & Services, Inc.
- Service Desk & Desktop Support Services: Atos IT Solutions & Services, Inc.
- Application Development & Maintenance Services: CGI Technologies & Solutions, Inc.
- Data/Voice Network Services: ACS State & Local Solutions, Inc.

Contract negotiations started in October 2011 and proceeded through February 2012. Notices of Apparent Award of Contracts were issued on November 1, 2011 (for Data Center Services, Service Desk and Desktop Support Services, and Application Development and Maintenance Services) and December 9, 2011 (for Data/Voice Network Services). As of February 24, 2012, contract negotiations were substantially completed with Atos for Data Center and Service Desk/Desktop Support services, and with CGI for Application Development and Maintenance services. Appendix D contains an overview of corporate information for Atos and CGI. Completion of negotiations with ACS has been delayed due to a protest lodged by AT&T for the Data/Voice Network Services and this service area is not being considered for approval action at this time.

STRUCTURE OF CONTRACTS

The negotiated agreements are based on two types of pricing: (1) annual fixed costs for "Run the Business" services, and (2) variable amounts for time and materials (T&M) work related to discretionary projects.

Fixed costs over five years are estimated at $90.8 million for the recurring services needed to keep the City's IT systems operational. Minor enhancements (tasks requiring less than 40 hours of effort) are also covered under fixed cost application support. The contracts allow for nominal variances in service levels without changing the fixed costs. This safeguard allows the City to adjust support according to normal business operations However, should a sustained increase or decrease in the volume of services occur, the price of the contract would be adjusted (up or down) to reflect the new volume.

The discretionary amounts, estimated at $26.9 million over five years, are based on the City's historical usage and negotiated hourly rates provided by the vendors. In the past, these discretionary expenditures have been used to complete major enhancements (e.g. required software upgrades to the Police Departments' Computer Aided Dispatch System, upgrade of the City e-mail system), replace legacy systems (e.g. SAP Customer Care Solutions project), as well as replace outdated hardware required to run City applications. Any discretionary project expenditures are subject to Council annual budget approval. The total five-year costs for the fixed and discretionary services are $117.8 million, which is detailed in Appendix A, Table 3.

TRANSITION COSTS

The City anticipates there will be one-time costs associated with the transfer of services between vendors because the legacy vendors will continue to provide support at the same time the new vendors are standing up their services. The overlap in service delivery will result in estimated one-time, FY2013 costs of $12.75 million, $6 million of it in General Fund. This cost has been included in calculating the City's savings discussed later in the report.

The one-time costs associated with the overlapping service delivery ensure that the City can continue to fund critical support for the Rose Canyon data center while Atos brings the new data center into operation, and support City applications while CGI takes over application maintenance services, as well as covering desktop support until Atos begins service in July, 2013.

LOCAL EMPLOYMENT OUTLOOK

Any comprehensive effort to replace outdated systems and processes will create efficiencies that require fewer staff. Understanding that there will be some job loss, the proposed vendors have made a significant effort to support the services with local San Diego staff. The Fiscal Year 2013 local IT staffing projections, provided by our current IT service providers, consist of 128 FTE positions that deliver IT services contained within the scope of these contracts. With approval of these contracts, and once the Service Desk / Helpdesk service areas have transitioned to Atos, 111 FTE positions will be delivering IT support to the City in these service areas near the end of the first contract year.

Local FTE Requirements							
	Current Environment		IT Sourcing RFP				Net Change
	SDDPC	En Pointe	ACS	Atos	CGI	City	
Applications/CRM	91				72	6	-13
Data Center	17			23			+6
Svc Desk/Desktop	3	4		10			+3
Corp. Overhead	13						-13

As shown in the table above, there are FTE reductions in applications and corporate overhead. Despite the reduction in current staffing levels, the vendors have committed to performance-based service contracts, which deliver industry standard benefits with fixed costs for recurring operational support. It is important to note that the reduction in local staffing levels does not equate to increases in staffing by the vendors. It is the vendors' responsibility to provide any resources necessary to meet the contractual service level requirements.

The vendors are utilizing a number of strategies that provide for jobs to be filled locally. They are filling positions with qualified SDDPC staff, have committed to using the City's EOCP and SLBE Programs, and are targeting the local job market. Beyond the

requirements in the RFP, the vendors have also initiated separate efforts to enhance employment opportunities and technology job training in the San Diego region. For example, Atos has started the work to create a collaborative effort to encourage high school students to seek careers in technology by engaging the San Diego Regional Chamber of Commerce, local businesses, high schools, and colleges, modeled after their successful InterAlliance program in Cincinnati (www.interalliance.org) and other cities where Atos provides services. CGI has similar community-based outreach programs.

OPERATIONAL BENEFITS – INDUSTRY STANDARD SERVICES

The City anticipates significant operational improvements and benefits from the "industry standard" services[2] that will be delivered as a result of these contracts. Specifically, each of the new vendors has committed to achieve industry standard service levels and to provide industry standard disaster recovery services capabilities. Furthermore, the new vendors have agreed to be financially accountable for failure to meet these service requirements, with appropriate enforcement mechanisms built into the contracts. This service guarantee is an important cost driver and is built into the new vendor costs charged to the City of San Diego.

In contrast, SDDPC provides no such service guarantee and has no such costs. To date, the City has operated in an uninsured (or self-insured) environment, where it would bear 100% of the cost of service failures. In contrast, the new vendors have contractually committed to absorb some of the risk of service failures, and must respond to and provide remedies, fixes and workarounds for service failures in order to mitigate the potential damage to the City. Moreover, if SDDPC were to provide an equivalent service guarantee to that of the new vendors, it would result in higher costs to the City. We have assigned an economic value of receiving industry standard services (displayed in the table below and also described in Appendix B) in order to estimate the cost of a service guarantee and to normalize the difference between the SDDPC supported environment and the proposed new vendor environment in order to arrive at a more accurate 'apples to apples' comparison of the services.

Projected Economic Value of Industry Standard Services Represented in Vendor Costs			
Improvement/Benefit	**Provided in Current Environment**	**Provided in new IT Contract Environment**	**Projected 5-Year Economic Value (included in vendor costs)**
Enforceable Financial Remedies for Failure to Meet Service Levels	No	Yes	$10.92 M
Disaster Recovery & Business Continuity	No	Yes	$1.74 M
Total			**$12.66 M**

[2] Typical baseline services associated with IT Service contracts have evolved to include contractual service level requirements with enforceable financial remedies, disaster recovery support services, use of IT best practices that result in efficiencies, etc.

Service levels with enforceable financial remedies, a key benefit of industry standard service contracts, are typically valued at 10% of contract amount. The $10.92 million over five years represents the "At Risk Amount"[3] for the proposed service providers. The Disaster Recovery and Business Continuity services are valued at approximately $1.74 million over five years, based on the price per square foot for a redundant facility and network costs to connect to the site. Additional benefits from these contracts include:

- Fixed-price contracts for IT "run the business" services provide predictability for planning the City IT spend
- Transparency in budgeting for IT services
- Accurate records of City-owned software and hardware assets
- Consistent application of IT governance processes, configuration management process and standards that reduce the cost of IT services for the City over time
- Analysis and documentation of the City's application portfolio, including a knowledge base that can be shared among multiple resources and support staff
- Depth and breadth of skilled staff to support City applications and systems, reducing the risk of relying on the experience and abilities of only a few key staff

The City will also look for future opportunities to leverage the sourcing contracts to meet additional service needs beyond the current scope. These opportunities include providing additional depth in applications support and increased disaster recovery capabilities for public safety IT services that were originally considered too complex to utilize the new service contracts.

SAVINGS

The two contracts for the three service areas recommended for award in this action are estimated to save the City approximately $7.4 to $20.1 million over five years, net of contractual transition and transfer of services costs. With a transition of this magnitude, there is an investment in one time transition costs that are typically recovered over a longer time frame. Thus, staff has negotiated pricing for a two-year option after the initial five-year term that will require Council approval. If the Council chooses to approve this option, which may be based on the performance of the vendors, total savings realized under these contracts will be approximately $21.6 to $39.4 million.

To determine the savings from this RFP effort, the City compared the costs for the steady state services in its current environment with the costs for steady state services proposed by the new vendors. In the cost comparison, steady state services consist of "Run the Business" services (these are the fixed cost services in the new vendor contracts), hardware, software and licensing costs paid directly by the City, services currently performed by other legacy providers such as En Pointe, staff support costs transitioned from SDDPC to the City, and discretionary application development and enhancement

[3] The "At-Risk Amount" represents a portion of the contract that vendors risk in order to pay damages for a failure to meet performance requirements.

support historically performed by SDDPC[4]. This analysis resulted in savings ranging from $7.4 to $20.1 million over five years (and $21.6 to $39.4 million over seven years).

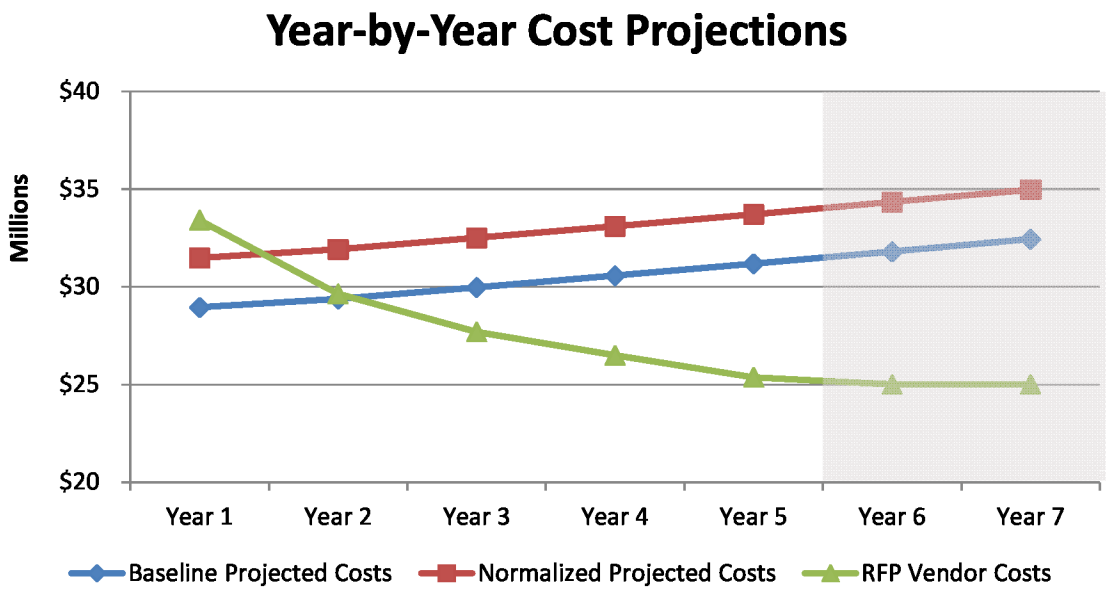
The lower end of the savings range represents a comparison of the current baseline spend projected over five (and seven) years, versus the negotiated vendor costs. The higher end of the savings range includes the economic value associated with the industry standard services ($12.7 to $17.8 million) that are built into the new vendor costs but are not part of the current legacy service environment. Including these values allows us to perform an apples-to-apples comparison of costs.

The savings calculation is based on an annual baseline cost of $28.9 million for the legacy service environment, which is projected out to a five year cost of $150 million. When adding an adjustment of $12.7 million to account for the costs to receive industry standard services in order to normalize the comparison between the legacy and new environments (shown in the table above), the normalized projected five-year cost is approximately $162.7 million.

The fixed costs for "Run the Business" services provided by the new vendors for the three services areas, shown in detail in Appendix A, Table 3, are $90.8 million over five years. When the legacy service cost components (described in Appendix C, Table 5) totaling $51.8 million over five years are included, a normalized five-year service comparison costs for the new service model is calculated at approximately $142.6 million.

Therefore, in comparing the legacy and proposed costs for the three service areas, the City can expect to save an estimated $7.4 million over five years compared to the projected baseline costs, or $20.1 million over five years compared to the normalized projected costs. If the Council chooses to exercise the two-year option after the initial five-year term, total savings are estimated at $21.6 to $39.4 million over all seven years. A comparison of the year-by-year total cost projections is shown in the chart below. Year 1 of the RFP Vendor Costs includes contractual transition costs for the new vendors, as well as costs associated with overlapping service delivery described in the "Transition Costs" section of this report.

[4] Only a portion of the vendor discretionary contract amounts described in the "Structure of Contracts" section of this report is included in the analysis to determine overall savings. The details related to the discretionary amounts included in the analysis are discussed in Appendix C.



The City will take over responsibility for services that are not included in the scope of work for the new vendors. The Customer Relationship Management (CRM) function is currently performed by SDDPC. The CRM function is the link between the centralized, vendor-management role provided by the Department of IT and the department-based IT service delivery role that manages the requests for IT services and priorities, based upon a thorough knowledge of department initiatives and goals. The CRM position will be involved in department IT budget planning, technology planning and RFP's, managing the demand of IT services to ensure that the costs and types of services are contained within contractual limits, and addressing any service performance issues. Although this function has been performed by SDDPC out of convenience, City staff should be providing this service internally, because retaining the institutional knowledge of department IT systems is critical as IT service providers change over time. Five new CRM staff positions will be proposed in the May Revision to the Fiscal Year 2013 Proposed Budget, and there will be a sixth CRM position in the Department of IT resulting from organizational restructuring. The historical cost of these services, approximately $940,000 annually, is recovered by SDDPC through overhead within their rates or via direct project charges. Transferring this service responsibility from SDDPC to the City will result in an estimated annual savings of $40,000. This cost, and savings, has been factored into the overall savings calculation associated with this RFP effort.

TRANSITION CONSIDERATIONS

Data Center Services and Application Development and Maintenance Services under these contracts will commence upon execution of the final contracts after City Council approval. The Service Desk and Desktop Support Services are planned to commence full operations on July 1, 2013. Transition timelines vary depending on the service area. Application support is expected to transition in approximately six months, service desk and desktop support services will require approximately four months of effort, and the migration of the data center is expected to require a full year.

As part of the RFP, the City required the vendors to offer employment to key personnel with lengthy and deep knowledge essential to the continuity of services. Vendors were also evaluated on the scope and methodology of their proposed transition plans, including minimizing risk to the City.

The City has assigned a Program Manager position to oversee the overall IT Sourcing/Vendor Services, and additional Program Managers to oversee each of the Service Areas. The CRM positions will work with the Sourcing Managers to manage the demand and delivery of IT services at the department level.

The Program Managers will use contract documents (including a Master Services Agreement, IT Service Management statement of work, "Responsibility, Accountability, Communication, Information" [RACI] charts delineating each parties responsibilities, Service Level Requirements and Fee Reduction Weighting Factors) negotiated with each vendor, together with a governance framework providing operational and contractual review, to manage service delivery. There will also be Operating Level Agreements between the vendors to manage service delivery within the overall governance framework. Detailed transition plans addressing additional coordination issues will be developed after the contracts are signed.

The City is currently working closely with the vendors and SDDPC to address issues and personnel concerns associated with a change of this magnitude. Uncertainty about the approval of contracts and timing of implementing the IT sourcing contracts increases the risk that existing personnel will pursue other employment opportunities. The SDDPC Board has implemented retention plans to help mitigate the operational impacts that could result from the departure of key resources before transition has occurred. The vendors have extended employment offers, contingent upon approval of the IT sourcing contracts, to SDDPC personnel that are expected to transition to the new IT service delivery model.

The City and SDDPC have established security best practices and have deployed technical solutions to secure City data and systems. Although administrative level rights are required to support City systems, the principle of "least privilege" is followed to mitigate security risks. Individual administrators are provided the lowest level of permissions required to perform the work and a limited number of staff have administrative access to City systems and data. SDDPC and the City have also implemented tools and processes to track system access, permission changes and administrator initiated changes. While no system is foolproof, these measures are regularly reviewed to determine if additional steps should be taken to properly safeguard City systems and data.

FISCAL CONSIDERATIONS:

These combined contracts for IT Services (Data Center Services, Service Desk and Desktop Support Services, and Application Development and Maintenance Services) will result in not to exceed five-year costs of $117,767,528, inclusive of approximately $3.7 million in one-time contractual transition costs for the new vendors in the first year. The

total anticipated amount for the subsequent optional two-year term is estimated to be $43,560,800. In addition, there will be one-time costs in Fiscal Year 2013 estimated at $12.75 million, $6 million of it in General Fund, as a result of overlapping service delivery as data center, desktop support, and application services are transferred to the new vendors. This action is expected to result in savings of approximately $7.4 to $20.1 million over five years and, if the additional two-year option is approved by City Council, there would be savings of approximately $21.6 to $39.4 million over seven years.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

City Council, at their Dec. 6, 2010 meeting, adopted Resolution R-306418 (Dec. 9, 2010), accepting the initial IT Sourcing Strategy report and requesting an updated IT Sourcing Strategy to meet certain conditions be brought back for City Council approval prior to issuing any RFP for IT services; also authorizing the Mayor or his designee to exercise the City's options for Phase 2 (RFP Development) and Phase 3 (Proposal Evaluation & Vendor Selection) in the contract with Avasant LLC.

City Council Committee on Rules, Open Government, and Intergovernmental Relations, at their Jan. 12, 2011 meeting, referred the Updated IT Sourcing Strategy report to full City Council without recommendation; except that, any RFP for IT services should exclude offshore service provision.

City Council, at their March 14, 2011 meeting, adopted Resolution R-306683 (March 25, 2011), accepting the Updated IT Sourcing Strategy report.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

None.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

All City departments will be impacted by the changes in how and by whom the City receives its IT services. Citywide cost savings and improvements in service delivery are expected, after a reasonable transition and migration period, which will vary depending on the specific service area.

ATTACHMENTS:

None.

Jeff Leveroni
Director
Department of Information Technology

Jay M. Goldstone
Chief Operating Officer

Table 1.

IT Service Area	Summary of Primary Services
Data Center Services	• Provide a secure data center facility that meets minimum national standards (designated as 'Tier 3' or higher) • Manage and operate all City computing equipment located in either the new data center facility or existing City facilities; e.g., management and administration of databases, storage devices, and messaging systems • Provide Disaster Recovery and Business Continuity (DR/BC) services; e.g., data backup, secure off-site storage for backup data, and data recovery
Data/Voice Network Services	• Manage and support the current data and voice network systems and services • Transform network services into a converged data/voice network environment; e.g., take advantage of current technologies (such as Voice-over-IP or "VoIP") to replace the outdated analog voice equipment with digital systems • Manage and operate the future converged network systems and services • Provide network security services in both current and future environments
Application Development and Maintenance Services	• Support and maintain current City software applications • Provide enhancements or upgrades for existing applications, where necessary • Provide development or programming of new applications • Provide application strategy, planning, and analysis (including architecture and design)
Service Desk & Desktop Support Services	• Provide a single point of contact for reporting problems or requesting services • Manage and track trouble calls and service requests from initiation through resolution • Support end-users over the phone and onsite • Install, move, change, and repair computer equipment and software

Table 2.

RFP Scoring Categories & Subcategories	Round One Weighting	BAFO Round Weighting
[1] Business	**25.0%**	**20.0%**
[1a] Vendor Compliance with RFP Process	2.0%	1.0%
[1b] Vendor Profile	8.0%	5.0%
[1c] Relationship Management & Vendor Staffing	7.0%	5.0%
[1d] Equal Opportunity Contracting Program (EOCP)	8.0%	4.0%
[1e] References – Business View (BAFO only)	n/a	2.0%
[1f] Site Visits – Business View (BAFO only)	n/a	3.0%
[2] Technical	**29.0%**	**25.0%**
[2a] IT Service Management & Lifecycle Services	7.5%	5.1%
[2b] Data Center Services	5.6%	3.8%
[2c] Voice, Data, & Converged Network Services	7.5%	5.1%
[2d] Service Desk & Desktop Support Services	1.9%	1.3%
[2e] Application Development & Maintenance Services	6.5%	4.5%
[2f] References – Technical View (BAFO only)	n/a	2.6%
[2g] Site Visits – Technical View (BAFO only)	n/a	2.6%
[3] Cost	**29.0%**	**35.0%**
[3a] Data Center Price	5.8%	6.8%
[3b] Voice, Data, & Converged Network Price	7.7%	9.0%
[3c] Service Desk & Desktop Support Price	1.9%	2.3%
[3d] Application Development & Maintenance Price	6.8%	7.9%
[3e] Other Costs (e.g., Termination Fees, Transition Fees, Hourly Rate Card)	6.8%	9.0%
[4] Risk	**17.0%**	**20.0%**
[4a] Contractual & Pricing Risk	9.4%	11.1%
[4b] Transition, Migration, & Transformation Risk	7.6%	8.9%

Table 3.

IT Service Areas:	Data Center Services	Service Desk & Desktop Support Services	Application Development & Maintenance Services	All IT Service Areas
Prime Contractor:	Atos IT Solutions & Services, Inc.	Atos IT Solutions & Services, Inc.	CGI Technologies & Solutions, Inc.	All Vendors
Contract Year 1 (FY2012-FY2013)	$6,715,028	$515,599	$8,398,214	$15,628,841
Contract Year 2 (FY2013-FY2014)	$7,306,356	$2,105,069	$11,640,185	$21,051,610
Contract Year 3 (FY2014-FY2015)	$6,895,716	$1,830,780	$10,503,572	$19,230,068
Contract Year 4 (FY2015-FY2016)	$6,599,628	$1,811,424	$9,611,812	$18,022,864
Contract Year 5 (FY2016-FY2017)	$6,344,736	$1,748,100	$8,813,260	$16,906,096
5-Year Fixed Subtotals	**$33,861,464**	**$8,010,972**	**$48,967,043**	**$90,839,479**
Projected 5-Year Discretionary	$4,770,302	$480,658	$21,677,089	$26,928,049
5-Year Totals	**$38,631,766**	**$8,491,630**	**$70,644,132**	**$117,767,528**
Contract Year 6 (FY2017-FY2018)	$6,344,736	$1,748,100	$8,451,187	$16,544,023
Contract Year 7 (FY2018-FY2019)	$6,344,736	$1,748,100	$8,451,187	$16,544,023
7-Year Fixed Subtotals	**$46,550,936**	**$11,507,172**	**$65,869,417**	**$123,927,525**
Projected Years 6-7 Discretionary	$888,264	$209,772	$9,374,720	$10,472,756
7-Year Totals	**$52,209,502**	**$12,197,602**	**$96,921,226**	**$161,328,330**

This table displays the negotiated fixed costs and estimated discretionary amounts by service area and vendor for both the five year period which is recommended for approval by City Council and the additional two-year optional period. In Contract Year 1, the fixed costs for Data Center and Application Development and Maintenance Services reflect only a partial year of operations, since these services are being transitioned to the vendors over several months during the year. One-time transition and migration costs for services provided by the new vendors are also included in Contract Year 1 for the Data Center Services ($2.725 million) and in Contract Years 1 and 2 for the Service Desk and Desktop Support Services ($1.031 million), both of which occur in Fiscal Year 2013.

The costs in Table 4 were determined using a combination of historic cost data, Fiscal Year 2011 actual expenses, current Fiscal Year 2012 budget amounts, and projected Fiscal Year 2013 costs. Based on this annual cost determination, the projected five-year baseline costs for the legacy environment are estimated at $150 million.

The projection assumes a 1.5% inflation increase in year two, and then a 2% increase for the following years. This assumption is based on projections made by private Blue Chip analysts, the Congressional Budget Office' projection of real US GDP growth (ranging from 3%-4%), and changes in the US consumer price index of approximately 2% per year through 2015.

Table 4.

Annual Baseline Cost	
Current Environment Service Area	**Annual Cost**
Service Desk & Desktop Support Services	$3,412,924
Application Support Services, including Customer Relationship Management ("CRM") costs of $940,390	$17,788,989
Data Center Services	$7,746,304
TOTAL BASELINE	**$28,948,217**

Calculating the Value of Industry Standard Services
(used for "Normalized Projected Costs")

For the IT services being proposed in this action, the applicable factors used to perform a cost analysis include:

- Industry Standard Service Levels
  - The City will receive industry standard service levels with enforceable penalties for a failure to meet performance requirements. This is significantly different from the SDDPC supported IT services, as there are no enforceable service level with penalties for non-compliance in the current service environment. Enforceable service levels provide the City with the ability to more effectively manage service providers, and reduce the incidence, risk and financial cost of service level failure.
  - Vendors factor the cost of service level compliance into their price through a concept known as the "At-Risk Amount," which represents a portion of contract that vendors risk in order to pay penalties and damages for a failure to meet performance requirements. The City has assumed an At-Risk Amount of 10% of annual fees based on the most recently negotiated price with each of the vendors for the respective service areas. The total value of $10.92 million over five years is broken down by service area as follows:

Service Desk & Desktop Support Services	= $0.9 million
Application Support Services	= $6.9 million
Data Center Services	= $3.1 million

- Disaster Recovery and Business Continuity Services
  - The City will be migrating to a 'turnkey' Tier 4 data center (as defined by the Uptime Institute) that will support Disaster Recovery and Business Continuity services not easily obtainable in our current environment.
  - An additional redundant Tier 3 data center facility connected through secure fiber will further reduce the risk and cost of large-scale service failures.
  - The value of approximately $1.74 million over five years is based on the price per square foot for the ability to use a redundant facility and network costs to connect to the site.
    - 2,000 Square Feet @ $114/year per sf upgraded facility value
    - Network $120,000 annually

Legacy Service Cost Components
(for Calculating the Vendor "Service Cost" Comparison)

The service contracts for the new vendors cannot be fairly compared to the legacy service costs without adjusting them to reflect additional components. These adjustments address:

- Costs included in the legacy service contracts that are not included in the service contracts with the new vendors.
- Existing licensing agreements paid by the City that represent a significant portion of the service area costs (e.g., enterprise software licensing for desktops).
- Costs from existing providers for services delivered during the transition period to ensure continuity of service.
- Time and Materials (discretionary) costs included in the new vendor contracts for the portion of work that has historically been provided by the legacy service provider and is reflected in the legacy baseline service costs.
- Discretionary costs included in the new vendor contracts required for the transition.

Only a portion of the new vendor's discretionary contract amounts identified in Appendix A, Table 3 is included in the analysis to determine overall savings. The estimated discretionary costs for the new contracts are based on past experience and projections of new project needs (e.g., implementing Enterprise Asset Management as part of the City's SAP system, replacement of older Computer Aided Dispatch systems); however, these estimates include services that were not historically provided through SDDPC and would not be reflected in the baseline costs. Therefore, only $18.4 million of the $26.9 projected 5 year discretionary costs identified in Appendix A, Table 3 are included in the cost comparison.

The table below identifies the additions needed to the fixed price ("Run-the-Business") costs so that the proposed service costs can be compared fairly with the legacy service costs.

Table 5.

Additional Service Cost Inputs for "Service Comparison Costs"		
Component	**5-Year Cost**	**7-Year Cost**
Centralized HW/SW Maintenance and Licensing (includes server and PC maintenance, enterprise licensing for desktop software, antivirus, enterprise messaging tools, etc.)	17,713,595	25,301,322
FY2013 Data Center, Desktop, Security & Application Support from Legacy Provider (SDDPC)	9,924,578	9,924,578
FY2013 Help Desk & Desktop Support from Legacy Provider (En Pointe)	1,200,000	1,200,000
Customer Relationship Management (CRM) staff moved to City	4,500,000	6,300,000
CGI Application Support for Data Center Equipment Moves	390,500	390,500
CGI Application Development and Enhancement Support for the Volume of Services Historically Provided by the Legacy Provider (SDDPC)	18,057,669	25,609,669
Total Additional Service Cost Components	**51,786,342**	**68,726,069**

Overviews of Proposed IT Services Vendor Firms

The following information is an overview of the two companies which are being proposed to provide IT Services under the contracts resulting from RFP #10015345-11-Z

[1] **Atos IT Solutions & Services, Inc.**
(Data Center Services and Service Desk & Desktop Support Services)

U.S. Headquarters:	Norwalk, CT
State of Incorporation:	Delaware (1993)
Annual Revenue:	~ $12 billion
Years of IT Outsourcing:	25+
# of U.S. Employees:	~ 3,692 (All services) ~ 2,800 (IT services)
Local Staff (for City contract):	33
% of Revenue from State/Local Government Clients:	~ 27%

[2] **CGI Technologies & Solutions, Inc.**
(Application Development & Maintenance Services)

U.S. Headquarters:	Fairfax, VA
State of Incorporation:	Delaware (1970)
Annual Revenue:	~ $4.5 billion
Years of IT Outsourcing:	35+
# of U.S. Employees:	~ 3,741 (All services) ~ 2,708 (IT services)
Local Staff (for City contract):	72
% of Revenue from State/Local Government Clients:	~ 36%