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SUPPLY, INSTALLATION AND SUPPORT OF INFORMATION TECHNOLOGY (IT) EQUIPMENT

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, August 24, 2006, from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. The proposal submitted by Compugen Inc. be accepted for the supply, installation and support of information technology equipment (e.g. desk top, lap top and notebooks, printers, servers, storage equipment and peripherals), subject to negotiating a successful contract with Compugen Inc. satisfactory to the Regional Solicitor.

2. The Commissioner of Finance be authorized to sign a three (3) year contract with Compugen Inc.

3. The Commissioner of Finance be further authorized to extend the contract with Compugen Inc. for up to twenty-four (24) months subject to satisfactory performance by Compugen Inc. at the sole discretion of the Region.

4. The Director, Information Technology Services Branch be authorized to acquire equipment under this contract within the Council approved annual budgets, in accordance with the signed contract executed as provided for in recommendations 2 and 3 above.

5. Staff be authorized to adjust the blanket purchase order for this contract annually in accordance with Council approved annual budgets.

2. PURPOSE

The purpose of this report is to seek Council approval for the selection of a recommended vendor for the supply, installation and support of information technology equipment. This report is also to update Council on status of existing leased equipment being replaced by purchased equipment through this contract.

3. BACKGROUND

In 2000, Council approved a Technology Life Cycle (TLC) management program and the use of lease financing for the acquisition of computer and network communications equipment. The TLC management program covered the following equipment: desktop and notebook computers and peripheral devices such as monitors and keyboards (collectively referred to as PCs); computers used as servers, plus disk drives and tape devices for severs (collectively referred to as servers); printers - (PCs servers and printers collectively are referred to as computer equipment) - and network devices such as firewalls, routers, switches, hubs, telephone private branch exchanges (PBXs) and voice mail systems (collectively referred to as network equipment).

In August of 2002, Council approved the selection of Infostream Technologies Inc. as the vendor for the supply, service and lease of information technology equipment and a 3-year master lease and financing agreement with Hewlett-Packard Financial Services Canada (HPFS) for any subsequent leases. All new acquisitions of I.T. equipment were done with lease financing through HPFS. Currently, the Region has existing lease commitments for equipment the last of which will expire by 2012.

On February 16, 2006, Council authorized staff to transition to a purchase option for information technology equipment and an RFP was issued to select a vendor for this purpose following the expiration of the existing contract with Infostream Technologies Inc.

4. ANALYSIS AND OPTIONS

4.1 Evaluation of Request for Proposal

A Request For Proposal (RFP) for the supply, installation and support of information technology equipment was issued in July 2006 which closed on August 10, 2006. The RFP incorporated the following components:

- Ensuring that the vendors response will meet the Region's needs and reduce administrative costs.
- Maximize equipment lifecycle based on best practices among Ontario municipalities.
- Select a vendor that is an authorized dealer for multiple Gartner Group Enterprise Tier manufacturers providing the Region with flexibility in equipment selection.
- Bundle implementation and product support through the vendor into the cost of acquisition.

Respondents were asked to bid purchase prices on a defined range of technology used by the Region. Purchase prices covered hardware, operating system and life cycle services costs for servers, printers and personal computing equipment. The life cycle services consisted of delivery, installation, configuration, integration, warranty service, de-installation, removal, disk cleaning and disposal.

Twenty one (21) vendors received RFP package P-06-80 for the Supply, Installation and Support of Information Technology (IT) Equipment. Of these, seven (7) submissions were received in response to the RFP from the following vendors:

- Acrodex Inc.
- Compugen Inc.
- Dell Canada Inc.
- Flexity Solutions Inc.
- 4 Office Automation Ltd.
- Infostream Technologies Inc.
- Tenet Computer Group Inc.

The evaluation team consisted of one independent external consultant, (retained to assist the Region in the review and evaluation of proposals), staff from the Supplies and Services Branch, Transportation and Works Department and the Information Technology Services Branch.

The evaluation criteria assigned a 70% weight to the Technical qualification components of proposals, and 30% for the Cost and price components. This 30% was further broken into 20% for Cost only, and 10% for Pricing Assurance. The following table shows the results of this evaluation for the top five (5) vendors:

TABLE (1)

Vendor	**Technical**	**Weighted Cost**	**Proponent Cost for desktop, laptop, printer & thin client only**	**Total Points**
Acrodex Inc.	45.0	18.1	$5.213M	63.1
Compugen Inc.	59.0	26.0	$3.316M	85.0
Flexity Solutions Inc.	42.5	20.2	$4.171M	62.7
Infostream Technologies Inc.	55.5	20.9	$4.781M	76.4
Tenet Computer Group Inc.	61.0	19.2	$4.498M	80.2

It should be noted that the Region's RFP provided detailed equipment specifications and quantities for desktop, laptop, printer and thin client computers, which enabled the evaluation team to make direct cost comparison of proposals as shown in the table above. However, servers and storage equipment are not included in the above table because only estimates and generic specifications were provided in the RFP which did not permit a direct comparison.

Two proponents did not receive sufficient points to cross the threshold of the technical evaluation; namely Dell Canada Inc., and 4 Office Automation Limited.

Based on the above, the evaluation team was unanimous in recommending Compugen Inc., for the contract.

4.2 Discussion

The selection of Compugen Inc., for this contract will have a number of technical implications for the Region, including:

- Shift in the product manufacturer for desktops and laptops from Hewlett-Packard to IBM (Lenovo).
- Need for transition and associated training as the leased equipment expires and is refreshed with new equipment.
- Modification to existing operational processes, including direct support from Compugen Inc., with the manufacturer on all service issues.
- Modification to existing ordering, fulfillment and billing procedures.
- Integration of the above procedures with the Region's Configuration Management Database (CMDB) which contains an inventory of all leased and owned Regional IT assets and equipment.

Notwithstanding the above technical implications, this contract is anticipated to result in significantly reducing acquisition costs for desktops and laptops by over 35 percent over the term of the contract.

5. FINANCIAL IMPLICATIONS

5.1 Financial Impacts of Lease Continuation and Purchases

Currently, the Region leases PC's using operating leases with a three year term. Servers, network equipment and printers are leased for a five year term. Thin client devices are leased for a six year term. At the end of the lease term the equipment is returned to the leasing company. In transitioning from this lease practice to purchasing, staff intend to continue with the same lifecycle for the equipment as indicated above. The RFP maintained these lifecycles and the recommended vendor will adhere to them subject to instructions or modifications at the discretion of the Region.

Table (2) below illustrates the impact on the annual budget of purchasing the IT equipment over the 2007 to 2011 timeframe.

TABLE (2)

Type	2007	2008	2009	2010	2011
Purchase	4.480M	2.948M	3.378M	2.072M	4.191M
Lease	3.347M	2.326M	0.881M	0.460M	0.391M
Total	7.827M	5.274M	4.259M	2.532M	4.582M

While the amounts above for the lease payments are committed by virtue of the leases currently in place, the amounts shown for purchases are estimates only, based on refreshing expired leases with purchases assuming 35% reduction from existing contract prices. Furthermore, these purchase amounts do not include a growth component of the IT assets.

The funds required for leases are included in the annual Operating Budgets of the ITS Branch. Funds for purchases are included in the Capital Budget of the ITS Branch.

5.2 Summary of Analysis

It is clear from Table (2) above that as the payments for leases decrease over time, the Region will be refreshing the equipment with purchased assets. It is staff's intention to fund and manage these assets such that over a reasonable period of time, dependency on the General Capital Reserves will be minimized through internal recoveries and through contributions to the IT Capital Replacement Reserve.

6. LOCAL MUNICIPAL IMPACT

With purchased equipment, Council has the option to donate equipment that the Region no longer requires to local public service agencies or other charitable organizations.

7. CONCLUSION

The recommendations of staff will result in significant cost reductions for purchased information technology equipment over the term of the contract. In addition, the contract will provide the Region with the ability to manage the lifecycle of the equipment to suit staff needs of the Region today. Furthermore, decisions on when to replace IT equipment will be under control of the Region as opposed to the existing leasing contract.

The Senior Management Group has reviewed this report.