



3.29

DEPARTMENT OF  
FINANCE

CITY OF SACRAMENTO  
CALIFORNIA

5730 24TH STREET  
BUILDING FOUR  
SACRAMENTO, CA  
95822-3699

PROCUREMENT SERVICES DIVISION

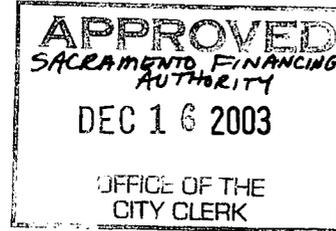
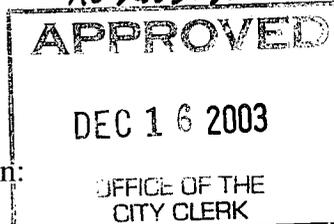
December 2, 2003

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PH 916-433-6240  
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AG 2003-233

City Council  
Sacramento, California



Honorable Members in Session:

**SUBJECT: UPGRADE OF IBM ENTERPRISE SERVER; AUTHORIZATION FOR CITY TREASURER TO SEEK RELATED FINANCING; AND RESOLUTION OF OFFICIAL INTENT OF THE SACRAMENTO CITY FINANCING AUTHORITY TO REIMBURSE CERTAIN EXPENDITURES FROM PROCEEDS OF INDEBTEDNESS**

**LOCATION AND COUNCIL DISTRICT:** Citywide

**RECOMMENDATION:**

Staff recommends that:

- The City Council adopt specifications and accept the lowest responsible bid resulting from Bid No. 1911 for the purchase of an IBM computer eServer System, software and maintenance. Award is recommended to Denver Solutions Group (DSG), in the total amount of \$1,362,950.57.
- The City Council authorize the City Treasurer to seek funding for this purchase in an amount not to exceed \$1,510,000, which includes fees and interest over a 5-year period.
- The Sacramento City Finance Authority adopt the attached resolution permitting reimbursement of expenditures from the proceeds of the financing.

**CONTACT PERSONS:** Ric Elkins, Interim Computer Services Manager, 808-5838  
Sally Nagy, Chief Information Officer, 808-8600  
Dennis Kerhulas, Senior Buyer 433-6242

**FOR COUNCIL MEETING OF:** December 16, 2003

**SUMMARY:**

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Attached is a tabulation of sealed bids received by the City Clerk for furnishing materials and services used in the bidding process and recommendation for award of the Bid No. 1911 for an IBM computer eServer System and maintenance. Award is recommended to Denver Solutions Group, 39 Quail Court, Suite 105, Walnut Creek, CA 94596, in the total amount of \$1,362,950.57. Authorization is also sought to finance this purchase and to allow the proceeds of the financing to be used to reimburse expenditures made prior to the issuance of the debt.

## **BACKGROUND:**

### Current Environment

- The City's mainframe computer operating system is one generation behind current technology and will no longer be supported by IBM after September 30, 2004. This puts the City at risk of a system failure that may impact critical financial and/or HR/Payroll processing. The existing IBM enterprise server infrastructure cannot support an operating system upgrade to the current level.
- The existing disk storage devices are over 11 years old, and are based on technology introduced over 14 years ago. These storage devices have reached the end of their useful life and are beginning to experience a high failure rate that has the potential to adversely impact City processing as well as overall information integrity
- Current tape storage devices utilized for system data archives and critical business system back-ups are over 11 years old, and are based on technology introduced over 20 years ago. These tape storage devices are also at the end of their useful lives. They are beginning to experience unusually high failure rates, usually requiring direct operator intervention, maintenance service calls, sometimes resulting in delays in business system access and availability during normal morning business hours.

### Target Environment

- The City would be able to take advantage of special pricing, which allows the City to acquire and maintain the latest IBM eServer System for a 5-year period without requiring additional general fund resource appropriations.
- The existing IBM Enterprise System would be replaced with the new IBM eServer System. Combined with the current operating system, this new eServer System can run a mix of traditional mainframe applications as well as support the transition towards open system technology and WEB based business applications.
- The current twelve disk storage devices would be replaced with one disk storage device that can be utilized to support mainframe business applications as well as distributed or network based business applications. This storage device would increase our data storage capacity by 800% and increase the speed of data transfers by over fifty times our current data capability. This increase in both storage and data transfer capacity would enable

more efficient and more effective data back-up processes, reducing the risk associated with business application failures.

- The new IBM eServer System would reduce our electrical consumption by over \$25,000 each year. In addition, floor space allocated within the data center would be reduced nearly two-thirds, freeing up space for a network system lab supporting development, testing and maintenance of more efficient WEB based business applications.

Alternatives:

- Status Quo:

The Information Technology Department could continue to operate with unsupported versions of the operating system after September 30, 2004. This places the City's financial systems and HR/Payroll systems at risk. Disk storage and tape back-up equipment failures will continue to occur more frequently increasing the likelihood of those business applications being unavailable during normal business hours. Hardware maintenance cost will continue to increase at an estimated cost of 4% per year, and some components may not be supported by IBM at all. This alternative is not recommended by staff.

- Move to alternative platforms:

While some of the City's key business applications have migrated to alternative platforms, it is not feasible to convert the remaining business applications within the necessary timeframe to safeguard the City's ongoing business processing. This could not be accomplished within existing resources. This alternative is not recommended by staff.

**FINANCIAL CONSIDERATIONS:**

The cost of the equipment upgrade is \$1,362,950.57 plus financing costs, which are expected to bring the total cost to no more than \$1,510,000. The term of the debt will not exceed 5 years.

Debt service payments will be paid from the existing Information Technology Department operating budget and funded with savings from lower equipment maintenance costs, lower IBM middleware software licensing costs and lower energy costs. No budget increase is required for this purpose over the term of the debt.

The recommended adoption of a reimbursement resolution will provide the legal authority to reimburse expenditure from debt proceeds. It is emphasized that this resolution is "permissive" to allow the City the ability to reimburse costs advanced from potential debt proceeds. The resolution does not obligate the City in any way to finance such costs if other funding is available. It is anticipated that the City Treasurer will be bringing a recommendation for specific authorization in early 2004.

**ENVIRONMENTAL CONSIDERATIONS:**

The current project has been determined to be exempt from the requirements of the California Environmental Quality Act (CEQA), under Section 15061(b)(3), which states that CEQA applies only to projects which have the potential for causing a significant effect on the environment. The current bid involves only the purchase of computer hardware, software and maintenance for use by the Information Technology Department. Therefore, it can be seen with certainty that there is no possibility that the activity may have a significant effect on the environment.

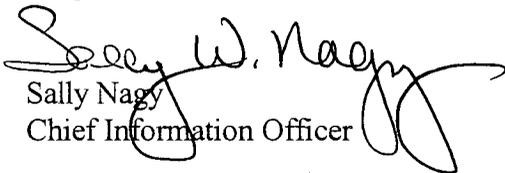
**POLICY CONSIDERATIONS:**

This recommendation is consistent with the requirements for competitive bidding as detailed in Chapter 3.56 of the Sacramento City Code. This recommendation is also in conformance with the goals, objectives, initiatives and operating principles of the City's Information Technology Strategic Plan. In particular, it is in accordance with Goal #1: Improve technical infrastructure. The replacement of aging and unreliable infrastructure components with new, reliable components supports the continued implementation of a secure, reliable, flexible and scalable technical infrastructure for the City. It is also in accordance with Goal #3: City employee effectiveness and efficiency are improved as a result of the City's information technology investments, as the new infrastructure components will enable more efficient data archiving and back-up capabilities, both in the traditional mainframe environment and in the evolving network environment.

**ESBD CONSIDERATIONS**

Requests for bids were sent to four vendors. Because of the highly specialized nature of this requirement, no City or State Certified Emerging/Small Business Enterprises could be found, which could meet the requirements of this bid. Denver Solutions Group is not certified as an Emerging/Small Business Enterprise.

Respectfully Submitted,

  
Sally Nagy  
Chief Information Officer

  
Gustavo F. Viana  
Director of Finance

**RECOMMENDATION APPROVED:**

  
Robert P. Thomas  
City Manager

**TABLE OF CONTENTS**

- 1) Bid Tabulation Sheet, page 5
- 2) Reimbursement Resolution, page 6

**ATTACHMENT 1**

**BID NO. 1911  
IBM Mainframe Upgrade**

<b>Bidder</b>	<b>Materials Subtotal (Less sales tax)</b>	<b>Installation and 5 Year Maintenance Total (Non-taxable)</b>	<b>5% ESBE Preference</b>	<b>City Tax Preference</b>	<b>Prompt Payment Discount</b>	<b>Evaluation Total (Includes sales tax)</b>
Denver Solutions Group	\$1,059,388.00	\$221,460.00	None	None	Net 30	<b><u>\$1,362,950.57</u></b>
Mainline Information	\$1,179,115.00	\$479,933.00	None	None	Net 30	\$1,750,429.41

**Award of Contract To:** Denver Solutions Group  
39 Quail Court, Suite 105  
Walnut Creek, CA 94596

**Original Estimated Cost:** \$2,010,000.00

**Total Bid Amount:** \$1,362,950.57  
**(Includes Sales Tax on materials)**

**Using Department:** Technology Department

**Total Amount of Contract:** \$1,362,950.57  
**(Includes Sales Tax on materials)**

**Note:** Jeskell, Inc. was unresponsive to bid specifications.

**Bid Due Date:** October-29, 2003

**Total No. of Bids Solicited**

**No. of E/SBE Bids Solicited**

**No. of E/SBE Responses**

**Award to E/SBE Vendor?**

4

0

0

No

**RESOLUTION NO. 2003-004**

APPROVED FILED  
DEC 16 2003  
~~FINANCING~~  
SACRAMENTO HOUSING AUTHORITY  
CITY OF SACRAMENTO

ADOPTED BY THE SACRAMENTO CITY FINANCING AUTHORITY

ON DATE OF \_\_\_\_\_

**RESOLUTION OF OFFICIAL INTENT OF THE SACRAMENTO CITY FINANCING AUTHORITY TO REIMBURSE CERTAIN EXPENDITURES FROM PROCEEDS OF INDEBTEDNESS**

**WHEREAS**, the Sacramento Financing Authority (the "Authority") intends to purchase an IBM e-Server central processing unit, data storage device, an automated tape archive library and directly associated operating system and application software ("the Project"), and

**WHEREAS**, the City will locate said equipment and software within the Information Technology Department of the City currently located at 1000 I Street, Sacramento, and

**WHEREAS**, the Authority expects to pay certain expenditures including, but not limited to, equipment and licensing costs (the "Reimbursement Expenditures") in connection with the Project prior to insurance of indebtedness for the purpose of financing costs associated with the Project on a long-term basis;

**WHEREAS**, the Authority reasonably expects that debt obligations in an amount not expected to exceed \$1,510,000 will be issued and that certain of the proceeds of such debt obligations will be used to reimburse the Reimbursement Expenditures; and

**WHEREAS**, Section 1.150-2 of the Treasury Regulations requires the Authority to declare it's reasonable official intent to reimburse prior expenditures for the project with proceeds of subsequent borrowing;

**NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE SACRAMENTO CITY FINANCING AUTHORITY DECLARES AS FOLLOWS:**

Section 1. The Authority finds and determines that the foregoing recitals are true and correct.

Section 2. This resolution is made solely for purposes of establishing compliance with the requirements of Section 1.150-2 of the Treasury Regulations. This resolution does not bind the Authority to make any expenditure, incur any indebtedness or proceed with the Project.

**FOR CITY CLERK USE ONLY**

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_



Section 3. The Authority hereby declares its official intent to use proceeds in indebtedness to reimburse itself for Reimbursement Expenditures.

Section 4. This resolution shall take effect from and after its adoption.

PASSED AND ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_, 2003.

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

\_\_\_\_\_  
FOR CITY CLERK USE ONLY

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

