TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES

DATE: SEPTEMBER 13, 2004 CMR: 408:04

SUBJECT: AGREEMENT BETWEEN THE CITY OF PALO ALTO AND THE CITY OF MORGAN HILL FOR INFORMATION TECHNOLOGY SERVICES IN THE AMOUNT OF $150,000

RECOMMENDATION

Staff recommends that Council:

1. Approve and authorize the Mayor to execute the attached two-year agreement to provide information technology (IT) services to the City of Morgan Hill in an amount not to exceed $150,000 per year.

2. Authorize the City Manager or his designee to extend the agreement for up to three additional years in an amount not to exceed a total contract amount of $200,000 in any contract year.

3. Authorize the City Manager or his designee to negotiate and execute one or more amendments to the agreement with the City of Morgan Hill to increase or modify the scope of services and increase compensation to Palo Alto in an amount not to exceed a total contract amount of $200,000 in any contract year.

BACKGROUND

In July 2001, the Information Technology Division of the Administrative Services Department started the Information Technology Service Provider (ITSP) program. The program was created to establish partnerships with municipal governments to provide information technology services.

In 2001, Council approved contracts between the City of Palo Alto and the Cities of East Palo Alto and Los Altos for IT services including onsite support, IT strategic planning, and web design and maintenance. In 2002, Council approved new multi-year contracts with East Palo Alto and Los Altos as well as new contracts with the Cities of Los Altos Hills and Atherton. Council granted authority for these contracts to be extended through
fiscal year 2004-05. New contracts were also established with the Cities of Alameda, Emeryville, and Saratoga.

At the start of the ITSP program, staff expected that additional cities would be interested in IT services. In March 2004, staff responded to a request for proposal (RFP) for information technology services from the City of Morgan Hill.

**DISCUSSION**
The proposed agreement with the City of Morgan Hill will deliver IT support and management services in the amount of $140,000 per year. An additional $10,000 is available for additional services if needed. This agreement has the potential to be extended for three additional one-year periods with up to a five percent increase in compensation each year. The agreement cannot be extended without Palo Alto’s consent. The agreement may also be terminated by either party upon fifteen days notice.

The City of Palo Alto was selected by Morgan Hill after a competitive RFP selection process. Palo Alto’s combined experience, reputation and cost effectiveness lead to the selection over a number of private firms.

**RESOURCE IMPACT**
Funds and staffing for these agreements are available in the City of Palo Alto 2004-05 External Services Adopted Budget. The projected cost to support the agreements will be fully offset by the revenues received from the contract cities.

**POLICY IMPLICATIONS**
Because the City was responding to an RFP, Palo Alto could not use its standard IT external services contract; instead Palo Alto was required to use the one provided by Morgan Hill. The Morgan Hill contract has different provisions from Palo Alto’s standard IT external services contract including indemnity, insurance and warranty requirements. Staff was able to negotiate notable differences from our standard IT external services contract including an indemnity in favor of Morgan Hill for third party claims arising out of Palo Alto’s negligence or willful misconduct in the performance of the IT services and exclusion of software and hardware installation services from the no warranty provision. While the warranty provision may be a new component to an IT services contract, Palo Alto has previously provided and currently provides this type of service to other cities; therefore, staff does not expect performance of these services for Morgan Hill to be unusual.

**ENVIRONMENTAL REVIEW**
This is not a project under the California Environmental Quality Act.
ATTACHMENTS
Attachment A: Agreement for Information Technology Services between the City of Palo Alto and the City of Morgan Hill

PREPARED BY: ____________________________________________
DAVID RAMBERG
IT Manager, External Services

DEPARTMENT APPROVAL: ___________________________________
CARL YEATS
Director, Administrative Services

CITY MANAGER APPROVAL: _________________________________
EMILY HARRISON
Assistant City Manager