



City of Palo Alto

City Council Staff Report

(ID # 9827)

Report Type: Consent Calendar

Meeting Date: 12/17/2018

Summary Title: Approval of contract with SAP for ERP

Title: Approval of an Amendment to Contract Number C14151181 With SAP America to Extend the Term for Two-years for Maintenance and Support of the ERP System in the Not-to-Exceed Amount of \$495,168

From: City Manager

Lead Department: IT Department

Recommended Motion

Staff recommends that the Council:

Approve a two-year extension to the software maintenance and support contract with SAP Public Services Inc., contract no. C14151181, for continued software maintenance and support services for the City's Enterprise Resource Planning (ERP) system through December 31, 2020, in the amount not to exceed \$495,168.

Recommendation

Approve and authorize the City Manager or his designee to execute the attached amendment to contract, providing a two-year extension to the software maintenance contract with SAP Public Services Inc. in the amount not to exceed \$495,168 (\$247,584 annually). The amendment to contract will be for the term of January 1, 2019 to December 31, 2020 (Attachment A: Amendment Issued December 17, 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 revenue and spending authority for the City budget of over a half billion dollars
- Issues 11,000 Accounts Payable checks, processes 2,200 purchase documents, and issues 26,000 payroll checks each year
- Generates 370,000 utilities invoices and collects approximately \$250 million for 30,500 utilities accounts
- Administers 18,000 active customer accounts registered to use "My Utilities Account" for e-bills and online payments
- Interfaces with City Business Partners such as Wells Fargo, US Bank, JP Morgan (procurement card services), Green Waste (refuse) 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 expired on December 31, 2015. In 2016, an amendment extending the contract for three additional years was executed, which will expire on December 31, 2018 -

(CMR 5955 - <https://www.cityofpaloalto.org/civicax/filebank/documents/49581>).

A solicitation would be impractical at this time as SAP has been Palo Alto's ERP system since 2002. SAP was selected through a competitively bid, formal RFP process. Staff would like to continue with the same system that was chosen in 2002. Staff is requesting an exemption from competitive solicitation, Ref. PAMC 2.30.360(b)(2).

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 is very critical to maintain current

maintenance and support levels beyond January 1st, 2019; hence staff recommends extending the contract with SAP for two years. As in previous contracts, there is an early termination clause if required.

Resource Impact

Funding for this contract was budgeted in the Technology Fund as part of the Fiscal Year 2019 Adopted Budget. Funding for this contract in Fiscal Year 2020 is 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: Amendment Issued December 17, 2018

Amendment
Issued December 17, 2018
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
Amendment effective October 6, 2015
(collectively " the Appendices")
to
Software End-User License Agreement (the "Agreement") C14151181 effective July 22, 2002
between
CITY OF PALO ALTO ("Licensee")
and
SAP Public Services, Inc. ("SAP")

As of the issuance date of December 17, 2018, this Amendment modifies the Agreement, as amended by the above-referenced Appendices, all of which are incorporated herein by reference, between the parties. In any instance in which a provision of this Amendment contradicts or is inconsistent with the provisions of the Agreement, as amended by the Appendices, the provisions of this Amendment shall prevail and govern and the contradicted or inconsistent provisions of the Agreement, as amended by the Appendices, which shall be deemed amended accordingly.

SAP and Licensee agree that the Agreement, as amended by the Appendices, is hereby modified by this Amendment as follows:

- 1.) The attached one-page document entitled "SAP 2019 – 2020 Maintenance & Support Renewal" for January 1, 2019 – December 31, 2020 for SAP maintenance and enterprise support services is added to the Agreement, as amended by the Appendices. The maintenance and support fees and dates provided in the Agreement, as modified by the Appendices, are modified and/or extended as provided in the attached document entitled "SAP 2019 – 2020 Maintenance & Support Renewal".

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

ACCEPTED BY:

SAP Public Services, Inc.

By: _____

Name: _____

Title: _____

Date: _____

ACCEPTED BY:

CITY OF PALO ALTO

By: _____

Name: _____

Title: _____

Date: _____

APPROVED AS TO FORM:

By: _____

City Attorney or Designee

Attachment:

"SAP 2019 – 2020 Maintenance & Support Renewal"

2019 - 2020 Maintenance & Support Renewal



City of Palo Alto

cn 486884

11-Dec-2018

	P.O.P. Start	P.O.P. End	Total Fees
SAP Maintenance & Enterprise Support	1/1/2019	12/31/2019	\$ 247,583.62

SAP Order #	Software Licenses Description	P.O.P. Start	P.O.P. End	Maintenance Base	Maintenance Fee
10209000	App 2 - BSI	01-Jan-2019	31-Dec-2019	12,000.00	5,040.00
10407258	App 7	01-Jan-2019	31-Dec-2019	330,422.00	72,692.84
10407262	App 1, Amd 2	01-Jan-2019	31-Dec-2019	438,568.00	96,484.96
11034558	App 10	01-Jan-2019	31-Dec-2019	333,481.00	73,365.82

	P.O.P. Start	P.O.P. End	Total Fees
SAP Maintenance & Enterprise Support	1/1/2020	12/31/2020	\$ 247,583.62

SAP Order #	Software Licenses Description	P.O.P. Start	P.O.P. End	Maintenance Base	Maintenance Fee
10209000	App 2 - BSI	01-Jan-2020	31-Dec-2020	12,000.00	5,040.00
10407258	App 7	01-Jan-2020	31-Dec-2020	330,422.00	72,692.84
10407262	App 1, Amd 2	01-Jan-2020	31-Dec-2020	438,568.00	96,484.96
11034558	App 10	01-Jan-2020	31-Dec-2020	333,481.00	73,365.82

Please relay the following requirements to the individual(s) creating the Award or PO:

Award or PO must reference: **(1) SAP order numbers (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
 Send to: d.turner@sap.com