

# BOARD OF SUPERVISORS AGENDA ITEM SUMMARY

Requested Board Meeting Date: August 5, 2014

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## **ITEM SUMMARY, JUSTIFICATION &/or SPECIAL CONSIDERATIONS:**

Limited Competition Procurement: Award of Contract (RQM 15\*013) with Hewlett-Packard Financial Services (Headquarters: Berkeley Heights, New Jersey), for the Countywide Leasing of computing devices including desktops, workstations, laptops, and computing peripherals.

The Board is being asked to approve the award of an as-required blanket or master agreement with Hewlett Packard Financial Services ("HPFS"), pursuant to County Policy D29.4(V)(E), and authorize the Procurement Director, in cooperation with the ITD Director, to enter into equipment leases ("Leases") under that contract for HP equipment and related services. HPFS was selected on the basis of a limited-competition procurement as explained in the attached memo dated July 28, 2014 and approved by the County Administrator pursuant to Pima County Procurement Code (11.12.060 A.1.b Emergency and other limited competition procurement).

The actual HP equipment and services will be ordered by ITD through the issuance of delivery orders under an *existing* as-required blanket contract with Hewlett Packard Company ("HP") (contract no. B507592-BC). That existing contract is a cooperative-purchasing agreement based on the *Western States Contracting Alliance Master Price Agreement for Computer Equipment, Peripherals, and Related Services* (WSCA Contract No. B27164), together with the State of Arizona's *Participating Addendum* (State of Arizona Contract No. EPS100001-01) (the "HP MPA"). The HP MPA will expire at the end of this fiscal year, but we anticipate that the State of Arizona will have a comparable cooperative purchasing agreement in place with HP by that time, which the County can utilize in the same manner. It is also possible that non-HP equipment will be ordered under other County contracts and leased from HPSA.

Leases will be entered into as equipment is ordered by ITD. Each Lease will be in the form of a schedule that lists the equipment, term, and rental amount, and incorporates the terms of a "Master Operating Lease Agreement" ("MOLA"). The MOLA does not have a specified term; it is simply a standing offer by HPFS to enter into the Leases with the County under stated terms and conditions. When a delivery order is issued by ITD/Procurement under the HP MPA for HP equipment and services needed for the Technology Refresh Program, the County will assign its rights to the equipment to HPFS and enter into a Lease with HPFS for the equipment. HPFS will pay HP the amount due under the HP MPA and will take title to the equipment. The County will then make lease payments to HPFS under the Lease. (Note that the funds that would otherwise be spent under the HP MPA will now be spent instead under the HPFS blanket contract, though the equipment will still be ordered, and HP's obligations defined by, the HP MPA). A bundled price for the equipment and services will be determined under the HP MPA at the time of the order, and HPFS will provide a rental amount for the Lease. Each Lease is subject to early termination by the County on a yearly basis.

This request authorizes the award of the blanket contract to HPSA. It also authorizes the Procurement Director to execute the MOLA and the individual Leases with HPSA, and authorizes the ITD Director to execute statements of work with HP, pursuant to the HP MPA, specifically defining the services to be provided by HP in connection with the leased equipment. This request also authorizes execution of new Leases during a five-year period, with a total rental amount of up to \$4,500,000 per year. Staff cannot exceed the annual rental cap or continue entering into new leases after the initial five year period without additional Board authorization.

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## **STAFF RECOMMENDATION(S):**

The Pima County Information Technology Department recommends that the Board of Supervisors award an as-required blanket contract to HPSA for leasing of computing devices and related peripherals with a total rent of up to \$4,500,000 per year as part of a new three-year technology refresh for all Pima County departments including Elected Officials should they choose to opt in, all as described above.

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PIMA COUNTY COST: \$4,500,000 and/or REVENUE TO PIMA COUNTY: \_\_\_\_\_

FUNDING SOURCE(S): 50% General Fund, 50% Various Other Department Funding Sources

ADVERTISED PUBLIC HEARING: YES  X  NO

BOARD OF SUPERVISORS DISTRICT:  1  2  3  4  5  ALL X

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DEPARTMENT NAME: Information Technology

CONTACT PERSON: Craig S. Rendahl TELEPHONE NO. 724-7590

DEPARTMENT DIRECTOR: Jesse Rodriguez

Date: July 28, 2014

To: Chuck H. Huckelberry  
County Administrator

From: Jesse Rodriguez   
Chief Information Officer

Re: Technology Refresh in Pima County

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Pursuant to Title 11, Chapter 11.12.060, Emergency and Other Limited Competition Procurement, the Information Technology Department is requesting your approval of a Limited Competition for the countywide leasing of desktops, engineering workstations, laptops and computing peripherals. A situation exists where compliance with normal purchasing procedures is impracticable or contrary to the public interest.

Historically, Pima County has funded technology refresh of computing devices and software through individual departments. The paradigm was that individual departments would budget for a five year lifecycle replacement. This has created hardships for the proper management of Information Technology (IT) assets, as there are several versions of the same application running on different platforms requiring support. Additionally, for some departments, it has been an annual challenge to provide sufficient funds to refresh computers. This has led to support being provided for computing devices well outside the five year life cycle, taxing scarce IT resources, and leaving these departments behind from important productivity improvements. The problem with this strategy is:

- Staff time tied up in keeping old and failing equipment in operation often resulting in poor quality of service
- Unpredictable IT expenditures due to business decisions to use monies for items other than Technology refresh
- Age of equipment impacting adoption and support of new applications and technology solutions
- Delivery, repair, and disposal costs which includes asset management, data removal, packaging and surplus are a burden on County resources

The rate of technology change is increasing, with an emphasis on client/server technology, faster system development, and shorter life cycles. It is now preferred to have a technology refresh every three years in order to keep up with productivity enhancements, new compliance requirements, and improved constituent services. With budget challenges being felt at all levels in the County, a new and consistent means of accomplishing and funding technology refresh needs to be attempted. The solution to shortened technology refresh cycles with appropriate and consistent budgeting for refresh is to begin a process of leasing computing devices such as desktops, engineering stations, laptops, and computing peripherals as a more cost effective means of consistently improving the technology environment in the County for all departments. The plan includes Elected Officials should they be included into the three year technology refresh. This will provide:

- A known replacement cycle of its technology
  - ✓ Predictable expenditures
  - ✓ Costs spread over three (3) years
- Provides a solution to rapid obsolescence

INFORMATION TECHNOLOGY

- Provides a solution to cascading equipment downward
- Technical services bundled -
  - ✓ Maintenance contracts
  - ✓ Removal of equipment at end of lease
  - ✓ Hardware and software configuration and deployment
- Deals with disposal related issues
- Greatly reduces soft costs to the County currently experienced with uncoordinated purchases

The County has as-needed blanket contracts in place with several vendors of information-technology equipment, including Hewlett Packard ("HP"). HP has proven to be a reliable supplier of quality devices at competitive prices. And, unlike other brands, HP equipment includes devices for all aspects of an enterprise-IT system like the County's, including desktops, servers, remote storage devices, laptops, and mobile devices, use of which can cut down on compatibility and integration issues throughout the system. Because of this, the County anticipates using HP for many of its IT needs going forward, though contracts will be maintained with other suppliers as well. HP works with a related company, Hewlett Packard Financial Services ("HPFS"), to offer comprehensive equipment-leasing programs to its customers. PCITD conducted a limited procurement process, comparing HPFS's leasing program to that of other Tier 1 technology vendors, and determined that its terms are more favorable to the County than the programs offered by other vendors, particularly for leases of HP devices, which, as noted, PCITD anticipates utilizing heavily.

Below is an estimate of the funding for the Technology Refresh program over an 8-year period, utilizing HPFS equipment leases:

	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22
Year 1	\$ 1,301,008.54	\$ 1,301,008.54	\$ 1,301,008.54					
Year 2		\$ 1,237,961.14	\$ 1,237,961.14	\$ 1,237,961.14				
Year 3			\$ 1,179,971.75	\$ 1,179,971.75	\$ 1,179,971.75			
Year 4				\$ 1,431,109.39	\$ 1,431,109.39	\$ 1,431,109.39		
Year 5					\$ 1,361,757.25	\$ 1,361,757.25	\$ 1,361,757.25	
Year 6						\$ 1,297,968.93	\$ 1,297,968.93	\$ 1,297,968.93
Ttl FY	\$ 1,301,008.54	\$ 2,538,969.68	\$ 3,718,941.43	\$ 3,849,042.28	\$ 3,972,838.40	\$ 4,090,835.57	\$ 2,659,726.18	\$ 1,297,968.93

We have worked with the County Attorney's Office regarding the logistics of the program. Equipment leases will be entered into as equipment is ordered by ITD under the existing HP blanket contract (or a successor HP contract). Each Lease will be in the form of a schedule listing the leased equipment, the rental amount, and the term; it will incorporate the terms of a "Master Operating Lease Agreement" ("MOLA"). The MOLA does not have a specified term, nor does it, by itself, obligate the County to anything; it is simply a standing offer by HPFS to enter into the Leases with the County under stated terms and conditions. Though orders for equipment will be placed by ITD under the blanket contract with HP, HP will invoice HPFS, which will pay HP for the equipment. The County will pay HPFS the agreed-upon rental amount. Each lease will be terminable by the County on an annual basis as required by law.

I am requesting you to approve the limited-competition process conducted by PCITD, pursuant to Pima County Code § 11.12.060, and I am recommending that the Board of Supervisors award an as-needed blanket contract to HPFS, pursuant to County Policy D29.4(V)(E), for leasing of HP equipment and related services as described above. Though the MOLA will not



contain a specific dollar amount or term, we are only seeking authorization from the Board to initiate Leases during a five-year period, with the total rental amount limited to \$4.5MM per year. In order to exceed that annual rental amount, or continue entering into new leases after the initial five-year period, we will need additional Board authorization. The cost-effectiveness of the program will be monitored continually by PCITD.

APPROVED:

*C. H. Huckelberry*

*7/29/14*

C. H. Huckelberry, County Administrator

Date