



CITY COUNCIL AGENDA STATEMENT



December 18, 2018

File ID: 18-0545

TITLE

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA APPROVING AGREEMENTS WITH KEY GOVERNMENT FINANCING, INC. AND NIC PARTNERS FOR THE LEASE/PURCHASE AND FINANCING OF NETWORKING HARDWARE EQUIPMENT, SOFTWARE, AND LICENSING

RECOMMENDED ACTION

Council adopt the resolution.

SUMMARY

In March 2018, the City Council approved the purchase of networking hardware and software as part of an overall networking upgrade plan. Staff is requesting approval of agreements to lease/purchase additional software and hardware required to complete the network upgrade plan.

ENVIRONMENTAL REVIEW

The Project qualifies for a Class 1 Categorical Exemption pursuant to Section 15301 (Existing Facilities) of the California Environmental Quality Act State Guidelines.

Environmental Determination

The Director of Development Services has reviewed the proposed project for compliance with the California Environmental Quality Act (CEQA) and has determined that the project qualifies for a Class 1 Categorical Exemption pursuant to Section 15301 (Existing Facilities) of the State CEQA Guidelines. Thus, no further environmental review is required.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

DISCUSSION

In March of 2018, the City Council approved the purchase of various networking equipment and software as part of the City's overall network upgrade. Funding for the network upgrade is via Measure P proceeds. The network upgrade is under way and staff recently learned that there were a few critical items left off the full bill of materials which are crucial for the network upgrade. This was due to miscommunication between City staff and the consultant who is assisting the Information and Technology Department staff

with the implementation of the new network. The staff report and resolution for the prior action are included as Attachments 1 and 2.

Staff is requesting approval to enter into a financing agreement with Key Government Financing, Inc. in order to finance the lease/purchase of hardware and software licensing to replace our current aging anti-virus/malware software system. Staff is also seeking approval to purchase the hardware and software licensing through NICP, Inc, which is our current consultant on the network upgrade project. The new anti-virus/malware defense software has been designed to specifically run on our new state-of-the-art CISCO network. It is the final piece in a top to bottom redesign of the network. As was mentioned in the previous staff report to Council, this complete redesign will provide a scalable and secure network which will enable the City to continue to pursue our SmartCity endeavors. Copies of the proposed agreements are included as Attachments 3 and 4.

Staff is requesting utilizing financing of this project as Measure P funding will cover a portion of the costs, and the general fund (which currently pays approximately \$25,000 a year for licensing of our current anti-virus software) will cover the remaining costs over 5 years. Because the entire purchase is dependent on up-front payment (to include all hardware and licensing costs over 5 years), City staff recommends utilizing the financing method so no additional expenditures from the General Fund are required.

The effective interest rate shown on Attachment 3 (Lease Agreement with Key Government Finance, Inc.), page 4 shows 6.75%. However, the City is making a \$191,302 down payment on the lease, which then gives a net interest rate of 1.99% after the down payment.

DECISION-MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site- specific and consequently, the 500-foot rule found in California Code of Regulations Title 2, section 18702.2(a)(11), is not applicable to this decision for purposes of determining a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.).

Staff is not independently aware, and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

LINK TO STRATEGIC GOALS

The City's Strategic Plan has five major goals: Operational Excellence, Economic Vitality, Healthy Community, Strong and Secure Neighborhoods and a Connected Community. The network replacement project positively affects all five strategic goals in that all departments and our citizens rely on a reliable and secure network to conduct City business.

CURRENT-YEAR FISCAL IMPACT

There will be no impact to the General Fund for this project. Funds have been previously allocated from the Measure P tax initiative for this project (Project GGV0236 and GGV0237). The total cost for this portion of the project is \$287,454.71. Measure P funds will be utilized for a \$191,302 down payment on the full lease amount, with the remaining \$101,528 paid out over four years (\$25,382 per year) as part of the financing plan. These yearly payments are already part of the Information and Technology Services budget. There is a

\$13,530 discount to the City of Chula Vista for paying for all 5 years of licensing up front. Staff will be utilizing funds from the Citywide Network Replacement Project (GGV0236) as well as funds from the Citywide Telecommunications project (GGV0237) to cover the costs needed to complete the network project.

ONGOING FISCAL IMPACT

For the next four fiscal years, the remaining amount to pay on the lease will be evenly divided over the four years resulting in lease payments of \$25,382 per year which is already included in the Information and Technology Services budget. There is no additional General Fund impact. Beyond the next four years, the City will need to identify funding for ongoing licensing fees should the City continue with the CISCO security suite products.

ATTACHMENTS

1. Staff Report #17-0518
2. Lease Agreement with Key Government Finance, Inc.
3. NICP Sales Quote #32340

Staff Contact: Edward Chew, Director of Information and Technology Services