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REGIONAL CONTRACTS FOR COMPUTER EQUIPMENT UNDER THE TERMS OF THE PROVINCE OF ONTARIO CONTRACT

(Mayor Scarpitti declared an interest in this report, as his brother works for Compugen Inc. Mayor Scarpitti did not take part in the consideration, discussion or vote on this report.)

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report dated April 19, 2011, from the Commissioner of Finance.

1. RECOMMENDATIONS

It is recommended that:

1. Regional Council authorize the purchase of servers, personal computers, rugged mobile personal computers, monitors and peripherals, and associated installation and support services for the period ending May 7, 2013 under the terms of the Province of Ontario co-operative purchasing contracts.
2. Regional Council authorize the lease and/or purchase of Xerox printers, Hewlett-Packard and Brother mobile printers, Xerox multi-function devices and associated installation, supplies and support services for the period ending January 31, 2012 under the terms of the Province of Ontario's cooperative purchasing contract.
3. Regional Council authorize the extension of the term of the Regional contracts authorized by this report to the same extent that the Province extends its contracts.

2. PURPOSE

To obtain the benefits of the low costs available to the Region under Provincial Vendor of Record contracts with Compugen Inc. (Compugen), the Region needs to enter into its own contracts with Compugen for the supply of certain information technology equipment.

This report provides Council with the business case to support the above recommendations to enter into three contracts with Compugen and where required, contracts with the Province, for the provision of Servers, Personal Computers (PCs) and Printers.

3. BACKGROUND

York Region's existing contract with Compugen for servers, PCs and printers expires in October 2011

For the past five years, the Region has had a contract with Compugen for the provision, from various manufacturers, of Servers, PCs, including desktop; notebook; tablet PCs, monitors (displays), peripheral PC equipment and printers. This agreement includes installation services and support services for warranty and break-fix repair.

During this time the Region has standardized on Hewlett-Packard (HP) as the manufacturer of choice for the vast majority of Server, PC and Printer purchases. Compugen is an authorized HP reseller.

At the end of October 2011, the Compugen contract expires and the Region will need to again select a vendor for these products and services.

Provincial contracts with Compugen allow the Region to purchase HP and other equipment at low cost

In late 2009, the Province issued a number of Requests for Proposal (RFPs) for computer technology and services including one for servers, one for PCs and peripheral PC equipment and one for printers. Vendors were notified in the RFP that the broader public sector, under separate agreements, must be able to procure the same products from the successful bidders at the same prices that were offered to the Province.

During 2010, the Province signed Vendor of Record agreements with Compugen for the provision of HP PCs; notebooks; monitors; and peripherals, for the provision of HP servers, and for the provision of Xerox, HP and Brother printers. As well, the Province signed a contract with CompuCom Canada for the provision of Lenovo PC's. The terms available under the Province's contracts do not require the Region to purchase exclusively from Compugen or any other vendor nor do they require any guarantee of purchase volumes in order to obtain the pricing.

The Region's purchasing by-law provides for co-operative purchasing undertakings such as this.

4. ANALYSIS AND OPTIONS

Information Technology Services staff reviewed the alternatives available concerning the expiry of the existing Compugen contract. Staff looked at how to provide flexibility to fulfill Regional needs for future information technology and technology services and how to do so most economically.

The flexibility and prices available to the Region under the Provincial Vendor of Record contracts resulted in the recommended alternative

Staff's evaluation of alternatives looked at a number of factors and reached a number of conclusions.

When Information Technology Services acquires new PCs today, staff compare the price quoted by Compugen to HP's published government price for the same equipment so that the Region is assured it's receiving the committed Compugen discounts. Staff discussed with Compugen, the potential for additional discounts on PC prices based on our current volume of PCs should the Region issue an RFP. Currently the Region has approximately 3,000 PCs – however the Province has approximately twenty-five times that number. There was no indication that the Region could receive prices better than the Vendor of Record pricing.

Compared to current pricing from Compugen Vendor of Record savings are substantial

Compugen provided cost comparisons for various PC configurations, comparing current costs under the existing contract to the prices available under the Vendor of Record agreement. The results are summarized below for the sample configurations examined:

Table 1

A Comparison of the Acquisition Cost Savings of Various PC Configurations under the Existing Compugen Agreement versus the Vendor of Record Agreement

Configuration	# of Units	% Savings Under Vendor of Record Agreement
Standard Desktop PC	1494	33%
Standard Notebook	674	42%
Tablet	208	9%
19" Monitor (Display)	1792	37%

The estimated savings that would be realized by refreshing the Region technology configurations shown above with the Vendor of Record items is approximately \$1.2 million. However, since the above configurations are only a sample, the actual savings are expected to exceed this estimate.

There are restrictions under the Provincial Vendor of Record contracts but most of the Region's needs are met

The Provincial Vendor of Record contracts restrict the manufacturers and the resellers that information technology can be acquired from. As well, they limit the models and configurations that are available. An evaluation by Information Technology Services staff determined that the equipment configurations available under the Vendor of Record contracts would likely a) supply the majority of server requirements, b) supply approximately 75% of PC requirements and c) supply some of the printer requirements.

Vendor of Record contract limitations do not restrict Region choices

The Vendor of Record contracts are non-exclusive and do not limit the Region in obtaining equipment from other manufacturers and resellers. If a product or a configuration is not available under the Provincial Vendor of Record contract, the Region can issue a Request for Quotation and/or a Request for Proposal for a supplier of other equipment and services should the need arise.

Other Municipalities have already taken advantage of the Vendor of Record contracts

Information Technology Services inquired from several other Municipalities who had signed Vendor of Record agreements with Compugen about their evaluation process. Several had issued quotations to the market to obtain best pricing for sample configurations. Vendor of Record pricing was consistently the best.

Compugen has advised the Region that to date several municipalities of all sizes, including several local York municipalities, have signed Vendor of Record contracts with Compugen to purchase equipment and software under the Vendor of Record arrangement.

5. FINANCIAL IMPLICATIONS

The Region has established guidelines for the useful life of computing technology. PC's and small printers are expected to be used for a minimum of three years. Servers and large printers are expected to be used for five years. In many cases the equipment life cycle has been extended beyond these expectations to decrease the financial implications.

Information Technology Services uses past refresh schedules together with other factors, such as the major software upgrade to Windows 7 and Office 2010, which influence when existing technology equipment needs to be replaced to develop annual IT equipment capital budgets. The amounts that are spent with technology vendors such as Compugen are determined by Council approval of the annual IT equipment budgets.

6. LOCAL MUNICIPAL IMPACT

The Provincial Vendor of Record agreements are available to the Broader Public Sector, defined in the Province's contract documents as "Broader Public Sector" includes all of the following entities as may be amended from time to time by MGS; municipalities, academic institutions, school boards, health care providers and major transfer payment recipients.

Local Municipalities are therefore entitled to participate in the Vendor of Record by signing their own agreements with Compugen. A number of local municipalities are participating in this program.

7. CONCLUSION

Vendor of Record contracts are expected to provide cost savings to the Region

The Vendor of Record contracts will offer the Region significant cost savings without restricting options to acquire products and services from other suppliers when necessary. The procurement is an excellent example of co-operative procurement in government.

For more information on this report, please contact Bruce Dotzenroth at Ext. 1773.

The Senior Management Group has reviewed this report.