TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES

DATE: JULY 23, 2007 CMR: 313:07

SUBJECT: APPROVAL OF CONTRACT CHANGES ASSOCIATED WITH THE SAP UPGRADE AND SAP’S INDUSTRY SPECIFIC SOLUTION FOR UTILITIES (IS-U) FOR LICENSING, MAINTENANCE, AND TRAINING

RECOMMENDATION

Staff recommends that Council:

1. Approve and authorize the City Manager or his designee to execute the attached Software License and Service Agreement (Attachment A) with SAP Public Services, Inc. in the amount of $330,422 plus tax for IS-U and;

2. Approve and authorize the City Manager or his designee to execute the attached Amendments (Attachment B & C) with SAP Public Services, Inc. for the purchase of Premium Support in the amount of $169,178 for a period of 5 years with annual Consumer Price Index (CPI) increases.

3. Approve and authorize the City Manager or his designee to execute the attached Maintenance Schedule Addendum (Attachment D) with SAP Public Services, Inc. for the purchase of extended maintenance support at no cost.

4. Approve and authorize the City Manager or his designee to execute the attached Software License Agreement (Attachment E) with SAP, Inc. in the amount of $44,752 for Adobe Interactive Forms plus tax, on-going maintenance, and CPI increases.

5. Approve and authorize the City Manager or his designee to execute the attached Appendix (Attachment F) and Statement of Work (Attachment G) with SAP Public Services, Inc. for the purchase and implementation of Productivity Pak in an amount not to exceed $92,000 plus tax, on-going maintenance, and CPI increases.
6. Approve and authorize the City Manager or his designee to execute the attached agreement (Attachment H) with SAP Public Services, Inc. for the purchase of training services in the amount of $100,000.

**DISCUSSION**

**Project Description**

Prior to upgrading the existing SAP system and implementation of IS-U, it is necessary to put into place all software licensing, maintenance, and training. Once these items are in place, a professional services vendor will be selected for the upgrade of the existing SAP system and implementation of IS-U. Staff is currently conducting vendor interviews and will ask for Council approval at a later date, for the execution of the professional services agreement.

To address the challenge of disparate business systems within Information Technology’s Strategic Plan, the City standardized on SAP as its enterprise resource planning (ERP) solution. In 2002-2003, the implementation of SAP was completed. It accomplished its primary objectives, to replace aging financial, personnel and payroll systems and to implement new functionality such as project management, work order, and service order systems. This project laid the foundation for the City’s enterprise-wide application systems.

The upgrade of the existing SAP system will take advantage of that foundation of hardware, software, and knowledge as well as provide integration across what are now multiple disparate systems. This upgrade will also include enhancements such as the implementation of Employee Self Service (ESS). ESS allows staff to update personal information such as home address and dependant information, thus eliminating the need for paper forms and HR data entry.

An on-going goal for the City has been the reduction of operating costs and increased efficiencies. One way to accomplish this goal is to standardize operations especially in regards to technology. Therefore, in accordance with the Municipal Code, Section 2.30.900, Part 10 (Standardization), staff has standardized on the SAP platform due to the substantial benefits such as the reduction of maintenance costs, reduction of costs due to lack of infrastructure to support a legacy system, reduction in staff training costs due to standardization of multi-departmental platforms, reduction of IT support costs, and establishing the framework for e-Government, customer Web portal and other functionality such as data warehousing and document management. Many public and private organizations such as the City of Dallas, Marin Municipal Water District, Sacramento Municipal Utility District, PG&E, City of Tacoma, Sacramento County, Suffolk County Water, and Waste Management have also standardized on SAP as an integrated system.

The upgrade of the SAP system will also include the implementation of SAP’s Industry Specific Solution for Utilities (IS-U). The existing Customer Information System (CIS) used by the Utilities Department, was selected in 1997. Acquisition and implementation costs totaled $1.2 million dollars and the ongoing annual maintenance for CIS is $160,000. The last CIS upgrade occurred in 2001 for $557,620 (CMR 316:01). The existing CIS is a rapidly deteriorating legacy system with costly on-going maintenance and support and limited functionality. These on-going costs will be reallocated for the implementation of IS-U.
The implementation of IS-U will be fully integrated with the SAP system with a single database platform and tools and will build on financial integration and reporting. IS-U will consolidate data into one system and convert this data to useful information that will benefit not only the City, but also improve service to residents and businesses of Palo Alto. This improved service will be achieved with functionality such as accessing one’s utility account through secured, online access with functions such as on-line bill payments and usage history. In addition, this will allow for bill consolidation, real-time recalculations, and regeneration of Utility bills.

Prior to upgrading the existing SAP system and implementation of IS-U, it is necessary to put into place all recommendations in this CMR (software licensing, maintenance, and training). Once these items are in place, a professional services vendor will be selected for the upgrade of the existing SAP system and implementation of IS-U. Staff is currently conducting vendor interviews and will ask for Council approval at a later date, for the execution of the professional services agreement.

**RESOURCE IMPACT**
As a result of the on-going Information Technology funding structure, funds for this project have been included in the Technology 2007-2009 and Capital Funds budgets.

**POLICY IMPLICATIONS**
Approval of these contracts is consistent with existing City policies.

**ENVIRONMENTAL REVIEW**
This is not a project for the purposes under California Environmental Quality Act.

PREPARED BY:  
LISA MAINARICK-BOLGER  
Manager, Information Technology

DEPARTMENT HEAD:  
CARL YEATS  
Director, Administrative Services

CITY MANAGER APPROVAL:  
EMILY HARRISON  
Assistant City Manager

**ATTACHMENTS**
Attachment A: Appendix 7  
Attachment B: Amendment 1  
Attachment C: Amendment 2  
Attachment D: Maintenance Schedule Addendum for Extended Maintenance Service
Attachment E: Appendix 8
Attachment F: Appendix 9 – RWD Technologies, Inc. (RWD) Software
Attachment G: Statement of Work – SAP Productivity Pak
Attachment H: Appendix 6A