

APPROVED
BOARD OF SUPERVISORS
by Reso No. 2019-0492
JUL 23 2019
BY Florence Evans
Clerk of the Board

COUNTY OF SACRAMENTO
CALIFORNIA

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For the Agenda of:
July 23, 2019

To: Board of Supervisors

Through: Navdeep S. Gill, County Executive

From: Rami Zakaria, Chief Information Officer,
Department of Technology

Subject: Authorize The County Purchasing Agent To Negotiate And
Execute A Financial Lease Agreement Not To Exceed
\$21,000,000 For a Term Not to Exceed Six Years For The
Purchase Of Cisco Networking And Telephony Equipment,
Software Licensing, And System Maintenance and Select
The Cisco Authorized Reseller To Supply Such Equipment
From The Responses to Request For Bids Number 8670

District(s): All

RECOMMENDED ACTION

Approve the attached resolution authorizing the County Purchasing Agent, or designee to:

1. Negotiate, execute, and deliver a financial lease agreement and property schedule with Key Government Finance, Inc. for a term not to exceed six years and for an amount not to exceed \$21,000,000 for the purchase of Cisco networking and telephony equipment, software licensing, and maintenance and make any necessary amendments, modifications and execute ancillary documents needed to uphold the lease agreement including the ability to terminate the agreement if deemed necessary, and execute and amend an escrow agreement with Key Government Finance, Inc. and Zions Bancorporation.
2. Select the Cisco authorized reseller to supply such equipment from the responses to Request For Bids Number 8670.

BACKGROUND

The Department of Technology (DTech) maintains the County of Sacramento Wide Area Network (CoSWAN) infrastructure. This infrastructure supports the mission critical information technology (IT) operations of all County departments with the exception of the Sheriff and District Attorney who support their own wide area networks.

Authorize The County Purchasing Agent To Negotiate And Execute A Financial Lease Agreement Not To Exceed \$21,000,000 For a Term Not to Exceed Six Years For The Purchase Of Cisco Networking And Telephony Equipment, Software Licensing, And System Maintenance and Select The Cisco Authorized Reseller To Supply Such Equipment From The Responses to Request For Bids Number 8670

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The County standard for network equipment is Cisco. Staff has worked with an account representative from Cisco to brainstorm ideas on how to save money on equipment and software the county needs to replace, as well as the ongoing maintenance on this infrastructure. During discussions, it was discovered that the county would receive a larger discount than the current contract allows if the purchase process is completed prior to the end of July. Cisco is offering a special promotion, which will expire at the end of July. Staff requested budgetary numbers from Cisco for purchasing, and found that the county could avoid cost increases up to \$2,000,000 over the next six fiscal years compared to purchasing yearly as we do now.

The equipment to be replaced by this financial lease agreement is at end of life. Replacement of this equipment and ongoing software licensing and maintenance support for the infrastructure is needed to ensure the security and availability of mission critical IT systems used by DTech's customer departments connected to CoSWAN.

On June 26, 2018, the Department of General Services Contract and Purchasing Services Division released Request For Bids (RFB) Number 8670 for Purchase of Cisco Hardware, Software and Maintenance for the Cisco bill of materials for the equipment purchase. It is anticipated that the bids for the purchase will be between \$17,000,000 and \$21,000,000.

DTech is requesting the ability to finance the lease agreement for a term up to six years to stabilize rates and limit rate increases to customer departments. The lease will be with Cisco Capital and Key Government Financing Inc., (KGF) Cisco's partner for government leases. Pursuant to a tax-exempt lease/purchase agreement between the County and KGF, which includes an escrow agreement with Zions Bancorporation, National Association dba Zions Bank, KFG will purchase the bill of materials equipment at the direction of DTech from the selected proposer to the RFB through funds placed in an escrow account and lease the equipment to the County with option to purchase. Since Cisco only offers maintenance and software licensing up to five years, DTech will need to purchase a sixth year of maintenance and software licensing.

The Purchasing Agent has authority to enter into contracts that are up to three years in length. Due to the need to finance this lease agreement over a period not to exceed six years, staff is requesting the Board authorize the

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Purchasing Agent to negotiate and execute a financial lease agreement for this purchase.

FINANCIAL ANALYSIS

There are some very large purchases to replace end of life equipment in the CoSWAN infrastructure in the next three to four fiscal years. DTech has explored options to keep the cost of these needed purchases as low as possible. The financial lease agreement has great potential for saving the County money. Leasing the purchase for not to exceed 6 years will spread the cost, stabilize rates, and limit rate increases to DTech's customer departments.

This equipment is included in DTech's WAN Connectivity fee and telephone fees. These fees are set for fiscal year 2019/20 and will not increase due to this lease agreement. These fees, as documented in the fiscal year 2019/20 Allocated Cost Package (ACP), included funding to replace end of life CoSWAN infrastructure. It is planned that the funding in the ACP for replacing end of life equipment will be used to pay the lease payment on the purchase for year one of the lease. Subsequent years of lease payments will be included in future ACP submissions. It is anticipated that a purchase could avoid cost increases up to \$2,000,000 over the next six fiscal years compared to purchasing yearly as we do now.

Attachment:
RES - Resolution

RESOLUTION NO. 2019-0492

AUTHORIZE THE COUNTY PURCHASING AGENT TO NEGOTIATE AND EXECUTE A FINANCIAL LEASE AGREEMENT NOT TO EXCEED \$21,000,000 FOR A TERM NOT TO EXCEED SIX YEARS FOR THE PURCHASE OF CISCO NETWORKING AND TELEPHONY EQUIPMENT, SOFTWARE LICENSING, AND SYSTEM MAINTENANCE AND SELECT THE CISCO AUTHORIZED RESELLER TO SUPPLY SUCH EQUIPMENT FROM THE RESPONSES TO REQUEST FOR BIDS NUMBER 8670

WHEREAS, the County of Sacramento, Department of Technology manages and maintains the County of Sacramento Wide Area Network (CoSWAN) infrastructure and;

WHEREAS, the Department of Technology has worked with Cisco to identify all the essential use equipment within the network infrastructure that will be end of life over the next five fiscal years and;

WHEREAS, the Department of Technology has learned from the experiences of comparable California counties that our County will save money by making a bulk purchase for the equipment, software licensing, and maintenance needed to replace the County's end of life network infrastructure and;

WHEREAS, there is a need for a financial lease agreement for a term not to exceed six years and in an amount not to exceed \$21,000,000 and the County Purchasing Agent has authority to enter agreements whose term is up to three years and;

WHEREAS, the Department of Technology is requesting the ability to finance the bulk purchase for a term up to six years to stabilize rates and limit rate increases to customer departments. The lease will be with Key Government Financing Inc., Cisco's partner for government leases and

WHEREAS, on June 26, 2018, the Department of General Services Contract and Purchasing Services Division released Request For Bids Number 8670 for Bulk Purchase of Cisco Hardware, Software, and Maintenance for a

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SACRAMENTO
AUTHORIZING THE COUNTY PURCHASING AGENT TO NEGOTIATE AND EXECUTE
AND DELIVER A FINANCIAL LEASE AGREEMENT AND PROPERTY SCHEDULE NOT TO
EXCEED \$21,000,000 AND SIX YEARS FOR THE PURCHASE OF CISCO
NETWORKING AND TELEPHONY EQUIPMENT, SOFTWARE LICENSING, AND SYSTEM
MAINTENANCE AND ESCROW AGREEMENT AND SELECT THE CISCO AUTHORIZED
RESELLER TO SUPPLY SUCH EQUIPMENT

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Cisco authorized reseller to supply the bill of materials for the equipment to be leased to the County with option to purchase under a tax-exempt lease/purchase agreement with Key Government Finance, Inc.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED

Authorize the County Purchasing Agent, or designee to negotiate, execute, and deliver a master tax-exempt lease/purchase agreement ("lease agreement") and property schedule with Key Government Finance, Inc. for a term not to exceed six years and amount not to exceed \$21,000,000 for the purchase of Cisco networking and telephony equipment, software licensing, and maintenance and make any necessary amendments and modifications to uphold the lease agreement and property schedule including but not limited to the ability to terminate the lease agreement and property schedule if deemed necessary and execute, deliver, and amend an escrow agreement with Key Government Finance, Inc. and Zions Bancorporation, National Association dba Zions Bank, and execute, deliver, and amend any necessary ancillary documents, and select the Cisco authorized reseller from the responses to Request For Bids Number 8670.

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SACRAMENTO AUTHORIZING THE COUNTY PURCHASING AGENT TO NEGOTIATE AND EXECUTE AND DELIVER A FINANCIAL LEASE AGREEMENT AND PROPERTY SCHEDULE NOT TO EXCEED \$21,000,000 AND SIX YEARS FOR THE PURCHASE OF CISCO NETWORKING AND TELEPHONY EQUIPMENT, SOFTWARE LICENSING, AND SYSTEM MAINTENANCE AND ESCROW AGREEMENT AND SELECT THE CISCO AUTHORIZED RESELLER TO SUPPLY SUCH EQUIPMENT

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On a motion by Supervisor Peters, seconded by Supervisor Frost, the foregoing Resolution was passed and adopted by the Board of Supervisors of the County of Sacramento this 23rd day of July, 2019, by the following vote, to wit:

AYES: Supervisors Frost, Nottoli, Peters, Serna, Kennedy

NOES: None

ABSENT: None

ABSTAIN: None

RECUSAL: None



ATTEST: *Alorence Evans*
Clerk, Board of Supervisors

Pat O'Rourke

Chair of the Board of Supervisors
of Sacramento County, California

In accordance with Section 25103 of the Government Code of the State of California a copy of the document has been delivered to the Chair of the Board of Supervisors, County of Sacramento on 7-23-19

By: *[Signature]*
Deputy Clerk, Board of Supervisors

FILED
BOARD OF SUPERVISORS

JUL 23 2019

BY *Alorence Evans*
Clerk of the Board