TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER
DEPARTMENT: UTILITIES
REPORT TYPE: CONSENT
CMR: 400:08
DATE: OCTOBER 6, 2008

SUBJECT: Approval of Sole Source Software Purchase, Support and Maintenance Contract and Contract Contingency with Pitney Bowes Software, Inc. in the Amount of $330,000 for the Upgrade of the Utilities Bill Print Processing and Storage Systems

RECOMMENDATION
Staff recommends that Council approve and authorize the City Manager or his designee to execute the attached contract, or contract in substantially similar form, which will include a schedule for deliverables to be included in the exhibits and attachments, with Pitney Bowes Software Inc. (Group 1 Software) in the amount of $300,000 for the purchase, implementation, support and maintenance of software required to upgrade the Utilities bill print processing and storage systems.

Staff also recommends that Council approve and authorize the City Manager or his designee to negotiate and execute one or more change orders to the contract with Pitney Bowes Software Inc. for related, additional but unforeseen work which may develop during the project, the total value of which shall not exceed $30,000.

BACKGROUND
Utilities bills are printed on-site in City Hall using third-party software compatible with the Utilities Customer Information System (CIS). The printing software system, Group 1 Software Inc.’s DOC 1, was originally approved for purchase and implementation by Council on June 28, 1999 (CMR 280:99) in the amount of $341,539, with a contract contingency of $34,000. Group 1 Software Inc. was subsequently wholly acquired by Pitney Bowes Software Inc.

The City of Palo Alto has upgraded its SAP Enterprise Resource Planning (ERP) Version 4.6c package to SAP ERP 2005. As part of that upgrade, “BANNER”, the current CIS, is being converted to the “SAP Industry-specific Solution for Utilities (SAP-ISU)” system with funding from several Capital Improvement Projects. The current utilities bill print software must be upgraded from Series 4 to Series 5 to ensure the proper functioning of the new SAP-ISU platform.
DISCUSSION
The Utilities CIS Conversion Project has specified that customers will receive, at minimum, the current level of utility billing functionality after the SAP conversion. In the final Statement of Work developed by the City for the SAP-ISU implementation, it was identified that the current Pitney Bowes/Group 1 DOC 1, Series 4 software would be maintained as the software for printing utility bills.

The City’s SAP consultant has recently determined that the previously identified Series 4 software solution for Utilities billing is no longer viable since:

- the data extract file format of Series 4 is not compatible with the input requirements of the new SAP-ISU without significant programming modifications to the SAP platform;

- modifying SAP-ISU to accept the current output file format of Series 4 would still require future reprogramming of SAP-ISU to accept a different file format when DOC 1, Series 4 is finally de-supported by the manufacturer. Sale of DOC 1, Series 4 was halted in 2004. Such modification would be necessary for either an upgraded Pitney Bowes/Group 1 or other third-party software product.

- “E2 Vault” is necessary to complete the archival repository functionality of the SAP-ISU system, and is a critical component of online utility bill-viewing capability.

Staff recommends a sole source contract with Pitney Bowes/Group 1. The DOC 1 system is proprietary software owned by Pitney Bowes/Group 1 Software, which is the only company that can provide the upgraded software, implementation and training of city staff for the upgrade from DOC 1, Series 4 to Series 5, and the “E2 Vault” software application needed for data storage, compression and retrieval.

Alternatives:
All alternatives considered (including the recommended option) would be required to meet the SAP-ISU project implementation timelines for: a) programming development and system testing of all functions (beginning mid-October 2008); and, b) a Utilities SAP-ISU “go live” date of February 2009. Delay in implementing the billing function will significantly increase the total implementation cost for the SAP-ISU conversion project.

Alternatives to this sole source request considered the following options as permanent solutions:

- Continue using the current DOC 1, Series 4. This would require extensive programming changes to create an interface capable of working with SAP-ISU. This solution was not selected because of the product age and lack of manufacturer support of the Series 4 product (which would force a change upon the City in the future), the incompatibility of the Series 4 data extract file with SAP-ISU, and the time required to produce an interface with SAP-ISU;

- Outsourcing of the bill print function to a third-party fulfillment house. This would remove the physical reproduction and mailing of utility bills from City Hall. Staff met with two third-party billing fulfillment houses to evaluate this alternative. This alternative
was not selected due to the difficulty in meeting the strict SAP-ISU project timelines. There would be insufficient time available to issue and process a Request for Proposal for third-part fulfillment house services, program an interface to SAP-ISU, and create a bill design. Staff will monitor this billing methodology as a potential cost-effective alternative for Utilities billing in the future when the City’s current investments in bill production, sorting, insertion and processing equipment in City Hall reach the end of their usable life.

- Utilize the internal billing capability of SAP-ISU. SAP-ISU has the capability of bill printing and presentment. Due to the significant limitations for bill design and customer data presentment, this alternative was not selected as a permanent solution. There would be significant programming required by consultants to display up to seven possible utility services. Depending upon the programming resources available after implementation of the recommended alternative, this option may be considered as a back-up system in the event of a DOC 1 system failure.

RESOURCE IMPACT
The not-to-exceed cost of the combined implementation for DOC 1, Series 5, and the “E2 Vault” product is $300,000. These funds, along with a 10% contingency ($30,000), are currently available in Capital Improvement Project TE-07003 “Bill and Payment Processing.” Staff is negotiating a final contract and exhibits and attachments with the vendor, including an exhibit or an attachment for the schedule of deliverables. A detailed timeline and payment schedule will be included in the final executed agreement with Pitney Bowes Software Inc.

ENVIRONMENTAL ASSESSMENT
Approval of this contract does not constitute a project under California Environmental Quality Act (CEQA). Therefore, no environmental assessment is required.

ATTACHMENT
A:  Pitney Bowes Software Inc. Contract

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