



MEMORANDUM

TO: Mayor and Council Members

FROM: James Scarboro, Purchasing Officer *JS*

DATE: September 13, 2021

SUBJECT: FY22 Aggregate DIR Authorization – Additional Backup on an upcoming item in the September 30, 2021 Council Agenda

On September 30, 2021, the City Council will consider a Recommendation for Council Action (RCA) to authorize City departments to purchase various information technology (IT) goods and services through the State of Texas, Department of Information Resources (DIR), Cooperative Contracts Program. Staff requests this authorization every year, prior to the start of the coming Fiscal Year. This memorandum provides background information about this item.

Overview of DIR Cooperative Contracts

The DIR establishes numerous cooperative contracts for State agencies to purchase a wide variety of IT hardware, software and services. Through their Information and Communications Technology Cooperative Contracts Program, the State makes these contracts available to local governments in Texas, as well as to other states and local governments across the country.

In FY2020, spend under DIR contracts exceeded \$2.58 billion. When compared to prices for similar IT goods and services available under cooperative contracts elsewhere, DIR estimates that they saved over \$357 million in taxpayer dollars. Texas K-12 makes up the largest portion of DIR contract spend at (\$851 million, 32%); followed by Local governments (\$687 million, 26%); State agencies (\$606 million, 23%); Higher education (\$374 million, 14%), etc.

Benefits to the City

- **Save Time.** DIR establishes their cooperative contracts competitively, saving the participating governments countless hours of administrative time and expense that they would have consumed had they their own competitive processes. This savings is also realized by the contractors, that would have otherwise had to bear the time and expenses in participating in many more formal competitive processes. Their savings is then available to be passed back to the State and to the participating governments.
- **Save Money.** DIR cooperative contracts save taxpayer dollars by leveraging the State's volume-buying power to drive down costs on hundreds of technology contracts. By creating economies of scale that no single state or government could achieve on its own,

DIR cooperative contracts are able to achieve some of the best prices and favorable pricing terms available.

- **Greater Accessibility.** By centralizing IT cooperative contracts, DIR is able to pool its system resources enabling them to provide an extensive website portal wherein agencies and governments can search through substantial quantities of cooperative contracts and more quickly identify those that best meet their needs.
- **Better Quality.** In addition to better prices and pricing terms, DIR contracts drive more favorable terms and conditions overall. And, because the State continues to administer the base contract, participating governments benefit from any ongoing improvements the State makes to these contracts, as well as the added benefit of the State's support in ensuring contractor compliance with all contract terms and conditions.
- **More Variety.** Because DIR contracts are used by numerous State agencies, local governments across Texas and the nation, DIR is able to make multiple awards to a greater number and variety of contractors than any one government could reasonably do on its own. This greater variety gives agencies and participating governments more contractors to choose from. The greater variety of DIR contracts also gives the City additional avenues to pursue our various procurement policy objectives, e.g., more opportunities to contract with small/minority/women/veteran-owned and local contractors. Using these cooperative contracts also allows the City to address other priorities such as sustainability and environmentally preferable products. Last, purchasing through DIR is useful to address urgent and/or emergency technology needs.
- **Annual Aggregate DIR Authorizations.** Each year the City purchases a large variety of IT goods and services through DIR contracts. Throughout the year, staff brings longer-term, higher-value (generally, longer than 1-year, more than \$1 million) DIR contracts to Council individually. For shorter-term, lower-value contracts, each year staff brings a single RCA to Council representing the bulk of the departments' estimated IT purchases in the coming year. This Aggregate DIR Authorization is used to make hundreds of individual departmental purchases of IT goods and services under the DIR contracts during the FY. By consolidating these like authorizations into a single annual aggregate authorization, staff has been able to reduce the number of RCAs for IT purchases by approximately 100 per year.

Like all indefinite quantity contracts brought to Council, the amount of the Aggregate DIR Authorization is based on department estimates and will not result in an actual commitment to spend the entire amount of the authorization. When making purchases under this authority, departments will stay within their appropriated budgets and other sources of approved funds.

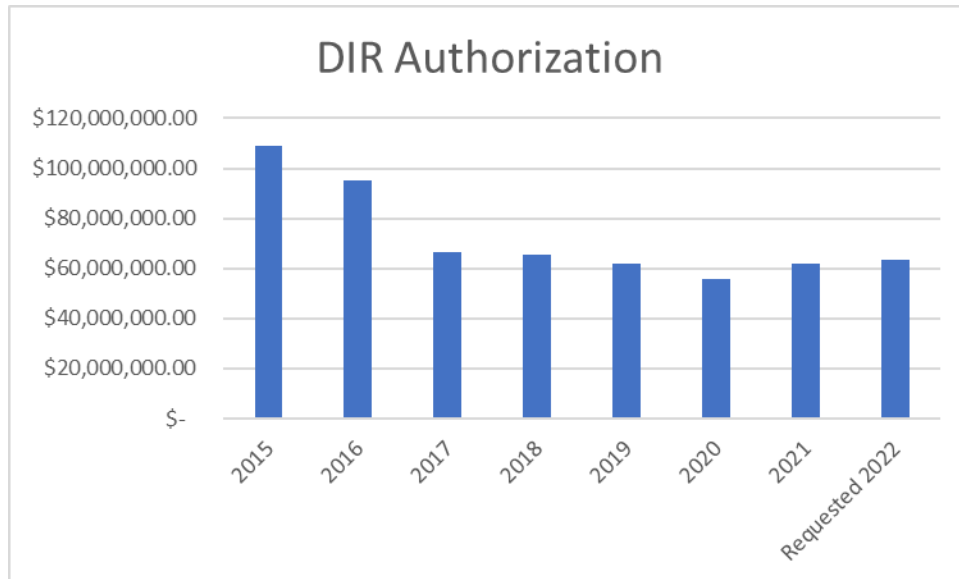
FY21 Aggregate DIR Authorization

As of August 2, 2021 (over 80% FY21 completed), the City has spent over \$46.8 million (or 75%) of the \$62 million approved in the FY21 Aggregate DIR Authorization. Of the amount spent so far, the City has spent nearly \$17.7 million (38%) with certified firms including \$5.8 million (12.3%) with City of Austin, Minority and Women-Owned Business Enterprises (M/WBE) and \$12 million (25.6%) with State of Texas, Historically Underutilized Businesses (HUB). Department utilization of the FY21

authorization was increased this year over previous years – largely due to the additional purchases associated with the ongoing COVID-19 pandemic as well as the result of the unprecedented winter storm earlier this year.

FY22 Aggregate DIR Authorization

For FY22, the requested Aggregate DIR Authorization will be \$63,448,196, representing an 2% increase over the amount authorized in FY21. With consolidations and more longer-term, higher-value DIR contracts authorized individually, staff have been able to decrease the Aggregate DIR Authorization amounts for several years in a row. Although this year's authorization is an increase over last year's authorization, the amount of this year's authorization (2%) is substantially smaller than last year's authorization increase (11%) and lower than this year's increase in the Consumer Price Index – US City Average (6.12%).



Timing of Aggregate DIR Authorization RCAs

Each year, the Aggregate DIR Authorization RCA is brought to Council, after budget adoption (mid-late August) and prior to the start of the new Fiscal Year (October 1). As this RCA is to authorize Citywide contracts (used by most departments), the Purchasing Office sends the RCA to all boards and commissions that choose to review procurement items. Given the differing meeting dates of the various boards and commissions, and their corresponding posting requirements, getting the RCA to as many of these boards and commissions as possible usually causes this item to go onto one of the last Council meeting of the FY.

If you have questions regarding the DIR cooperative program or the City's annual Aggregate DIR Authorizations, feel free to contact me. (james.scarboro@austintexas.gov or 512-974-2050).

cc: Spencer Cronk, City Manager
Anne Morgan, Interim Deputy City Manager
Ed Van Eenoo, Chief Financial Officer