Summary Title: SAP Enterprise Resource Planning Assessment

Title: Finance Committee Recommendation to Release Fiscal Year 2011 SAP CIP Projects

From: City Manager

Lead Department: Utilities

Recommendation
Staff and Finance Committee recommend to the City Council approval of release of previously-budgeted fiscal year (FY) 2011 funds for SAP-related Capital Improvement Projects (CIPs) except project TE-11004 Utilities Bill Redesign.

Summary
In July 2010, Council requested that staff prepare an assessment of the SAP system and a long-term strategic plan before releasing the 2011 CIP funding for SAP improvements. The City of Palo Alto (City) participated in a benchmark study which indicated City staff is supporting a more complex SAP system landscape efficiently from both an operations and financial perspective. The SAP Project Management Office (PMO) established a five-year road map prioritizing projects in order to guide the deployment of enabling information technology to reduce risk and ensure maximum return on SAP investments.

Committee Review and Recommendations
At the April 19, 2011 meeting of the Finance Committee, staff presented the Post-Implementation SAP Enterprise Resource Planning (ERP) System Assessment (Attachment A: Staff Report ID #1521). The report contains results of the benchmark study, establishment of the SAP Steering Committee, PMO, five-year road map (Attachment B: 5-Year SAP Road Map), cost and benefit analysis of six SAP-related CIPs in FY 2011, and a discussion of a request for proposal (RFP) for a review of the City's SAP ERP system. During the discussion, the Finance Committee recognized the value for all the CIP projects except for the Utilities Bill Redesign CIP. Committee members did not support the bill redesign project because the benefits identified did not outweigh the two year funding requirement of $900,000. Staff was encouraged to revise the scope of services of the RFP for an independent assessment of the system to identify areas for improvement where value is added for the customers and the City rather than to perform an overall cost-benefit analysis of the SAP system from inception.

After the discussion, the Finance Committee voted unanimously (4-0) to support the
recommendation that City Council approve the release of FY 2011 budget for five CIP projects and revise the RFP scope of services to evaluate the future strategic road map.

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**Resource Impact**

Funding for six SAP-related CIP projects in the amount of $1,457,000 was placed on hold in FY 2011 except for work involving legal requirements until an assessment was completed. Staff requests authorization to release FY 2011 funding for five of the six CIP projects listed in this report in the amount of $707,000. In the FY 2012 budget, staff plans to request an additional $250,000 for continuance of two Utility-related projects.

**Attachments:**

- Attachment B_5-Year SAP Road Map (PDF)
- Attachment C_Draft Excerpt Minutes of 4-19-11 Finance Committee Meeting (PDF)

Prepared By: David Yuan, Sr. Management Analyst

Department Head: Valerie Fong, Director

City Manager Approval: James Keene, City Manager
Summary Title: SAP Enterprise Resource Planning Assessment

Title: Post-Implementation SAP Enterprise Resource Planning (ERP) Assessment

From: City Manager

Lead Department: Utilities

Recommendation
Staff recommends that the Finance Committee recommend to the City Council approval of release of the previously-budgeted 2011 funds for SAP-related Capital Improvement Projects (CIP). Per Council’s request, staff is providing the "Post-Implementation SAP Enterprise Resource Planning (ERP) System Assessment".

Executive Summary
Council requested that staff prepare an assessment of the SAP system before releasing the 2011 CIP funding for SAP improvements. Staff completed the tasks described below and requests that Council release the SAP CIP funding for the 2011 fiscal year.

The City of Palo Alto (City) recently participated in a benchmark survey conducted by the SAP Value Engineering Group. The survey focused on benchmarking SAP operation performance with similar industry peers. Over 240 organizations participated in the survey, of which 22 were Utilities-related and 15 were in the public sector. When compared with similar organizations, initial results indicate City staff is supporting a more complex SAP system landscape efficiently from both an operations and financial perspective.

To steer SAP investment direction as well as to provide overall guidance of SAP implementation, the City established a SAP Program Management Office (PMO) and a Steering Committee. These teams are comprised of staff from the Administrative Services, Utilities and Public Works departments. They review key operations indices and prioritize projects within budget and resource constraints.

The City issued a request for proposal (RFP) for a review of its SAP software installation. The primary goals of the assessment are to evaluate the value that was delivered to the City through the implementation of the software, compared to other ERP system costs, and to identify recognized industry best practices. The assessment will also describe process improvements achieved through the implementation of SAP, identify risks to the continued operation of the system, and provide recommendations on how to mitigate the risks.
**Background**
On July 19, 2010, Council approved a three year software consulting services contract with Sierra Infosys Inc. in the amount of $250,000 per year ($750,000 over three years) for the support and maintenance of the SAP Utilities and Financial systems, on an as needed basis. Along with the approval, Council required that staff return with a study session on SAP cost benchmarking, cost benefit analyses on SAP related projects, and long-term strategic plan.

**Discussion**
In July 2002, the City selected SAP as its ERP system to address the challenge of disparate business systems in the City. The SAP system replaced the City's aging financial, personnel and payroll systems and allowed the City to implement new functionality such as project management, work order and service order systems. In May 2009, the City completed an upgrade of the SAP system to ERP Central Component (ECC 6.0) and the implementation of the SAP Utilities Module called SAP's Industry Specific Solution for Utilities Customer Care and Services (IS-U CCS). The IS-U CCS module replaced the Utilities Department's 10 year-old Customer Information System that was designed to create and manage customer accounts, generate bills for the City's seven utility services, and collect customer revenue. The IS-U CCS software is used to process over 30,000 utility accounts, generate approximately 370,000 utility bills and invoice an estimated $220.8 million annually. In January 2010, the City activated the on-line e-bill and payment feature, My Utilities Account (MUA), for all utility accounts. To date, the City's SAP system installation and upgrade costs total approximately $15 million. The City's annual cost to maintain SAP is approximately $3.0 million, which is comprised of staffing ($2.2M), hardware and software licensing ($0.5M), and consulting ($0.25M).

Between September and December 2010, the City participated in a Total Cost of Ownership survey to exchange benchmark metrics and best practices across various organizations that use SAP. There were 40 questions geared towards key performance indicators and another 39 based on best practices. Overall, the results of the survey showed that the City has a highly complex system, provides similar IT efficiency levels, and invests less on SAP technology than other organizations.

The City has five separate SAP server systems whereas the industry average is below two. Five production systems are required at the City in order to support the required business functionality, complexity that is driven by the addition of the City's utilities. The City maintains an ERP system which supports the core functions including accounting, finance, human resources, service orders, projects, and utility billing, Customer Relationship Management (CRM) for Utilities Customer Service to provide services for customers, Business Intelligence (BI) for internal and external reporting, Utility Customer E-Services (UCES) for online utility customers to view and pay electronic bills, and Employee Self-Service/Manager Self-Service (ESS/MSS) for staff to enter time, request time off, and view personal information. In addition, for each production instance the City manages two additional clients for development and quality assurance testing to maintain security and data integrity.
For IT efficiency, staff spends approximately 4.9 staff hours per each SAP incident, which is slightly above the 4.4 hours average. An incident can vary by hours to days, depending on the complexity of the issue. As stated previously, the City has a more complex system due to the number of production systems it supports for the City and its seven utilities. The IT Helpdesk also supports SAP and closes approximately 40% of the work orders, which is above the benchmark average of 32.5%. Based on benchmark results, the City’s IT and SAP staff are supporting the system in an effective manner.

The City invests about 21.3% or $2.8 million of its total IT budget in SAP, which is below the survey average of 34.3%. The SAP support cost per active user is $3,962 which is 12% below the average. The City has been able to keep costs relatively low in comparison to other organizations by avoiding program customizations and implementing standardized solutions to support City’s business strategies.

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<th>Category</th>
<th>Metric</th>
<th>City</th>
<th>Avg.</th>
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<td>Complexity</td>
<td>Number of Production Systems</td>
<td>5.0</td>
<td>1.65</td>
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<tr>
<td></td>
<td>% of Critical Interfaces</td>
<td>64.4</td>
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<tr>
<td>Efficiency</td>
<td>Total Labor Hours per SAP Incident</td>
<td>4.9</td>
<td>4.4</td>
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<tr>
<td></td>
<td>% of Incidents Resolved by Help Desk</td>
<td>40.0</td>
<td>32.5</td>
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<td>IT Investments</td>
<td>SAP Budget as % of Total IT Budget</td>
<td>21.3</td>
<td>34.3</td>
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<tr>
<td></td>
<td>SAP Support Cost per User</td>
<td>3,962</td>
<td>4,447</td>
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</table>

To provide guidance on SAP Governance and Control, the SAP Program Management Office (PMO), consisting of Assistant Directors and managers from Administrative Services, Utilities, Public Works and IT, and the SAP Steering Committee comprising the Directors from Utilities, Public Works, Human Resources and IT were put into place in September 2009. The PMO office management team meets weekly to discuss project status and subjects related to operations while the Steering Committee meets on a bi-monthly basis to review key operations indices, project priorities, and resource and budget status. As a result of the SAP investment planning process, where business drivers and enabling IT/SAP technologies are aligned, the PMO developed a five-year road map from 2009 to 2013 to provide short-, medium-, and long-term views of SAP Investment. Each investment will be associated with key business drivers and enabling IT technology. These investment roadmaps are to guide the deployment of enabling information technology to reduce risk and ensure maximum return on SAP investments.

In the five-year roadmap, the SAP Steering Committee and PMO prioritized projects in order to achieve maximum return on SAP investments with limited resources in an increasingly complex and changing technological environment. The PMO has identified a multitude of business drivers including Council priorities, customer service, regulatory compliance, operating costs reduction, improvements in service delivery and efficiency, and revenue enhancements. One of the challenges in aligning business goals with enabling information technology is finding the optimal balance between IT costs and business benefit, which involves identifying the business
impact of every IT solution and understanding the complete life-cycle issues. In the roadmap there is an alignment of business drivers and enabling technologies with the scheduled projects.

In October 2009, staff committed to have a post-implementation review of the SAP system. The City issued a Request for Proposal (RFP) in February 2011 for a post-implementation review of the SAP system to provide a high level analysis of the overall investment in ERP technology and its benefit to the City. The scope of work will include a comparison of the costs of ERP system implementations and maintenance in other organizations of similar scope, size, and complexity; an assessment of the system’s ability to support key business processes; a comparison of City’s business processes to industry best practices; identification of ongoing risks in the system, and recommendations on how to mitigate risks and potential improvements. The RFP closed on March 15, 2011. A summary of RFP responses follow:

ICA Consulting $48,720
Phoenix Business Consulting $77,000
Government Finance Officers Association Consulting $59,880
Pacific Technologies Incorporated $49,935
Plante Moran $98,000
KPMG $337,340
Pandit View Software No total Cost Provided
SAP Techies $45,000

Staff is seeking direction to continue that total cost estimates for the assessment are higher than expected.

SAP related - Capital Improvement Projects (CIP)

There are six CIPs in FY 2011 that provide funding to enhance the City’s SAP system. Each CIP performs a specific function and provides a value and benefit. The following is a high level scope of each FY 2011 project and includes general estimated costs, benefits, and timelines. Although budgeted CIP amounts for FY 2011 remain unchanged, please note that certain CIP funding requirements are expected to carry forward to FY 2012, as a continuance request to complete the projects:

1. **TE-07000 - Enterprise Application Infrastructure Upgrade** – $75,000
   - **Scope:**
     - Additional hardware storage is required to ensure the backup of the Customer Relationship Management (CRM) web application server, which ensures Utilities Customer Service interface (i.e. processing customer move-ins) is properly developed.
     - New, dedicated back-up servers are required for both the CRM and UCES (Utilities Customer Electronic Services) systems.
   - **Benefits:**
     - Ensures business continuity of mission critical systems
Ensures promptness of recovery (if required)

- **Completion:** End of FY 2011
- **Funding Requirement:** $75,000

2. **TE-10000 - Enterprise Collection Software - $32,000**
   - **Scope:**
     - Implement non-utility related Accounts Receivable and Collection processes in the SAP system.
     - Automated tracking of late and unpaid receivables
     - Automatic creation of delinquent (Dunning) and late fee notices
       - Create additional notices and types (i.e. 30, 60, and 90 days)
     - Reporting – additional Collection reports to be created
   - **Benefits:**
     - Automation of the Collection process which increases staff productivity
     - Reduces non-utility AR aging
     - Improves reporting capabilities
   - **Completion:** Beginning of FY 2012
   - **Funding Requirement:** $79,000 in FY 2010 and $32,000 in FY 2011

3. **TE-10001 - Utilities Customer Billing Continuous Improvements - $350,000**
   - **Scope:**
     - SAP system enhancements related to legislative and regulatory mandates.
     - Assembly Bills 531 and 1103 – Non-Residential Building Energy Data Consumption - Environmental Protection Agency (EPA) Benchmarking.
     - Senate Bill 120 - Requires that Utilities offer the utilities account currently paid by the landlord to the residential occupants, when service is scheduled to be disconnected for non-payment. Requires programming to capture tenant-occupied residential dwellings.
     - Print Ten-Day, 48-Hour and Disconnection Notices in specified languages required by the California Public Utilities Code.
     - Optimize critical Customer Service Rep business process screens
     - Enhancements to online services (My Utilities Account)
     - Improved data capture of customer payment arrangements
     - Automate tracking of consumption for high bill complaints
     - Increase the security of customer sensitive data
     - Automation of specific business processes
   - **Benefits:**
     - Fulfills legislative and regulatory requirements
     - Improvements to the CSR Screens – increases operational efficiency and productivity of business process (i.e. new account creation). Reduces customer hold and call times.
Continuous improvement of security of customer-sensitive data –
increases the protection of customer-sensitive data through added
masking, encryption, or authorizations.

Enhancements to My Utilities Account – increased ease of usability,
decrease number of user clicks, and add functionality.

Continue to automate specific business processes – reduce manual
processes to increase efficiency.

- **Completion:** FY2011 and FY2012
- **Funding Requirements:** FY 2011 - $350,000. Due to a shift in SAP priorities and
staff’s ability to perform regulatory related enhancements, a large percentage of
the $350,000 is not expected to be utilized in FY 2011. Staff is anticipating the
need for a continuance of FY 2011 funding into FY 2012, which is reflected by a
reduction in the original FY2012 budget from $367,000 to $150,000. This is a
reduction in the amount of $217,000.

4. **TE-11003** - Recurring Credit Card Payments - $150,000
   - **Scope:**
     - SAP system and My Utilities Account web application enhancements are
       required to provide online customers with the ability to set up the
       recurring payment of their Utilities invoice using a Credit Card.
       (Currently, only offering recurring ACH or auto debit from the customer’s
       bank account.)
   - **Benefits:**
     - Encourages the use of online e-services, which reduces operational
       expenses
     - Increase in Customer satisfaction
     - Increase in Customer convenience
   - **Completion:** mid-FY 2012 (estimate)
   - **Funding Requirements:** FY 2011 - $150,000. A request for continuance of FY
     2011 funding into FY 2012 is expected with no additional funding requested for
     FY 2012.

5. **TE-11004** – Utilities Customer Bill Redesign – $750,000
   (formerly: “Utility Bill Information Enhancements”)
   - **Scope:**
     - Utilities bill printing software (current third-party vendor support is from
       Pitney Bowes) and SAP system changes are required to perform a
       complete overhaul of the current Utilities invoice design and format.
   - **Benefits:**
     - Display information to encourage conservation of usage
       - New graphs and helpful consumption comparisons
       - Rate information
       - Water and Energy Efficiency Program Participation
Improved transparency of the invoices for each of the seven regular utilities services, plus added detail for “miscellaneous” charges.

- Display of customer Deposit amounts held by CPAU
- Display of “On-Bill Financing” loan and payment amounts
- Display of customer “Payment Arrangement” terms, invoices and payments
- Additional billing information in tabular form
  - Improved meter data, average daily and monthly consumption, usage analysis, greenhouse gas equivalents, and Palo Alto temperature data (heating and cooling degree days)
- Enhances the Customer’s satisfaction and experience

Completion: end of FY2012 (estimate)

Funding Requirements: In order to focus on higher priority SAP maintenance items, this project was postponed to begin in late FY 2011. Please note that a large portion of the budgeted $750,000 is not expected to be utilized in FY 2011. However, the remaining balance at the end of fiscal year is expected to carry over into FY 2012. The continuance will be in addition to the $150,000 requested for FY 2012. Business requirements gathering will occur in FY 2011 with the Blue Printing phase starting in July 2012.

6. TE-11005 - Implementation of New Utility Rate Structures - $100,000
(formerly: “Implementation of New Utility Rates”)

Scope:
- SAP system changes required to accommodate new Utilities rate structures including Residential Time-of-Use, Electric Vehicles, and potential tier adjustments to existing rate schedules. This may include new configuration development, testing of the calculation algorithm, and changes to the invoice.

Benefits:
- Ability to implement new rates as required in SAP
- Enables customers to view new rate details on the invoice
- Transparency of information

Completion Date: FY 2012 (estimate)

Funding Requirements: FY 2011 - $100,000. Due to the postponement of the Utilities Smart Grid project, funding requirements for FY 2012 have been reduced by $900,000.

A comprehensive view of estimated funding for each SAP-related CIP in FY 2011 and beyond is provided in the table below. Dollar amounts in parentheses indicate an adjustment to reflect a reduction in the original funding amount (in $000’s):
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<td><strong>$250</strong></td>
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**Timeline**

The RFP closed on March 15, 2011. City received 8 proposals for the RFP. The consultant will develop and present for City approval a complete project work plan, including a description of major tasks and subtasks, along with a proposed timeline for completing the milestones.

**Resource Impact**

Funding for all SAP-related CIP projects in the amount of $1,457,000 was placed on hold in FY 2011 except for work involving legal requirements until an assessment was completed. Staff requests authorization to release FY 2011 funding for the six CIP projects described in this report. In the FY 2012 budget process, staff plans to request an additional $400,000 for continuance of three Utility-related projects.

Prepared By: David Yuan, Sr. Management Analyst

Department Head: Valerie Fong, Director

City Manager Approval: James Keene, City Manager
### City’s SAP Road Map - Costs

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<td>Portal</td>
<td>Mobile, Cloud, Customer Portal, Smart Grid</td>
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<td>$9M (Upgrade) + $264K</td>
<td>$1.4M - $1.6M</td>
<td>$2.1M - $3M (excluding Mobile, Cloud, Smart Grid)</td>
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**Notes:**
- **Upgrade** indicates new services or improvements.
- **Financial**: Financial Reporting, Financial Analytics
- **Mobile, Cloud, Customer Portal, Smart Grid** indicates future requirements.
- **Future requirements** includes Planning w/CIP and Future requirements.

David Ramberg Assistant Director Administrative Services, gave a presentation which included an overview of the following: 1) Participation in a Total Cost of Ownership (TCO) survey for benchmarking purposes, which provided initial results at a high level. 2) Post-Implementation System Assessment, which included Third Party for Proposal (RFP) currently in progress and Finance Committee direction to proceed with assessment. 3) City’s SAP ERP Road Map with Short, Medium and Long-Term Review. 4) SAP-related Capital Improvement Projects (CIP) for 2011 with Staff’s recommendations to release the CIPs. He continued with an overview of the City’s SAP Solutions (modules) and how these plugged into the City’s operations. He summarized the City’s SAP Services which included managing and maintaining the City budget of over a half-billion dollars, processing purchase documents, payroll checks, generating invoices and collections for utilities, customer registers and utility user accounts, incoming call centers, customer care centers and city business features and systems. The SAP Total Cost of Ownership – Benchmarking Results were also discussed. The City’s SAP system, when compared to municipal and utility organizations, was completely above average. Its support features were average. Its information technology (IT) investments expenditures were less than average. He updated the SAP Post-Implementation System Assessment. The City had issued an RFP for a post-implementation review of its SAP software installation, which included the scope of work and the current status of the RFP. The scope of work evaluated the value of the City’s SAP system, compared and contrasted its costs with alternative ERP systems and identified best practices. The current status of the RFP was released in March, received eight proposals, and the Finance Committee’s direction to proceed. He continued with a roadmap of the City’s SAP projects and costs. This included the City’s implemented
and live projects, scoped and ready to run projects and projects that were in the early discussion phases.

Mr. Tomm Marshall, Assistant Director Engineering, reviewed the SAP-Related Capital Improvement Project Summary List for 2011. These included the Enterprise Application Infrastructure Upgrade at $75,000, the Enterprise Collection Software at $32,000, Utilities Customer Billing System Continuous Improvement at $350,000, Recurrent Credit Card Payments Improvements at $150,000, Utilities Customers Bill Redesign at $750,000 and Implementation of New Utility Rate Structures $100,000. Overall, these CIPs provide enhancements to the SAP system, add necessary hardware, functionality and will improve staff productivity and efficiency through automation.

Council Member Yeh asked about recurring credit card payments. He said there had been some data security issues with the City, and he asked what had shifted or changed since those discussions.

Mr. Marshall said security procedures had been implemented with encryption and best practices.

Mr. Ramberg stated the SAP standard encryption package was also the key piece that was now in place.

Council Member Yeh stated at one time customer information was purged after a one-time credit card payment. He asked if there is another set of data costs by moving to this ongoing system.

Mr. Marshall said they had to encrypt the card numbers no matter what, to make sure it could not be extracted from the system and backups.

Council Member Yeh asked if CIP had generally undergone a cost analysis. He questioned, for instance, if they could expect less late bill pays and delinquencies with online and automated systems.

Mr. Ramberg stated they do review a program at the management level with the Senior Managers within the SAP team. The degree of rigor depends on the project, and the rate of return on a project. He said the recurring credit cards were one where they have had a lot of feedback from customers who have this option in other online bill-paying environments.

Council Member Yeh noted the importance of understanding all the
various areas of utility data consumption in order to funnel the funds appropriately rather than overlapping them in usage areas.

Tom Auzenne, Assistant Director Utilities Customer Support, stated there would be some overlap for all of the different systems. The billing period was not necessarily calendar-based. Some of these things can be managed more effectively than they are now.

Council Member Yeh stated data can be overwhelming so it was helpful to fully understand consumption.

Mr. Auzenne stated the $750,000 for the utility bill redesign was very complicated. He would like to use the online environment for customers to access their data, but they only read meters once a month.

Council Member Yeh stated he was talking about spending money now for more smart metering options later.

Mr. Auzenne stated even without more smart metering options now, they already had six routes with auto meter readers which still provides data that can be integrated more readily than a once-a-month read. He stated the future of Utilities is data. He stated the customer owns their data, and the goal remains in providing them with their data more efficiently.

Council Member Yeh stated there were higher than estimated costs as a result of the RFP. He asked for clarification on this.

Mr. Ramberg clarified this as being in the 50-85 range.

Lalo Perez, Director Administrative Services, stated that the City Manager had said that he did not know the cost needed for an RFP. The Motion was to go forward as long as it did not exceed the City Manager’s authority.

Council Member Yeh stated the table had shown things in a little more complexity.

Mr. Ramberg stated they were asking a consultant to come in and show the total spent since 2003 and then look at the implementation efforts from that point. The question was whether the City achieved benefit from this spending, and also if the City running the assets efficiently. As well, the question is whether there were continued
assets from these benefits going forward. What they were finding out from consultants is that it is difficult to find benchmark cities in which to make comparisons.

Mr. Perez stated it was Staff’s understanding from discussions with consultants; the options were for one module over another. Council had expressed concern over whether they continue to put money into the system or not.

Mr. Ramberg cited $15 million as the actual amount spent thus far.

Council Member Schmid spoke on the three large CIP projects, mainly the $750,000 project, and whether or not customers would see this large project expenditure as something that would serve them and save them money. He spoke to the Road Map and the interfaces to the public, Council materials, the websites, customers calls and the database that keeps the legal history.

Mr. Ramberg stated the database was where customers have a utility account. This was not representative of the City’s website.

Council Member Schmid stated to be an effective website, you should be able to get connected using the City’s website as a gateway.

Mr. Perez agreed stating that it was possible to use the City’s website as a gateway, but it would cost money.

Council Member Schmid stated the City had a database with all kinds of information.

Mr. Perez stated this is a different database.

Council Member Schmid asked why this cannot be integrated with the Utility piece.

Mr. Perez said the permitting system, for instance, is already in place. Other systems, third party systems, are already configured.

Mr. Ramberg stated the customer portal piece would be a front door or entry point for a customer to interact electronically for utility bill pay, register for a class or pay a permit. There are three entry points already on three different systems, and SAP could provide one entry point to interact with those three systems. Having a unified front end is something they could get to and SAP could provide it at some point. Council Member Shepherd noted nothing is perfect with a computer
system. She stated no one likes to spend the money on this but it was necessary to keep up with future needs.

Asher Waldfogel, Utilities Advisory Commission (UAC) Chair, stated 90 percent of the transactions in the system were Utilities-related and they want to be ready for this. He requested clarification on the up front costs and the long term savings.

Mr. Marshall noted the changes to the bill paying system were not easy or inexpensive. Mr. Waldfogel asked if this was a case of making back-end upgrades to simplify front-end services.

Mr. Marshal agreed this was a case, gave an overview of what this entailed and reiterated that this did not come without an initial cost. He noted the various complications of data restructuring in order to eventually simplify the process, making it more flexible in the long run, more accessible, more user friendly. While it would eliminate costs in the future, it did not come without startup cost considerations.

Mr. Waldfogel also questioned why, if Council policies were not to keep credit card information, why then did they have policies to encrypt and protect this information.

Mr. Marshall stated this encryption process was in place because this information may be stored in data backups and therefore encryption is still necessary.

Mr. Perez noted they can review this policy if necessary.

Council Member Scharff voiced concerns that the consultant was a waste of money. He did not see the value in this. He appreciated the roadmap, however. On the recurrent credit card issue, he asked how many customers paid by credit card.

Mr. Marshall said 3,000 customers paid online with credit cards.

Council Member Scharff asked if there was any estimate about how many customers would do recurrent credit card payments if they spent additional money to ramp up the payment system.

Kevin Underbee, Senior Business Analyst for Utilities, stated there were 6,000 to 7,000 online banking customers. The banking customers are charged a small fee in order to make their online
banking transfers.

Council Member Scharff asked if there was a fee to use the credit card for payments.

Mr. Underbee stated they could not charge a fee for the credit card. He said there was also a percentage of people who walk up to the counter to pay their bill.

Council Member Schmid asked how many paid through the mail.

Mr. Underbee stated roughly 15,000 customers paid through the mail on a monthly basis.

Mr. Perez stated part of it was getting them interested in the points and rewards plans as an incentive to use their credit cards for utility bill paying.

Council Member Scharff saw some value in this but did not see the cost benefits. He saw less than 10 percent of customers receiving benefit from this expenditure.

Mr. Ramberg stated bank drafts were the only way to do recurring payments. Presumably, some of the bank draft customers would crossover to credit card payments. Other prospective customers may also crossover.

Council Member Scharff stated for every one million dollars they spend, this resulted in a one percent rate increase for the customer. This is what he considered when making a decision on how this translates to the customer and their satisfaction level. He stated he could not justify this. He stated it was a huge amount of money and he did not have the comfort level for it. He said the new utility rate structure also gave him problems since it only applied to the time of use for electrical vehicle charging.

Mr. Marshall stated one of the primary uses was for electric vehicles, initially.

Council Member Scharff said he did not view this as an economic incentive for people to buy electric vehicles. He did not see this as a cost savings. He asked if there were numbers on this.

Mr. Marshall did not know the actual numbers at the time, but
suggested they were approximately 30-40 percent.

Council Member Scharff asked if he a cost estimateionof this.

Mr. Marshall stated he had no clear answer on this, dollar-wise, but that people were asking for this.

Council Member Scharff asked how many people in the City actually had electric vehicles.

Mr. Marshall stated there were a few in the City and people were inquiring about time and use rates. The economics of the vehicles were better if they were plugged in for charging at the nightly rates.

Council Member Scharff was still unclear as to how big of an incentive this was.

Council Member Shepherd noted Pitney Bowes was a third party vendor. She noted they were very expensive, and she wondered what savings they might expect from Pitney Bowes.

Mr. Underbee stated SAP provided the data and then it’s channeled to Pitney Bowes for vaulting and ebilling.

**MOTION:** Council Member Yeh moved, seconded by Scharff that the Finance Committee recommends to the City Council approval of release of the previously budgeted 2011 funds for SAP-related Capital Improvement Projects except the bill redesign component, and rescopethe consultant.

Mr. Perez stated what they wanted to do is look at the roadmap to see if it made sense. They can look at the alternative services and see what can be done.

Council Member Yeh stated it started with core services and then they added items.

Council Member Scharff spoke to what they would look for in the rescoping. If they were looking for efficiencies of how to add modules, he was on board with this.

Council Member Shepherd stated this also included best practices.

Council Member Yeh stated that would also be carried forward.
MOTION PASSED 4-0.