



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: August 2, 2018

IBA Report Number: 18-25

City Council Docket Date: August 7, 2018

Item Number: 101

Review of Third Amendment to Agreement with HP for Computer Equipment

OVERVIEW

The Department of Information Technology (DoIT) is requesting to increase the spending authority for the contract between the City and HP, Inc., which is used to purchase computer equipment, to \$10.6 million. This item was before City Council for consideration in the fall of 2018. At that time, City Council opted to increase the contract to a lesser amount of \$5.1 million and requested the DoIT to return with further information. This report provides a background of the history of this contract with HP, as well as a review of the requested action.

HISTORY

Following is a timeline of the actions taken regarding this contract, including the two previous contract amendments.

- February 2016: The agreement between the City and HP was executed under Mayoral authority for an amount not to exceed \$3 million and ending March 2017.
- March 2017: The first amendment to the contract was executed to extend the contract out to March 2020. This allowed for continued computer equipment purchases within the original contract amount of \$3 million.
- October 2017: At the Budget and Government Efficiency Committee, the DoIT presented a request to increase the not-to-exceed amount of the contract to \$10.6 million to allow for computer equipment purchases for the City through the end of the contract (March 2020). At this meeting, the Office of the IBA noted that certain details were lacking in the report provided to the Committee, particularly a breakdown of the projected expenditure amounts. Our office recommended that Committee either a) request the department include the missing information when the item was presented to City Council or b) reduce the not-to-exceed amount to \$5.1 million which was sufficient to cover purchases through FY 2018. The Committee approved the item to move

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202 C STREET MS 3A SAN DIEGO, CA 92101

TEL (619) 236-6555 FAX (619)-236-6556

forward to City Council with a request that DoIT include the additional information as identified by the IBA.

- November 2017: As noted in the IBA comments at the City Council meeting, the DoIT included the additional information requested in their staff report which supported the requested \$10.6 million not-to-exceed amount. With this additional information, our office was supportive of approving the second amendment to the contract. However, City Council requested the DoIT return to Budget and Government Efficiency Committee with a detailed blueprint for upgrading the City's IT needs and approved increasing the not-to-exceed amount of the contract to \$5.1 million to allow for purchases through FY 2018. As a result, the second amendment to the contract was executed to increase the not-to-exceed amount to \$5.1 million.
- March 2018: The DoIT presented the IT Strategic Plan, including a 5-Year PC Replacement Forecast, to the Budget and Government Efficiency Committee.
- August 2018: Having met City Council's request from November 2017, the DoIT has returned to request the increase to the not-to-exceed amount to \$10.6 million to cover computer equipment purchases through the end of the contract (March 2020).

FISCAL/POLICY DISCUSSION

The contract between the City and HP is for as-needed equipment. The not-to-exceed amount is an estimate of needs and is not a guarantee to HP. All funding for the equipment purchased comes from the annual budget, as approved by City Council.

The DoIT estimated needing \$5.1 million of spending authority on the contract through FY 2018. They spent approximately \$4.9 million. The DoIT indicated that the unforeseen and urgent relocation of staff out of Executive Complex delayed some computer equipment purchases.

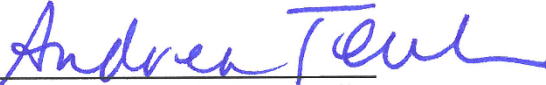
The funding for General Fund desktop PC replacement is budgeted within the DoIT. As was noted in the IBA Review of the FY 2019 Proposed Budget (report 18-08), this budget was increased significantly for FY 2019 in order to get the General Fund on a 5-year PC replacement schedule. This is reflected in the expenditure estimates provided by the DoIT. Desktop PC replacements for non-general fund departments as well as replacement of laptops/tablets and purchases of new computers and associated equipment (for all funds, including the General Fund), are included in the specific departments' budgets. The DoIT has estimated expenditures for these items based on historical spending.

CONCLUSION

As with this request when it was brought forward in November 2017, and given the information provided by the DoIT in the staff report, we recommend approval of this item.



Angela Colton
Fiscal & Policy Analyst



APPROVED: Andrea Tevlin
Independent Budget Analyst