



City of Palo Alto

City Council Staff Report

(ID # 5955)

Report Type: Consent Calendar

Meeting Date: 11/2/2015

Summary Title: Renewal of SAP Maintenance Contract

Title: Approval of a 3-Year Contract Extension with SAP America for Maintenance and Support, Contract C14151181 in an Amount Not to Exceed \$742,811

From: City Manager

Lead Department: IT Department

Recommended Motion

Staff recommends that the Council:

Approve a three year extension to the software maintenance contract with SAP Public Services Inc. C14151181 to continue to provide software maintenance services for the City's Enterprise Resource Planning system through December 30, 2018.

Recommendation

Approve and authorize the City Manager or his designee to execute the attached three year extension to the software maintenance contract with SAP Public Services Inc. in the amount not to exceed \$742,811. The contract will be for the term of January 1, 2016 to December 30, 2018.

Background

The City's history with SAP began, in 2002, when the City selected SAP as its preferred vendor for an Enterprise Resource Planning system. The purpose was integrating various business processes within the City, which enabled Staff to move in the direction of Electronic Government. The SAP system has been running since 2003, supporting Accounting, Finance, Purchasing, Project Management, Plant Maintenance, Budgeting, Payroll, Human Resource Management, and Service Order Management. In 2009, the City completed a major upgrade and replaced the former utility billing system (Banner) with the implementation of the SAP Industry Solution Utilities (IS-U) module, which includes Customer Relationship Management, Utilities Customer Electronic Services (also known as My Utilities Account customer portal), and Business Intelligence systems.

By supporting the critical business processes in Finance, Procurement, HR, and Utilities' Meter Read – Billing – Payment - Collection, SAP has become an integral part of the City's business continuity.

Examples of information managed within the SAP ERP include:

- Manages and maintains a City budget of over a half billion dollars
- Issues 11,000 Accounts Payable checks, processes 2,200 purchases documents, and issues 36,000 payroll checks each year
- Generates 370,000 utilities invoices and collects approximately \$220 million for 30,500 utilities accounts
- Administers 14,000 active customers accounts registered to use "My Utilities Account" for e-bills and online payments
- Provides concise business information to support 38,000 incoming calls into the Utilities Customer Service Center
- Interfaces with City Business Partners such as Wells Fargo, Check Free, JP Morgan (procurement card services), Green Waste (refuse), Hartford, and ICMA as well as other non-SAP City systems

The original contract with SAP was signed in 2002. In 2007, a new five year contract was executed, which expired on December 31, 2012. In 2013 a new three year contract was executed, which will expire on December 31, 2015.

Discussion

SAP is a highly complex system with processes integrated between various modules. SAP requires a high degree of specialized expertise to provide effective ongoing maintenance and support.

The current SAP contract encompasses basic SAP maintenance and support of standard software. This includes, programming defect corrections (i.e. Service Packs), functionality upgrades, and legally mandated enhancements (i.e. HR/Payroll).

The extension of the SAP maintenance contract comes at a time when Staff is conducting an assessment of the City's current SAP environment, business processes, support resources needs, and developing a strategic plan for the future of the Enterprise Resource Planning system. This assessment is one of the approved FY 2016 projects for the IT Department. Until the full assessment report and Enterprise Resource Planning strategic plan is ready (currently anticipated to be June 2017), staff recommends extending the contract with SAP for three years to maintain current maintenance and support levels. Following completion of the strategic plan it will take the City some time to implement the recommended strategy. As in previous contracts, there is an early termination clause if required.

Resource Impact

Funding for this contract (\$247,604 annually) was budgeted in the Technology Fund as part of the Fiscal Year 2016 Adopted Budget. Funding for this contract in Fiscal Years 2017 and 2018 are subject to annual appropriation of funds.

Policy Implications

Approval of these contracts is consistent with current City policies.

Environmental Review

This is not a project under the California Environmental Quality Act (CEQA).

Attachments:

- Attachment A: C14151181 Amendment SAP Renewal (PDF)

Amendment
 Issued October 6, 2015
 to
 Appendix 1, as amended, effective July 22, 2002
 Appendix 2, effective July 22, 2002
 Appendix 7 effective July 25, 2007
 Appendix 10 effective December 18, 2012
 (collectively " the Appendices")
 to
 Software End-User License Agreement ("Agreement") C14151181 effective July 22, 2002
 between
 CITY OF PALO ALTO ("Licensee")
 and
 SAP Public Services, Inc. ("SAP")

As of the issuance date of October 6, 2015, this Amendment modifies the above referenced Appendices, incorporated here by reference, between the parties. In any instance in which a provision of this Amendment contradicts or is inconsistent with the provisions of the Appendices or the Agreement, the provisions of this Amendment shall prevail and govern and the contradicted or inconsistent provisions of the Appendices or the Agreement shall be deemed amended accordingly.


SAP and Licensee agree that the Appendices to the Agreement are modified by this Amendment as follows:

- 1.) The attached Maintenance fee Schedule for 2016 – 2018 SAP Maintenance & Enterprise Support services is added to the agreement. The maintenance fees provided in the Appendices are modified and/or extended as provided in the attached Maintenance Fee Schedule.

EXCEPT AS HEREIN PROVIDED, NONE OF THE PROVISIONS OF THE APPENDICES OR THE AGREEMENT SHALL BE AFFECTED BY THIS APPENDIX.

ACCEPTED BY:
 SAP Public Services, Inc.

ACCEPTED BY:
 CITY OF PALO ALTO

DocuSigned by:

 95321A4E146C45B...
 By: _____

By: _____

Name: Mark Buckley

Name: James Keene

Title: Contracts

Title: City Manager

Date: October 6, 2015

Date: October 6, 2015

APPROVED AS TO FORM:

 City Attorney or Designee

Maintenance & Support 2016 - 2018

C14151181 Amendment



City of Palo Alto

cn 486884

Jul-22-2015

Please clearly relay the following requirements to the individual(s) creating the Award or PO:**Award or PO must reference:** (1) SAP order number (2) P.O.P. dates

Vendor Address SAP Public Service, Inc. 1300 Pennsylvania Ave, Suite 600. Ronald Reagan Bldg / Intl Trade Ctr Washington, DC 20004-3012

Description

| | | | |
|---|------------------|-----------|-------------------|
| SAP Maintenance & Enterprise Support | Base Year | \$ | 247,603.42 |
|---|------------------|-----------|-------------------|

| SAP Order # | Software Licenses Description | P.O.P. Start | P.O.P. End | Maintenance Base | Maintenance Fee |
|-------------|-------------------------------|--------------|-------------|------------------|-----------------|
| 10209000 | App2 - BSI | Jan-01-2016 | Dec-31-2016 | 12,000.00 | 5,040.00 |
| 10407258 | App7 | Jan-01-2016 | Dec-31-2016 | 330,422.00 | 72,692.84 |
| 10407262 | App1, Amd2 | Jan-01-2016 | Dec-31-2016 | 438,658.00 | 96,504.76 |
| 11034558 | App10 | Jan-01-2016 | Dec-31-2016 | 333,481.00 | 73,365.82 |

| | | | |
|----------------------|--------------|-----------|-------------------|
| Option Year 1 | total | \$ | 247,603.42 |
|----------------------|--------------|-----------|-------------------|

| | | | | | |
|----------|------------|-------------|-------------|------------|-----------|
| 10209000 | App2 - BSI | Jan-01-2017 | Dec-31-2017 | 12,000.00 | 5,040.00 |
| 10407258 | App7 | Jan-01-2017 | Dec-31-2017 | 330,422.00 | 72,692.84 |
| 10407262 | App1, Amd2 | Jan-01-2017 | Dec-31-2017 | 438,658.00 | 96,504.76 |
| 11034558 | App10 | Jan-01-2017 | Dec-31-2017 | 333,481.00 | 73,365.82 |

| | | | |
|----------------------|--------------|-----------|-------------------|
| Option Year 2 | total | \$ | 247,603.42 |
|----------------------|--------------|-----------|-------------------|

| | | | | | |
|----------|------------|-------------|-------------|------------|-----------|
| 10209000 | App2 - BSI | Jan-01-2018 | Dec-31-2018 | 12,000.00 | 5,040.00 |
| 10407258 | App7 | Jan-01-2018 | Dec-31-2018 | 330,422.00 | 72,692.84 |
| 10407262 | App1, Amd2 | Jan-01-2018 | Dec-31-2018 | 438,658.00 | 96,504.76 |
| 11034558 | App10 | Jan-01-2018 | Dec-31-2018 | 333,481.00 | 73,365.82 |

SAP Public Service, Inc. is a large business.