



Board Agenda Item 41.1

DATE: January 27, 2026

TO: Board of Supervisors

SUBMITTED BY: Mike Kerr, Director of Information Technology/Chief Information Officer

SUBJECT: Financing Agreement with Cisco Systems Capital Corporation

RECOMMENDED ACTION(S):

1. **Under Administrative Policy No. 34 for competitive bids or requests for proposals (AP 34), determine that an exception to the competitive bidding requirement under AP 34 is satisfied and a suspension of competition is warranted due to unusual or extraordinary circumstances as Cisco Systems Capital Corporation (Cisco Capital) is the only financial institution offering a zero annual percentage rate, and that the best interests of the County would be served by entering into a Financing Agreement with Cisco Capital;**
2. **Approve and authorize the Chairman to execute a Financing Agreement with Cisco Capital for financing of the Cisco phone system upgrade to Webex and Contact Center, effective February 1, 2026, with an approximate five-year term, total not to exceed \$10,545,634;**
3. **Approve and authorize the Chairman to execute an Escrow Agreement with Cisco Capital to ensure funds are disbursed in accordance with the recommended Financing Agreement;**
4. **Approve and delegate authority to the Chief Information Officer to authorize and execute operational documents associated with the day-to-day activities of the recommended Financing Agreement;**
5. **Approve and delegate authority to the Chief Information Officer, or their designee, to deliver to Cisco Capital a letter from the Office of County Counsel verifying the legality of the Financing Agreement and Escrow Agreement; and**
6. **Make a finding that it is in the best interest of the County to waive submittal of the Financing and Escrow Agreements to the Debt Advisory Committee in order to leverage cost savings and ensure a seamless transition to the new phone infrastructure upgrade.**

There is no increase in Net County Cost associated with the recommended actions. Approval of the first three recommended actions will allow the County to modernize its phone system and finance the upgrade through the recommended Financing and Escrow Agreements with Cisco Capital.

Approval of the fourth recommended action will allow the Chief Information Officer to execute documents in furtherance of any change orders and acceptance or completion of milestones and deliverables.

Approval of the fifth recommended action will authorize the Office of County Counsel to submit a letter to Cisco Capital, if requested, confirming the Board's authority to approve the recommended Financing and

Escrow Agreements as well as confirming its legality as related to the constitutional debt limitation.

Approval of the sixth recommended action will waive submittal to the Debt Advisory Committee to allow the County to leverage cost savings and support a timely transition to the upgraded phone infrastructure. This item is countywide.

ALTERNATIVE ACTION(S):

If the recommended actions are not approved, the County will not be able to upgrade the phone system by taking advantage of the exclusive zero annual percentage rate (APR) that Cisco Capital is offering. Your Board may direct staff to return with alternative financing options, which may delay the phone system upgrade, and result in higher interest rates.

SUSPENSION OF COMPETITION/SOLE SOURCE CONTRACT:

The Department's request to suspend the competitive bid process is consistent with AP 34 as Cisco Capital is the only vendor offering 0% APR for the full approximate 55-month term, which will eliminate any interest rate that the County will pay for the upgrade. The General Services Department - Purchasing Division reviewed and concurs with the Department's assessment that this satisfies the exception to the competitive bidding process required by AP 34.

FISCAL IMPACT:

There is no increase in Net County Cost associated with the recommended actions. The maximum compensation under the recommended Financing Agreement is \$10,545,634. This amount includes approximately \$5,581,000 for upgrading the existing phone system, \$2,800,000 for support, and \$2,164,000 for the consolidation and restructuring of existing Cisco Enterprise Agreements that include software, licensing, and cybersecurity capabilities required to keep the County network and wireless infrastructure secure, compliant, resilient, and continuously operational. Under the restructuring, Cisco Capital has agreed to issue the County a credit of \$1,315,000 from an existing agreement to offset the cost of the upgrade.

Costs associated with the recommended Agreement are recovered through chargebacks to user departments. Sufficient appropriations and estimated revenues are included in the Information Technology Services Department (ITSD) Org 8905 FY 2025-26 Adopted Budget and will be included in future ITSD Recommended Budget requests for the duration of the Agreement term.

DISCUSSION:

Background

The County utilizes Cisco products and services for much of its network and telecommunication infrastructure. Many components of the existing infrastructure are outdated, costly to maintain, and lack support for modern communication.

On February 9, 2021, the Board approved Agreement No. A-21-033 with ConvergeOne, Inc. (ConvergeOne) for Cisco networking products and software services, effective February 9, 2021 through February 8, 2026, total not to exceed \$9,000,000.

ConvergeOne is the County's incumbent Cisco Gold Partner and reseller of record for all current agreements. Under Cisco's Enterprise Agreement program rules, any mid-term restructuring, repricing, rightsizing, termination, or consolidation can only be executed through the partner who originally sold the agreements.

As such, ITSD has been in consultation with ConvergeOne and Cisco Capital on a proposed upgrade of the

Cisco phone infrastructure, which includes the renewal, consolidation, and restructuring of multiple existing Cisco Enterprise Agreements, along with associated warranty and support contracts. The proposed phone system upgrade also incorporates Cisco collaboration products and services designed to support departments countywide. A key component is Webex Multi-Tenant Calling, a cloud-based phone system that enables staff to make and receive calls using desk phones, computers, or mobile devices. Because the system is a cloud-based solution hosted by Cisco, it reduces the need for costly on-premises hardware and ongoing maintenance.

Cisco Systems Inc. has published firm end-of-life milestones for our current on-premises phone system and will stop allowing renewals of existing licensing on December 31, 2026, with all vendor support ending on December 31, 2027. As these dates approach, the County faces a greater number of system outages, increased security risk, and cost exposure as vendor support and fixes become limited or unavailable. To address this risk, ITSD recommends modernizing the phone system from an on-premises Cisco phone system to Webex Calling (multi-cloud). The key benefits are lowering infrastructure, reducing upgrade burden (fewer servers patches, refresh cycles), and providing improved resilience through geographically redundant cloud delivery.

Maintaining the existing phone system until end-of-life has an estimated cost of \$3,664,200. The proposed replacement phone system is estimated at \$5,581,000 resulting in \$1,916,800 in new expenditures attributable to the phone system upgrade. Contracting for this upgrade now, instead of in the next fiscal year allows the County take advantage of \$1,315,000 in credits offered by Cisco Capital. There is also no guarantee by the vendor that 0% financing will be offered at a later date, which would require the County to finance the purchase at the then-current interest rate, incurring additional costs.

Constitutional Debt Limitation

Because the recommended Financing Agreement extends more than one fiscal year, it needs to satisfy the County's constitutional debt limitation making it exempt from the State's constitutional debt limitation for long-term arrangements (California Constitution Article XVI, section 1). Under the terms of the Financing Agreement, the County's obligation to pay Cisco Capital is contingent upon the County's election to appropriate funds for each fiscal year's payment. This "non-funding" provision is a legally recognized contingency, qualifying as an exception to the constitutional debt limitation.

Debt Advisory Committee

On February 9, 1993, the County established the Debt Advisory Committee (DAC). The DAC is comprised of the following County officials or their respective designee:

1. Two members of the Board of Supervisors;
2. The County Administrative Officer (CAO);
3. The Auditor-Controller/Treasurer-Tax Collector (ACTTC); and
4. The County Counsel.

The DAC serves as a centralized point for the County's first public vetting of all potential financings to be issued by, for, or through the County, or approved by the County, as well as all financing matters that may involve the County (collectively, Financing Proposals) that either are proposed by departments or offices of the County or non-County parties. The DAC makes the appropriate recommendation to the Board of Supervisors regarding all such Financing Proposals.

Typically, all financings approved by the Board of Supervisors first go the DAC. ITSD is requesting your Board to waive review of this item by the DAC, due to Cisco Capital's deadline of January 31, 2026 to approve the Financing Agreement with the offer of 0% APR over the potential 55-month term, which will leverage cost savings and ensure a seamless transition to the new phone infrastructure upgrade.

Non-Standard County Agreement Language

The recommended Financing Agreement includes insurance provisions that require the County to maintain, at its own expense, property casualty insurance in an amount not less than the full replacement value of the financed hardware, and to also provide public general liability insurance. The Human Resources Department - Risk Management Division (HR - Risk) has reviewed the provisions and informed ITSD that the County already insures all County personal property, and also advised that accepting the general liability insurance provision would be a department business decision. Because the provisions align with the County's existing insurance coverage and do not materially increase the County's exposure beyond normal operational risk, ITSD has made the decision to include the provisions.

The recommended Agreement also includes indemnification language that the County must indemnify the Escrow Agent and hold harmless from any claims, liabilities, losses, actions, suits or proceedings at law or in equity or any other expense, fees or charges of any character or nature (including without limitation reasonable attorneys' fees, costs and expenses), arising as a result of the County's breach of its obligations under the recommended Agreement. Although HR - Risk recommends against this language, ITSD believes that this is an acceptable risk.

Lastly, the recommended Financing Agreement deviates from the County's standard three-year initial term with two optional one-year extensions, as Cisco Capital's payment term is approximately 55 months.

Summary

Approval of the recommended actions will allow the County to enter into the proposed Financing Agreement with Cisco Capital to finance the Cisco phone system upgrade at 0% APR over the potential 55-month term and designate the Chief Information Officer to authorize and execute operational documents associated with the day-to-day activities. If required by Cisco Capital, a letter from the Office of County Counsel, verifying the legality of the Financing Agreement and Escrow Agreement will be provided to Cisco Capital by the Chief Information Officer, or their designee.

REFERENCE MATERIAL:

BAI #27, February 9, 2021

ATTACHMENTS INCLUDED AND/OR ON FILE:

Suspension of Competition

On file with Clerk - Financing Agreement with Cisco Capital

On file with Clerk - Escrow Agreement with Cisco Capital

CAO ANALYST:

Amy Ryals