



**Office of the City Attorney
Office of the City Auditor**

**Report to the City Council
City of San José**

**A REVIEW OF THE REQUEST
FOR PROPOSAL FOR THE
NEW CIVIC CENTER
CONVERGED NETWORK
SYSTEM**

**Report 04-06
August 2004**



Office of the City Attorney
Office of the City Auditor

Richard Doyle, City Attorney
Gerald A. Silva, City Auditor

August 9, 2004

Honorable Mayor and Members
of the City Council
801 North First Street, Room 600
San Jose, CA 95110

Transmitted herewith is *A Review of the Request for Proposal for the New Civic Center Converged Network System*. This report is in accordance with City Charter Section 805. An Executive Summary is presented on the blue pages in the front of this report. We discussed this report with the City Administration and amended our report to reflect their comments. The Administration may submit additional comments to the City Council under separate cover.

We will present this report to the City Council on August 10, 2004. If you need any additional information, please let us know. The City Attorney's Office and City Auditor's Office staff members who participated in the preparation of this report are Bill Hughes, Vera Todorov, Eduardo Luna, Gitanjali Mandrekar, Jennifer Callaway, and Ruth Merino.

Respectfully submitted,

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Executive Summary

In accordance with the City Council's direction at its June 22, 2004, and June 29, 2004 meetings, the Office of the City Attorney and the Office of the City Auditor's jointly reviewed the Converged Network System Request for Proposal (RFP) process for the New Civic Center (NCC). The Office of the City Auditor conducted its part of the review in accordance with generally accepted government auditing standards. The Office of the City Attorney and Office of the City Auditor limited the review to the questions specified in the Objectives, Scope, and Methodology section of this report.

We reviewed the following matters relating to the Converged Network System RFP process:

1. Was the standardization on Cisco equipment and other system requirements in the RFP in accordance with San Jose Municipal Code (SJMC) requirements?
2. What was Cisco's participation in the RFP process?
3. Did a former City Deputy Chief Information Officer violate the City's revolving door policy after leaving City employment in September 2003?
4. Was the RFP evaluation process fair, objective, and accurate?
5. Was the City's analysis of the final three vendors' cost proposals complete and accurate?
6. Was the RFP process for the procurement of "General Services" the appropriate procurement process?

Based upon our review of all available documents and discussions with authoritative City staff, we have concluded the following:

- The City's standardization on Cisco equipment and other system requirements in the RFP was not in accordance with SJMC Section 4.12.149.
- Staff's representations to the City Council and members of the Office's of the City Attorney and Auditor notwithstanding, Cisco's participation in the RFP process was significant and pervasive. As far as we can determine, Cisco's participation in the RFP process began in May 2003, and extended through June 2004. Cisco's participation in the RFP process included 1) designing the Converged Network System, 2) assisting staff to prepare the RFP, 3) preparing several versions of the Bill of Materials that constituted the entire equipment requirements for the RFP and included over 18,000 items, 4) assisting staff with vendor and small business issues related to the RFP, 5) providing staff with answers to the technical questions vendors posed during the RFP process and 6) participating in numerous meetings with staff regarding various aspects of the entire RFP process.

- There is no evidence that the former Deputy Chief Information Officer violated the City’s Revolving Door Policy.
- In our opinion, the NCC Converged Network overall evaluation process was on balance fair, objective, and accurate. However, we did note some issues during various phases of the evaluation process. Of particular concern is the adequacy of the request for and subsequent review of one of the minimum qualifications requirements. A more rigorous process may have materially affected the selection of the three vendor finalists.
- We found that the “Cost Comparison” in staff’s June 16, 2004 memorandum to the City Council was not entirely accurate and complete. Specifically, the memorandum left out some RFP required items that would have significantly increased 1) the total amount of the contract and 2) the dollar disparity between SBC and Unisys.
- The RFP for the NCC Converged Network System complied with City Code requirements for contracts for general services in SJMC Chapter 4.13 and the resulting contract is not required to be awarded to the lowest responsible bidder.

We recommend that:

1. The City Attorney review with the City Manager’s Office and the General Services Department the need for clarifications or other amendments to the SJMC standardization provisions. (Priority 2)
2. The Administration develop a policy to require a formal contract with scope of service and nondisclosure provisions for non-compensated outside parties who are providing technical or specialized assistance to the City. (Priority 3)
3. The City structure its RFPs to facilitate the evaluations of minimum qualifications requirements. (Priority 3)
4. The City include in its RFPs the relative importance of price and other factors and subfactors. (Priority 3)
5. The General Services Department work with the City Attorney to look for ways to improve how the City evaluates and scores responses to RFPs and considers price relative to other evaluative factors. (Priority 3)
6. SJMC Section 4.13.010 be amended to clarify that the request for proposal method of procurement is authorized where the provision of services and the purchase of equipment are integral to each other in accomplishing the purpose of the project and the services are not merely incidental to the equipment purchase. (Priority 3)

Introduction

In accordance with the City Council's direction at its June 22, 2004, and June 29, 2004 meetings, the Office of the City Attorney and the Office of the City Auditor jointly reviewed the Converged Network System Request for Proposal (RFP) process. The Office of the City Auditor conducted its part of the review in accordance with generally accepted government auditing standards. The Office of the City Attorney and Office of the City Auditor limited the review to the questions specified in the Objectives, Scope, and Methodology section of this report.

Background

New Civic Center (NCC) Technology

In December 2002, Information Technology Department (ITD) staff began analysis and budgeting for the New Civic Center (NCC) technology, including formulating a network design. Staff also reviewed various telephony options for the NCC. According to staff, they did not research a converged network solution at this time. Staff also noted they asked Cisco Systems, Inc. (Cisco) for assistance on developing budget estimates and the required technology.

In or about January 2003, staff began looking at the Converged Network solution for the NCC. This included contacting various vendors to obtain budgetary numbers. By August 2003, staff started working on the base network design in reliance on a network standardization effort by the Information Technology Planning Board (ITPB) and Cisco published design guidelines. Cisco was involved with staff in designing the Converged Network System. Cisco also provided City staff with a Bill of Materials (BOM) for the Converged Network System. Furthermore, Cisco provided multiple iterations of the BOM to suit the City's changing needs.

On February 3, 2004, the City Council approved funding for NCC technology purchases, which specifically included the Converged Network System procurement including the services of the systems integrator, and directed staff to return to the City Council for each procurement recommendation.

Converged Network RFP

City staff developed and issued a Request for Proposal (RFP) on March 15, 2004 for a Converged Network System for the NCC. The RFP focused on the overall scope of a converged network implementation and consisted of the following operations:

1. Installation of a switched Internet Protocol (IP) based network
2. Installation of a Voice Over Internet Protocol (VoIP) telephone system
3. Implementation of a fail over plans for the converged network solution
4. Implementation, according to best practices, for these items including system security.

On March 15, 2004, the City advertised the RFP on the City's Internet "Bid-Line" and distributed it to 38 companies. The RFP required that all interested parties participate in a mandatory pre-proposal conference. There were 23¹ parties that participated in the pre-proposal conference. Six companies submitted proposals by the April 16, 2004 deadline. Staff extended the proposal deadline by one week from the original April 9, 2004 deadline when some of the interested proposers requested extensions. All six proposers presented a Cisco-based solution.

To select a proposed vendor, the City used an RFP that stipulated a four-phase evaluation process. Phase 1 – Minimum Requirements Review; Phase 2 – Qualifications, Experience and Technical Approach; Phase 3A– The Evaluation Team² observed

¹ One of the participants was Cisco, which according to ITD staff, stated their intention not to bid (Cisco was not under an obligation not to bid). Another participant was the Chairman of the Small Business Development Commission.

² The Evaluation Team included an IT Communication Technician, IT Information Systems Analyst, IT Network Operations Manager, IT E-Government Program Manager, two IT Supervising Applications Analysts, and an external IT professional.

demonstrations from all three vendors and interviewed each of the three finalists and Phase 3B –The vendors were graded on the criteria from the vendor responses in the cost proposals and the technical clarifications; and Phase 4 - Final Technical Requirements and Cost Proposals.

Upon conclusion of the three phases, the RFP Evaluation Team ranked the three vendor finalists. The Evaluation Team ranked and recommended Unisys as the top vendor to the Senior Staff Team³ working on this project with SBC and Norstan as number two and three, respectively.

On June 16, 2004, the ITD and General Services Department (GSD) presented a joint memorandum to the City Council recommending that the City Council adopt a resolution “authorizing the City Manager to negotiate an agreement with Unisys for the purchase of a Converged Data Network and Telephony System in an amount not to exceed \$8,030,127 including all hardware, software and professional services required to implement the system.”

SBC Complaints

In multiple communications after the June 16, 2004 staff memorandum to the City Council, SBC formally protested the Converged Network RFP. These complaints were as follows:

- 1) The RFP criteria were not followed and staff’s report to the City Council failed to accurately explain how each of these criteria was evaluated;
- 2) A statement in the staff report that described SBC as failing in the key project assumptions category;
- 3) The price the City staff attributed to SBC in the report was significantly higher than what SBC had submitted;
- 4) A conflict of interest might exist in connection with the RFP, specifically relating to the former Deputy CIO’s current employment with Unisys;

³ The Senior Staff Team for this project included a Deputy City Manager, the City’s Chief Information Officer (CIO), and the GSD Director.

- 5) The Cisco standards adopted by the IT Planning Board had never been updated; and
- 6) Because a significant portion of the RFP includes equipment purchases, the RFP is really a competitive equipment bid that the City is required to award to the lowest responsible bidder under SJMC Chapter 4.12.

During its June 22, 2004 meeting, the City Council approved a motion that included direction to the City Attorney to investigate allegations of conflicts of interest that were raised during the City Council meeting. During its June 29, 2004 meeting, the City Council approved a motion directing the City Auditor to work with the City Attorney on reviewing the RFP process for the NCC Converged Network System.

Objectives, Scope, And Methodology

We reviewed the following matters relating to the Converged Network System RFP process:

1. Was the standardization on Cisco equipment and other system requirements in the RFP in accordance with San Jose Municipal Code (SJMC) requirements?
2. What was Cisco's participation in the RFP process?
3. Did a former City Deputy CIO violate the City's revolving door policy after leaving City employment in September 2003?
4. Was the RFP evaluation process fair, objective, and accurate?
5. Was the City's analysis of the final three vendors' cost proposals complete and accurate?
6. Was the RFP process for the procurement of "General Services" the appropriate procurement process?

In addressing these questions we interviewed City staff that were integral participants in the Converged Network System RFP project, the Senior Staff Team, representatives from TMG and The Application Group that assisted in the evaluation process, SBC representatives, the former Deputy CIO, Cisco representatives, and the Chairman of the

Small Business Development Commission. We also interviewed representatives of companies that participated in the March 26, 2004 pre-proposal conference, but did not submit a bid. We also reviewed the SJMC, the City's Contracts Administrative Manual, the Purchasing Administrative Manual, the City Request for Proposal Procedures Manual, and the American Bar Association (ABA) Model Procurement Code. We also reviewed the City's analysis of the final three vendors' Converged Network System cost proposals, the vendors' proposals submitted in response to the RFP, the scoring methodologies and scoring sheets City staff used to rank the vendors and various staff reports on the project, and E-Mail correspondence involving City staff assigned to this project.

Was The Standardization On Cisco Equipment And Other System Requirements In The RFP In Accordance With SJMC Requirements?

Based upon our review of all available documents and discussions with authoritative City staff, we have concluded that the City's standardization on Cisco equipment and other system requirements in the RFP was not in accordance with SJMC Section 4.12.149 for two reasons. First, there was no documentation to show that the GSD Director determined that standardization was required for the procurement. Second, the City did not have documentation to demonstrate that standardization would produce significant cost savings.

RFP 03-04-08 for the NCC Converged Network System, requires that proposals comply with City technical standards. RFP Section 3.22 states:

In the [sic] January 2000, the Information Technology Planning Board (ITPB) was formed. In August 2000, the Mayor and City Council approved the City of San Jose's Information Technology Master Plan. In June 2003, cross-departmental groups developed information technology standards for the City, which were subsequently approved by the ITPB. The ITPB has the authority to establish information technology standards, policies and guidelines by way of their charter, which is included in the City's Information Technology Master Plan.

Section 3.22 of the RFP then lists all of the relevant City of San Jose hardware and software standards, many of which are Cisco products.

The RFP also specifies that each “[P]roposer must be an authorized Silver/Gold/Platinum [sic] Cisco Partner⁴ and must have an IP Telephony-Revised Specialization Certification. The RFP also requires proposers to have VPN Security Specialization, ATP-IPCC Express, and IP Call Center Express. (RFP Sections 1.3.C and 3.11.A.)⁵

The RFP included an extensive BOM as Attachment E to the RFP. The BOM specified over 18,000 items of hardware and software required for the Converged Network System in the NCC, most of the hardware being Cisco products. Other sections of the RFP that require Cisco products and services or Cisco-equivalent products and services are listed in Attachment I hereto.

The RFP includes language that would allow a proposer to substitute hardware and software products that are different than those specified in the RFP. Section 3.4.A of the RFP states:

Proposer adheres to City hardware and software standards as described in section 3.21.⁶ In cases where products other than City standards are proposed, a business case supporting the choice is required.

However, the RFP at Section 3.4.B also states that the “Proposer must propose tight integration with Cisco IOS that utilizes the full functionality and robustness of the feature set(s) found in Cisco’s networking equipment.” RFP Section 2.2 says hardware and software must utilize City standards identified in Section 3.21⁷. RFP Section 3.4.D says the City will not pursue custom development or extensive product customization.

⁴ Interviews with Cisco Systems employees and lawyers, and with SBC, as well as information from www.cisco.com, confirmed that there is no “platinum” partner status conferred by Cisco upon its authorized resellers. Instead, the Cisco partnership levels are premier, silver and gold.

⁵ From interviews with Cisco employees and from information obtained on the Cisco website, we determined that Cisco confers partnership status on Cisco resellers when resellers meet certain specified criteria, including the completion of various levels of training through the Cisco certification program and expertise in relevant areas of specialization. Whether Cisco confers premier, silver or gold partner status varies depending on sales of Cisco equipment, customer service and satisfaction, and amount and types of specialized training.

⁶ This reference in RFP Section 3.4.A to Section 3.21 of the RFP appears to be in error because the City’s standards are found instead in RFP Section 3.22.

⁷ This reference in the RFP to Section 3.21 also appears to be in error because the City’s standards are in RFP Section 3.22.

Given, (1) the clearly expressed preference in the RFP for Cisco products, (2) that proposers were required to document and submit a business case for each item where products that are different than the City standard are proposed, and (3) the fact that proposers were originally only provided with two weeks after the pre-proposal conference to respond to the RFP, which staff extended to three weeks as the result of concerns of potential proposers, that there was not sufficient time to respond. One specific concern was that no proposer would have sufficient time to attempt to substitute products and make a business case for equipment substitutions. These issues were expressed to the Auditor's Office by several potential proposers who did not submit proposals on this RFP, and was echoed by a Channel Account Manager from Cisco who represents several Cisco partners and assists them in bidding on projects.

Additionally, allowing for substitutions in the RFP is inconsistent with staff's position that the City is standardized on Cisco equipment which, if Cisco standardization had been appropriately authorized for the RFP, would not allow for any substitution.

In interviews, the City's CIO, Deputy CIO, E-Government Program Manager, Supervising Applications Analyst, Network Operations Manager, and GSD Director, all explained that the standardization of information technology equipment, where deemed desirable, was ITPB approved and memorialized in the undated document entitled "Notes from Network Workshop" attached hereto and incorporated herein by reference as Attachment II.

The "Notes from Network Workshop" document includes a number of standardizations requiring the use of Cisco equipment. For Local Area Network, switches and routers are required to meet IEEE standards and "Cisco @ this time*," firewalls must be a Cisco-based solution, and virtual private network is Cisco. For Wide Area Networks, routers are required to meet IEEE standards and be "Cisco @ this time*." For Remote Access, wired access must include a Cisco-based solution. Management Software may be either Cisco Works or Sun Management. The term "IEEE" means that the equipment meets the standards recommended by the Institute of Electrical and Electronics Engineers (IEEE),

as published by the American National Standards Institute. The asterisk* after the notation that routers and switches are “Cisco @ this time*” refers to a footnote in the document which states:

Cisco is the current standard for routers and switches. It was recognized by the committee that there may either be a need or preference to competitively bid these items in the future. Most likely this would be done when the organization was pursuing a large, single purchase. (Emphasis added.)

In the NCC Converged Network System RFP, routers and switches, among other items, that are currently listed in the RFP require Cisco products. However, there is no documentation to show that there was any analysis or consideration given to competitively bidding these items for the NCC Converged Network System, which qualifies as “a large, single purchase” pursuant to the ITPB standardization effort.

Also, despite the specification of Cisco brand IP telephony equipment in the RFP (RFP Attachment E, pp. 8-13), there is no ITPB-recommended or other City standard for telephony equipment. An ITD staff member acknowledged the lack of such a standard in a January 22, 2004 E-Mail message. Specifically, the Supervising Applications Analyst sent an E-Mail message to the E-Government Program Manager warning of possible problems with the failure to appropriately standardize telephony equipment in the RFP.⁸

The Information Technology Master Plan, dated May 2000, that the City Council approved on September 5, 2000⁹, broadly specifies the functions of the ITPB. The May 2000 Information Technology Master Plan does not grant authority to the ITPB to do anything with regard to the standardization of equipment purchases for the City except the review and prioritization of enterprise-wide information technology investments for the City Manager’s review (Information Technology Master Plan, March 2000, Appendix A, ITPB Charter). This is consistent with a flow chart attached to the Master Plan which indicates that the role of the ITPB is to “recommend IT policies and standards” (Information Technology Master Plan, March 2000, Appendix B, IT Governance

⁸ In his message, the Supervising Applications Analyst suggests going to the ITPB to standardize the RFP telephony purchase.

⁹ The ITPB also existed prior to Council adoption of the Information Technology Master Plan as a committee formed by the City Manager apparently, in significant part, to “oversee the development of this [Master] [P]lan and its implementation” (Information Technology Master Plan, May 2000, p. 2).

Organizational Structure). The most recent version of the ITPB Charter authorizes the ITPB, among other powers, to “adopt and support the information technology guidelines, standards and policies” (ITPB Charter, revised March 25, 2002). However, none of the apparent powers of this administrative committee preclude or replace compliance with the SJMC requirements for standardization of equipment purchases.

City staff’s reliance on the ITPB standardization effort as authorizing the standardization of materials and equipment to be purchased with the RFP for the NCC Converged Network System is misplaced. Regardless of the ITPB-recommended information technology standards, all City purchases of equipment and materials where standardization is desired are required to comply with the SJMC standardization requirements.

SJMC Section 4.12.149 authorizes the GSD Director to standardize with respect to the purchase of supplies, materials, and equipment in the following manner:

4.12.149 Standardization.

Where the director¹⁰ has determined that it is required by the health, safety or welfare of the people or employees of the city or that significant costs savings have been demonstrated, standardization of supplies, materials, or equipment is permitted and the specifications may limit the purchase to a single brand or trade name. Among the factors that may be considered in determining to standardize on a single brand or trade name are that:

- A. Repair and maintenance costs would be minimized;
- B. User personnel training would be facilitated thereby;
- C. Supplies or spare parts would be minimized;
- D. Modifications to existing equipment would not be necessary;
- E. Training and repair of maintenance personnel would be minimized;
- F. Matching existing supplies, materials or equipment is required for proper operation of a function or program.

(Emphasis added.)

¹⁰ The term “director” is defined in SJMC Section 4.12.002 as “the director of general services or such other director designated by the city manager to administer this chapter.” Chapter 4.12, entitled “Purchases of Supplies, Materials and Equipment,” specifies when competitive bidding is required for such purchases and the exceptions to the competitive bidding requirements. We found no evidence that any one other than the GSD Director has been authorized to administer this Chapter of the SJMC affecting all purchases of equipment, materials and supplies.

Other than the ITPB-approved standardization list entitled “Notes from Network Workshop,” there is no documentation to support that the ITPB’s equipment standardization effort was supported by the SJMC required cost analysis for specific equipment purchases. There is no documentation to evidence that the standardization of equipment to be purchased as part of the RFP was approved in the manner the SJMC requires.

SJMC Section 4.12.149 specifies requirements that must be articulated as the basis for any standardized equipment purchase. In the instant case, because there are no health, safety and welfare reasons for the standardized equipment purchase in the RFP, the City is required to support the standardized purchase with a demonstration of “significant cost savings” (SJMC Section 4.12.149). There is no evidence that City staff demonstrated a significant cost benefit from the standardization of the numerous equipment and materials purchases that are incorporated into the NCC Converged Network System RFP.

In a July 15, 2004 interview with the CIO, she stated that she did not know there were any standardization requirements in the SJMC. The CIO said that if the SJMC requires the GSD Director to approve of the standardization, it appears that the GSD Director’s participation in the ITPB satisfies the SJMC requirement for approval. In the same interview, the CIO stated that she did not perform any cost analyses to support the standardizations that the ITPB approved. Rather, she was concerned about ITD staff retraining in that staff is either Cisco-trained or has on-the-job experience maintaining and troubleshooting Cisco equipment. The CIO also expressed concern that having multiple vendors’ parts and equipment in the Converged Network System would complicate establishing responsibilities for failures and honoring equipment warranties.

During her July 15, 2004 interview, the CIO provided a notebook of information, focused upon the IT Department’s NCC telephony considerations. The first item in the notebook is a cost comparison of three different telephony options. VoIP in-house PBX, non-VoIP in-house PBX, and Centrex, which the CIO stated was prepared by City staff in late 2002

or early 2003.¹¹ However, the cost analysis in this document is limited to the consideration of these three types of telephony options for the NCC, and would not support standardization on a certain brand or manufacturer pursuant to the SJMC requirements. There is no evidence that this information was provided to the ITPB to determine whether the data was sufficient to support and recommend telephony standardization under the SJMC. There is no record of telephony standardization in any of the documents we were provided or reviewed, and telephony equipment is not listed on the ITPB's standardization effort entitled "Notes from Network Workshop." In her July 23, 2004 interview, the CIO stated that there was no standardization of telephony, not even informally.¹²

Additionally, the CIO provided us with an 11-page document dated July 2004, entitled "NCH Converged Network RFP," which includes the ITD's reasons for recommending the Converged Network System for the NCC, a copy of which is attached hereto as Attachment III. Although the document lists numerous benefits of the Converged Network System, the document fails to substantiate the significant cost savings of the Cisco-based Converged Network System in comparison to other manufacturers or other telephony and network options as required by Section 4.12.149 of the SJMC.¹³

¹¹ The analysis is fairly conclusory in that it indicates total cost for each different type of telephony solution as well as a breakdown for five major components of the different telephony options, including telephone services; network services; server, storage, backup, security, misc.; desktop cabling; and facility fiber connectivity. We cannot determine the basis for those numbers from the analysis. Other dollar amounts in the analysis are also summary in nature in that they include total costs with no breakdown of cost components. The totals shown in the analysis for each of the possible solutions were: VoIP in-house - \$21,255,000.00; non-VoIP in-house PBX - \$21,105,855.00; and Centrex - \$27,619,800.01. Staff told us that these early numbers were based upon non-discounted equipment quotes from vendors.

¹² A reason given by the CIO for no telephony standardization is that the VoIP telephony system is so integrated with the data system that it could be considered the same system. However, others interviewed stated that at a bare minimum, the VoIP telephones and call managers required for the system are not integral parts of the data system and can be non-Cisco brand. In fact, others, including Cisco employees, explained that Cisco makes at least one piece of alternative equipment (blade) that was not listed in the RFP BOM that enables use of non-Cisco VoIP telephones and call managers.

¹³ Section 2 on p. 4 of the July 2004 document incorrectly explains the SJMC requirements for standardization in that the threshold requirement for standardization is that the standardization must be required for health, safety and welfare, which is not the case here, or that there is a significant cost savings to the City. It is only after the determination of significant cost saving is made, and the City determines that the standard leads to the purchase of a single brand or trade name, that the City is required to also consider the six other factors listed as Subsections A-F in SJMC Section 4.12.149. In the instant case, staff considered the factors listed in Subsections A-F without engaging in the threshold significant cost savings analysis.

With regard to standardization on Cisco equipment, others, including a Deputy City Manager, the E-Government Program Manager, the GSD Director, and the Network Operations Manager, stated that the City did not perform any cost analysis for standardization to Cisco equipment. Staff decided to standardize on Cisco equipment primarily because of concerns with warranties and maintenance when problems arise.

As chair of the ITPB Network Subcommittee, the E-Government Program Manager recalls that the Network Subcommittee was given direction to find pieces within the City network that could be standardized, and then to make its best decisions without regard to cost. The decision to standardize on Cisco was made because of the large existing City inventory of Cisco equipment and technical staff's familiarity with Cisco equipment for maintenance and troubleshooting purposes.

Although all of the factors staff stated, including the July 2004 document from the CIO, may be valid regarding RFP standardization to a single brand or trade name under Subsections A through F of SJMC Section 4.14.129, the City did not meet the threshold criterion to enable authorization of standardization. Specifically, staff did not demonstrate that the standardized equipment required in the RFP would produce a significant cost saving to the City. There is no documentation that staff ever provided such information to the GSD Director for consideration, as the SJMC requires, to support the extensive equipment purchase element of the RFP. The CIO, the Deputy CIO, and the GSD Director all told us that staff did not prepare any cost-benefit analysis to support the decision to standardize on Cisco equipment for the Converged Network System RFP, but that they inputted a financial benefit based upon an overriding perception of cost savings relating to existing staff training to maintain and troubleshoot problems, quality of service, and warranty concerns that arise with multiple vendors.¹⁴

¹⁴ The CIO provided us with a March 24, 1999 memorandum from a former Systems and Network Coordination Supervisor to a former Acting GSD Director requesting the standardization of network switching equipment to Cisco Systems technology pursuant to Section 4.12.149 (Standardization) of the Municipal Code. IT staff, including the current Deputy CIO, received copies of this 1999 standardization request. However, neither the ITD nor the GSD could provide evidence that the GSD Director approved the March 24, 1999 request for standardization of switches.

We recommend that:

Recommendation #1

The City Attorney review with the City Manager's Office and the General Services Department the need for clarifications or other amendments to the SJMC standardization provisions. (Priority 2)

What Was Cisco's Participation In The RFP Process?

We found that City ITD management and staff worked in close partnership with Cisco during the Converged Network RFP process. Based upon our review of all documents provided to us by staff and Cisco, we have concluded that, contrary to representations made by staff to the City Council at its June 22, 2004 meeting and later to members of the Offices of the City Attorney and Auditor during this investigation, Cisco's participation in the RFP process was significant and pervasive. To the extent we can determine, Cisco's participation in the RFP process began in May 2003, and extended through June 2004. Cisco's participation in the RFP process included 1) the design of the Converged Network System, 2) assisting staff to prepare the RFP, 3) preparing several versions of the BOM that constituted the entire equipment and software requirements for the RFP and included over 18,000 items, 4) assisting staff with vendor and small business issues raised during the RFP process, 5) providing staff with answers to the technical questions vendors posed during the RFP process, and 6) participating in numerous meetings with staff regarding various aspects of the entire RFP process. A timeline of the E-Mails that chronicle Cisco's participation in the RFP process and other project milestones is shown in Attachment IV.

Cisco Designed The Converged Network System

During the course of our review, City ITD staff represented that they had designed the Converged Network System and that Cisco had reviewed their design to ensure functionality. We found that Cisco had essentially designed the Converged Network System, including a 13-page BOM listing 348 separate hardware and software-related products, totaling 18,276 items. The BOM was included in the RFP as Attachment E, which vendors used in developing their cost proposals for the Converged Network System. Between August 2003 and January 2004, at the City's request, Cisco provided ITD with at least five versions of the BOM.

An E-Mail from a Cisco Major Account Manager to the TMG Consultant indicated that the City provided Cisco with the information and requirements to architect the complete converged network design. The E-Mail dated March 23, 2004 stated,

Last items were the information and requirements provided by the City that we used to architect our complete converged network design:

- a. 99.999% reliability for data, voice, and video in the future were required
- b. Port density requirements per closet
- c. 10 GigE Uplinks to the Core
- d. Standardization across all platforms (ease in sparing, learning curve, future proof)
- e. Service modules in switches (enhance security multiple areas, monitor performance)

(Emphasis added.)

Cisco Provided Guidance And Information During The RFP Process, Including Responding To Vendor Questions

During the course of our review, City ITD management and staff maintained that Cisco was not involved in the RFP process. However, we found that during the RFP process, at the City's request, Cisco provided assistance and guidance on the following:

- In an E-Mail dated March 3, 2004, a Cisco Systems Engineer provided ITD staff with specific language to include in the RFP sections that pertained to IP telephony and security requirements. This language was included in pages 54-55 of the RFP.
- In an E-Mail dated February 22, 2004, a Cisco Systems Engineer provided ITD staff with a specific network diagram. Staff included a network diagram as Attachment G of the RFP.
- Cisco also reviewed and assisted staff to respond to the 15 questions vendors posed in anticipation of the March 6, 2004 pre-proposal conference. On March 23, 2004, the Deputy CIO forwarded the vendor questions to a Cisco Major Account Manager for her to review and determine which questions Cisco could help answer. On March 24, 2004, a Cisco Systems Engineer provided ITD

staff and the TMG Consultant with suggested text for responding to vendor questions about Cisco Safe Security.

- The Converged Network RFP Project Manager explained that Cisco provided ITD with examples of past Cisco-specific RFPs. He acknowledged using the Cisco-provided RFPs in developing the Converged Network RFP as well as sample RFPs obtained from other sources.

Additionally, Cisco invited ITD staff to participate in an April 14, 2004 meeting with the Product Manager and Technical Engineer that support the 6500 Switch, a component of the Converged Network System. One aspect of this meeting entailed an overview on “Why Buy Cisco and the Catalyst 6500 Switch.” We also found that ITD staff worked with Cisco on revising the BOM after the award process.

ITD Management And Staff Had Extensive Communications With Cisco Throughout The RFP Process

Throughout the audit process, the CIO and Deputy CIO denied having any communication with Cisco or that Cisco participated in the RFP process after staff issued the RFP on March 15, 2004, except for contacting a Cisco Channel Account Manager to discuss a specific vendor’s relationship with Cisco and non-RFP related issues.¹⁵ We found that after staff issued the RFP, ITD management and staff had repeated communications and meetings with Cisco staff, including a Major Account Manager and Systems Engineer. Based on E-Mail records, staff discussed technical specifications of the converged network, the Converged Network RFP process, and RFP issues and problems. The communications are documented in the timeline which is Attachment IV hereto, and include the following:

- March 18, 2004 - Cisco’s Major Account Manager E-Mails the Deputy CIO regarding a possible protest by Nortel. The Major Account Manager asks the Deputy CIO if she wants “anything from me to help combat this moving

¹⁵ The CIO admitted contacting a Cisco Major Account Manager to discuss Verizon’s relationship with Cisco.

- forward?” The City’s Deputy CIO responds “Any word on who they plan to protest to?” Cisco’s Major Account Manager responds to the Deputy CIO with “No it’s just threats right now – will keep you posted.”
- March 22 and 23, 2004 - the Deputy CIO and Cisco’s Major Account Manager exchanged several E-Mails regarding arranging a lunch meeting to discuss the “RFP process and responses...”
 - March 23, 2004 - the Deputy CIO E-Mailed a Cisco’s Major Account Manager the pre-proposal questions the vendors submitted so she could review and later strategize on what questions Cisco could help answer. The E-Mail contained attachments of the vendors’ questions. Cisco’s Major Account Manager responded to the Deputy CIO that she would review the questions and call to discuss the questions and answers. The Cisco employee also indicated that she forwarded the questions to her extended “team mates [sic] as well to gather all the resources that will be needed ...”
 - March 26, 2004 - the CIO E-Mailed a Cisco Bay Area Region Manager to ask for assistance in responding to concerns the Chairman of the Small Business Development Commission had raised. Namely, that the RFP was not accommodating to small and local businesses. Specifically, the CIO wrote, “I need your help. The chair of the Small Business Commission ... is likely to complain to Council Members that the network infrastructure project needs to be “chunked” up in order to allow small businesses to provide a proposal on some portion of the overall project. I know I can say that the City is looking for a complete integrated solution (end-to-end) and must minimize the risk of multiple vendors pointing fingers at each other when the telephone doesn’t have dial tone or the network doesn’t work, but I don’t think that will be good enough for the Council. Can I get help in answering the question, in the case it comes up?”
 - On March 29, 2004, the Chairman of the Small Business Development Commission E-Mailed five City Council members and the GSD Director regarding his concerns about the Converged Network RFP. He indicated that he attended the Converged Network System pre-proposal conference on March 26, 2004, and was concerned that the RFP was not accommodating to

small and local businesses. The CIO forwarded this E-Mail to a Cisco Major Account Manager and Regional Sales Manager asking to “discuss the implications of this on the RFP process and outcomes.”

- On July 21, 2004, a Cisco Major Account Manager acknowledged providing key information to the CIO that she used in her post-RFP justification of a Cisco-specified converged network.
- The CIO indicated that Cisco reviewed, but did not design, the BOM in the RFP. According to documents provided by a Cisco Senior Litigation Manager, the CIO asked Cisco to prepare a letter to the CIO that acknowledged that Cisco provided its partners with assistance during the RFP process and denied any knowledge of the City’s specific requirements and specifications for the converged network project. The Cisco Senior Litigation Manager later acknowledged the statement regarding Cisco’s knowledge of the RFP was inaccurate and provided the City Auditor’s Office and City Attorney’s Office with E-Mails between Cisco staff and City staff.

Further, we should note that during the City Council’s June 22, 2004 meeting, the CIO stated “May I make a clarification. As I was responding to Councilmember Yeager’s question with regard to the involvement of Cisco, I failed to note that after that initial review of how the Network was shrunk, shall I say, Cisco was not involved in any of the process in terms of the development of the RFP. And I want to make that perfectly clear. Their involvement stopped at the point where we got confirmation that the proposed solution was a viable solution, and that it would meet the City’s performance requirements. They did not have advanced notice of the RFP, they did not involve themselves in preparation of the RFP, I just wanted to make that clarification.”

(Emphasis added.) In our opinion, the CIO’s representation to the City Council is clearly at variance with the documented record as shown in Attachment IV. During the same meeting the City Manager told the City Council, “...clearly what it is not is a vendor driven process.”

Finally, Cisco's involvement in the RFP process was significant and pervasive and calls into question the process the City used to select an appropriate solution and vendor for the Converged System Network.

We recommend that:

Recommendation #2

The Administration develop a policy to require a formal contract with scope of service and nondisclosure provisions for non-compensated outside parties who are providing technical or specialized assistance to the City. (Priority 3)

Did A Former City Deputy CIO Violate The City’s Revolving Door Policy After Leaving City Employment In September 2003?

Based upon our review of all available documents and discussion with involved parties, we found insufficient evidence to support the allegation that the former Deputy CIO violated the City’s revolving door policy.

SBC alleges that the former Deputy CIO may have violated the City’s revolving door policy.

SJMC Section 12.10.030, which is commonly referred to as the City’s “revolving door policy,” states:

12.10.030 Prohibitions.

For one year immediately following the termination of city or agency office or employment, no former city or agency official or designated employee shall:

- A. Work on any matter on which the official or employee worked on behalf of the city or agency during the twelve months prior to termination of service.
- B. Represent anyone else, whether or not for compensation, before the city council, redevelopment agency board, any commission thereof, or any staff of the city or agency.
- C. Receive any gift or payment which would be prohibited under Part 5 of this chapter from any person who was, in any way, involved in or affected by the work of the official or employee during the twelve months prior to the termination of service.

SBC claimed that the current Deputy CIO spoke on the telephone with the former Deputy CIO during SBC’s presence, and that upon hanging up the phone the current Deputy CIO said she had been talking to the former Deputy CIO. In our interview of SBC, two SBC representatives also asserted that the Mayor’s Budget and Policy Director told them, the day before the City Council directed the City Manager to begin contract negotiations with

Unisys, that he didn't know the former Deputy CIO had left City employment until recently. As a result of these pieces of information, and E-Mails later provided by the City in response to public records requests by SBC, SBC concluded that the former Deputy CIO might improperly be dealing with the City on this project on behalf of Unisys. SBC also was concerned that Unisys may have debriefed the former Deputy CIO upon his employment there about the nature of his projects with the City of San Jose, thereby giving Unisys a possible advantage over other competitors.¹⁶

The records related to the NCC Converged Network System project include documentation of the former Deputy CIO's involvement with the project during his employment with the City of San Jose. September 17, 2003 was the former Deputy CIO's last day of employment with the City. The former Deputy CIO left his position with the City for employment with Unisys as a Senior Manager in the North America Public Sector Solutions Group.

In the July 23, 2004 telephone interview with the former Deputy CIO, he indicated that he is familiar with the City's revolving door policy and has had nothing to do with the Unisys proposal for the Converged Network System project for the NCC. He provided information that he is not working with the Unisys group that prepared the response to the RFP for Unisys, nor did Unisys debrief him upon his employment about his former City projects. The current Deputy CIO and the Mayor's Budget and Policy Director indicated that they have not spoken to the former Deputy CIO about the Converged Network System project for the NCC since his departure from City employment.

According to the current Deputy CIO, her only conversations with the former Deputy CIO since his departure from City employment have been about his new baby and a request for his phone number she had received. More specifically, upon one occasion prior to issuance of the instant RFP, when she received a call from SBC requesting the

¹⁶ The sources of the original SBC allegations are the June 25 and 28, 2004 letters from SBC Senior Legal Counsel Mary Vanderpan to City Attorney Richard Doyle, and the July 20, 2004 interview with Jennifer Jackson, Bob Campbell, and Ms. Vanderpan of SBC and SBC outside counsel Neal O'Donnell. SBC has added E-Mail communications derived from its public records requests to the reasons for its allegations.

former Deputy CIO's phone number. The current Deputy CIO did not release the former Deputy CIO's phone number to the SBC employees, but instead called the former Deputy CIO to let him know that they were attempting to contact him.

The Mayor's Budget and Policy Director told us that he has not spoken to the former Deputy CIO about the Converged Network System RFP. He recalled that during a meeting with SBC about one week before the City Council meeting on the RFP, SBC asked him if he had spoken to the former Deputy CIO about the RFP since he had left City employment and gone to work for Unisys. The Mayor's Budget and Policy Director responded to SBC that he did not even know that the former Deputy CIO had left City employment.

In the July 21, 2004 interview with the Network Operations Manager, he stated that he had limited contact with the former Deputy CIO after his departure from City employment. The Network Operations Manager stated his contact was limited to asking the former Deputy CIO if he could recommend a consultant to assist the City with the RFP. He said the former Deputy CIO offered to make others at Unisys available to assist the City to help draft the RFP, but both men expressed knowledge about rules prohibiting former City employees and their current employers from doing business with the City. There is no evidence in our possession about any consulting or work related to the RFP after this limited exchange, which is recorded in E-Mail messages during mid-January 2004.¹⁷

¹⁷ E-Mail messages in January 2004 indicate that City's Network Operations Manager contacted several other people in addition to the former Deputy CIO, none of whom appear to be Unisys employees, to obtain a recommendation for a consultant who might assist the City in drafting the RFP. Specifically, with regard to the City's revolving door policy, in E-Mail messages sent the morning of January 14, 2004, both City's Network Operations Manager and former Deputy CIO expressed concern about the revolving door policy and the need to review those prohibitions. But then in an E-Mail message to former Deputy CIO sent a few hours later, on the afternoon of January 14, 2004, City's Network Operations Manager states that although he has asked staff to look in to "rules" regarding previous employees, "things are very accelerated and so having a contractor perform network design and draft an RFP for it doesn't seem possible." It appears that all communication on the subject of a consulting reference from former Deputy CIO or any use of Unisys consulting services ended at that point.

During the July 26, 2004 interview of the CIO, a Deputy City Manager relayed that she contacted the former Deputy CIO's supervisor at Unisys who confirmed to her that the former Deputy CIO has not worked on any City-related projects since his employment with Unisys. The former Deputy CIO provided the City Auditor's Office with a Unisys organizational chart indicating that he is not on the project delivery team for the City Converged Network System RFP. Rather, project management and supervision is with the Unisys Western Region Infrastructure, Technology and Services Group.

We have insufficient evidence to establish that the former Deputy CIO violated the City's revolving door policy.

Was The RFP Evaluation Process Fair, Objective, And Accurate?

In our opinion, the NCC Converged Network overall evaluation process was on balance fair, objective, and accurate. However, we did note some issues during various phases of the evaluation process. Of particular concern is the adequacy of the request for and subsequent review of one of the minimum qualifications requirements. In our opinion, a more rigorous process may have materially affected the selection of the three vendor finalists. In addition, beginning on page 30 of this report, we address the question, “was the City’s analysis of the final three vendors’ cost proposals complete and accurate?”

At the City Council’s direction, the City formed the Senior Staff Team for this project to recommend a vendor for the Converged Network for the NCC. A Deputy City Manager, the City’s CIO, and the GSD Director were on the Senior Staff Team. The City also hired an outside consultant and assembled a support team and a working group comprised of staff from ITD and GSD to develop an RFP and assist with the evaluation for the NCC Converged Network.

The City received a total of six responses to its Converged Network for the NCC RFP. The Evaluation Team, consisting of six City ITD employees¹⁸, evaluated the six proposals in the following four separate phases.

- Phase 1 – Minimum Qualifications and Experience: Per the RFP in the Phase 1 evaluation, the City would perform an initial evaluation of the qualifications and experience of the firm. Proposers scoring the highest in the Phase 1 evaluation would then undergo a technical evaluation in Phase 2.
- Phase 2 – Qualifications, Experience and Technical Approach: Based on the qualifications, experience and technical approach review, the Converged Network Evaluation Team, scored all six vendors and then selected the top three scoring vendors to go to the Phase 3 evaluation. The Evaluation Team made a presentation to the Senior Staff Team. The Team recommended three finalists to move to Phase 3. These were: 1) Norstan, 2) SBC, and 3) Unisys.

¹⁸ In addition, one external IT professional from an outside government agency participated in Phase 3.

- Phase 3 – The Evaluation Team observed demonstrations from all three vendors and interviewed each of the three finalists.
 - Phase 3A – counted for 40 percent of the final score. The Team scored the vendors on the following criteria during the demonstrations: 1) Features and Functionality; 2) Project Management; 3) Technology; and 4) Final Questions.
 - Phase 3B – This phase counted for 60 percent of the final score. The vendors were graded on the following criteria from the vendor responses in the cost proposals and the technical clarifications. These were: 1) Resource Loading; 2) Project Timelines; 3) Statement of Work; and 4) Reference Checks. Furthermore, the Evaluation Team also did a Pass/Fail assessment on the following: a) Certification Requirements and b) BOM Certification. For the organization criteria, the ITD Administrative Officer and a Finance Department Financial Analyst performed the vendors’ financial viability analyses.

At the end of Phase 3, the Evaluation Team scored and ranked the three finalists as shown below.

| Company | Final Score |
|----------------|--------------------|
| Unisys | 247.9 |
| SBC | 220.8 |
| Norstan | 218.9 |

Source: Auditor analysis of Application Group provided scores

We should note that the above Final Score does not include the external IT professional scores. The Senior Staff Team decided to exclude his scores because he missed several hours of vendor presentations. Had staff included the external IT professional scores the Final Scores would have been Unisys 247.7, Norstan 223.1, and SBC 221.3.

- Phase 4 – Final Technical Requirements and Cost Proposals. Vendors responded to a series of technical questions and submitted their cost proposals.

In our opinion, overall, the City conducted the evaluation process fairly, objectively, and accurately. The SJMC #4.13.040 states that *“In determining the most advantageous proposal to the city, the following factors shall be considered: 1. Cost to the city; 2. Quality of the proposal; 3. Capabilities and expertise of the contractor; 4. Adherence to applicable city council policies; and 5. Status of the vendor as a local business enterprise and/or small business enterprise in accordance with Section 4.06.040 of Chapter 4.06 of this title.”* We discuss Factor 1 - Cost to the City in detail beginning on page 30. In Attachment V, we show how staff considered Factors 2, 3, and 4. Staff discussed Factor 5 in its June 16, 2004 memorandum to the City Council. However, we did identify the following issues that occurred during various phases of the evaluation process.

- During Phase 1, the GSD/Purchasing Division only screened the proposals to ensure that the vendors submitted all required documents. The Evaluation Team did not score the proposers in Phase 1 but rather combined the Phase 1 review and scoring with Phase 2.
- Although the Evaluation Team included the evaluation of the vendors’ minimum qualifications in Phase 2, we found that one of the three finalists did not appear to meet the minimum qualification that *“At least one reference must be from an organization with over 1,000 data and voice connections in the United States.”* Had staff adequately reviewed this minimum qualification, staff may not have selected this vendor as a finalist. We also found that the RFP did not specifically request the number of connections in the Reference Template section of the RFP. The GSD Purchasing Agent acknowledged that since staff did not specifically request in the RFP for vendors to identify a reference with “over 1,000 data and voice connections”, and the vendor did not provide one, this vendor may not meet this minimum qualification.
- Staffs’ memorandum regarding the RFP discussed at the June 22, 2004 City Council Meeting stated *“Panelists rated SBC as failing in the ‘key project assumptions’ category...”* However, we found that only two of the six evaluators failed SBC in the Project Assumptions category. Since a majority of the

evaluators had passed SBC, in our opinion, staff should have accurately described the rating in its June 16, 2004 memorandum to the City Council.

- The RFP did not state the relative importance of price and other factors and subfactors. According to the ABA's 2000 Model Procurement Code for State and Local Governments regarding evaluation factors, "*The Request for Proposal shall state the relative importance of price and other factors and subfactors, if any.*" According to the ABA, the subsection serves two purposes, "*First, a fair competition necessitates an understanding on the part of all competitors of the basis upon which award will be made. Second, a statement of the basis for award is also essential to assure that the proposal will be as responsive as possible so that the jurisdiction can obtain the optimum benefits of the competitive solicitation. The requirement for disclosure of the relative importance of all evaluation factors and subfactors applies to the areas or items that will be separately evaluated and scored, e.g. the items listed on the evaluation score sheets.* It further states that "*A statement in the RFP of the specific weighting to be used by the jurisdiction for each factor and subfactor, while not required, is recommended so that all offerers will have sufficient guidance to prepare their proposal.*" Although the City is not required to follow the ABA's Procurement Code, in our opinion, the City should at least include in its RFPs the relative importance of price and other factors and subfactors.
- The RFP includes price as an evaluation criteria. However, the Evaluation Team did not consider price when rating the vendors. According to the GSD Purchasing Agent, the City should look for ways to improve on how the City evaluates and scores responses to RFPs and considers price relative to other evaluative factors.

In our opinion, the City should treat these issues and errors as lessons learned for future procurements. Accordingly, we recommend that:

Recommendation #3

The City structure its RFPs to facilitate the evaluations of minimum qualifications requirements. (Priority 3)

Recommendation #4

The City include in its RFPs the relative importance of price and other factors and subfactors. (Priority 3)

Recommendation # 5

The GSD work with the City Attorney to look for ways to improve how the City evaluates and scores responses to RFPs and considers price relative to other evaluative factors. (Priority 3)

Was The City's Analysis Of The Final Three Vendors' Cost Proposals Complete And Accurate?

The CIO and the GSD Director presented a June 16, 2004 memorandum entitled "Report On RFP For A Converged Network For The New City Hall (NCH)" to the City Council at its June 22, 2004 meeting. (See Attachment VI)

The memorandum included a recommendation calling for "Adoption of a resolution authorizing the City Manager to negotiate an agreement with Unisys (Blue Bell, PA), for the purchase of a Converged Data Network and Telephony System in an amount not to exceed \$8,030,127 including all hardware, software and professional services required to implement the system".

The memorandum also included a "Cost Comparison" for the final three vendors Unisys, SBC, and Norstan. We reviewed the cost comparison in the June 16, 2004 memorandum for completeness and accuracy. We found that some of the items in the cost comparison were not accurate and/or complete and that the memorandum left out some RFP-required items that would have increased 1) the total amount of the contract and 2) the dollar disparity among the final three vendors as shown below.

**Summary Of Comments Regarding The Cost Comparison Shown In The
Administration's June 16, 2004 Memorandum**

| | Unisys | SBC | Norstan |
|--|--------------------|--------------------|--------------------|
| Base Solution Cost In June 16, 2004 Memorandum | \$7,621,467 | \$7,401,855 | \$8,492,091 |
| RFP-Required Item Adjustments To The Base Solution Cost | | | |
| Comprehensive Security System | \$408,660 | \$247,771 | -- |
| On-going Maintenance and Support | \$968,839 | \$821,050 | \$703,729 |
| End-User Training | -- | (\$36,690) | -- |
| Bill of Material Adjustment | | (\$30,000) | |
| Adjusted Base Solution | \$8,998,966 | \$8,403,986 | \$9,195,820 |
| Other Not Clearly Defined RFP Items | | | |
| Items Included In The Cost Comparison | | | |
| Customer Support Programs | \$76,156 | \$277,175 | \$236,700 |
| Items Excluded From The Cost Comparison | | | |
| Readiness Assessment | | \$32,171 | |
| IP Phone Placement | | \$51,273 | |
| Ninety Day Post Go-Live Support (Onsite) | | \$40,804 | |
| WAN Assessment | | | \$42,500 |

We determined that the cost comparison presented to the City Council left out RFP-required costs associated with a comprehensive security system, on-going maintenance and support, end-user training, and training for ITD technicians. Additionally, SBC transposed a number in its BOM pricing summary.

Comprehensive Security Solution

Section 3.23 of the Converged Network RFP established 18 security requirements that vendors were required to address in their proposal. The June 16, 2004 memorandum to the City Council stated, "Unisys demonstrated the most comprehensive network and security infrastructure solution presented by any vendor. They placed significantly more emphasis on critical network and security aspects of the solution than the other vendors."

However, we found that staff did not include the costs associated with providing comprehensive security solutions in the Cost Comparison it included as part of its June 16, 2004 memorandum to the City Council. Unisys' base solution included \$408,660 for security planning. Staff included the \$408,660 in its June 16, 2004 memorandum as an addition to the Cost Comparison to arrive at the \$8.030 million contract amount shown in its memorandum. SBC's base solution included \$247,771 in security components or \$160,889 less than Unisys'. According to the City's consultant, Norstan security cost appeared to be integrated in its base solution. Accordingly, we increased base solution cost in the June 16, 2004 memorandum to reflect these security components.

On-Going Maintenance And Support

RFP Section 3.18 required that vendors submit various proposals for on-going service and support (maintenance). The June 16, 2004 report to the City Council indicated that "the recommended contract award does not include on-going system maintenance support, estimated at \$750,000 annually. ...Staff will explore Unisys supplying this maintenance support..." However, all three vendors submitted on-going maintenance and support cost proposals. Unisys' cost proposal for on-going maintenance and support was the highest at \$968,839 per year, SBC's cost proposal was \$821,050 per year, and Norstan's cost proposal was \$703,729 per year. Accordingly, since the RFP required vendors to submit on-going maintenance and support, we included one year's worth of maintenance and support to the base solution cost in the June 16, 2004 memorandum.¹⁹ Excluding all maintenance and support from the cost proposals understates the total cost of the project and skews the comparison among the proposers.

End-User Training

RFP Section 3.12 required vendors to provide a training plan for training 2,000 end users. This training must be held on City premises and be tailored specifically to the City's particular requirements. We determined that SBC included \$36,690 for the required end-

¹⁹ The RFP stipulated that on-going maintenance support would be for three to seven years.

user training for 2,000 users. However, Unisys included only \$22,847 for “train the trainer” training for a small number of users, who will in turn train the remainder of the users. Accordingly, we reduced SBC’s base solution cost shown in the June 16, 2004 memorandum by \$36,690 to adjust for this disparity.²⁰

SBC BOM Adjustment

In the detailed BOM pricing SBC provided, the total cost of hardware was \$5,855,105. However, SBC transposed a number and mistakenly overstated its cost proposal by \$30,000 on its cost proposal summary sheet. Accordingly, we reduced SBC’s base solution cost shown in the June 16, 2004 memorandum by \$30,000.

Other Not Clearly Defined RFP Items

The RFP contained elements that were not clearly defined and it is not clear how staff should have treated them in its Cost Comparison. These RFP items include the following:

- Unisys, SBC, and Norstan proposed customer support programs of \$76,156, \$277,175 and \$236,700, respectively. However, these proposals were not clearly defined in Unisys’ and SBC’s proposals according to the Consultant. Due to this lack of clarity we are not sure how to treat this cost element. Staff included these comments in the base solution cost shown in its June 16, 2004 memorandum.
- SBC’s proposal included options for readiness assessment, IP phone placement, and 90-day post go-live support which totaled \$124,248. Staff did not include this \$124,248 in its base solution cost in its June 16, 2004 memorandum.
- Norstan’s proposal included an optional Wide Area Network Assessment for \$42,500. Staff did not include this \$42,500 in its base cost solution in its June 16, 2004 memorandum.

²⁰ Norstan’s cost proposal included the IT Technical requirement, the end-user training, and “train the trainer” training.

We should note that staff's Cost Comparison did not include a RFP-required item for technical training for ITD staff. Furthermore, we also found that after the vendor selection process the City subsequently initiated a separate contract for this required training for a total cost of \$198,000. In our opinion, staff should have included this item in its June 16, 2004 memorandum in order to alert the City Council of an additional cost item.

We should also note that, according to the Application Group Consultant that did the analysis of the final three vendors' cost proposals, he had only 10 days to analyze the cost proposals. Given this limited time, he did not ask vendors to clarify any ambiguities in their proposals or request that they provide any additional information.

Was The RFP Process For The Procurement Of “General Services” The Appropriate Procurement Process?

The RFP for the NCC Converged Network System complied with the requirements for contracts for general services in SJMC Chapter 4.13 and the resulting contract is not required to be awarded to the lowest responsible bidder.

SJMC Chapter 4.13 governs the award of contracts for general services. Chapter 4.12 governs the award of contracts for the purchase of supplies, materials and equipment.

SBC claims that because a significant portion of the RFP includes equipment purchases, the RFP is really a competitive equipment bid that is required to be awarded to the lowest responsible bidder under SJMC Chapter 4.12.²¹

Section 4.13.010.A defines general services broadly as “any work performed or services rendered by an independent contractor, with or without the furnishing of materials.” and then includes a list of the types of services that are considered general services ranging from the repair and modification of City equipment and software, to demolition of nuisances, to providing other miscellaneous services to facilitate department operations. (Emphasis added.) Section 4.13.010.B states that “[g]eneral services shall not include any public works project as defined in Section 14.04.140 or any purchases of materials, supplies or equipment.”

There appears to be some inconsistency between Subsections A and B of SJMC Section 4.13.010 in that Subsection A authorizes the furnishing of materials in a general services contract, while Subsection B appears to preclude such purchases in a general services contract. However, a reasonable interpretation of Subsection B is that contracts for general services cannot include public works projects as defined in Section 14.04.140 or

²¹ The source of SBC’s complaint is the July 20, 2004 letter from SBC legal counsel Neal O’Donnell to City Attorney Richard Doyle.

any purchase of materials, supplies or equipment pursuant to Chapter 4.12 which deals with the subject of materials, supply and equipment purchases only that do not include any related services.

In the instant case, although the BOM in RFP Attachment E includes an extensive equipment list, the fact that the equipment is specified in the RFP is not determinative of whether the procurement should have been performed by bid or request for proposal. In fact, the language of SJMC Section 4.13.010.A anticipates that a contract for specialized services may also include the purchase of materials related to the provision of those services.

Virtually everyone with technical expertise interviewed in this process indicates that it is the specialized technical services and expertise of the system integrator in system installation, troubleshooting and the like, that is at the core of the success of the Converged Network System -- especially with a project of this magnitude. In fact, in our interview with SBC representatives, they claimed that because SBC has more experience and knowledge of City systems than anyone else and because of SBC's familiarity with the integration of Cisco installations, the City should have awarded the contract to SBC on the basis of SBC's experience and familiarity as well as cost. SBC's reliance on the extensive equipment list as proof that this Converged Network System contract process should have proceeded as an equipment bid is misplaced. Even if the RFP had not included a BOM, much of the cost of the Converged Network System would still have been associated with the purchase of necessary hardware and software with the remaining costs attributable to the specialized services for network design and integration.

In our opinion, the RFP for the NCC Converged System Network complied with the requirements for contracts for general services in SJMC Chapter 4.13, which specifically authorizes the purchase of materials with services. The resulting contract for services and materials is not required to be awarded to the lowest responsible bidder.

We recommend that:

Recommendation #6

SJMC Section 4.13.010 be amended to clarify that the request for proposal method of procurement is authorized where the provision of services and the purchase of equipment are integral to each other in accomplishing the purpose of the project and the services are not merely incidental to the equipment purchase. (Priority 3)

APPENDIX A

DEFINITIONS OF PRIORITY 1, 2, AND 3 AUDIT RECOMMENDATIONS

The City of San Jose's City Administration Manual (CAM) defines the classification scheme applicable to audit recommendations and the appropriate corrective actions as follows:

| Priority Class ¹ | Description | Implementation Category | Implementation Action ³ |
|-----------------------------|---|-------------------------|------------------------------------|
| 1 | Fraud or serious violations are being committed, significant fiscal or equivalent non-fiscal losses are occurring. ² | Priority | Immediate |
| 2 | A potential for incurring significant fiscal or equivalent fiscal or equivalent non-fiscal losses exists. ² | Priority | Within 60 days |
| 3 | Operation or administrative process will be improved. | General | 60 days to one year |

¹ The City Auditor is responsible for assigning audit recommendation priority class numbers. A recommendation which clearly fits the description for more than one priority class shall be assigned the higher number. (CAM 196.4)

² For an audit recommendation to be considered related to a significant fiscal loss, it will usually be necessary for an actual loss of \$25,000 or more to be involved or for a potential loss (including unrealized revenue increases) of \$50,000 to be involved. Equivalent non-fiscal losses would include, but not be limited to, omission or commission of acts by or on behalf of the City which would be likely to expose the City to adverse criticism in the eyes of its citizens. (CAM 196.4)

³ The implementation time frame indicated for each priority class is intended as a guideline for establishing implementation target dates. While prioritizing recommendations is the responsibility of the City Auditor, determining implementation dates is the responsibility of the City Administration. (CAM 196.4)

ATTACHMENT I

List of Cisco or Cisco-Equivalent Products and Services in RFP

Section 3.4.A - requires the proposers to adhere to City hardware and software standards as described in Section 3.21, but in cases where products other than City standards are proposed, a business case supporting the alternative choice is required.

Section 3.4.B - requires the proposer “to propose tight integration with Cisco Internet Operating System (IOS) that utilizes the full functionality and robustness of the feature set(s) found in Cisco’s networking equipment.”

Section 3.4D - states that the City will not pursue custom development or extensive product customization. It says that the City desires a function-rich base product with minimal modifications required by the City of the RFP.

Section 3.10.3.A.10.E - states in relevant part that the desired IP telephone set is the Cisco IP Phone 7940 or similar Manager Set or equal.

Sections 3.11.A and B - restate the requirement that the proposer must be an authorized Silver/Gold/Platinum [sic] Certified Cisco Partner with the required specified specializations, and that one or more Cisco certified Networking Experts must perform all work.

Sections 3.11.D and E - state in relevant part that a CCIE [Cisco Certified Internetworking Expert] with direct experience with Cisco Works 2000 and Cisco VMS and Intrusion Detection shall perform Network management and security configuration.

Section 3.12 - states that the proposer must send City of San Jose (CSJ) support staff to Cisco’s IP Telephony (CIPT) training course or equal. The RFP states that the City desires that CSJ support staff become certified in the following or equivalent minimum areas prior to installation: Interconnecting Cisco Network Devices, Implementing QoS (Quality of Service), Installation & Repair, Cisco Internetwork Troubleshooting, Applicable CiscoSecure security hardware and software, Cisco IP Telephony, Cisco Catalyst 6500 Switch Training, and Cisco Works Fundamentals.

Section 3.15.A - requires the design and installation of converged voice-data infrastructure network using the existing fiber optic cable backbone, and including a fault tolerant, redundant, gigabit speed backbone, to support Cisco AVVID architecture or equal.

Section 3.15.B - requires the design and installation of integrated security hardware and software to use the Cisco SAFE architecture or equal.

Section 3.16.1 - describes the proposed San Jose network with a proposed network diagram (Ex. G to the RFP), which according to persons interviewed is a Cisco-based system diagram because the icons used to indicate equipment are Cisco-type icons.

Section 3.16.2.A - requires configuration of all of the equipment listed in Att. E to the RFP, which is the Hardware Configuration consisting of Cisco equipment.

Section 3.16.2.B - requires the specified configuration of switches to include Cisco "SAFE" security configuration on all components.

Section 3.16.2.E - requires the complete configuration of Cisco Works 2000 to include all switches, route processors and other listed components.

Section 3.17.D - recommends the use of Cisco Works 2000 LMS and Voice Health Monitors or equivalent for ongoing monitoring and diagnostics.

Section 3.18.1 - requires the use of a Cisco SmartNet service plan or equivalent for ongoing maintenance and Service for all of the Cisco equipment.

ATTACHMENT II

Notes From Network Workshop

Local Area Network Standards:

Note: The need for a business case exception processed was discussed – and agreed to – as a prelude to selecting the following LAN standards.

| Category | Standard |
|--------------------------|---|
| Media | Copper wire – cat 5e (also cabling of all types should conform to all applicable. Building codes) Fiber – multi-mode (62.5/125), single mode |
| Bandwidth | Switched 100 to desktop Gigabit on the backbone |
| Quality of Service (QOS) | Non-propriety (802.x) |
| Management Tools | All equipment must be SNMP capable. <i>NOTE: anything residing on the network MUST be managed.</i> |
| Switches | Must be to IEEE standards – Cisco @ this time ¹ |
| Routers | Must be to IEEE standards – Cisco @ this time ¹ |
| Firewall | Cisco based solution |
| Virtual Private Network | Cisco |
| Protocols | IP |

Wide Area Network Standards:

Note: With regards to redundancy, availability/performance issues should be taken into consideration during design. A need exists for a high speed citywide wired infrastructure.

| Category | Standard |
|-------------------|--|
| Routers | Must be to IEEE standards – Cisco @ this time ¹ |
| Connectivity Link | T1 or greater |
| QOS | Not using at this time, but is needed |

Remote Access Standards:

Note: these standards are to work in concert with the “wireless standards” the previous workgroup developed, and are to be encrypted unless otherwise noted below.

| Category | Standard |
|--|---|
| Wired Access (Starting from an un-secure site) | Dial-up – Non-Encrypted. Must go through centralized authentication. VPN – Cisco based solution |
| Wireless Access Points (AP) | Proprietary right now. Needs to be determined. Need only one. Note: Companion on client IS mandatory. |

¹ Cisco is the current standard for routers and switches. It was recognized by the committee that there may either be a need or preference to competitively bid these items in the future. Most likely this would be done when the organization was pursuing a large single purchase.

Server Operating System Standard(s):

Note: Group felt the need in a protected environment, to test Linux.

| Category | Standards |
|--------------------|---|
| Windows: | Windows 2000 (with Active Directory) |
| Unix: ² | Solaris |
| Hardened | All servers must be hardened, preferably by the vendor. |

Server Hardware Standard:

| Category | Standards |
|--|---|
| Single server vendor for: - Unix - Windows | Will be determined through RFP process. It should be noted that a committee would be assigned to determine the best-suited platform from the responses to the RFP. Note – Currently, Sun is the UNIX server vendor utilized at this time. |

Management & Administration:

| Category | Standards |
|---------------------|--|
| Management Software | - Cisco Works - Sun Management Center |

² Note, Oracle databases are to be run on Unix. The current Unix standard is Solaris.

ATTACHMENT III

CITY OF SAN JOSE
INFORMATION TECHNOLOGY DEPARTMENT
NCH Converged Network RPF
July 2004

The following were considered by ITD in the NCH Converged Network RPF process:

Business considerations

1. Current City network standard
 1. Initially recommended to the Director of General Services on 3/4/99 to be Cisco for routers, switches, wireless, and network security devices
 2. Reaffirmed by the ITPB on 6/27/02 (voting membership included the Director of General Services)
 3. Working standard currently in place: all network procurements have been Cisco since the standard was set in 1999 (most even prior to that as well)
 4. In the software-based converged network environment, voice, data, and video packets are transmitted on the same network, so the network standard itself becomes the most fundamental consideration

2. City's current investment in network equipment excluding NCH
 1. \$2M+ in Cisco network assets
 - i. 100+ WAN connections that will continue to be maintained
 - ii. NOC in existing City Hall will continue to be maintained (each WAN connection has a minimum of one Cisco router at the remote site that has to be maintained in addition to existing NOC hardware that supports the WAN)

3. Strength of the City's current network standard
 1. Cisco recognized as being the market leader in enterprise IP communications
 - i. 45% of IP phone shipments worldwide in Q1 CY2004 were Cisco IP Phones (Avaya: 12%; Nortel 12%; Alcatel 9%; Mitel 7%; 3Com 4%; Siemens 2%; Spectralink 1%; NEC 1%; Sphere 1%; Other 6%; Source: Synergy Research)
 2. Cisco is recognized as the only major vendor that has a true, software-based solution that has been out on the market long enough to have a proven track record.
 - i. 14,500 customers worldwide
 - ii. More than 60% of the Fortune 500 are using Cisco IP Communications
 - iii. Cisco displacing 6,000 TDM phones every business day
 - iv. Over 3M Cisco IP phones have been sold
 3. Research conducted by ITD staff identified that, on at least two occasions, Cisco was brought in to replace existing network vendors (Denver International Airport replaced their equipment largely due to the lack of functionality. And, Electronic Arts replaced their Foundry network with Cisco because of Quality of Service issues.)

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4. Cisco is the only network vendor that offers the full solution on a common network platform (switches, routers, hubs, IOS) – most vendors offer one or more components of the solution, but not the full solution
4. Staffing Impact
 1. ITD staff has declined significantly, even to a point that skilled network staff has been impacted
 2. Existing staff are supporting a common technology and architecture with Cisco
 3. City has invested in training on Cisco
 4. Training on alternative hardware is available – training on mixed networks (Cisco mixed with other network switches, routers, etc) is not available – support of a mixed environment requires vendor and staff experimentation
5. Only true Converged Network option
 1. Cisco is the leading hardware vendor capable of offering all of the components (hardware and software) to deploy the entire converged network solution; others must join with strategic partners to offer the product range (more risk to the City because more possible points of integration failure)
 2. Single hardware manufacturer/technology eliminates issues relating to compatibility
 3. By having a homogeneous hardware environment, tuning and support of Quality of Service (QoS) is much more attainable and manageable
 4. Tuning an environment that supports both voice and data is highly contingent on stability of the base solution
 5. Using Cisco network with other vendor solution for telephony creates a solution that is truly not a Converged Network but a “hybrid” solution; this type of solution consists of a Voice (Telephony) solution running over IP (Network) environment and is not a Converged Network because of tuning and management restrictions that will always exist between these two disparate systems
 6. Tuning of the disparate solution will be dependant upon the ability to keep software components in environments in synch – no telling what a software patch applied to the network will do to the telephony solution and vice versa
6. Strategic Benefits of a Converged Network Solution (see attached hard copy)

Other Considerations

1. Converged Network Alternative
 1. Assessment of risk to City associated with a “hybrid” (most of which utilize TDM or Time Division Multiplexing) solution in which the network solution would be different from the VoIP solution and potentially including equipment provided by different manufacturers) compared to a software-based converged network design: The risk is deemed Very High for the following reasons:

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- i. Higher risk to the City's ability to scale the solution in the future caused by a delay by either the network vendor or the VoIP vendor in the product development of proprietary interface cards that connect separate components of the network in a "hybrid" solution;
- ii. Higher total cost of ownership because of the on-going requirement to modify all the City's existing network equipment configurations as well as the configurations of "hybrid" IP equipment so they work together (integration and inter-operability)
- iii. Higher total cost of ownership because of the on-going requirement to re-establish all the modifications to all the City's existing network equipment components and the configurations of "hybrid" IP equipment components so they work together (inter-operability) every time a network upgrade is performed
- iv. Business risk to the City's of being locked into old technology by a "hybrid" solution (even though it would have been VOIP) at the core of the City's entire telecommunications network in a new facility with a probable 50-year life expectancy
- v. Business risk to City caused by not being able to easily deploy .XML applications in the future because of the old technology limitations of a "hybrid" solution (thereby reducing the time over which the City would be able to leverage its investment in the solution)
- vi. Higher cost to the City to administer and manage the "hybrid" solution (support staff would continue to be specialized in either the network or VoIP – functions could not be integrated; multiple support contracts would have to be administered)
- vii. Inability of the City to leverage existing maintenance and support staff effectively to sustain customer support levels when staffing reductions are required
- viii. Higher cost of ownership because of the immediate and on-going need to train staff to maintain two networks (TDM and IP)
- ix. Inability of ITD staff to be responsive in making requested changes quickly and easily such as setting up new offices in a short period of time (e.g., One Start Center; response time would be weeks instead of hours)
- x. Loss of customer service delivery and staff productivity caused by failure of the VoIP Call Manager in a "hybrid" solution and how much longer it takes to route all calls to a secondary Call Manager unit (redundancy and fail-over) and restore services
- xi. Risk to City associated with having to deal with multiple vendors and their respective support teams to resolve network/VoIP problems; high risk of finger-pointing between multiple vendors because no one vendor can be held accountable to resolve the problem
- xii. Risk to the reliability of the City's network because an adequately comprehensive network security solution could not be implemented in

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a “hybrid” solution (multiple vendors would have had to provide security features)

2. Risk to the City associated with potential cost for City (owner-caused) delay to NCH move-in schedule if “hybrid” solution did not work, disputes arise between multiple vendors during implementation, or functionality, quality of service, or security design was unsatisfactory when move-in commences
3. Staff support impacts of a “hybrid” solution were deemed unjustifiable in light of the following:
 - i. FY04-05 ITD staffing level now the same as FY98-99, due to staff reductions in recent years
 - ii. FY05-06 revenue projections still showed revenues falling short of expenditures, so the probability of more ITD staffing reductions is deemed “highly likely”
 - iii. Possibility of Council restoring service delivery options using one-time funds and thereby increasing need to identify additional on-going expenditure reductions (further ITD staff reductions) in FY05-06 is deemed “likely”
 - iv. Existing and projected staff capacity is inadequate to absorb the workload associated with establishing, testing, and maintaining interoperability between/among multiple network equipment environments

2. Network standard

The City’s Municipal Code (Section 4.12.149) refers to the following when setting a standard:

- A. Repair and maintenance costs minimized
 - B. User/personnel training would be facilitated
 - C. Supplies/spare parts would be minimized
 - D. Modifications to existing equipment would not be necessitated
 - E. Training of repair/maintenance personnel would be minimized
 - F. Matching existing supplies, materials or equipment is required for proper operation of a function or program
1. Confirming the existing standard versus setting a new standard:
 1. City standard, fully compliant with the City’s Municipal Code requirements, has been in place due to previous purchases being consistently Cisco
 2. Existing investment in Cisco infrastructure, staffing and training indicates that viable working standard has been in place
 2. A new network standard at this time was not recommended because it would have resulted in:
 1. Higher repair and maintenance costs because the City would have to contract for hardware and software maintenance and licensing for both the City’s

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existing network equipment as well as the new network equipment provided by another vendor (

- Setting new standard would not comply with Muni. Code Standards Requirement, A. above
2. Higher support and maintenance personnel training costs because the City would have to introduce, configure, test, support, and administer network equipment provided by multiple vendors in addition to the VoIP solution
 - Estimated to be 3 months of on-the-job training for 6-8 people (assuming some level of knowledge of Cisco network equipment) for the new network equipment alone
 - Or, more existing staff from other key projects (e.g., email server consolidation; implementation of Active Directory, new Customer Service model to support departments moving into NCH, PD wireless, New City Hall server/SAN, FMS upgrade, internal investigations, etc.) would have to be redirected in order to support a multi-vendor telecommunications environment in NCH
 - Setting new standard would not comply with Muni. Code Standards Requirement, B. and E. above
 3. Network routers, switches, and security devices between the two sets of equipment would not be interchangeable and a greater variety of spare parts inventory would have to be maintained
 - Setting new standard would not comply with Muni. Code Standards Requirement, C. above
 4. Existing network equipment would have to be modified in order to work with the new network equipment (integration; inter-operability); on-going maintenance effort would be higher because these modifications would have to be re-done every time a network upgrade was performed causing a higher risk of the network not being available as a result
 - Setting new standard would not comply with Muni. Code Standards Requirement, D. above
 5. Cost to change out the City's existing network equipment to bring it into compliance with a new standard for network equipment would be significant, particularly in light of the City's current as well as the projected budget
 6. The proper implementation and operation of the network includes implementation and maintenance of network security end-to-end throughout the entire network. Security parameters typically are set on multiple switches and routers and need to be managed so they provide an entire comprehensive solution. To insure that security throughout the entire network is efficiently and effectively managed, it is best to have identical components with the same security features. By having all of the network components with same

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security features, security settings can be managed centrally without the vulnerabilities due to equipment mis-match.

- Setting a new standard would not comply with Muni Code Standards Requirement, F. above

Although, many of the identified strategic benefits will be immediately realized this investment in technology will provide the infrastructure that will allow the City to realize many of the benefits over the life of the facility.

○ Benefits of Network + VOIP

Strategic Benefits

- ① Easier access to Government
- ② Supports 24 hours by 7 days a week (24 X7) operation
- ③ Greater inter-governmental and intra-governmental sharing of information
- ④ Technically empowers employees
- ⑤ Improved internal and external customer service
- ⑥ Enhanced connectivity of Government Operations
- ⑦ More opportunities to share best practice information
- ⑧ Increased employee productivity
- ⑨ Reduced traditional telephone cost
- ⑩ Improved Return On Investment
- ⑪ Better use of IT, network, and human resources
- ⑫ Increased employee moral
- ⑬ Preparedness for any type of emergency
- ⑭ Protection of critical infrastructure
- ⑮ Increased Service Levels with lower budgets
- ⑯ Foundation is created to implement many of the recommendations in the City's Information Technology Master Plan

Cost Savings

- Hard cost savings
 - Server Consolidation
 - Web Server consolidation
 - File and Print server consolidation
 - Authenticating server consolidation
 - Anti-virus server consolidation
 - Home Directory server consolidation
 - DHCP, DNS, WINS server consolidation
 - Miscellaneous Business Application server consolidation
 - In-house phone system
 - Easier and less costly integration of newer systems
- Soft cost savings
 - Reduction of duplication of effort
 - Shift of staff resources from network and server maintenance and support to direct customer support
 - Better resource utilization
 - Staff has the ability to focus and gain expertise in specific technical areas
 - Standardized and consolidated anti-virus protection
 - Standardized and consolidated DHCP, WINS, and DNS services
 - Standardized and consolidated Print and File services
 - Increased data security
 - Standardized and consolidated virus protection
 - Protection of critical infrastructure
 - Reduced cost and consolidation of hardware and software maintenance cost
 - Managed software licensing requirements

Customer Benefits

- Increase in productivity due to:
 - Increase in network availability and network speed improvement
 - Increase in server availability and server speed improvements
 - Standardized desktops and ease of learning new products
 - Availability of collaboration and document sharing services
 - Improved desktop uptime and shorter desktop downtime by taking advantage of system ability to self repair, remote diagnostics, and newer more stable Operating system and applications
 - Remote diagnostic tools to assist the customer quickly
 - Increase and easier implementation of collaboration ability
 - Video conferencing abilities for meetings and training
 - Quicker response for moves, adds, and changes for telephones and desktops (Increased staff productivity)
 - Applications accessible through Web interface
 - Implementation and expansion of eGov services
 - Integration of newer systems allow staff more flexibility and resources
 - Wireless telephone availability for designated staff
 - Telephone number can follow users to temporary work locations
 - Streaming video available on wireless devices
 - Ability for remote customers to virtually appear on the NCC network
 - Increased data security
 - Improved access to data from remote locations
 - In building cellular telephone coverage
 - In-building Police, Fire, and other City radio channel coverage
 - Conference room equipment
 - Kiosk availability throughout the complex for public electronic transactions
 - Implements a public WiFi "hotspot" in the New Civic Center complex
 - Ability to broadcast a page type message to designated staff groups on phone system

Technical Benefits

- Increase in productivity due to:
 - Standardized desktop environments
 - Self repairing applications
 - Remote diagnostic tools
 - Easier configuration and support
 - Desktop "ghost" images utilization
 - Purchase of pre-configured desktops
 - Best practice implementation of network topology
 - Integration of telephone and data
 - Video conferencing abilities for meetings and training
- Centralized Software Licensing Management
- Standardized hardware and software purchasing for quicker turn around times
- Implementation of industry best practices in:
 - Network Design
 - Anti-virus configuration
 - Desktop configuration
 - Server Configuration
 - Staff has the ability to focus and gain expertise in specific technical areas
 - Staff has the ability to gain knowledge in new technologies
 - Wireless network will enhance service request resolutions
 - Ability to setup a remote NOC
 - Fiber connectivity between NCC, oCH, CAE, nMLK, and oMLK
 - Sets the foundation to expand in-house telephone services to the fiber connected facilities for additional cost reduction and enhancement in services
- Enhanced telephone services at a lower cost
- Provides a 1 Gigabit data backbone (10 times faster than today's backbone)
- Integrates voice, data, and streaming video on the same network
- Provides a voice over IP aware network
- Provides wireless data connectivity for staff and public
- Provides 1 Gigabit data connection to the desktop

- Implements on-line collaboration opportunities
- Allows for implementation of video conferencing
- Provides video streaming capabilities
- Provides security system integration
- Consolidation of departmental data and server services
- Reduction of duplicated data and effort
- System integrated application will be easier to develop
- Supports eGov direction
- All user data is stored on the server so daily backups can be performed
- Adds an additional Unix cluster for FMS, Peoplesoft, and Data Warehouse usage, which will ease the migration to the New Civic Center and provide additional capacity after the migration
- Utilizes as much as possible the existing server equipment
- Implements DHCP, WINS, and DNS services throughout the enterprise
- Improved Web services
- Implements asset management and facility helpdesk application
- Implements Network Storage Solution
 - Reduce Backup and Restore Times
 - Speed application testing and data migration
 - Lower storage costs
 - Safeguard all your information
 - Protect our IT investment

ATTACHMENT IV
Timeline of City Staff's Interaction with Cisco

| <u>Date</u> | <u>Event</u> |
|------------------------------|---|
| January 21 - 22, 2003 | <p>E-mail from the IT Network Operations Manager to a DVBE TECH Account Manager, an IT Information Systems Analyst, a Cisco Major Account Manager, a Cisco Systems Engineer, an IT Supervising Applications Analyst, and a former Deputy CIO which requested an itemization of networking equipment for the new Civic Center. Included in the message is a list of 11 hardware and software items (some specifically referred to as Cisco products). The IT Network Operations Manager asked that list pricing be incorporated as well as any add-ons (modules, port adapters, etc.) where required. This was an effort to get item pricing which could then be used to develop an overall cost estimate. The DVBE TECH Account Manager responded to the IT Network Operations Manager's request that he would review the configurations with the Cisco Major Account Manager and a Cisco Systems Engineer to confirm them. He indicated that the configurations may be a bit overdone to be on the safe side but they could be fine tuned in the days to come. The DVBE TECH Account Manager responded to the IT Network Operations Manager, the Former Deputy CIO, an IT Supervising Applications Analyst, an IT Information Systems Analyst, a Cisco Major Account Manager, and a Cisco Systems Engineer indicating the suggestions from the Cisco Systems Engineer had been incorporated into the configuration and that the team should meet to discuss the specifications. The IT Network Operations Manager responded to the DVBE TECH Account Manager, a Cisco Systems Engineer, a Cisco Major Account Manager, the former Deputy CIO, an IT Information Systems Analyst, and an IT Supervising Applications Analyst stating that the quote requested was only for budgetary purposes. "It does not signify an intent to procure any of the items listed on the quote; nor does it signify an intent to procure any Cisco equipment."</p> |
| April 28 - 30, 2003 | <p>E-mail message from a Regional Sales Manager for Foundry Networks regarding a quote for the network equipment at the new Civic Center. The Regional Sales Manager stated that "Foundry can provide you with a very competitive and affordable alternative to Cisco. I have attached a quote for the Foundry products that match your network requirements regarding the Cisco 65xx in the core and the closet Cisco 35xx and 45xx switches." Furthermore, Foundry Networks offered free installation of all the Foundry Network products offered in the quote. The IT Network Operations Manager responded to Foundry Network's Regional Sales Manager with some questions on the quote provided. The Foundry Networks Regional Sales Manager responded by asking if they could set up a meeting to discuss the City's network requirements.</p> |
| May 13, 2003 May 16, 2003 | <p>E-mail from the IT Network Operations Manager to a Cisco Major Account Manager, a Cisco Systems Engineer, a DVBE TECH Account Manager, an IT Information Systems Analyst, and the IT Telecom Specialist which requested a quote for network equipment for the new</p> |

| <u>Date</u> | <u>Event</u> |
|-------------------|---|
| | Civic Center and a “network equipment list and quote for the VoIP solution that will satisfy 2000 stations and 2700 lines.” In a follow-up message a DVBE TECH Account Manager requested help with the VoIP configuration from the Cisco Major Account Manager and Cisco Systems Engineer. A DVBE TECH Account Manager sent an additional e-mail to the IT Network Operations Manager, a Cisco Major Account Manager, a Cisco Systems Engineer, an IT Information Systems Analyst, the IT Telecom Specialist, an IT Supervising Applications Analyst, and a DVBE TECH Business Development employee which stated that, “We’re working on several config alternatives, and attempting to get approvals on aggressive pricing; we want to present our best and final offer.” |
| May 19, 2003 | E-mail from a Cisco Systems Engineer to the IT Network Operations Manager, a Cisco Major Account Manager, and a DVBE TECH Business Development employee regarding a question “based on the last Bill of Materials (BOM) submitted” to the City by a DVBE TECH Account Manager. In a follow-up e-mail from a DVBE TECH Business Development employee, a Cisco Major Account Manager, a Cisco Systems Engineer, and a DVBE TECH Account Manager with a quote attached for the new Civic Center project. The IT Network Operations Manager replied to the DVBE TECH Business Development employee, a Cisco Systems Engineer, a Cisco Major Account Manager, and a DVBE TECH Account Manager asking if the “data network AND IP Telephony solution for the New Civic Center ...” was included in the quote provided. A Cisco Major Account Manager responded that the solution included voice/data but not installation services. |
| May 20-21, 2003 | The IT Network Operations Manager responded to the DVBE TECH Business Development employee, a Cisco Major Account Manager, a Cisco Systems Engineer, and a DVBE TECH Account Manager asking if the quote provided for the IP Telephony solution had the necessary redundancy built into it. The Cisco Systems Engineer responded to the IT Network Operations Manager, a DVBE TECH Business Development employee, a Cisco Major Account Manager, and a DVBE TECH Account Manager indicating that the solution did have the built in redundancy because “we have selected the Catalyst 6513 switches.” |
| January 5-6, 2004 | E-mail message from a Cisco Major Account Manager to an IT Supervising Applications Analyst, and a Cisco Systems Engineer which followed-up on the timeline for the new Civic Center project and RFP. An IT Supervising Applications Analyst responded to a Cisco Major Account Manager and a Cisco Systems Engineer asking them to re-send the final BOM and Network design which would have all the changes incorporated. A Cisco Systems Engineer responded to an IT Supervising Applications Analyst and Cisco’s Major Account Manager with the updated configurations and Visio diagram for the Civic Center. |
| January 7, 2004 | E-mail from K/C Future Planning, Inc., a consultant, to an IT Supervising Applications Analyst with details on the design intent of two rooms. |
| January 9, 2004 | City enters into contract with The Application Group. |

| | |
|--------------------------------------|---|
| January 12, 2004 | E-mail message from the IT Network Operations Manager to an IT Information Systems Analyst and an IT Supervising Applications Analyst, asking for any recommendations for a network design contractor. An additional message from the IT Network Operations Manager to a DVBE TECH Account Manager stated, "I would like to know if you could recommend a contractor, either firm or individual, who could do a network design for the new civic center and also draft that into an RFP? ... I am looking for your professional recommendation without sales input, if possible." A DVBE TECH Account Manager responded to the IT Network Operations Manager and an IT Information Systems Analyst, recommending a network design contractor. |
| January 15, 2004 January 20, 2004 | E-mail from a Cisco Major Account Manager to the IT E-Government Program Manager, an IT Supervising Applications Analyst, the IT Network Operations Manager, a Cisco Systems Engineer, and the Deputy CIO regarding an RFP meeting. Cisco's Major Account Manager responded in a later e-mail to the IT E-Government Program Manager, a Cisco System Engineer, and a Systems Engineer Manager to confirm the RFP meeting and indicated she had "several [RFP] samples ... and will send them over to you later tonight." |
| January 15, 2004 January 20, 2004 | E-mail from the IT Telecom Specialist to the Deputy CIO, the IT E-Government Program Manager, a Cisco Major Account Manager, and an IT Communications Technician with an attached "list of requirements for the call center application for NCC." Cisco's Major Account Manager responded to the IT Telecom Specialist, the Deputy CIO, the IT E-Government Program Manager, and an IT Communications Technician stating "What I will need before I can put together the list of hardware and software recommended is the number of simultaneous agents that will be logged onto the system." |
| January 20, 2004 | E-mail from the IT E-Government Program Manager to an IT Supervising Applications Analyst, the IT Network Operations Manager, the Deputy CIO, a Cisco Major Account Manager, and a Cisco Systems Engineer to set up a meeting with Cisco regarding the RFP. Cisco's Major Account Manager responded to the IT E-Government Program Manager, a Systems Engineer Manager, and a Cisco Systems Engineer with attachments of some sample RFPs "that will give us a good starting point." |
| January 21, 2004 | E-mail from the Denver Office of Information Technology Network Services Manager to the IT E-Government Program Manager with an attached copy of an RFP looking for a solution for either VoIP or PBX for comparison purposes. |
| January 22, 2004 | E-mail from an IT Supervising Applications Analyst to the IT E-Government Program Manager and the IT Network Operations Manager which stated "Since we have not made a recommendation to the Information Technology Planning Board to standardize telephone services on Cisco Voice over IP products identifying what type of RFP we will have to submit will be very important. The three different types of Telephone Services/Network RFPs that need to be considered and/or |

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|--|--|
| | <p>eliminated appear to be: RFP for any telephone service provider, analog or digital, RFP for Voice over IP telephone service providers, RFP for Cisco based Voice over IP based service providers. From the City's perspective the first provides the most information and justification, which should also validate our early estimates of cost savings. The second will eliminate other Voice over IP telephone service vendors from challenging why we limited the proposals to Cisco based IP telephone services. The Third is the most open to challenge since we do not have a City standard on Cisco based Voice over Telephone services. What ever commitments we may receive from GS may be revoked if pressure from vendors and/or the City Council occurs during the process. From our timeline we [sic] it appears we only have enough time for one RFP and if the RFP is pulled and/or not approved by City Council we will not be able to implement network and telephone services for the scheduled opening. I would recommend that we recommend to the Information Technology Planning Board the adoption of Cisco based Voice over IP. I believe we can provide enough documentation for the Information Technology Planning Board to accept our recommendation. Once Cisco based Voice over IP is a City standard then we can proceed with a Cisco based only RFP. If the Planning Board does not except [sic] our recommendation then it would be doubtful that we could have pushed this solution through the City process (including the City Council) successfully."</p> |
| <p>January 22, 2004 January 26, 2004</p> | <p>E-mail from the IT Network Operations Manager to two IT Supervising Applications Analysts, the IT E-Government Program Manager, the Deputy CIO, a Cisco Major Account Manager, and a Cisco Systems Engineer asking for an "updated Excel workbook with all the B[O]Ms for all the module for the new Civic Center?" Cisco's Major Account Manager responded to the IT Network Operations Manager, two IT Supervising Applications Analysts, the IT E-Government Program Manager, the Deputy CIO, and a Cisco Systems Engineer stating "The revised bill of materials with the items removed for the pilot project back in and the changes from our last meeting will be completed mid-week."</p> |
| <p>January 23, 2004 January 26, 2004</p> | <p>E-mail from an IT Supervising Applications Analyst to a Cisco Systems Engineer, a Cisco Major Account Manager, the IT Network Operations Manager, and the IT E-Government Program Manager verifying that Cisco's IP phones do not directly mount to the wall; rather the phones must be mounted with an adaptor. The IT Supervising Applications Analyst then asked Cisco to add the adapters to the BOM. A Cisco Major Account Manager responded to the IT Supervising Applications Analyst, a Cisco Systems Engineer, the IT Network Operations Manager, and the IT E-Government Program Manager indicating that they would add them to the BOM.</p> |
| <p>February 4, 2004</p> | <p>City enters into contract with TMG Consulting, Inc.</p> |
| <p>February 17, 2004</p> | <p>E-mail from a Cisco Major Account Manager to the IT E-Government Program Manager, the IT Network Operations Manager, two IT Supervising Applications Analysts, and a Cisco Systems Engineer asking to set up a meeting to review the final BOM for the NCC.</p> |

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| February 20, 2004 | E-mail from a Cisco Systems Engineer to the IT Network Operations Manager, the IT E-Government Program Manager, an IT Supervising Applications Analyst, and a Cisco Major Account Manager with attached documents related to Call Manager features 4.0, Call Manager features 3.3, IPT security, and Cisco IP Telephony Security. The Cisco Systems Engineer stated that “Our Civic Center solution is pretty robust as we have followed the SAFE security architecture, integrated security features in the Catalyst switches with best practices deployed ..., you should feel confident that IP Telephony and the underlying data network are secure.” |
| February 22, 2004 | E-mail from a Cisco Systems Engineer to the IT E-Government Program Manager and two Supervising Applications Analyst with attached documents – final BOM and Vision diagram for the NCC. The Cisco Systems Engineer states, “Please review the files and let me know if you have any questions. I am still working on the new ‘one page’ Visio diagram and will send that to you by Monday evening.” A diagram was included as “Attachment G” of the RFP. |
| February 23, 2004 February 25, 2004 | E-mail from the IT Network Operations Manager to a Cisco Major Account Manager, a Cisco Systems Engineer, the Deputy CIO, and the IT E-Government Program Manager regarding Cisco training courses recommended for an “individual who is Cisco savvy on our current network environment and moving to support the new Cisco technologies proposed for the New Civic Center.” Cisco’s Major Account Manager responded to a Cisco Systems Engineer, the IT Network Operations Manager, the Deputy CIO, and the IT E-Government Program Manager, that she will “put together the recommended training.” Also, attached to the e-mail was a revised list of partners and their certifications. The attached recommended partner list included Fusion Storm, AMS.net, NextiraOne, SBC, and Unisys. Cisco’s Major Account Manager sent an additional e-mail to the IT Network Operations Manager, the Deputy CIO, the IT E-Government Program Manager, a Cisco Systems Engineer, and the IT Telecom Specialist with a list of Cisco-provided trainings that she would recommend for the team. Cisco’s Major Account Manager specifically mentioned “Telephony 101”, “Day in the life of the Telecom Manager – the group that knows the voice but needs basic data training.” Furthermore, Cisco’s Major Account Manager states that “For the Cisco Partner training – the city can purchase a block of training credits and then use them as you see fit... We can work on a course curriculum once the skill sets have been identified.” Cisco Major Account Manager indicates that she will send the quote for training credits to process. The IT Network Operations Manager responds to Cisco’s Major Account Manager, the Deputy CIO, the IT E-Government Program Manager, a Cisco Systems Engineer, the IT Telecom Specialist, an IT Supervising Applications Analyst, an IT Information Systems Analyst, and three IT Enterprise Network Engineers describing who he and other IT staff would like to take the Telephony 101 class and when. Furthermore, the IT Network Operations Manager inquired as to whether Cisco provides similar classes for the switching, security, and network management components that are proposed for the new Civic center. There are seven additional e-mail messages among City |

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| | staff, a Cisco Systems Engineer, and Cisco's Major Account Manager dated March 1, 2004 through March 10, 2004 to schedule and confirm timing of these trainings. |
| February 23, 2004 | E-mail from the TMG Consultant to the Deputy CIO and The Application Group Consultant raising some issues to review with the team. Specifically, the TMG consultant states that he spoke with The Application Group Consultant "about the Hardware requirements your team has. We [are] not sure we need to include it in the RFP. Usually the vendor recommends a hardware configuration to meet our requirements." |
| February 23, 2004 February 26, 2004 | E-mail messages between The Application Group Consultant to Cisco's Major Account Manager and the TMG Consultant scheduling a Cisco IP communications demonstration at Cisco's demo lab and inquiring as to whether there is a type of features & functionality checklist for release 4.0. |
| February 26, 2004 | E-mail from a Purchasing Agent to the Deputy CIO and the TMG Consultant outlining some initial concerns over the RFP. Specifically, the Purchasing Agent addresses concerns regarding the aggressive timeline in the RFP and the minimum requirements in the RFP specifying that proposers must be Cisco partners with service centers within 30 miles of the City of San Jose. The Purchasing Agent was also concerned that the Cisco partner requirement effectively limited all proposers to a Cisco solution. Furthermore, the Purchasing Agent states that he agrees with the TMG Consultant that "an equipment list in the RFP? What would the solution be that we say we're looking for? In addition, this appears to be for Cisco equipment. If we limit this to a Cisco solution, then we might have to deal with non-Cisco suppliers that claim they could have met our requirement but were not given the opportunity." The Purchasing Agent does note that if the City has a standard, then his concerns over the Cisco partner requirement and inclusion of the equipment list in the RFP are not issues. However, the Purchasing Manager does state, "If we limit this to a Cisco solution and have a list of equipment, I'm not sure it's an RFP ..." |
| February 26, 2004 | E-mail from a Cisco Systems Engineer to the IT Network Operations Manager, the IT E-Government Program Manager, two IT Supervising Applications Analysts, the IT Telecom Specialist, a Cisco Major Account Manager, and a Systems Engineer Manager regarding the Civic Center – one page diagram. The e-mail states, "Here is the one page diagram that I showed you the other day. Please review it and upon your approval, I will get several copies laminated and bring them to your office soon." |
| March 3, 2004 | E-mail from a Cisco Systems Engineer to the IT Network Operations Manager, the IT E-Government Program Manager, the IT Telecom Specialist, the Deputy CIO, a Cisco Major Account Manager, and a Systems Engineer Manager stating, "Attached is a document that has the IP Telephony and Security requirements that were requested by [the IT Network Operations Manager] (for inclusion in the RFP). Please review it and let me know if you have any questions." |

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| March 10-11, 2004 | E-mail from the IT Network Operations Manager to a Cisco Systems Engineer and a Cisco Major Account Manager requesting information on an estimated implementation plan, including man hours and days needed. Cisco's Major Account Manager responds to the IT Network Operations Manager and a Cisco Systems Engineer stating, "My main point of this message is that – the start of the initial deployment data is not contingent on the NOC being completed..." Furthermore, the e-mail states, "One other idea I can offer to help you through your selection process to provide benchmarks is – once the RFP is out – I will send it to my internal professional services group and have them come up with a statement of work – just as if we were bidding on your project directly." |
| March 15, 2004 | Converged Network for the New Civic Center RFP (RFP 03-04-08) Released. |
| March 16, 2004 | E-mail from the Deputy CIO to a Cisco Major Account Manager with Converged Network RFP attached. |
| March 16, 2004 | E-mail from the IT E-Government Program Manager to a Cisco Major Account Manager and the IT Network Operations Manager indicating that "Tomorrow we need to report the additional costs of an accelerated implementation plan where the NOC is not available until February." Furthermore, the IT E-Government Program Manager asked that Cisco proceed with the professional services group's review of the RFP internal analysis. Cisco's Major Account Manager responds to the IT E-Government Program Manager and the IT Network Operations Manager indicating that she has already sent the RFP to the professional services group for them to review. |
| March 18, 2004 | E-mail from a Cisco Major Account Manager to the Deputy CIO. The subject of this e-mail is RE: Nortel and the text states: "FYI – I guess they are threatening a protest ... but you knew that same [sic] of this would be coming up – just keeping you in the loop of what I am hearing on the streets... do you need anything from me to help combat this moving forward?" The City's Deputy CIO responds to this e-mail to Cisco's Major Account Manager with "Any word on who they plan to protest to?" In response to this e-mail, Cisco's Major Account Manager responds to the Deputy CIO with "No it's just threats right now -- will keep you posted..." |
| March 18, 2004 | E-mail from a Cisco Major Account Manager to the Deputy CIO regarding potential vendors' questions on the RFP. Cisco's Major Account Manager states: "Attached is what we came up with on the first couple of pass through [sic] of the questions ... I hope this helps – When you get the questions specifically from the partners – please send us over a copy so we can assist with the answers if you'd like..." |
| March 22, 2004 | E-mails between the CIO, a Cisco Major Account Manager, and a Cisco Bay Area Region Manager, setting up a lunch. |
| March 22, 2004 | Written questions/requests for clarification due for the Converged Network for the New Civic Center RFP. |

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| March 23, 2004 | E-mail between the Deputy CIO and a Cisco Major Account Manager setting up a lunch meeting to discuss the “RFP process and responses, [and an] update in general (PD, Council, Partners)...” |
| March 22, 2004 April 1, 2004 | E-mail message from a Cisco Major Account Manager to the Deputy CIO asking for a bio or job description so that the Cisco Systems Engineer Manager is prepared for the meeting on April 5 th . The Deputy CIO responds ten days later to Cisco’s Major Account Manager with her biography. Cisco’s Major Account Manager responds to the Deputy CIO thanking her for the biography and stating that she wanted “...our VP to be prepared on Monday for our call.” |
| March 23, 2004 | E-mail from the Deputy CIO to a Cisco Major Account Manager regarding the potential vendors’ questions on the RFP. The Deputy CIO states, “Here is [sic] all the questions that have been submitted by the vendors. Can you take a look at them and give me a call so we can strategize as to what answers you can assist with? We need to get the answers out tomorrow.” Cisco’s Major Account Manager responded to the Deputy CIO stating, “I will print them out – review and call you mid-morning to discuss – I have also sent them to my extend[ed] team mates [sic] as well to gather all the resources that will be needed ...” |
| March 23, 2004 | E-mail from the Deputy CIO to the IT E-Government Program Manager, the TMG Consultant, The Application Group Consultant, and the CIO regarding the potential vendors’ questions on the RFP and stating that, “We will need to start gathering answers to these questions asap. The responses are due out to the vendors tomorrow. I have forwarded them to [Cisco’s Major Account Manager] and have asked her to call me.” Vendors’ questions were attached to this e-mail. |
| March 23, 2004 | E-mail from the IT E-Government Program Manager to a Cisco Major Account Manager, a Cisco Systems Engineer, and the Deputy CIO regarding initial responses to vendors’ questions stating: “Here are the responses we have up to this point. [The Deputy CIO] asked to send them to you. We are planning to get together later today to go over some [of] the issues.” Cisco’s Major Account Manager responds to the IT E-Government Program Manager, the Deputy CIO, a Cisco Systems Engineer, and a Cisco Systems Engineer Manager stating: “Thanks for sending this over – I just left you a voicemail – [Cisco Systems Engineer Manager] and I would be available to review the responses and questions with you later this afternoon if that works for you ...” |
| March 23, 2004 | E-mail from a Cisco Major Account Manager to the TMG Consultant, a Cisco Systems Engineer, and a Cisco Systems Engineer Manager summarizing the items Cisco will send to the City’s consultant and specifically states, “Last items were the information and requirements provided by the city that we used to architect our complete converged network design...” |

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| March 23, 2004 March 29, 2004 | E-mail from an IT Supervising Applications Analyst to a Cisco Major Account Manager and the IT E-Government Program Manager regarding assistive listening devices for IP phones. Cisco's Major Account Manager responded that a third party device called a "loaner" personal amplifier with headset is provided to people in the audience who have hearing loss. |
| March 24, 2004 | E-mail message from the TMG Consultant to the CIO, the Deputy CIO, and the IT E-Government Program Manager regarding RFP question responses. Specifically, the TMG Consultant stated, "I also just received Cisco's responses to my questions so I will be incorporating them." There is an additional e-mail from the TMG Consultant to the IT E-Government Program Manager and the IT Network Operations Manager stating that he is still waiting for some clarification from Cisco on the final answers. |
| March 24, 2004 | E-mail from a Cisco Systems Engineer to a Cisco Major Account Manager, the TMG Consultant, a Systems Engineer Manager, the IT Network Operations Manager, and the IT E-Government Program Manager regarding potential vendors' questions on the RFP which stated, "Here is the suggested text that can be used in response to vendor questions about Cisco SAFE security architecture: ..." Text was included in the e-mail regarding Cisco SAFE security architecture. |
| March 26, 2004 | Converged Network for the New Civic Center RFP Mandatory Pre-Proposal Conference. |
| March 26, 2004 March 29, 2004 | E-mail from an IT Communications Technician to SBC's Senior Account Manager, the IT Telecom Specialist, the IT E-Government Program Manager, and the Deputy CIO regarding "Questions from CSJ VoIP Bidders Conference" which stated, "In order to provide potential bidders a more level playing field, please provide the CSJ with information regarding the type of equipment and interfaces for the city's Centrex and voice mail services." In a follow-up e-mail from an IT Communications Technician to SBC's Senior Account Manager, the IT Telecom Specialist, the IT E-Government Program Manager, and the Deputy CIO, the City requested the information ASAP as they have to respond to the bidders' questions by Monday, 3/29/04. SBC's Sales Manager responded to an IT Communications Technician with an attached spreadsheet illustrating the type of equipment and interfaces for the City's Centrex and voice mail services. |
| March 26, 2004 | E-mail from the CIO to a Cisco Bay Area Region Manager which stated, "I need your help. The chair of the Small Business Commission ... is likely to complain to Council Members that the network infrastructure project needs to be "chunked" up in order to allow small businesses to provide a proposal on some portion of the overall project. I know I can say that the City is looking for a complete integrated solution (end-to-end) and must minimize the risk of multiple vendors pointing fingers at each other when the telephone doesn't have dial tone or the network doesn't work, but I don't think that will be good enough for the Council. Can I get your help in answering the question, in the case it comes up?" Cisco's Bay Area Region Manager responded to the CIO, including |

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| | <p>other Cisco employees, by stating that, “most similar RFP’s will ask that the vendors include local business partners and run a certain amount of the project through them. (5-15%). Depending on the project that can be easy or hard to do. It seems that talking with the chair directly may make sense. Typically, small/minority vendors do some small pieces. Most Small Business Commissions have a list of registered San Jose small businesses that would qualify – does yours? Then me [sic] might be able to look at it, contact a few, see how they could play, and then either connect them with the bigger partners or let the big guys do that themselves. How do you want me to proceed?” The CIO responded to Cisco’s Bay Area Region Manager with, “We didn’t specify anything in the RFP re: local business partners or a preference for such partners ... We have already talked with the chair, and I’m sure will do so again before all is said and done, urging him to encourage other small and local businesses to identify bigger partners from those who have downloaded the RFP... This appears to be an issue of opinion regarding “entitlement”, hence the need to be able to explain the technical difficulties rather than challenging the particular opinion.”</p> |
| <p>March 29 – April 5, 2004</p> | <p>E-mail from the Chairman for the Small Business Development Commission to San Jose City Council members and the Director of General Services discussing concerns over the Converged Network for the New Civic Center RFP as it relates to small and local businesses. The CIO responded to a Cisco Major Account Manager, a Cisco Bay Area Region Representative, and the Deputy CIO and asked to “discuss the implications of this on the RFP process and outcomes.” Cisco’s Major Account Manager responded to the Deputy CIO to see if the City could obtain a list from the chairman of the small and local requirements as well as a list of the businesses registered with the chairman. Cisco’s Major Account Manager proceeded to explain that if such a list could be obtained Cisco would compare it against their list of Cisco Registered Partners. In a subsequent e-mail Cisco’s Major Account Manager responded to the CIO, Cisco’s Bay Area Region Manager, and the Deputy CIO stating that the Major Account Manager and City’s Deputy CIO were working together on the list of small and local businesses that qualify in the area. The CIO followed up with Cisco’s Major Account Manager and the Deputy CIO and requested that she obtain the names of the vendors who attended the bidders’ conference that qualified as “...’local’ and if there are any ‘small’ vendors who might qualify as sub-contractors.” In addition, the CIO requested the “...timeline for this RFP in the case the Council asks what the timeline implication would be to send out an addendum and extend the timeline. And any thing [sic] else you might think of.” The Deputy CIO responded to Cisco’s Major Account Manager and the CIO and provided Cisco with two addendums that had been issued on the RFP, one from the written questions submitted and the other from the conference which lists the attendees. Cisco’s Major Account Manager later followed up with the Deputy CIO and the CIO in an e-mail with an attachment of “the status of the partners that attended the bidders conference and also a few of the small local partners with some Cisco clarifications. There are many more – 1office sites – ‘Cisco Resellers’ – but that could be someone out of their</p> |

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| | <p>garage selling our equipment. Once we know for sure the qualifications of small/local business I should be able to supply you more information.” An additional e-mail from Cisco’s Major Account Manager to the CIO and the Deputy CIO stated, “What additional information is need for the 13th? – 1. List of partner status and small business information attached. 2. Our legal department will supply you a couple of paragraphs explaining our typical engagement with the partners. 3. Should have later today who is responding to the RFP – right now I know: Norstan, SBC, NextiraOne, Unysis/Spanlink combination, NexusIS, IBM – verifying for sure, FusionStorm -??, NEC - ??, HP??. Channel team is engaged with Verizon – do not know of the other smaller partners. Please let me know – want to make sure you are 100% prepared for the 13th ...”</p> |
| March 29, 2004 | <p>E-mail from a Cisco Major Account Manager to the IT Network Operations Manager, the IT E-Government Program Manager, an IT Supervising Applications Analyst, and a Cisco Systems Engineer to a follow up on any “outstanding items we owe you.” The e-mail continued with “The main one I have on my plate is to provide you a SOW [statement of work] from the RFP and BOM as if Cisco would be responding direct to your request for services – we will not provide answer to your questions – but I can provide a SOW with or without pricing for your reference ... please let me know...”</p> |
| March 30, 2004 April 1, 2004 | <p>E-mail from the IT Network Operations Manager to a Cisco Major Account Manager, a Cisco Systems Engineer, the IT E-Government Program Manager, and two IT Supervising Applications Analysts which indicated that he was waiting for information on additional training staff could get that was similar to what Cisco provided earlier as well as recommendations for formal training. A Cisco Systems Engineer responded to the IT Network Operations Manager, Cisco’s Major Account Manager, the IT E-Government Program Manager, and two IT Supervising Applications Analysts indicating that he would be arranging for the Business Unit Technical staff to visit the City team and present the features and capabilities of different parts of the Civic Center design (i.e. Service Blades, Network Management, Catalyst Platform, Security Solutions, etc.). The IT Network Operations Manager responded to a Cisco Systems Engineer, Cisco’s Major Account Manager, the IT E-Government Program Manager, and two IT Supervising Applications Analysts, and asked if the Cisco Business Unit could discuss with City staff how the technology and equipment would be deployed and work in the New Civic Center.</p> |
| April 1, 2004 April 8-9, 2004 | <p>E-mail from a Cisco Major Account Manager to two IT Supervising Applications Analysts, the IT Network Operations Manager, the IT E-Government Program Manager, the IT Telecom Specialist, a Cisco Systems Engineer, and the Deputy CIO which stated that “We can arrange a 1:1 meeting with the Product Manager and the Technical Engineer who supports the 6500 platforms. This meeting would be customized to your specific requirements and configuration...” The Deputy CIO responded to Cisco’s Major Account Manager, two IT Supervising Applications Analysts, the IT Network Operations</p> |

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| | <p>Manager, the IT E-Government Program Manager, the IT Telecom Specialist, and a Cisco Systems Engineer and indicated that she would like everyone to attend this meeting. Cisco's Major Account Manager confirmed with the Deputy CIO, the IT Network Operations Manager, the IT E-Government Program Manager, the IT Telecom Specialist, two IT Supervising Applications Analysts, and a Cisco Systems Engineer that the meeting will take place in Pleasanton and the topic of discussion is the "720 Supervisor Engine for the 6513 Catalyst Switch and it's [sic] roadmap."</p> |
| April 2, 2004 | <p>E-mail from the CIO to a Cisco Major Account Manager and the Deputy CIO which stated "We have other complications, though, and that is that one vendor has requested 3-4 weeks additional time and another an additional week. So, we'll be dealing with that issue today as well. Also, one of the vendors has complained to General Services that Cisco has had conversations with some of their partners before the RFP went out, that may end up being a problem for us if they protest the RFP process. We can chat more about that today as well."</p> |
| April 6, 2004 | <p>E-mail from a Cisco Major Account Manager to the Deputy CIO which stated "Just a quick message to confirm our meeting tomorrow ... the items on my agenda to discuss are: 1. Update critical dates on NCC timelines (guess what I heard today – our friends from Verizon are not bidding – even when you gave them an extra week) 2. Preparation for next Tuesday's council meeting (small/local business) 3. Strategy on educating the Council members before the June meeting 4. Call center project head by "Roger Picklen"?? Finance dept – Amnesty project 5. Preparation for PD briefing – April 19th – agenda – (include contacts from FD?)"</p> |
| April 6, 2004 | <p>E-mail from a Cisco Major Account Manager to the CIO, a Cisco Transformation Principal, and a Cisco Customer Solutions Manager to confirm a meeting for April 7th. During the first hour, discussions were scheduled to revolve around "deployment/program manager for the NCC, engagement process for the IT master plan, any other opportunity to discuss their involvement (One Voice, LiveLink).</p> |
| April 7, 2004 | <p>E-mail from a City Supervising Applications Analyst to a Cisco Major Account Manager regarding VoIP billing management.</p> |
| April 7, 2004 | <p>E-mail from a Cisco Major Account Manager to the Deputy CIO and the CIO. E-mail was a forwarded message from a Cisco Channel Account Manager stating: "Team, I wanted to take a brief minute to provide an update on where things stand with Verizon. As of today, Verizon plans to "no-bid" the City of San Jose RFP. I have confirm[ed] with the ILEC National Channels team assigned to Verizon that the "threats" made to protest based on unfair access to the manufacturer "Cisco" in this case are without merit. Verizon's Management Team does not endorse these allegations and has confirmed that this is an isolated incident coming from the local Account Team. Verizon had taken necessary action to address the local Account Team directly on this issue and considers this matter closed. If we receive feedback from our contacts at the City of San Jose that this behavior continues to persist please advise either myself or Kevin Whelan ASAP!"</p> |

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| April 9, 2004 | E-mail from a Cisco Major Account Manager to the CIO which stated “Per our discussion earlier this week – attached is the letter explaining our partner engagement process. Please let me know if you have any questions or changes needed ...” The above-mentioned attached letter states, “This letter is in response to City of San Jose’s inquiry as to Cisco’s channel partner engagement model with respect to third party RFP responses. As a manufacturer, Cisco generally provides objective assistance to authorized Cisco resellers to assist the reseller in preparing their response to an RFP. This assistance takes the form of informational responses to partner questions, and is provided on an as-requested basis to the partner seeking such assistance. With respect to Cisco’s involvement in assisting potential respondents to the RFP titled “Converged Network for the New Civic Center” RFP-03-04-08 released on 3-15-04 (“RPF-03-04-08”), our involvement was consistent with our general engagement model.. It should be noted that prior to the posting RFP, Cisco did not have prior knowledge of the city of San Jose’s specific requirements and specifications of the above mentioned project.” |
| April 9, 2004 | Original Due Date for Converged Network for the New Civic Center RFP Technical Proposals. |
| April 16, 2004 | Extended Due Date for Converged Network for the New Civic Center RFP Technical Proposals. Six proposals received for Converged Network. |
| April 17, 2004 April 20, 2004 | E-mail message from the IT E-Government Program Manager to a Cisco Systems Engineer and the IT Network Operations Manager which inquired into the features of Call Manager 4.0, specifically if Call Manager 4.0 would support AD 2003? A Cisco Systems Engineer responded to the IT E-Government Program Manager, the IT Network Operations Manager, a Cisco Systems Engineer Manager, and a Cisco Major Account Manager indicating that AD2003 would “be supported on CallManager 4.0 by end of April 2004.” |
| April 20, 2004 | City of San Jose, RFP 03-04-08 Information Bulletin – Correction sent to vendors. |
| April 27, 2004 | E-mail from the IT E-Government Program Manager to the TMG Consultant, The Application Group Consultant, and the IT Network Operations Manager regarding changes to the specifications. Specifically, the IT E-Government Program Manager stated “since the BOM in the RFP was released there are a few more pieces of equipment (Ethernet switches) that need to be added because of changes in the cabling design. Initially the locations were thought to be within 300’, however it was found to be greater than that. Bottom line is we will need additional (probably smaller) switches to pick up small areas of several floors.” |
| April 28, 2004 | Vendors were notified by e-mail that they were selected to advance to Phase 3, or Final Technical Evaluation process, which includes oral interviews. |
| April 28, 2004 | E-mail from the IT Network Operations Manager to a Cisco Systems Engineer, the IT E-Government Program Manager, and an IT Supervising Applications Analyst regarding questions about re- |

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| | engineering NCC network design. The IT Network Operations Manager stated that the City will need to provide connectivity to six new locations within the new Civic Center and listed recommendations for the Cisco Systems Engineer to consider in re-engineering his network design. |
| May 14, 2004 | Final technical specifications were sent to Proposers, along with Cost Proposal Forms. |
| May 14, 2004 | E-mail from the IT E-Government Program Manager to the Deputy CIO which stated that SBC had asked for a five-day extension and that he wanted to discuss the implications of this. |
| May 17, 2004 | Final clarifications and cost proposals received from Proposers. |
| May 19, 2004 | E-mail from the IT Network Operations Manager to a Cisco Systems Engineer, a Cisco Major Account Manager, the IT E-Government Program Manager, and an IT Communications Technician which questioned how staff and the public would dial 911 at the new City Hall. A Cisco Systems Engineer responded to the IT Network Operations Manager, a Cisco Major Account Manager, the IT E-Government Program Manager, and an IT Communications Technician by explaining that it is dependent on the Dial Plans and that the dial plan can be configured to recognize both 911 and 9911 emergency route patterns. |
| June 2, 2004 | Reference checks completed for the final three vendors. |
| June 7, 2004 | Financial Viability Statements completed for the final three vendors. |
| June 9, 2004 | E-mail message from The Application Group Consultant to a Purchasing Agent, the CIO, an IT Administrative Officer, the IT E-Government Program Manager, and the Deputy CIO indicating that the CIO “said to pull the SmartNet out of the cost as it is going to go into the operations budget.” |
| June 10, 2004 | E-mail from The Application Group Consultant to the CIO and the Deputy CIO regarding the VoIP Memo to Council. In the e-mail the Consultant asked if some material on SBC’s weaknesses should be added to the memo. In a follow-up e-mail from the CIO to the Deputy CIO and The Application Group Consultant, the CIO indicated that information on SBC’s weaknesses should be added to the memo. |
| June 14, 2004 | E-mail from The Application Group Consultant to the CIO, the Deputy CIO, and the IT E-Government Program Manager which recommended obtaining a Cisco project/program manager for the contract negotiation phase and a Cisco Technical Architect/Engineer to work with the City in troubleshooting. |
| June 16, 2004 | Memo to Council from the CIO and the GSD Director regarding the Report on RFP for a Converged Network for the New City Hall. |
| June 18, 2004 | SBC inquired to Purchasing as to the process and timeline for submitting a formal protest of the converged network RFP. |
| June 21, 2004 | City Staff met with representatives from SBC to discuss questions and concerns that SBC had related to the converged network RFP. |
| June 21, 2004 | SBC Sales Vice President sends a letter to the CIO and the GSD Director to express “SBC’s deep concern regarding the evaluation of responses to RFP No. 03-04-08 [Converged Network for the New Civic Center].” |

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| June 22, 2004 | Supplemental Memo to Council from the CIO and the GSD Director regarding the Report on RFP for a Converged Network for the New City Hall. Council directed the City Attorney to review the RFP Process. Council approved recommendation to move forward with negotiating a contract with Unisys. |
| June 28, 2004 | SBC Legal Counsel sends letter to City Attorney protesting the approval to negotiate a contract with Unisys for the Converged Network for the New Civic Center. |
| June 28 - 29, 2004 | E-mail from a Cisco Major Account Manager to the CIO regarding value engineering for the NCC project. Specifically, Cisco's Major Account Manager requested the "% target" that the City was trying to cut back by. The CIO responded to Cisco's Major Account Manager and the IT E-Government Program Manager stating that "Council set a goal of 15% savings." |
| June 29, 2004 | Council directed the City Auditor to partner with the City Attorney in conducting a review of the RFP process. |
| June 29, 2004 | E-mail message from the IT E-Government Program Manager to a Cisco Systems Engineer, and an IT Network Operations Manager regarding reliability statistics for equipment. The Cisco Systems Engineer responded to the IT E-Government Program Manager, the IT Network Operations Manager, and a Cisco Major Account Manager indicating that he was working on "high availability aspects..." and that he would be ready to talk about it in detail on Thursday morning. |
| July 1, 2004 | Law firm of Rogers Joseph O'Donnell & Phillips, legal representatives of SBC, sends letter to City Attorney invoking a Public Records Act Request. |
| July 26, 2004 | Law firm of Rogers Joseph O'Donnell & Phillips, legal representatives of SBC, sends letter to City Auditor regarding Comments on the Relative Costs of SBC and Unisys Proposals. |
| July 28, 2004 | City Auditor receives phone message from Cisco Corporate Counsel stating "So when we finished our discussion last week, it was clear that you and your colleagues were concerned about the amount of communication between Cisco and the City while the bidders were responding to the RFP. And at that time I was taken aback and a bit surprised cause I had done this review and had not really seen too many, too much of that communication and too many e-mails but I went back to take a look at additional e-mail logs and I have now seen a number of communications between a [Cisco Major Account Manager] and the City during this time so I think I better understand the issue now. But most importantly, and the real reason I am calling, is one of those communications was an e-mail from a [Cisco Major Account Manager] to the [CIO] that attached a letter dated April 9 th addressed to the [CIO]. The letter is sort of two short paragraphs about Cisco's partner engagement model generally and the last sentence though says that on this particular RFP, Cisco did not have prior knowledge of the City's specific requirements for this project and clearly that sentence is not accurate as you probably realize if you've seen the letter. We had not seen it when we spoke last week. A [Cisco Major Account Manager] doesn't know why that sentence was in there. It looks like the letter |

| | |
|----------------|--|
| | <p>itself was at the request of the City and so maybe the City knows, but in all event, even though this letter may have had little effect on the actual RFP process, the last sentence is not accurate and I wanted to bring that to your attention if you hadn't seen it before to clarify what, to my mind, is a misstatement that Cisco made to the City.”</p> |
| July 29, 2004 | <p>Law firm of Rogers Joseph O'Donnell & Phillips, legal representatives of SBC, sends letter to City Auditor regarding the Converged Network for the New City Hall, specifically the “Administrative and Maintenance” training.</p> |
| August 3, 2004 | <p>Law firm of Rogers Joseph O'Donnell & Phillips, legal representatives of SBC, sends letter to the City Attorney and City Auditor regarding the Converged Network for new City Hall, specifically regarding SBC's comments on the evaluation process used by the City.</p> |

Attachment V: A Comparison Of The Evaluation Criteria Listed In Section 1.7 Of The Converged Network For The New Civic Center Request For Proposal To The Evaluation Team's Specific Evaluation Criteria Actually Used To Score The Vendors

| | The Evaluation Criteria Listed in the Request for Proposal Section 1.7: An "X" indicates under which RFP Evaluation Criteria the Evaluation Team Scored the Vendors | | | | | | Vendors' Weighted Scores | | | | | |
|--|---|--------|--|--|------------|---|--------------------------|--------|---------|-------|-------------|----------|
| | Capability and expertise of the contractor including quality of personnel and financial stability | Price* | Quality and content of the proposal, including meeting RFP criteria and overall responsiveness | Adherence to applicable Council policies as specified in this document | References | Past service and performance record of the incumbent supplier | SBC | Unisys | Norstan | Avnet | Nextira One | Nexus IS |
| Evaluation Team's Specific Evaluation Criteria Actually Used to Score Vendors | | | | | | | | | | | | |
| Phase 1 - Document Review | | | | | | | | | | | | |
| <i>Minimum Qualifications:</i> | | | x | | | | | | | | | |
| Dedicated project manager identified | | | x | | | | Y | Y | Y | Y | Y | Y |
| Two references | | | x | | | | Y | Y | Y | Y | Y | Y |
| Authorized Silver/Gold partner | | | x | | | | Y | Y | Y | Y | Y | Y |
| <i>Forms:</i> | | | | | | | | | | | | |
| Attachment A - Proposal Form | | | x | | | | Y | Y | Y | Y | Y | Y |
| Attachment B - Proposers Questionnaire | | | x | | | | Y | Y | Y | Y | Y | Y |
| Attachment C - Reference Form | | | x | | | | Y | Y | Y | Y | Y | Y |
| Attachment H - Work Environment Questionnaire | | | x | | | | Y | Y | Y | Y | Y | Y |
| Management Plan | | | x | | | | Y | Y | Y | Y | Y | Y |
| <i>Addenda (signed and dated):</i> | | | | | | | | | | | | |
| Addendum 1 | | | x | | | | Y | Y | Y | Y | Y | Y |
| Addendum 2 | | | x | | | | Y | Y | Y | Y | Y | Y |
| Addendum 3 | | | x | | | | Y | Y | Y | Y | Y | Y |
| Phase 2 - Qualifications & Technical Approach | | | | | | | | | | | | |
| Minimum Requirements | x | | | | | | Y | Y | Y | Y | Y | Y |
| References (15 Possible Points) | x | | | | x | x | 9.6 | 9.8 | 8.4 | 5.9 | 4.8 | 5.7 |
| Domain Experience (40 Possible Points) | x | | | | | x | 26.78 | 26.56 | 23.33 | 18.56 | 18 | 17.56 |
| Certification Requirements (15 Possible Points) | x | | x | | | | 10 | 10.1 | 9.6 | 9.1 | 8.9 | 8.8 |
| Integration (10 Possible Points) | x | | x | x | | | 7.33 | 6.67 | 7 | 7 | 7 | 5.67 |
| Project Management (20 Possible Points) | | | x | | | | 12.91 | 12.97 | 11.88 | 12.06 | 11.52 | 11.03 |
| 100 Possible Points | | | | | | | 66.62 | 66.1 | 60.21 | 52.62 | 50.22 | 48.76 |

* As noted in the report, staff considered price after Phase 4.

Attachment V: A Comparison Of The Evaluation Criteria Listed In Section 1.7 Of The Converged Network For The New Civic Center Request For Proposal To The Evaluation Team's Specific Evaluation Criteria Actually Used To Score The Vendors

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|--|---|--------|--|--|------------|---|----------------|--------|----------------|-------|-------------|--------------------------|
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| Evaluation Team's Specific Evaluation Criteria Actually Used to Score Vendors | | | | | | | | | | | | |
| Phase 3 - Final Technical Evaluation | | | | | | | | | | | | Not Evaluated in Phase 3 |
| Scoring - Round 1 (40% of Final) | | | | | | | | | | | | |
| <i>Features & Functionality:</i> | | | | | | | | | | | | |
| Section | | | x | | | | 3 | 2.33 | 3.5 | | | |
| Detail | | | x | | | | 2.99 | 2.55 | 3.35 | | | |
| <i>Project Management:</i> | | | | | | | | | | | | |
| Section | x | | x | | | | 2.17 | 3.33 | 3 | | | |
| Detail | x | | x | | | | 2.43 | 3.2 | 3.15 | | | |
| <i>Technology:</i> | | | | | | | | | | | | |
| Section | | | x | | | | 2.83 | 3.17 | 2.67 | | | |
| Detail | | | x | | | | 2.9 | 3.08 | 2.74 | | | |
| <i>Final Questions:</i> | | | | | | x | | | | | | |
| Detail | x | | | | | | 2.38 | 2.46 | 2.3 | | | |
| <i>Optional Features</i> | | | x | | | | NOT CONSIDERED | | | | | |
| Vendors' Overall Score | | | | | | | 2.5 | 3.17 | 2.83 | | | |
| Scoring - Round 2 (60% of Final) | | | | | | | | | | | | |
| Resource Loading | x | | x | | | | 1.67 | 2.5 | 1.33 | | | |
| Project Timelines | x | | | | | x | 1.17 | 2.33 | 0.94 | | | |
| Statement of Work | x | | x | | | | 1.94 | 1.8 | 1.58 | | | |
| Reference Check | x | | | | x | x | 2.48 | 2.18 | 2.39 | | | |
| Certification Requirements | x | | x | | | | 6 Pass | 6 Pass | 4 Fail, 2 Pass | | | |
| BOM Certification | x | | x | | | | Pass | Pass | Pass | | | |
| Project Assumptions | x | | x | | | | 4 Pass, 2 Fail | Pass | Pass | | | |
| Organization** | x | | | | | | Good | Good | Fair | | | |
| Vendors' Overall Score | | | | | | | 1.95 | 2.11 | 1.71 | | | |
| Vendors' Final Scores | | | | | | | 2.208 | 2.479 | 2.189 | | | |
| Vendors' Final Scores Multiplied by 100 | | | | | | | 220.8 | 247.9 | 218.9 | | | |

**Organization: The IT Administrative Officer and a Finance Department Financial Analyst performed the vendors' financial viability analyses.

* As noted in the report, staff considered price after Phase 4.

COUNCIL AGENDA: 6-22-04

ITEM: 3.9(c)



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Wandzia Grycz
José Obregon

SUBJECT: SEE BELOW

DATE: 06-16-04

Approved

Date

6/16/04

Council District: Citywide
SNI: N/A

SUBJECT: REPORT ON RFP FOR A CONVERGED NETWORK FOR THE NEW CITY HALL (NCH)

RECOMMENDATION

Adoption of a resolution authorizing the City Manager to negotiate an agreement with Unisys (Blue Bell, PA), for the purchase of a Converged Data Network and Telephony System in an amount not to exceed \$8,030,127 including all hardware, software and professional services required to implement the system.

BACKGROUND

The City will install a converged network capable of meeting the voice, video and data requirements at the New City Hall (NCH). Services provided by this technology bring together telephone services, data services, and the power of the Internet in a single high-speed network infrastructure to support 24x7, 365 days per year customer interactions with the City for various services. This system will also serve as the voice and data communication foundation for future expansion to other City facilities.

The Converged Network RFP defined the solution required for the City to deploy a Voice Over Internet Protocol (VoIP), also referred to as IP telephony, and data network. The major components of the RFP are as follows:

- Design and installation of a switched Ethernet based network
- Design and installation of a VoIP telephone system
- Development, implementation, and testing of the converged network solution
- Development, implementation and testing - according to best practices - for the above items including an overall system security plan
- The requisite hardware and software including 2,000 IP phones, call management software, network switches, routers, management tools, applications, and security devices

On February 3, 2004, Council approved funding for NCH technology purchases, which specifically included this Converged Network procurement, and directed staff to return to Council for each procurement recommendation.

ANALYSIS

On March 15, 2004, the RFP process was initiated with key milestones and dates as identified in Table 1. The RFP was advertised on the City’s Internet “BidLine” and distributed to thirty-eight companies. The RFP required that all interested companies participate in a mandatory pre-proposal conference. Twenty-two companies participated in the pre-proposal conference, and six companies submitted proposals by the April 16, 2004 deadline.

| Milestone | Completion Date |
|--|------------------------|
| Issue Request for Proposal | 3/15/04 |
| Written questions due / Requests for clarification | 3/22/04 |
| Answers to written questions distributed (Addendum) | 3/24/04 |
| Mandatory Pre-Proposal Conference | 3/26/04 |
| Responses/Addendum distributed (pre-proposal conference summary) | 3/29/04 |
| Due Date for Technical Proposals | 4/16/04 |
| Oral Interviews and presentations | 5/12/04 |
| Final technical specifications/Cost Proposal Response Form issued | 5/14/04 |
| Due date for final clarifications to technical proposals, and submittal of Cost Proposals. | 5/24/04 |

Table 1

Proposals were received from the following companies:

- Avnet
- Nextira One
- Nexus IS
- Norstan
- SBC
- Unisys

A proposal evaluation panel consisting of six City staff members and one external Information Technology professional from an outside government agency was formed. All panel members were briefed by Purchasing on the evaluation rules and scoring process prior to receiving proposals. In order to ensure scoring consistency, it was mandatory that all panel members attend all discussions as well as the oral interviews with the finalists.

PHASE 1 Evaluation - Minimum Requirements

The initial evaluation was a pass/fail assessment of each proposal, to ensure that all required forms and documentation were submitted, and that the Proposer possessed the minimum qualifications and expertise to be successful on a project of this scope and magnitude.

All six proposals passed this phase of the evaluation.

PHASE 2 Evaluation – Qualifications and Experience/Technical Evaluation

Each member of the evaluation team independently evaluated and scored the proposals on technical merit and overall understanding of the project. The key categories scored were:

- Relevance of the references that were submitted
- Converged network domain experience
- Compliance with certification requirements
- Solution and integration
- Project management

The evaluation team agreed that there was a clear break in the scores between the first three proposals (Norstan, SBC and Unisys) and the remaining proposals (Avnet, Nextira One and Nexus). These results were presented to a Senior Staff team comprised of the General Services Director, Chief Information Officer, and Deputy City Manager. Upon conclusion of the presentation, the Senior Staff team agreed with the evaluation team's recommendation to move to the next phase of the evaluation process with the top three ranked proposals.

PHASE 3 Evaluation – Oral Interviews

The finalists were invited back to make an oral presentation and participate in all day panel interviews. The City required that presenters must be key team members (of the proposing company) that would be assigned to the project, and the lead presenter was to be the program manager designated for this project. The City provided a required outline of the items to be discussed by each company so that they would have an equal opportunity to present the information that was being evaluated by the City.

The following general criteria were discussed and evaluated:

- Knowledge of features and functionality
- Project management experience, approach and methodology
- Knowledge of the proposed technology solution and understanding of the City's needs
- Final Questions

PHASE 4 Evaluation – Final Technical Requirements

For this phase, finalists received a final set of technical clarifications, and instructions to provide final technical and management submittals, as well as a cost proposal.

The following key response documents were requested and evaluated:

- Proposed staffing requirements for the vendor and the City, over the life of the project.
- Proposed Project Timelines
- Executive Level Scope of Work

In addition to the evaluation and scoring of the information requested above, reference calls were made to active vendor sites where Converged Network technology had been implemented by each of the finalists.

Upon the conclusion of the total evaluation process, the Selection Committee scored and ranked the three finalists as summarized in Table 2:

| COMPANY | OVERALL SCORE | PERCENT OF HIGH SCORE |
|----------------|----------------------|------------------------------|
| Unisys | 247.9 | --- |
| SBC | 220.8 | 89.1% |
| Norstan | 218.9 | 88.3% |

Table 2

Unisys' overall technical score was approximately 11% and 12% higher than SBC and Norstan, respectively.

In addition to the numeric scoring, there were three categories that were scored as pass/fail by the evaluation team. The categories scored as pass/fail included meeting required staff certifications, bill of materials certification, and key project assumptions.

Panelists rated SBC as failing in the "key project assumptions" category as a result of the following statement which limits SBC's responsibility for one of the most critical aspects of the project: "SBC will not be responsible for the performance and voice quality of the live AVVID IP Telephony over the customer LAN."

Panelists rated Norstan as failing in the "certification requirements" category for not providing adequate documentation as to the key team members that would be assigned to the project.

COST COMPARISON

Pricing was submitted by the finalists at the end of the RFP process (Phase 4), and was not disclosed to City staff until after the completion of the technical evaluation. Table 3 summarizes each company's proposed price for the delivery of the "core" or base solution:

| COMPANY | PRICE | PERCENT OF LOW PRICE |
|----------------|--------------|-----------------------------|
| Unisys | \$7,621,467 | 103.0% |
| SBC | \$7,401,855 | --- |
| Norstan | \$8,492,091 | 114.7% |

Table 3

The figures above do not include proposed costs for ongoing system support. System support may be procured separately, as described further in the "Cost Implications" section. Proposers also provided costs for optional services but are not included in the figures above.

SUMMARY

City staff concurred that Norstan be eliminated from further consideration because of their #3 technical rank, results of the pass/fail evaluation, and a price that is 14.7% and 3% higher than SBC and Unisys, respectively.

Staff further agreed that Unisys' 3% higher price than technically ranked #2 SBC was worth the additional 11% of technical value and 100% "pass" in the pass/fail evaluation.

Unisys' key technical attributes or differentiators are summarized as follows:

- Unisys' demonstrated a superior and comprehensive understanding of the City's requirements throughout the proposal and presentation process. Their comprehension of the underlying technical architecture was very thorough, along with their understanding of IP telephony solutions.
- Unisys' project manager demonstrated the strongest project communications skills and possesses the most direct applicable experience and first-hand technical knowledge of the various aspects associated with the project.
- Their oral presentation was the most professional and comprehensive, showing strong collaboration among team members and demonstrating their teamwork and ability to communicate well with the customer.
- The project management methodology (TeamMethod) was deemed to be the superior methodology across all of the presentations. TeamMethod is based on the internationally recognized Project Management Institute (PMI) methodology and was very comprehensive in its ability to support communication, planning, risk management, change control, cost control, etc.

- Unisys demonstrated the most comprehensive network and security infrastructure solution presented by any of the vendors. They placed significantly more emphasis on critical network and security aspects of the solution than the other vendors.
- Unisys presented a holistic view of network design with design aspects being a critical component of their proposed solution.
- Unisys successfully demonstrated all of the required functional elements of the City's requirements as specified.

Phase 3 and Phase 4 evaluation results were presented to the Senior Staff team who concurred with the Selection Committee's recommendations.

PEER REVIEW

The City also conducted a peer review comprised of external resources from Gartner Group Consulting and telecommunications/network managers from Santa Clara County and the Santa Clara Valley Water District. The objective of this review was to brief and obtain feedback from an independent body - with a knowledge of telecommunications and network technology - on the RFP process and the evaluation and selection process.

The peer review validated that the RFP process was comprehensive, competitive, and conducted in a fair and unbiased manner. The peer group also expressed their willingness to assist the City in the development and review of the final agreement with Unisys.

RECOMMENDATION

Based on the proposals submitted and evaluation, staff recommends that the City Council authorize the City Manager to negotiate an agreement with Unisys for the purchase of a Converged Data Network and Telephony System.

PUBLIC OUTREACH

Not applicable.

COORDINATION

This memorandum has been coordinated with the Information Technology Department, General Services Department, City Attorney's Office, and the City Manager's Office.

COST IMPLICATIONS

This purchase is a one time cost of \$8,030,127 to be expended from Capital appropriation #4852—Civic Center Technology Improvements. This purchase is consistent with the Council

approved Budget Strategies, General Principle #8, “We must continue to streamline, innovate and simplify our operations.” It is also consistent with the Council approved Economic Development Strategy, “Make San José a Tech Savvy City.”

As noted previously, the recommended contract award does not include ongoing system maintenance support, estimated at \$750,000 annually. Staff recommends that the City retain the option to exclude this element from the scope of the contract. Staff will explore Unisys supplying this maintenance support, while leaving open our ability to evaluate alternative procurement options. In addition, staff will evaluate alternative funding sources for ongoing system support. Funding sources for ongoing maintenance support could include cost savings identified through Network contract negotiations or from other NCH Technology, Furniture, Equipment and Relocation (TFE&R) procurements. Staff will examine other strategies such as ongoing savings from implementation of the VoIP system.

The recommended contract amount includes the Unisys base cost proposal, less ongoing system support (as described above), and includes development of a required comprehensive security plan for the amount of \$408,660.

The workplan for TFE&R procurements for the New City Hall allocates a total of \$7.160 million for the Converged Network (elements T4/T10). The recommended contract exceeds this allocation by \$870,127 or 12.2%.

In order to fund the recommended contract, staff has evaluated progress to date on TFE&R procurements. The elements that have substantial expenditures completed or underway include Voice and Data Cabling (T5), Utility Services (FE3), and Tower and Rotunda Sun Shade Covers (FE4). As indicated below, the anticipated savings under these elements is sufficient to fund the recommended contract.

| Element | Original Estimate | Actual | Savings (\$) | Savings (%) |
|------------------------------------|-------------------|-----------------|----------------|-------------|
| Voice and Data Cabling | \$3.00 million | \$1.87 million | \$1.13 million | 37.6% |
| Utility Services | 0.50 million | 0.25 million | 0.25 million | 50% |
| Tower and Rotunda Sun Shade Covers | 0.64 million | 0.44 million | 0.20 million | 31.3% |
| Converged Network (Proposed) | 7.16 million | 8.03 million | (0.87 million) | (12.2%) |
| Total | \$11.3 million | \$10.59 million | \$0.71 million | 6.3% |

MANAGED COMPETITION

The City does not have the technology engineering expertise or capability to manufacture state-of-the-art IP Telephony equipment and associated software necessary to implement a converged network solution in the NCH.

LIVING WAGE

The Office of Equality Assurance has determined that the Prevailing Wage will apply for various labor functions associated with the installation of the equipment.

LOCAL PREFERENCE

This RFP was issued under the Local Preference Policy then in effect, Resolution 64649, which defines a local business as:

- Having a current San José business license; and
- Having either of the following types of offices operating legally within the City of San José:
 - the contractor's principal business office; or
 - the contractor's regional, branch or satellite office with at least one full time employee located in San José.

The preference is applied as a "tie-breaker" where two proposals are substantially similar in terms of quality and price.

The revised Local and Small Business which becomes effective as of June 18, 2004, expands the definition of a local business as having an office located within Santa Clara County. If the local business condition is met, then there may be an additional small business consideration is applied if the total number of employees is 35 or less. There is a 5% consideration for local business, and an additional 5% consideration for small business, which are applied to the total point score.

The following is a summary of how each Proposer responded to the Local Preference information that was requested in the RFP:

Avnet's corporate headquarters are located in Phoenix, AZ. They did not claim status as a local business but submitted with their proposal a San José business license indicating that they have 220 local employees.

NextiraOne's corporate headquarters are located in Houston, TX. They claimed status as a local business but failed to provide the required business license information.

Nexus' corporate headquarters are located in Valencia, CA. They claimed status as a local business but failed to provide the required business license information.

Norstan's corporate headquarters are located in Minnetonka, MN. They did not claim status as a local business.

SBC's corporate headquarters are located in San Antonio, TX. They claimed status as a local business with approximately 1500 employees located at various locations within the City.

Unisys' corporate headquarters are located in Blue Bell, PA. They claimed status as a local business with six employees located at a San José office location.

The recommended contractor, Unisys, qualified as a Local Business Enterprise. Thus application of a 5% preference would not impact the recommendation. No finalist qualifies as a Small Business Enterprise.

BUDGET REFERENCE

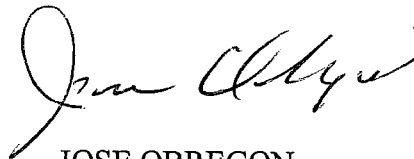
| Fund | Appn | Appn Name | Amount | Total Appn | Ordinance |
|-------------|-------------|--------------------------------------|---------------|-------------------|--------------------|
| 473 | 4852 | Civic Center Technology Improvements | \$8,030,127 | \$25,700,000 | #27503 01/13/04 |

CEQA

Not a project.



WANDZIA GRYCZ
Chief Information Officer



JOSE OBREGON
Director, General Services Department