



# County of Monterey

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

## Board Report

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**File #:** A 13-064, **Version:** 1

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- a. Approve and authorize the Purchasing Manager for Natividad Medical Center (NMC) to execute a Reseller Agreement with SHI International Corp. for Third Party Software License and Third Party Software Maintenance Reseller Services at NMC in the amount of \$181,340.45 for Fiscal Year 2011-2012 and \$915,938.22 for Fiscal Years 2012-2015, for a total Agreement amount not to exceed \$1,097,278.67 for the period retroactive from May 1, 2012 through June 30, 2015.
- b. Authorize the Purchasing Manager for NMC to execute to sign up to three (3) amendments to the Reseller Agreement where the total amendments do not exceed 10% of the original contract amount, and do not significantly change the scope of work.
- c. Authorize the Purchasing Manager for NMC to execute the Third Party Software Maintenance Agreements with Fontware Ltd. and Symantec, and any other Third Party Software Maintenance Agreements that are purchased pursuant to the Reseller Agreement with SHI International Corp. and require signature authorization of the parties, subject to County Counsel approval.

### RECOMMENDATION:

It is recommended the Board of Supervisors:

- a. Approve and authorize the Purchasing Manager for Natividad Medical Center (NMC) to execute a Reseller Agreement with SHI International Corp. for Third Party Software License and Third Party Software Maintenance Reseller Services at NMC in the amount of \$181,340.45 for Fiscal Year 2011-2012 and \$915,938.22 for Fiscal Years 2012-2015, for a total Agreement amount not to exceed \$1,097,278.67 for the period retroactive from May 1, 2012 through June 30, 2015.
- b. Authorize the Purchasing Manager for NMC to execute to sign up to three (3) amendments to the Reseller Agreement where the total amendments do not exceed 10% of the original contract amount, and do not significantly change the scope of work.
- c. Authorize the Purchasing Manager for NMC to execute the Third Party Software Maintenance Agreements with Fontware Ltd. and Symantec, and any other Third Party Software Maintenance Agreements that are purchased pursuant to the Reseller Agreement with SHI International Corp. and require signature authorization of the parties, subject to County Counsel approval.

### SUMMARY/DISCUSSION:

For the support of its Electronic Health Records system, Natividad Medical Center uses a variety of information technologies (Software) created by various manufacturers. These technologies include voice and data network technology of Cisco Systems, Inc., server virtualization of VMware Inc., security technology of RSA Security Inc., as well as other information technology platforms of several other manufacturers. 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.

Renewals or upgrades to software licenses and agreements are commonly purchased (sometimes sold exclusively) through resellers and not directly from the software manufacturers. SHI is NMC's preferred authorized reseller for the sale and purchase of third party software license and maintenance agreements (see

attached Sole Source Justification for details (*Attachment 3*). Due to SHI's strength and buying power in the marketplace, SHI is able to leverage volume buying programs that other vendors are not able to obtain. NMC's experience is that SHI consistently provides quotes with the best discount when compared against other resellers.

Since April 1, 2012, NMC has engaged in a process of creating an organized and planned upgrading and renewal of software maintenance agreements used throughout the hospital. This has several positive outcomes for the hospital and the County as a whole.

First, software license and maintenance agreements, each of which has a start and end date, require upgrading or renewing on a per agreement basis. In the past, these agreements would lapse because there was no organized way in which the numbers of maintenance agreements, with their different termination dates, could reasonably be monitored for renewal. To remedy the past, since April 2012, NMC and SHI have worked together to reach a consolidation of the maintenance agreements, whereby multiple software maintenance agreements for the same technology can now be purchased at the same time, with maintenance periods having the same beginning and end dates, making tracking of renewals and upgrades infinitely easier.

In addition, the parties have prepared this Reseller Agreement (*Attachment 1*), which shall provide 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 will permit the hospital to better track its spending on such purchases. If this agreement is approved by the Board, a Purchase Order will be issued in a manner that organizes payments to SHI according to an organized line item system identified by software manufacturer and product. Natividad has requested and received written documentation from SHI (see written authorizations attached to the Reseller Agreement) confirming that SHI is an authorized reseller of the products of the third party software manufacturers.

Natividad seeks retroactive approval of the Reseller Agreement, which has an effective date of May 1, 2012, in order to pay SHI for third party licenses and maintenance agreements that would have expired had they not been renewed in this fiscal year (2012/13) and beginning in May of the previous fiscal year (2011/12).

The Reseller Agreement has an end date of June 30, 2015, in anticipation of additional purchases for upgrades and renewals in the coming two fiscal years (2013/14 and 2014/15) of the Agreement. The "not to exceed" maximum liability of \$1,097,278.67 contains a contingency of ten percent in case of increases to the quotes provided to NMC last year. (See *Attachment 2: Summary of SHI Software-Hardware Maintenance Quotes and related Software Maintenance Agreements with various vendors*). All software maintenance agreements set forth in *Attachment 2* to this Board Report, which were purchased through SHI, have been reviewed and approved by County Counsel as to legal form.

#### Business Automobile Insurance Exemption

Business Automobile Liability Insurance requirements are waived for this vendor under this Agreement. There is no risk or exposure regarding vehicles.

Contractor does not travel onto County property with vehicles.

#### OTHER AGENCY INVOLVEMENT:

County Counsel has reviewed and approved the Reseller Agreement as to legal form, legality, and risk provisions and has reviewed the software terms and conditions and/or software maintenance agreements set forth in *Attachment 2* to this Board Report as to legal form. Auditor-Controller has reviewed and approved this

Agreement as to fiscal provisions. The Agreement has also been reviewed and approved by Natividad Medical Center's Board of Trustees.

FINANCING:

The cost for this Agreement including the 10 % contingency is \$1,097,278.67. \$365,759.56 is included in the Fiscal Year 2012/2013 Adopted Budget. \$365,759.56 is included in the Fiscal Year 2013/2014 Recommended Budget. The 10% contingency of \$109,728 will be included in future fiscal year budgets as appropriate. There is no impact to the General Fund.

Prepared by: Jim Fenstermaker, NMC Information Technology, 783-2559

Approved by: Harry Weis, Chief Executive Officer, 783-2553

Attachments: Attachment 1: SHI Reseller Agreement and Insurance Documents

Attachment 2: Quotes (Exhibits A through U) & Related Software Maintenance Agreements per Vendor

Attachment 3: Sole Source Justification

Attachments on file with the Clerk to the Board's Office