TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES
DATE: JANUARY 18, 2005 CMR: 121:05
SUBJECT: APPROVAL OF A CONTRACT AMENDMENT WITH K2 PARTNERING SOLUTIONS IN THE AMOUNT OF $150,000 FOR HUMAN RESOURCES (HR)/PAYROLL SAP SYSTEM SUPPORT

RECOMMENDATION
Staff recommends that Council approve and authorize the City Manager to execute the attached contract amendment with K2 Partnering Solutions in the amount of $150,000 for HR/Payroll SAP system support for a total not to exceed compensation of $235,000.

BACKGROUND
In July and December 2004, the City of Palo Alto went live with various modules of the SAP system. The two-phase project implementation was led by ea Consulting under contract with the City. ea Consulting was unable to complete year-end tasks due to lack of resources with the required specialized expertise. Staff and ea Consulting agreed to complete the year-end tasks with the City hiring a third party and using the remaining $50,000 from the ea Consulting final payment amount. After a Request for Proposal (RFP) process, a contract was issued to K2 Partnering Solutions (K2) in a not-to-exceed amount of $50,000 to cover the year-end tasks and other SAP specialized needs. The contract was amended to increase the compensation to a maximum of $85,000 to cover other purchasing and financial module needs. Staff was able to complete the year-end tasks with satisfactory results. The remaining needs being addressed by K2 are a result of specialized system improvements or new needs.

As part of the 2004-05 Capital Improvement Program (CIP) budget, project TE-05001, (SAP Continuous Improvement Project) was approved in the amount of $232,000 to cover the system needs and will be one of the sources of funding for the remaining amounts of the K2 contract.

DISCUSSION
Administrative Services and Human Resources Department staff have been trained in the configuration of the system, new business processes, system functionality, and general maintenance of the data necessary to process Human Resources/Payroll business activities. These modules are usually the most demanding in terms of ongoing maintenance and specialized training due to the variety of organizational needs.
In March 2004, the HR senior business analyst left the organization. At the time of her departure, staff was in the midst of cross training other HR staff members in specialized functions to provide adequate back-up support. Staff was left with a void in being able to support certain functions of the HR module internally and challenged with the continuing efforts to improve the system. The Administrative Services business analyst position has been vacant since the beginning of the fiscal year, as staff has been researching the specialized areas of payroll it wanted to emphasize during the position recruitment. The numerous requirements of the HR/payroll system, as a result of labor agreements, auditor’s recommendations, data maintenance requirements and various reporting needs have resulted in a need for many specialized SAP support requirements.

To continue supporting the HR/payroll module, there is a need for additional training, configuration adjustments, pre and post calendar year-end support, and specialized system functionality training for key staff. These needs are vital to the everyday processes and continuing development of the SAP system.

**RESOURCE IMPACT**

There are no resource impacts to reserves as a result of this contract amendment. Staff will use $80,000 in salary savings from the vacant positions and $70,000 from CIP TE-05001 funds.

**ENVIRONMENTAL ASSESSMENT**

Approval of this agreement does not constitute a project under the California Environmental Quality Act (CEQA); therefore, no environmental assessment is required.

**ATTACHMENTS**

Attachment A: Contract amendment

PREPARED BY: LALO PEREZ
Assistant Director, Administrative Services Department

DEPARTMENTAL HEAD APPROVAL: CARL YEATS
Director, Administrative Services

CITY MANAGER APPROVAL: EMILY HARRISON
Assistant City Manager