
OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Renewal of En Pointe Help Desk & Desktop Services Contract

OVERVIEW

On Monday, March 14, 2011, the City Council is being asked to approve actions to authorize the Mayor to execute the City's option for a two-year extension to the Help Desk and Desktop Support Services Contract with En Pointe Technologies, Inc. for a total amount not to exceed \$1,254,540 annually for Fiscal Year 2012 and Fiscal Year 2013. Funding for these extensions is contingent on the approval of the annual budget for each fiscal year.

The Purchasing and Contracting Department issued a Request for Proposals (RFP) in September 2009 for Help Desk and Desktop Services for the City, excluding the Police Department. The RFP requested extended service hours as well as value-added services, beyond current levels. Previously these services were provided by the San Diego Data Processing Corporation (SDDPC). En Pointe Technologies, partnering with a local San Diego-based company, Gray Systems, was selected as the winning proposer. The City Council approved the contract with En Pointe on April 12, 2010, for a contract period beginning August 1, 2010. The En Pointe contract is structured as a one year agreement, with two two-year options for extension.

The Council's April 2010 approval included an amendment requiring a sourcing strategy for information technology services, and a strategic plan for SDDPC; quarterly reports on En Pointe's performance; equal opportunity contracting monitoring; approval of a one-year agreement (only) with a not-to-exceed amount of \$1.23 million; and requirement for Council approval for extensions to the term.

FISCAL/POLICY DISCUSSION

En Pointe began providing Help Desk and Desktop Support services in August 2010, with an expected stabilization period of three months. During that time, two reports have been made to the Rules Committee, including service level information and performance statistics in the form of dashboard reports. The number of reported incidents has been well within the contracted levels. The number of incidents in 2009 totaled 42,000 (or 3,500 per month). In its written responses to Councilmember questions, City staff has indicated that current monthly incidents are approximately 2,000. The proposed actions include the transition of the Police Department Help Desk which is estimated to increase En Pointe incident numbers to approximately 3,000. The contract currently provides for monthly incidents of 4,500.

The contract provides for changes in incident volume and pricing. As City staff has explained in its written responses, reducing the number of incidents from 4,500 to 3,000 would save \$100,000 annually. City staff has recommended the retention of the current monthly level of 4,500, and now recommends the proposed transition of the Police Help Desk, saving the General Fund \$250,000 each year, by eliminating additional contractual services.

It is important to note that each incident over the contract amount costs \$18.00. At \$18 each, \$100,000 would allow for 462 excess incidents each month. If the City were to keep the same contract cost (as proposed), the City retains capacity of up to 4,500 incidents, which is estimated to exceed needed levels by 1,000 incidents per month. The IBA believes this approach is sound given the added cost for excess incidents, and the limited number of months of actual experience operating under this new arrangement, and due to the transition of the Police Help Desk.

Savings from the En Pointe Contract

Cost data reviewed by the IBA reflects SDDPC costs for services provided to the City for FY 2010 totaled \$39.4 million; of this, \$2.78 million was assigned to Help Desk and Desktop Support Services.

Upon analysis of SDDPC Help Desk costs, and following a comparison of these costs with the specific services included in the scope of work for the City RFP for Help Desk and Desktop Support Services, FY 2010 comparable costs for these services as provided by SDDPC total \$2.3 million. This constitutes the baseline costs for this function for comparison to determine annual savings. Costs excluded in this analysis are attributable to Altiris (software to remotely access, operate and install applications on workstations at other sites) and Symantec (anti-virus software) which, while accounted for as part of Help Desk and Desktop Support Services in FY 2010, continue to be functions performed and provided by SDDPC.

SDDPC's initial bid in response to the City's RFP totaled \$1.8 million. A subsequent proposal or revision was developed, which reflected a reduced bid price of \$1.6 million. However, the reduced bid proposal for SDDPC was not included in the evaluation process as it was received beyond the submission date, and could not be considered the official bid. The competitive process resulted in a reduction to SDDPC's planned costs for this function of \$500,000 (and perhaps as much as \$700,000).

En Pointe's initial bid for year one totaled \$1.23 million; year two and three costs reflect a slight increase to \$1.25 million. Comparing the \$1.23 million bid to the FY 2010 SDDPC actual costs of \$2.3 million results in the estimated annual cost savings of \$1.1 million. Mr. Ian Trowbridge has stated that the cost comparison should be made relative to SDDPC's revised bid of \$1.6 million (instead of FY 2010 actual costs); doing so reduces the estimated savings to just \$370,000. The IBA believes that it is appropriate to compare En Pointe's winning bid (and approved contract amount) with SDDPC's prior year actual costs to determine the annual savings to the City's budget. This is the typical practice the City and IBA use in evaluating and analyzing budgetary information and budgetary savings year over year.

It is not customary to determine the savings by comparing the winning bid to the next lowest bid, especially utilizing unofficial bid figures. Such a comparison ignores the \$500,000 in budget savings that SDDPC offered only as a result of the imposition of a competitive process.

Not captured in the estimated savings is the Prompt Payment Discount of 3% included in the En Pointe agreement, if payments are made within 10 days. The 3% payment discount could result in as much as \$37,000 in additional savings each year.

SDDPC transition costs due to the discontinuation of the Help Desk and Desktop Support function has been reported at approximately \$368,000. The IBA has not evaluated the specific components of these transition costs, and understands a significant portion is due to the "write-off" of costs for the Customer Relationship Monitoring (CRM) software that is no longer needed by SDDPC. It should be noted that the SDDPC transition costs are not directly billed to the City of San Diego as they are incurred, and are funded from existing SDDPC resources.

Contract Oversight and Contractor Performance

The IBA has met with Department of Information Technology (IT) staff and with representatives of En Pointe. En Pointe described the process utilized and the data sources used to compile the monthly performance and dashboard figures reported to the City to assess service levels. IT staff discussed the mechanisms in place that allow the City to access call and incident information to validate source data, and which allows the City to randomly select recorded calls to evaluate customer service and to compare to written documentation logs of services performed.

The IBA learned of the relationship between calls and incidents; it is possible that several calls to the Help Desk can be triggered by one malfunction or issue that has impacted several users. These calls can be linked in the tracking system (designated as parent-child incidents), and causes the number of calls received to differ from the number of reported incidents. Contract volume is based on incidents. It is unclear how these types of related calls were treated in the past by SDDPC, and could be one reason for the apparent reduction in numbers of incidents from past counts.

Independently, the IBA contacted specific City departments to hear first-hand of their experience with the Help Desk and En Pointe, and asked them to contrast this with the service previously provided by SDDPC. City staff indicated that service from En Pointe is comparable to that received by SDDPC. Questions and discussions have arisen regarding the handling of Tier 2 calls, which are typically referred to departments for the handling of department-specific equipment or software applications. City staff has indicated that improvement in this area is desirable, and that they are working to provide department-specific instructions as resources that can be utilized by En Pointe Help Desk staff, in an effort to hopefully eliminate the need to refer recurring issues to departments as Tier 2 incidents. However, it was pointed out that this same concern existed previously even with SDDPC. It is recognized that En Pointe has provided the service for just six months and will likely improve as familiarity is gained with the City's unique circumstances and services.

Police Department Transition to En Pointe

The Police Department currently contracts with Techsystems for information technology support; three consultant positions are dedicated to the department on a full-time basis at an annual cost of \$368,000. One of these positions is dedicated to mapping/GIS functions. The Techsystems contract is administered by SDDPC, and these services have been provided for approximately ten years. The Police Department Help Desk hours of operation are currently 7 am to 5 pm Monday through Friday.

As part of the allocated costs for the Help Desk function, the Police Department also contributes funding for the En Pointe agreement: \$232,953 for FY 2011, and \$213,283 estimated for FY 2012. Costs are allocated to each City department based on the number of departmental computers as reported in annual inventories.

Transitioning the Police Department Help Desk function from Techsystems to En Pointe (under the current agreement) will permit the Techsystems agreement to be reduced by approximately \$250,000, reducing the consultant staffing from three to one, retaining only the mapping/GIS resource. By utilizing En Pointe, the Police Department will have access to extended hours of availability for Help Desk services which will expand to twenty-four hours a day, 365 days per year.

Limited Alternatives to Council Approval of Two-Year Term

The actions request approval by the City Council of a two-year extension to the contract term with En Pointe. The question has been posed as to alternatives to the En Pointe extension.

The current expiration of the one-year term in the agreement with En Pointe will occur July 31, 2011. Arrangements would need to be made to ensure a provider is available starting August 1, 2011. It would be difficult to initiate, complete and schedule for Council consideration a new competitive selection process within the next four months. The time between RFP issuance and Council approval for the current En Pointe agreement was approximately seven months. Time would also be needed for possible transition if a new provider was selected.

In the absence of a competitive process, selection of a service provider can be done on a sole-source basis, given certain conditions. According to Council Policy 300-07 entitled Consultant Services Selection, "in particular instances it may be desirable to use a "sole source" consultant. This decision must be based on circumstances where competition is not feasible and such selection must be adequately justified. Such justification must contain substantive reasons as to why only one firm was selected and must reference specific items such as time constraints, cost savings and unavailability of similar expertise." Discontinuing the services of En Pointe and utilizing a sole-source justification to select an alternative provider is not recommended, given current circumstances.

Questions regarding the two-year term of the requested extension have been raised. The original agreement was negotiated with a five-year term, structured as a one-year agreement, with options for two two-year term extensions. At the time of initial approval, the City Council directed that the options for extension should be exercised only by subsequent approval of the City Council. Without this direction, the Mayor could have authorized the extensions unilaterally.

The question has been asked if the two-year term of the extension could be reduced to one year. The City Attorney has indicated that such a change could be made with the agreement of both parties. Negotiations to accept a change could result in additional requests for changes, which could include additional costs or changes to other contract terms. Reducing the extension term to one-year may be considered unnecessary, as the current agreement allows for termination for convenience by the City with a thirty-day notification (by the Purchasing Agent), and permits costs to be pro-rated. This means that while a two-year term would be authorized if Council approval is obtained, notification to terminate could theoretically occur at any time during the two-year period. It is important to note that a successor service provider would need to be selected in advance to provide needed services at the conclusion of the thirty-day notification period.

Impact of Information Technology Sourcing Strategy

The Updated Information Technology Sourcing Strategy (Item 152) includes the Help Desk and Desktop Support function to be included in the Requests for Proposal (RFP) as one of the options that the City could exercise at its discretion. As discussed in the Strategy, the RFP is planned to be issued in March 2011, with proposals due in May 2011. Providers are expected to be selected in June/July 2011, with services to begin to be provided in January 2012, provided these key milestone dates are met. The Strategy indicates that the Help Desk option could be considered after year 3, meaning it is planned that En Pointe would continue to provide this service for Fiscal Year 2012 and Fiscal Year 2013. A possible alternative provider of the Help Desk function could begin in Fiscal Year 2014, depending on proposals received.

The En Pointe agreement and the IT Sourcing Strategy are complementary in that the Strategy plans for En Pointe to continue to provide Help Desk services for the next two-year period, as proposed, and then permits a transition, depending on the results of the upcoming competitive selection process. As previously discussed, En Pointe's agreement permits early termination prior to the completion of the two-year term, if it determined that other options should be implemented. The IT Sourcing Strategy should not be considered an obstacle to approving the two-year extension to the En Pointe contract. The Help Desk function needs to continue to be operational during the competitive selection process for the other IT functions.

CONCLUSION

On Monday, March 14, 2011, the City Council is being asked to approve actions to authorize the Mayor to execute the City's option for a two-year extension to the Help Desk and Desktop Support Services Contract with En Pointe Technologies, Inc. for a total amount not to exceed \$1,254,540 annually for Fiscal Year 2012 and Fiscal Year 2013. Funding for these extensions is contingent on the approval of the annual budget for each fiscal year.

Several questions have been raised during presentations made at the Rules Committee, and City staff has provided thorough responses. The IBA has met with Department of Information Technology (IT) staff and with representatives of En Pointe. En Pointe described the process utilized and the data sources used to compile the monthly performance and dashboard figures reported to the City to assess service levels. IT staff discussed the mechanisms in place that allow the City to access call and incident information to validate source data, and which allows the City to randomly select recorded calls to evaluate customer service and to compare to written documentation logs of services performed.

Transitioning the Police Department Help Desk function to En Pointe (under the current agreement) will reduce General Fund costs by \$250,000. By utilizing En Pointe, the

Police Department will have access to extended hours of availability for Help Desk services which will expand to twenty-four hours a day, 365 days per year.

The En Pointe agreement and the IT Sourcing Strategy are complementary in that the Strategy plans for En Pointe to continue to provide Help Desk services for the next two-year period, as proposed, and then permits a transition, depending on the results of the upcoming competitive selection process.

The IT Sourcing Strategy should not be considered an obstacle to approving the two-year extension to the En Pointe contract. The Help Desk function needs to continue to be operational during the competitive selection process for the other IT functions.

Based on the review of the proposed actions, discussions with City departments regarding service quality and the necessity to continue the provision of Help Desk services, the IBA recommends City Council approval of the actions for a two-year extension to the agreement with En Pointe.

[SIGNED]

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