



CITY COUNCIL AGENDA REPORT

MEETING DATE: FEBRUARY 7, 2012

ITEM NUMBER:

SUBJECT: SUPPORT AGREEMENT WITH HEWLETT PACKARD

DATE: NOVEMBER 29, 2011

FROM: FINANCE DEPARTMENT / I.T.

PRESENTATION BY: RICHARD KIRKBRIDE, I.T. MANAGER

FOR FURTHER INFORMATION CONTACT: RICHARD KIRKBRIDE, (714) 754-5154

RECOMMENDATION:

Authorize the City CEO or his designee to sign the Service Agreement in the amount of \$329,442 including tax, and the Purchase Requisition for the first year in the amount of \$119,603 including tax with Hewlett Packard, 1421 South Manhattan Ave., Fullerton, California, 92631.

BACKGROUND:

The City is currently utilizing Hewlett Packard systems and network equipment to support the day-to-day Public Safety and City's business systems. Hewlett Packard provides the hardware and software support used in these systems. The current support agreement expires on March 1st, 2012.

ANALYSIS:

These systems support all of the City's software applications. The performance and availability of these machines and their software is critical to the City. Under the terms of this agreement Hewlett Packard is bound to specific Service Levels with respect to response time and problem resolution. The City cannot afford to be without access to its applications for any extended period of time. By bundling our support agreements we receive not only better pricing, we also continue a relationship with the original vendor of these products that has proven to be very beneficial to the City of Costa Mesa. We have enjoyed better than a 99% service level for system availability and a guaranteed four (4) hour maximum response time for problem resolution.

Funding for support, at the current rate of \$119,603 for the first year of the 3-year contract, is already incorporated into the current budget through June of 2012 to cover this contract. Applicable budget amounts will be incorporated into future budgets for the period of July 2012 through June 2014 at the appropriate annual rates. Timing is a key element in that the current agreement expires on March 1st of 2012. Contracts not renewed prior to expiration are subject to a recertification charge, which considering the extensive amount of equipment covered under this agreement would create a significant increase in cost to the City.

ALTERNATIVES CONSIDERED:

Both 1 and 3 year support options were reviewed. The cost for a 1 year agreement would be \$125,000 plus tax. A 3 year agreement would cost approximately \$111,000 for the first year, \$110,000 for the second year and \$108,000 for the third year plus taxes. Exercising the 3 year option saves a total of approximately \$49,565 over the life of the contract including tax. If HP were to increase the cost of a 1 year contract during the 2nd and 3rd years the savings would be even more. Since the City has the option of a 30 day out on the contract (see the verbiage in the next paragraph) if we replace the current equipment, a 3 year agreement presents no down side to the City.

“Cancellation: Customer may cancel Support orders or delete Products from Support upon thirty (30) days written notice, unless otherwise stated in a Transaction Document. HP may discontinue Support for Products and specific Support services no longer included in HP's Support offering upon sixty (60) days written notice, unless otherwise stated in a Transaction Document. If Customer cancels prepaid Support, HP will refund Customer a pro-rata amount for the unused prepaid Support, subject to any restrictions or applicable early termination fees as set forth in a Transaction Document.”

We could eliminate the existing hardware and software support with Hewlett Packard. However, this approach would leave us vulnerable to outages for key components of our computing environment. Extended outages would cripple the City's Public Safety and business processes. Even if the City had the ability to triple staffing levels, significantly increase training and certification of staff, we could not approach the level of support this agreement provides for double or triple the cost of this contract. Nor would we have access to the necessary hardware without stockpiling a lengthy list of very expensive components.

Acquiring support from alternative vendors, or proceeding on a Time and Materials support basis were both rejected due to the potential negative impact upon the City. A T&M contract leaves the City vulnerable to outages that potentially could last up to 4 business days due to policies at HP that provides service for contract customers first and T&M customers on a response level not to exceed four days. Secondly the T&M support contract could conceivably result in even greater expense to the City than committing to the proposed service agreement. Additionally, Hewlett Packard is the only certified support source for the HP9000 servers used to house our database. While other vendors could do the work, if it became necessary to go back to HP a re-certification charge would negate any savings that might otherwise have existed, and the 4-business day issue would still exist until we were again under an HP service agreement.

Switching to an entirely new vendor platform for hardware would be far more expensive than any of the other options, and was therefore not considered viable at this time.

FISCAL REVIEW:

Sufficient funding is available to cover the amount of \$119,603 for this appropriation within the current year's adopted operating budget for the IT Division.

LEGAL REVIEW:

Legal has reviewed the documents and approved them as to form. The agreement does contain some caps for liability for damage to tangible property and other damages, \$2,500,000 and \$1,000,000 respectively. Due to the fact that Hewlett Packard is self-insured, some of the City's ordinary requirements for insurance certificates have been waived. The Risk Management Division and the City Attorney's Office have approved the liability limitations and insurance certificate requirements. These terms have not changed from the prior contract.

CONCLUSION:

Approving the renewal with Hewlett Packard will provide for the continued support necessary to maintain the existing infrastructure, and minimize the danger from system outages. It is recommended that the Council approve this agreement. Doing so at this time will ensure that there will be no lapse in coverage.

BOBBY YOUNG
Finance & I.T. Director

RICHARD D. KIRKBRIDE
I. T. Manager

TOM DUARTE
City Attorney

Attachment 1: [HP Service Agreement](#)