

**CITY COUNCIL COMMUNICATION 98-055
FEBRUARY 16, 1998 AGENDA**

SUBJECT:

**APPROVAL OF CONTRACTS WITH
PEOPLESOFT, INC. AND CARRERA
CONSULTING GROUP FOR NEW
FINANCIAL/ACCOUNTING AND
PAYROLL/HUMAN RESOURCES
APPLICATION SOFTWARE**

SUBMITTED BY:

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WILLIAM STOWE, HUMAN RESOURCES DIRECTOR
MICHAEL ARMSTRONG, INFORMATION TECHNOLOGY DIRECTOR**

SYNOPSIS –

On February 3, 1998, Council reviewed the results of the evaluations of vendor responses to the City's Request for Qualifications (RFQ) for new financial/accounting and payroll/human resources application software. Council directed staff to negotiate contracts with the two firms whose joint proposal received the highest evaluation score. Staff has now completed contract negotiations with PeopleSoft, Inc. for software acquisition and support, and with Carrera Consulting Group for project implementation. Upon approval and execution of the contracts, project implementation will begin.

FISCAL IMPACT –

The software acquisition and support contract with PeopleSoft totals \$753,000. The PeopleSoft contract amount is \$72,000 less than estimated in Council Communication No. 98-043 on the February 3, 1998 agenda for two reasons: (i) price concessions by PeopleSoft (\$27,000); and (ii) a reallocation from PeopleSoft to Carrera Consulting Group of travel and lodging expenses (\$45,000) expected to be incurred by the vendors. The implementation contract with Carrera Consulting Group totals \$701,800. The Carrera Consulting Group contract is \$21,800 higher than estimated in Council Communication No. 98-043 because of the reallocation of expected travel and lodging expenses (\$45,000 increase), offset in part by a narrowing of the scope of services and by price concessions from Carrera (\$23,200 decrease).

The grand total of all components of the financial/accounting and payroll/human resources application software project remains \$1,960,000, of which the two contracts represent a

combined \$1,454,800. The remaining funds will be used to purchase two servers and a relational database on which to run the software, to provide replacement coverage for City employees devoted to this very labor-intensive project, and to buy additional training for end-users of the new software. Funding for this project is available in the Enhanced Citywide Information and Communications Systems Capital Improvements Program (CIP) Project for two-thirds of the total project cost and in the City's various enterprise funds for one-third of the total project cost.

Finally, beginning in the second year of project implementation there will be an operating budget cost for maintenance of the application software by PeopleSoft; this annual maintenance fee includes regular software upgrades, technical improvements, access to the help line, and other related services. PeopleSoft's RFQ response included a software maintenance fee of \$267,000 per year beginning in 1999. (Council Communication No. 98-043 erroneously reported the PeopleSoft proposal as only \$140,000 per year.) Contract negotiations have reduced the software maintenance fee to \$127,160 per year beginning in 1999, with an eight percent annual growth cap for six years thereafter. Beginning in 2006, the fee would be set at PeopleSoft's standard 17 percent of the then-current list price of the software (today's list price would imply a maintenance fee in 2006 of \$267,000). Staff believes the annual software maintenance fee— plus much smaller annual amounts for maintenance of the two servers and relational database— can be absorbed in the Information Technology Department's existing Operating Budget.

RECOMMENDATION –

Approve contracts with PeopleSoft, Inc. and Carrera Consulting Group for new financial/accounting and payroll/human resources application software and implementation.

BACKGROUND –

In February 1997, Council reviewed and concurred with the “ Information Technology Recommendations” of the Data Management and Communications Committee, which mapped out a new approach to Citywide information processing, access, and dissemination. One of the first steps envisioned by that report was a new financial/accounting and payroll/human resources application software package, using client-server technology, to replace existing manual processes and outmoded software; to bring the software and its users together on the new Citywide network; to speed up and distribute more widely transaction processing for the City's financial and human resources; and to create for the first time flexible summary and detailed information for line personnel, management, the City Council, and the public. Ultimate benefits of the new application software should include faster response times to questions from external and internal customers; more staff time spent analyzing and acting on financial and human resources information, and much less time spent entering data into multiple databases; quicker review and resolution of financial and personnel decisions; prompter and easier-to-read reports on City finances and human resources activity; ability to begin relating performance measures and benchmarks to financial data; more precise allocation and reporting of line-item costs of City projects; and (with some business process re-engineering) faster payments to the City's

vendors, allowing the City to take advantage of prompt-payment discounts.

To select a software vendor, the City, in November 1997, advertised and issued an RFQ to 30 vendors. Of the 12 responses received, the highest scoring was a joint proposal from PeopleSoft, Inc. and Carrera Consulting Group. The former will provide and support the financial/accounting and payroll/human resources software; the latter will provide implementation assistance to the City. (Carrera Consulting Group is both a minority- and woman-owned business enterprise.)