

**REPORT TO MAYOR AND COUNCIL**

TO THE HONORABLE MAYOR AND COUNCIL:

DATE: September 9, 2014

SUBJECT: APPROVING A FIVE-YEAR CAPITAL LEASE AGREEMENT WITH QUEST TECHNOLOGY MANAGEMENT IN THE AMOUNT OF \$27,204 ANNUALLY FOR REPLACING THE CITY'S TECHNOLOGY SECURITY EQUIPMENT AND AUTHORIZING THE CITY MANAGER TO EXECUTE THE LEASE AGREEMENT AND FINANCE DIRECTOR TO COMPLETE THE FORMS

Report in Brief

The business systems that support all City Departments' operations are increasingly dependent on a safe and secure high-speed Internet connection.

The proposed lease will provide the necessary equipment, software, maintenance, support and installation for implementing a best practice for security with a multi layered approach including web filtering, intrusion detection and automated threat notification and response.

Payments commence at contract signing and are due monthly throughout the five year term. At the end of the five year term the equipment becomes the property of the City. The contract provides warranty and support to ensure no hidden costs for the life of the contract.

Funding for the proposed lease is included in the Information Technology Department's maintenance budget and 10-Year Plan Council approved in the annual budget process for Fiscal Year 2014. Subsequent years' funding remains subject to Council approval in the annual budget process throughout the term of the lease.

Staff recommends Council approve the proposed five-year Lease Agreement for the security equipment in the amount of \$27,204 annually and authorize the City Manager to execute the agreement and the Finance Director to complete the lease forms.

Background

Currently, the City is using security equipment from multiple vendors. The proposed Firewall equipment will simplify security and reduce finger pointing by combining the equipment into one vendor.

APPROVING A FIVE-YEAR CAPITAL LEASE AGREEMENT WITH QUEST TECHNOLOGY MANAGEMENT IN THE AMOUNT OF \$27,204.00 ANNUALLY FOR REPLACING THE CITY'S TECHNOLOGY SECURITY EQUIPMENT AND AUTHORIZING THE CITY MANAGER TO EXECUTE THE LEASE AGREEMENT AND FINANCE DIRECTOR TO COMPLETE THE FORMS.

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Our current security equipment was purchased through a five year capital lease that has expired. One vendor, used to manage internet browsing access throughout the City discontinued its product. This system needs to be replaced to continue best practices for security in the City. The remaining equipment is past its useful life expectancy and experiencing problems that will be corrected by the new equipment.

A Request for Proposal (RFP) is not required because Quest Technology is identified as a provider of Palo Alto Network equipment having a California Multiple Award Schedules (CMAS) contract with the State of California. CMAS offers a wider variety of commodity, non-IT Services and Information Technology products and services at prices which have been assessed to be fair, reasonable and competitive. The use of these contracts is available to California State and local government agencies.

Discussion

City operations, including Public Safety, and revenue generation are increasingly dependent on the City's connection to the outside world. It is critical that the City maintain a safe and secure connection that allows desired communication and prohibits unauthorized and malicious communication. Increasingly, public institutions and law enforcement agencies have become direct targets of aggressive cyber-attacks. To defend the City's systems and data from destruction, and its websites from defacing, the City needs to maintain security systems based on best practices that can automatically detect and respond to attacks that originate from inside or outside.

City business requirements continue to increase the complexity, nature and number of connections to the City's systems while the time to implement new secure changes must be kept short. Examples of these changes include:

- The migration toward cloud based services,
- New critical applications that depend on a working internet connection,
- Growth in importance of City Web Servers to enhance transparency to the community,
- Proliferation of web enabled mobile devices and applications to communicate and provide services to the City's customers more effectively,
- Increasing use of social media to provide 24x7 service and enhance communication with the citizens of Concord.

In February of 2014, the City IT Department staff began evaluating the top rated security systems. The Palo Alto Networks system was selected over other products due to ranking by Forester and Gartner, its rich functionality, and its simplified configuration. In April of 2014, an evaluation of Palo Alto Networks enterprise security equipment was installed and tested by the IT staff to ensure it met current and anticipated needs and could be easily configured and managed. The Palo Alto Networks security equipment met and exceeded IT staff expectations.

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Fiscal Impact

The annual cost of the lease is \$27,204 commencing September of 2014 for the duration of the five-year term. Full funding of the term of the lease is included in the proposed Information Technology Budget and 10-Year Plans the Council approved in the annual budget process for fiscal year 2014. Future years' funding remains at the discretion of the Council.

Public Contact

Posting of the Council Agenda

Recommendation for Action

Approve the five-year capital lease with Quest Technology Management in the amount of \$27,204 annually for City network security Firewall equipment and authorize the City Manager to execute the lease agreement and the Finance Director to complete the forms.

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Attachment 1: Capital Lease with Quest Technology Management



City of Concord
QuestFlex Lease Agreement

Lessee: City of Concord
Lessee Contact: Doug Elloway
1950 Parkside Dr. Building C
Concord, CA. 94519

08-18-14

Per your request, enclosed please find our proposal for the acquisition and financing of the equipment below.

Equipment/Support/Services CMAS # 3-12-70-0133CL (Palo Alto Networks)	Total Cost	Lease Term	QuestFlex Financial
2QTY - PAN-PA-3050 - Palo Alto Networks PA-3050	\$115,834.40	60	\$2,267 per Month (Estimated Tax \$2,419.20 Billed Up Front)
2QTY - CON-PAN-PA-3050-TP-5YR-HA2 Threat prevention subscription 5-year prepaid for device in an HA pair, PA-3050			
2QTY - CON-PAN-PA-3050-URL4-5YR-HA2 PANDB URL Filtering subscription 5-year prepaid for device in an HA pair, PA-3050			
2QTY - CON-PAN-SVC-PREM-3050-5YR Premium support 5-year prepaid, PA-3050			
40QTY - Quest Professional Services -Security Engineer Pro Services - \$175/hr Estimated 40 hrs *Billed as actual. Not fixed cost estimate.			

End of Term Options: At the end of the term City of Concord will take ownership of equipment upon receipt of payment in full.

This lease proposal is valid for twenty-one (21) days unless extended in writing by Quest. The monthly lease rates quoted in this proposal exclude taxes and freight. Agreed Terms and Conditions attached.

If you have any additional questions or concerns regarding our lease proposal, please don't hesitate to call me at 916-338-7070.

Sincerely,

Justin Trammell
Quest Account Manager
Justin_Trammell@questsys.com

Agreed To & Acknowledged By:

Name: _____

Title: _____

Date: _____

City of Concord – Terms and Conditions

1. Invoice each Purchase Order separately. Items on this Purchase Order must not be billed with those on other Purchase Orders.
2. All Shipments are F.O.B. Delivered unless otherwise specified. When freight is authorized to be prepaid and added to invoice, a copy of the receipted freight bill must accompany invoice. (FOB destination shall mean that the Vendor pays all shipping costs, and title shall transfer to the City only upon receipt and acceptance by an authorized representative of the City of Concord.)
3. Substitutions, Changes, and Prices other than specified must be authorized in writing by the Purchasing Agent.
4. Acceptance of this Purchase Order implies the acceptance of all items and conditions contained herein, and all specifications, drawings, and additional items and conditions referred to herein and or attached hereto. Read them carefully. No substitutions or changes will be effective without written approval of City.
5. Contract. This Purchase Order and/or its terms and conditions, and any referenced attachments, when accepted by the Contractor either in writing or shipment of all or any portion of the material or the commencement of performance of any portion of the services covered hereunder, constitutes the entire contract between Contractor and City concerning its subject matter, and neither any contrary or additional conditions specified by Contractor nor any subsequent amendment or supplement shall have any effect without City's written approval.
6. Warranty and Quality Inspection. Contractor warrants that all articles, materials and work furnished shall be good quality and free from defects, shall conform to drawings and or specifications and shall be merchantable quality and fit for the purpose for which purchased, and shall be at all times subject to City's inspection; but neither City's inspection nor failure to inspect shall relieve Contractor of any obligation hereunder. If, in City's opinion, any article material, work fails to conform to specifications or is otherwise defective, Contractor shall promptly replace same at Contractor's expense. No acceptance or payment by City shall constitute a waiver of the foregoing, and nothing herein shall exclude or limit any warranties implied by law.
7. Title. Contractor warrants that any article, material or work is free and clear of all liens and encumbrances whatsoever, and that Contractor has a good and marketable title to same, and Contractor agrees to hold City free and harmless of any patent, copyright or trademark resulting from or arising in connection with the manufacture, sale, or other normal disposition of any article or material furnished hereunder.
8. Infringement. Contractor shall indemnify and defend City against all claims, suits, liability and expense on account of alleged infringement of any patent, copyright or trademark resulting from or arising in connection with the manufacture, sale normal use or other normal disposition of any article or material furnished hereunder.
9. Invoice Discount. Contractor shall state its payment and discount terms on invoices. Discount period shall begin from date City received invoices or merchandise whichever arrives last. Delay caused by correction of errors and omissions shall extend the discount period and shall be just cause for withholding settlement without loss of cash discount by City.
10. Compensation. Contractor agrees to receive and accept the prices shown as full compensation for furnishing all materials and for all work contemplated and embraced in this order; also for all loss or damage arising out of the nature of the work aforesaid, or from the action of all elements, or from any unforeseen difficulties or obstructions which may arise or be encountered in the prosecution of work until its acceptance by City, and for all risks of every description connected with the work; also for all expenses incurred by or in consequence of the suspension or discontinuance of work and for well and faithful completing the work, and the whole thereof, in the manner according to the requirements of the City's inspection.
11. Indemnification. Contractor agrees to defend, indemnify and hold harmless the City, its officers, officials, employees, agents and volunteers from and against any and all claims, demands, actions, losses, damages, injuries, and liability (including all attorney's fees and other litigation expenses) arising out of the Contractor's performance under the terms of this Agreement. This indemnification obligation on Contractor's part shall not apply to demands, actions, losses, damages, injuries, and liability arising out of sole negligence or willful misconduct on the part of City.
12. Laws to be Observed. All activities regarding this order shall be governed by the laws of the State of California. Any action to enforce this agreement shall be brought within the Superior Court of California, Contra Costa County. Contractor shall keep fully informed of and shall comply with all existing and future State and National laws and all municipal ordinances and regulations of the City of Concord which in any manner affect those engaged, or employed in the work, or the materials, used in the work, or which in any way affect the conduct of the work and of all such orders and decrees of bodies or tribunals having any jurisdiction or authority over the same.
13. Contractor's Licensing Laws. Attention is directed to the provisions of the California Business and Professions Code concerning the licensing of Contractors. All bidders and Contractors shall be licensed in accordance with the laws of the State of California and any bidder or Contractor not so licensed is subject to the penalties imposed by such laws.
14. Permits or Licenses. Contractor shall procure all permits and licenses, pay all charges and fees, and give all notices necessary and incidental to the due and lawful prosecution of the work.
15. Hours of Work. Eight hours labor constitutes a legal day's work. Contractor shall forfeit, as a penalty to the City of Concord, \$25 for each worker employed in the execution of the contract by Contractor or any Subcontractor under her/him for each calendar day during which such worker is required or permitted to work more than eight hours in any one calendar day and forty hours in any one calendar week in violation of the Provisions of the California Labor Law.
16. Prevailing Wage. (Public Projects) Pursuant to Section 1773.2 of the Labor Code, prevailing rate of per diem wages shall be paid by Contractor. The Contractor agrees to defend and indemnify the City from any and all penalties or damage resulting from any actions or claims asserted against Contractor for the failure to pay prevailing wages to its employees.
17. Excuses for Non-Performance. Either party shall be absolved from its obligations under this contract when and to the extent that its need for the articles, materials or work to be supplied hereunder is reduced or eliminated) by reason of acts of God, fire explosion, war riots, strikes, labor disputes, or governmental laws, orders or regulations.
18. Default. If Contractor or Subcontractor shall breach any provision hereof or shall become insolvent, enter voluntary or involuntary bankruptcy or receivership proceedings or make an assignment to the benefit of creditors, City of Concord shall have the right (without limiting any other rights or remedies which it may have hereunder or by operation of law) to terminate this contract by written notice to Contractor whereupon City of Concord shall be relieved of all further obligation hereunder except the obligation to pay the reasonable value of Contractor's prior performance (at not exceeding the contract rate), and Contractor shall be liable to City of Concord for all costs incurred by City of Concord in completing or procuring the completion of performance in excess of the contract price herein specified. The City of Concord's right to require strict performance of any obligation hereunder shall not be affected by any previous waiver, forbearance of course of dealing. Time is of the essence hereof.
19. Taxes. Unless otherwise provided herein or required by law, Contractor assumes exclusive liability for, and shall pay before delinquency, all sales, use, excise and other taxes, charges or contributions of any kind now or hereafter imposed on or with respect to, or measured by the articles sold or material or work furnished hereunder on the wages, salaries or other remunerations paid to persons employed in connection with the performance of this contract, and Contractor shall indemnify and hold harmless the City of Concord from any liability and expense by reason of Contractor's failure to pay such taxes or contributions.
20. Independent Contractor. Both parties understand and acknowledge that Contractor, its agents, employers and subcontractors are and shall at all times remain as to the City wholly independent contractors. Neither the City nor any of its officers or employees shall have any control over the manner by which the Contractor performs this Agreement and shall only dictate the results of the performance. Contractor shall not represent that Contractor or its agents, employees or subcontractors are agents or employees of the City, and Contractor shall have no authority, express or implied, to act on behalf of the City in any capacity whatsoever as an agent, and shall have no authority, express or implied, to bind the City to any obligation whatsoever, unless otherwise provided in this Agreement. As an independent contractor, Contractor shall not be eligible for any benefits, which the City may provide to its employees and all persons, if any, hired by Contractor shall be employees or subcontractors of Contractor and shall not be construed as employees or agents of the City in any respect. Contractor shall receive no premium or enhanced pay for work normally understood as overtime, i.e., hours that exceed forty (40) hours per work week, or work performed during non-standard business hours, such as in the evenings or on weekends. Contractor shall not receive a premium or enhanced pay for work performed on a recognized holiday. Contractor shall not receive paid time off for days not worked, whether it be in the form of sick leave, administrative leave, or for any other form of absence. Contractor shall pay all taxes, assessments and premiums under the federal Social Security Act, any applicable unemployment insurance contributions, Workers Compensation insurance premiums, sales taxes, use taxes, personal property taxes, or other taxes or assessments now or hereafter in effect and payable by reason of or in connection with the services to be performed by Contractor.
21. Safety. All equipment and materials shall comply with all Federal, State, and local safety rules and regulations including OSHA.
22. Attorney's Fees. In the event that it becomes necessary for either party to bring a lawsuit to enforce any provision of this contract, the parties agree that a court of competent jurisdiction may determine and fix a reasonable attorney's fee to be paid the prevailing party.
23. Assignment. City is entering into this agreement in consideration of the rendition of the services required herein by Contractor. Contractor shall not assign any of the duties, responsibilities, or obligations of this agreement to any other firm, company, entity, or individual, except with the express written consent of City. Nothing set in this paragraph shall preclude Contractor from assigning any of the money due and owing to it from City.
24. Insurance. Contractor shall, at its own expense, procure and maintain in full force at all times the City's Insurance Requirements during the term of the PO and/or any applicable contract agreement. (A copy of the detailed insurance requirement instructions may be provided upon request by the Purchasing Department.)
25. Reservation of Rights. The City reserves the right to reject any or all quotes/bids, to waive any informalities, or to terminate the solicitation process at any time, if deemed by the City to be in the best interest of the City.
26. Contract. Final contract terms and conditions may be negotiated with the selected vendor, and will include but is not limited to all of the terms and conditions herein. Contract may be in a form of a purchase order, a contract, or both.