



Monterey County

168 West Alisal Street,
1st Floor
Salinas, CA 93901
831.755.5066

Board Report

Legistar File Number: A 15-033

March 17, 2015

Introduced: 2/12/2015

Version: 1

Current Status: Consent Agenda

Matter Type: BoS Agreement

- a. Authorize an increase to the aggregate spending limit for the Reseller Agreement with SHI International Corp. increasing the amount by an additional \$347,303 for a total maximum liability of \$1,444,582 for the term May 1, 2012 through June 30, 2015 for additional Third Party Software License and Third Party Software Maintenance Reseller Services at NMC.
- b. Authorize the Deputy Purchasing Agent for NMC to execute purchase orders on an as needed basis, at the recommendation of the NMC Chief Executive Officer, for Third Party Software License and Third Party Software Maintenance Reseller Services whereby the aggregate amount does not exceed \$1,444,582 through June 30, 2015.
- c. Authorize the Deputy Purchasing Agent for NMC to execute Third Party Software License and Maintenance Agreements with Microsoft and any other Third Party Manufacturers, which licenses and maintenance agreements are purchased pursuant to the Reseller Agreement with SHI International Corp., subject to County Counsel approval.

RECOMMENDATION:

It is recommended the Board of Supervisors:

- a. Authorize an increase to the aggregate spending limit for the Reseller Agreement with SHI International Corp. increasing the amount by an additional \$347,303 for a total maximum liability of \$1,444,582 for the term May 1, 2012 through June 30, 2015 for additional Third Party Software License and Third Party Software Maintenance Reseller Services at NMC.
- b. Authorize the Deputy Purchasing Agent for NMC to execute purchase orders on an as needed basis, at the recommendation of the NMC Chief Executive Officer, for Third Party Software License and Third Party Software Maintenance Reseller Services whereby the aggregate amount does not exceed \$1,444,582 through June 30, 2015.
- c. Authorize the Deputy Purchasing Agent for NMC to execute Third Party Software License and Maintenance Agreements with Microsoft and any other Third Party Manufacturers, which licenses and maintenance agreements are purchased pursuant to the Reseller Agreement with SHI International Corp., subject to County Counsel approval.

SUMMARY/DISCUSSION:

Since May 1, 2012, the Reseller Agreement with SHI has provided the contractual basis for both small purchases of software licenses and software maintenance agreements, as well as for organized volume purchasing, at lower cost, of larger numbers of software license and software maintenance agreements. At the same time, use of the Reseller Agreement permits the hospital to better track its spending on such purchases.

The SHI Reseller Agreement was originally presented to the Board of Supervisors for approval in May 2013 with a retroactive start date back to May 2012. This retroactive start date was requested to cover software licensing invoices that were pending payment but dated prior to

May 2013. The Reseller Agreement itself did not include a total dollar amount. Instead NMC requested a total spending limit of \$1,097,278.67 be approved by the Board of Supervisors for the Reseller Agreement. The requested spending limit was based on a collective list of planned purchases that NMC had documented at that time.

Originally the costs for Microsoft licensing were not included in the list of planned purchases that were associated with the SHI Reseller Agreement because it was assumed by NMC that all three payments for Microsoft licensing would be completed by purchase order before the Agreement was to be finalized with SHI. From August 2012 through the present, NMC has purchased \$1,234,251 in Microsoft licenses and products from SHI which was divided into three payments. Two purchase orders were already issued in fact, one for \$433,255 and another for \$400,499. Currently the third and final invoice for the Microsoft licenses billed at \$400,499 is due. After review and in consideration of new processes, personnel and in attempt to make this more transparent, NMC in conjunction with the county's Auditor-Controller's office agreed that this final SHI/Microsoft payment should be included as part of the SHI reseller agreement. Additional funds are therefore being requested so as to cover this final invoice.

Microsoft products and licensing have been used by Natividad for many years and are critical to NMC's infrastructure and daily operations. NMC uses Microsoft for servers, software and email throughout the hospital. The products are required technology at NMC. To ensure proper support and maintenance of these technologies, Natividad needs to enter into software license and maintenance agreements with the products' respective software manufacturers to provide routine support and upgrades.

NMC is also requesting an addition to the total spending limit for license renewals for Solarwinds, NMC's network monitoring software, and for Sophos, NMC's security software. Sophos is a critical encryption product that encrypts hard drives on NMC laptops and Solarwinds is a product used by NMC to monitor network and server hardware and send out alerts when a process fails. Solarwinds was incorporated into the SHI reseller agreement in May 2012 but only through March 2015. Solarwinds currently needs to be renewed for 12 months at a cost of \$22,745. Since 2011, NMC paid SHI for Sophos licensing and renewals by purchase order prior to the establishment of the SHI Reseller Agreement. NMC now requests approval to incorporate Sophos' 12 month renewal due March 2015 into the SHI renewal agreement at an additional cost of \$23,812.

Out of the \$1,097,278.67 spending limit for the SHI Reseller agreement there is an available unspent amount remaining of \$99,753 currently. NMC is requesting that the Board of Supervisors authorize an additional \$347,303 be added to the spending limit to cover the Microsoft licenses plus the Solarwinds and Sophos renewals. This brings the total spending limit for the SHI Reseller Agreement to \$1,444,582 as per the following breakdown;

Spending Limit approved by the Board of Supervisors:	\$1,097,278.67
<u>Expenditures as of March 24, 2015:</u>	<u>\$997,526</u>
Balance available:	\$99,753

NMC's current needs through June 30, 2015:

SHI Invoice due for Microsoft Licenses:	\$400,499
Pending SolarWinds license renewal:	\$22,745

Pending Sophos license renewal	\$23,812
Total due:	\$447,056
<u>Less balance available:</u>	<u>\$99,753</u>
Additional amount requested:	\$347,303

Requested revised total spending limit for SHI Reseller Agreement: \$1,444,582

OTHER AGENCY INVOLVEMENT:

County Counsel has reviewed and approved the Reseller Agreement as to legal form, legality, and risk. Auditor-Controller has reviewed and approved this Agreement as to fiscal provisions. The requested increase herein was approved by the NMC Finance Committee on 1/22/15 and the NMC Board of Trustees on 2/6/15.

FINANCING:

The total cost for this Reseller Agreement is \$1,444,582 of which \$477,056 is included in the Fiscal Year 2014-15 Adopted Budget. There is no impact to the General Fund.

Prepared by: Charles Harris, MD, NMC Information Technology, 783-2559

Approved by: Gary Gray, DO, Interim Chief Executive Officer, 783-2504

Attachments:

SHI Reseller Agreement

Letter of Authority from Microsoft confirming SHI as authorized Reseller

Attachments on file with the Clerk of the Board