City of Houston
Information Technology Department (ITD)

Department of Information Resources
Spending Authority Increase

Presentation to Budget and Fiscal Affairs Committee
June 5, 2012

Mayor Annise Parker
Charles J. Thompson, CIO

STATE OF TEXAS
DEPARTMENT OF INFORMATION RESOURCES

- The 79th Texas Legislature passed H.B. 1516, that requires DIR to negotiate favorable prices based on aggregate demand and requires state agencies to buy through these contracts.
- This legislation provides savings to other governmental entities in Texas, such as counties, cities and school districts that use DIR cooperative contracts - Doing So Makes Good Business Sense.
- Aggregating the state’s commodity purchases through common contract vehicles results in:
  1) Reduced Information Technology Costs
  2) Decreased Administrative Costs
  3) Maximised Value
  4) Common IT Procurement Processes
  5) An Advocate on the Enterprise Level

US COMMUNITIES (USC)

U.S. Communities Government Purchasing Alliance™ is a nationwide purchasing cooperative for local and state government agencies, school districts, higher education and nonprofits.
- Costs are reduced through pooling the purchasing power of public agencies nationwide.
- More than 39,200 public agencies utilize U.S. Communities™ contracts and suppliers to procure more than 1 billion dollars in products and services annually.
- Three (3) Primary Suppliers:
  1) GTM provides technology products, professional services, and IT infrastructure solutions with certified equipment and project managers to government technology environments.
  2) Insight provides expert technical resources to facilitate high-level demand and critical solution support.
  3) TechDirect offers valuable services and support for dedicated account teams, volume price discounts and free on-site sales technical support.
**M/WBE GOALS**

- All purchases $100,000 or greater are assessed in terms of divisibility of work and M/WBE capacity to the type of work to be performed.

- The City assigns the M/WBE participation goal in the pre-procurement phase and will be referenced on each purchase order issued.
FAQs for Authorization of Spending Authority with Texas Department of Information Resources (DIR)

Q: What are we asking Council to do?

A: Approve spending authority in an amount not to exceed $120,000,000.00 for the purchase of technology-related products and services through DIR for various departments; and that authorization be given to issue purchase orders, as needed, to DIR contract holders. All DIR purchases citywide will require ITD approval and the Strategic Purchasing Division (SPD) will be responsible for processing all DIR purchase orders citywide. This authority is to span approximately 36 months.

Q: Why are we doing this?

A: Utilization of the US Communities Government Purchasing Alliance of which DIR is a member, assists public agencies in reducing the cost of purchased goods and services through pooling the purchasing power of public agencies nationwide. This is accomplished through competitively solicited contracts for quality products through lead public agencies. We have exhausted the current spending authority and are requesting an increase to sustain the benefits to the entire city. If we do not do this, the city of Houston will be unable to capitalize on the “bulk” rates that are saving dollars across the state.

Q: How does this benefit the City of Houston?

A: The key advantages for utilizing this procurement vehicle:

**Economy of Scale Pricing - $170 million in Taxpayer Savings**
DIR leverages the state’s purchasing power to negotiate competitive discounts with vendors, saving taxpayer money. In fiscal year 2009 DIR reached over $1 billion in technology sales, which translates into savings of more than $170 million for taxpayers.

**Disaster Preparedness & Recovery Contracting Alternatives**
Utilizing DIR during disaster recovery is optimal due to the reduction in procurement lead time, the “pooled” pricing and the ability to procure with limited resources. During recovery from Hurricane Ike this was helpful in replacement of damaged technology as well as other equipment.

**Savings**
- No administrative cost to the City (The supplier pays a minimum 1% administrative fee to participate to US Communities).
- Reduce procurement lead time by as much as 150 days i.e., from 180 days to less than 30 days
- Frees City resources for other public priorities, programs and services
- Supplier partners guarantee best overall government pricing

**Competitively Solicited**
- Competitively solicited government contracts
- Satisfy the State of Texas Competitive Bid Law
- Most favorable public agency pricing
- Broad range of goods and services

**Aggregate Purchasing Power**
- Nationwide purchasing power of public agencies
- Combines Potential Purchasing Power of up to 90,000 Public Agencies
- Expands Purchasing Choices Beyond State Boundaries
Over 37,200 Currently Participating Public Agencies in 50 States, Puerto Rico and Virgin Islands.
No minimum or maximum purchasing requirements

Q: What types of services/goods can be purchased?

A: Computer Software, Hardware, Networks & Information Systems Consulting Services – Currently DIR is being utilized to contract with AT&T in order to receive the TEXAN rates (lowest possible rates are made available to the city) for wired line services which accounts for a significant percentage of the annual spend.

Q: What controls are in place?

A: All DIR purchases citywide will require ITD approval and the Strategic Purchasing Division (SPD) will be responsible for processing all DIR purchase orders citywide. Individual purchases over $300,000.00 will continue to require separate Council approval. Additionally, ITD in conjunction with the Finance Department will continue to monitor detailed spending and provide reports to City Council when required.

Q: Are we ensuring there are no redundancies in hardware/software purchases?

A: By implementing the new control process for purchasing through DIR, ITD will have greater visibility and capability into ensuring less redundancy.

Q: How are we ensuring MWBE participation?

A: All purchases made pursuant to DIR contractors valued at $100,000.00 or greater are assessed in terms of divisibility of the work and the MWBE capacity related to the type of work to be performed. The City assigns the MWBE participation goal in the procurement phase and it will be referenced on each purchase order issued.