


- e. Purchase of Palo Alto Network Security Appliances – Compunet Inc.

TRANSMITTAL MEMORANDUM

TO: The Honorable Mayor & City Council

FROM: Delilah A. Walsh, City Manager Initials: 

DATE: January 24, 2024 File #: MGR24-051

RE: **Purchase of Palo Alto Network Security Appliances – Compunet Inc.**

The motion detailed below was prepared at the request of Information Technology Director Brock Hecla, who asked that it be placed before the City Council for consideration at its meeting of February 1, 2024. If adopted, the motion provides for approving the purchase of network security appliances and support services from Compunet Inc. in an amount not to exceed \$554,095 over five years (\$110,870 annually).

At the regular meeting of January 18, 2024, the City Council approved the purchase of Palo Alto network security appliances from MicroAge Inc. Since that approval, that vendor was unable to meet the exact demands and requirements of our City IT Department. Mr. Hecla has found the same appliances and support services through an alternate vendor who also has a National Cooperative Purchasing Alliance contract and can offer the same competitive price. This ensures we receive the services we need at a competitive price with the terms we demand.

In adopting the 2024 General Government Operating Budget, the City Council appropriated \$250,000 to the IT Department's capital account for the purchase of network security appliance replacements. As with the MicroAge Inc. product, the purchase is already exempt from competitive bidding or quotations pursuant to subparagraph 9 of Section 3.12.050(a)(9) of the Ketchikan Municipal Code (KMC) as we have secured highly favorable governmental pricing through NCPA Contract #01-107 but does require City Council approval pursuant to Section 3.12.035(c) as it is over \$50,000.

The rationale is detailed more fully in Mr. Hecla's transmittal memorandum. As this purchase is exempted from competitive bidding by the KMC with Council approval, the purchase is critical to maintaining the security of our network, the cost is included in the 2024 budget, City Council previously authorized the purchase on January 18 at this price and the contract has a non-appropriation clause protecting the City in future budget years, I concur with the recommendation.

A motion has been prepared for City Council consideration.

Recommended Motion: In accordance with Sections 3.12.050(a)(9) and 3.12.035(c) of the Ketchikan Municipal Code, I move the City Council approve the purchase of Palo Alto network security appliances with support services in the amount not to exceed \$554,095 via NCPA Contract#: 01-107 from Compunet Inc. over a period of five-years; authorizing funding from the Information Technology Department's 2024 Machinery & Equipment capital account #101-1160-190-725; and directing the City Manager to execute the purchase documents on behalf of the City Council.

**MEMORANDUM
CITY OF KETCHIKAN, ALASKA
Information Technology Department**

*Brock Hecla, IT Director
Phone: (907) 228-5647
brockhecla@ketchikan.gov*

TO: Delilah Walsh, City Manager

FROM: Brock Hecla, Information Technology Director

DATE: January 24th, 2024

SUBJECT: Procurement of Palo Alto network security appliances with five-years of support services in the amount of \$554,094.50 from Compunet Inc. Inc. via NCPA,01-107 contract over a five-year period with equal payments.

The purpose of this memorandum is to request that the City Manager seek City Council approval to purchase Palo Alto network security appliances with five-years of support services via contract#: NCPA,01-107 through Compunet Inc. If adopted, the approval motion authorizes the procurement of Palo Alto network security appliances and annual support and maintenance services from Compunet Inc. at a five-year cost of \$554,094.50 (\$110,869.90 annually)

On January 18th a motion was approved to purchase this equipment through MicroAge Inc. with similar terms and price. That vendor was unable or unwilling to meet the requirements negotiated by the City to complete a purchase post Council approval. We have since worked with another reseller of Palo Alto equipment to source the equipment we require with terms that are acceptable to parties.

Background:

The Information Technology (IT) Department employs network security appliances (firewalls), to meticulously scrutinize and regulate all Internet traffic. This approach ensures the robust protection of our network systems and data. An initiative to redesign and upgrade these systems is underway, aligning them with the latest industry benchmarks for cybersecurity. The primary objectives are to fortify departmental segmentation, bolster security filtering, and amplify visibility and control over both external and internal network traffic. Such enhancements are vital for safeguarding the City's essential functions against the ever-evolving landscape of cyber threats. While our security appliances have been diligently maintained with software updates through our support service contracts, the physical hardware, having been in operation for 10 years, necessitates replacement. As the demands of cybersecurity have evolved dramatically over the past decade, it's evident that older hardware may not offer the requisite bandwidth or features to counter contemporary and emerging cyber threats. This project endeavors to replace our current security infrastructure with industry-leading security appliances. These will be set up in a high-availability redundant configuration, providing network resilience. Such an upgrade will cement the City's network protection for the foreseeable future.

Recognizing the need for a predictable yearly budget and the value of long-term savings for the City, the Information Technology Department has worked with our vendors and develop a plan which we now present. We propose a five-year agreement for purchase of hardware along with support services. Payments would be evenly divided over five-year years and there is no interest accrued by the city to

enter into this agreement. This purchase not only eliminates the inflationary support cost increases we see year over year but significantly reduces the initial capital outlay required for the required network security upgrades. We will also realize a significant savings by agreeing at the time of purchase to five-years of support. I estimate based on historic yearly increases for support services seen within the industry and discussions with this specific vendor, a savings of \$281,530.40 over the five-year period is realistic.

The City Council appropriated \$250,000 to the Information Technology Department's Machinery & Equipment capital account, 101-1160-190-725.00 for the purpose of purchasing network security appliance replacements, with the intent of meeting the contemporary security and bandwidth requirements of the City. This request satisfies that directive through purchasing of the Palo Alto network security appliances with a support services contract for a term of five-years. First year funding would be using approved 2024 capital improvement project funds. This purchase is exempt from competitive bidding or quotations pursuant to subparagraph 9 of Section 3.12.050(a) of the Ketchikan Municipal Code (KMC), but the purchase does require City Council approval pursuant to Section 3.12.030) of the KMC as it is over \$50,000.

Recommended Motion:

I move the City Council approve the purchase of Palo Alto network security appliances with five-years of support services in the amount of \$554,094.50 via NCPA,01-107 contract through Compunet Inc. over a period of five-years and directing the City Manager to execute the purchase on its behalf.

cc:

Lacey Simpson, Assistant City Manager

Michelle Johansen, Finance Director



Digitally signed by Brock
Hecla
Date: 2024.01.24
11:38:23 -09'00'

Brock Hecla , IT Director

Approved ☐ Denied ☐

Comments:

Delilah Walsh , City Manager

Palo PA-3440/ City of Ketchikan

Contract Information
*All, NCPA, 01-107***Quote Information:****Quote #:** DR229171

Version: 3

Quote Date: 01/24/2024

Expiration Date: 02/21/2024

Prepared for:**City of Ketchikan**Colin Combrink
(907) 228-5626

colinc@city.ketchikan.ak.us

Bill To:**City of Ketchikan**Accounts Payable
334 Front StreetKetchikan, AK 99901
accountspayable@ktn-ak.us**Ship To:****City of Ketchikan**Colin Combrink
334 Front Street

Ketchikan, AK 99901

Hardware

Manufacturer Part Number	Product Details	Qty	List Price	Price	Ext. Price
PAN-PA-3440	Palo Alto Networks PA-3440 with redundant AC power supplies	2	\$64,680.00	\$49,364.37	\$98,728.74
PAN-PA-3440-BND-CORESEC-5YR	PA-3440, Core Security Subscription Bundle (Advanced Threat Prevention, Advanced URL Filtering, Advanced Wildfire, DNS Security and SD-WAN), 5 years (60 months) term	2	\$218,300.00	\$166,058.80	\$332,117.60
PAN-SVC-PREMUSG-3440-5YR	For US Government accounts only. Premium support 5 year term, PA-3440	2	\$64,700.00	\$61,624.08	\$123,248.16
PAN-SFP-PLUS-CU-5M	Palo Alto Twinaxial Network Cable - 16.40 ft Twinaxial Network Cable for Network Device, Switch, Router, Server, Storage Adapter - First End: SFP+ Network - Second End: SFP+ Network - 10.5 Gbit/s	1	\$530.00	\$0.00	\$0.00

Payment schedule:

1. \$110,869.90 invoiced upon delivery
2. \$110,869.90 invoiced January 2, 2025
3. \$110,869.90 invoiced January 2, 2026
4. \$110,869.90 invoiced January 2, 2027
5. \$110,869.90 invoiced January 2, 2028

Subtotal: **\$554,094.50**

Shipping

Product Description	Quantity	Price	Ext. Price
Estimated Ground Shipping To Be Determined, Billed As Actual	1	\$250.00	\$250.00
Subtotal:			\$250.00

Quote Summary

Description	Amount
Hardware	\$554,094.50
Subtotal:	\$554,094.50
Shipping:	\$250.00
Total:	\$554,344.50

Taxes, shipping, handling and other fees may apply. We reserve the right to cancel any order arising from pricing or other errors. If Customer is purchasing a subscription-based product, Customer agrees to pay all charges for the complete term of the subscription. By signing below or issuing a Purchase Order, Customer agrees to CompuNet's standard terms and conditions, which can be reviewed [here](#), provided, that if Customer and CompuNet are parties to a currently effective Master Product Purchase and Services Agreement (MSA), the terms and conditions of such MSA shall control and shall supersede these standard terms and conditions. Your electronic signature, per the Electronic Signature Act, is considered equivalent to your signed and faxed signature, and allows you to accept and place your order. This Quote becomes binding and noncancelable upon Customer's return to CompuNet of acceptance. A copy of this acceptance and the attached proposal document will be sent to your email address to complete your order acceptance. You are NOT required to electronically sign your order, you may fax or email your signed proposal to your Account Executive.

The funding for the Contract shall be subject to an approved annual budget, which depends upon multiple factors, including, but not limited to, city council budget approval. Therefore, notwithstanding any other provision of the Contract, the Contract shall be expressly subject to and contingent upon appropriation of funds for the Contract in each fiscal year. In the event funds are not appropriated for the Contract, then the Contract shall terminate as of the last day of the last fiscal year for which funds were appropriated. The City shall notify the Vendor of any such non-allocation of funds at the earliest possible date, and, if required by Vendor, return to Vendor in good working condition all equipment delivered by Vendor pursuant to the Contract within 15 days of the end of the last fiscal year for which funds were appropriated. This non-appropriation clause is an essential part of the contract.

City of Ketchikan

Signature: _____

Name: _____

Title: _____

Date: _____

PO Number: _____