

# Agenda Report

**ATTN:** FINANCE COMMITTEE  
**TO:** CITY COUNCIL                      **DATE:** December 14, 1998

**FROM:** CITY MANAGER

**RE:** AUTHORIZATION TO EXTEND CONTRACT NUMBER 16426 WITH DATASTUDY INC. AUTHORIZATION TO ENTER INTO A SEPARATE CONTRACT WITH DATASTUDY INC. AUTHORIZATION TO ENTER INTO PURCHASE ORDER CONTRACT WITH HEWLETT PACKARD FOR ACQUISITION OF COMPUTER HARDWARE AND APPROVAL OF JOURNAL VOUCHERS FOR TRANSFER OF FUNDS.

**RECOMMENDATION:**

It is recommended that the City Council:

- 1) Authorize the City Manager to increase the not to exceed amount of contract number 16,426 with Datastudy Inc., from \$602,685 to \$875,832 to provide for additional implementation support services for the PeopleSoft financial system.
- 2) Authorize the City Manager to enter into a separate contract not to exceed five years in duration with Datastudy Inc., for an amount not to exceed \$300,000 in fiscal year 1999 and \$200,000 in the final four years to provide for as-needed support services for the PeopleSoft financial system. Competitive bidding is not required pursuant to City Charter Section 1002(f) contracts for professional or unique services.
- 3) Grant a partial exemption from the Affirmative Action in Contracting Ordinance pursuant to P.M.C. 4.09.060(C) contracts for which the City's best interests are served.
- 4) Approve a journal voucher appropriating \$265,000 from the 1992 Equipment Leasing Certificates of Participation Fund to Project 71896, Financial Management Information System.
- 5) Approve a journal voucher transferring \$300,000 from Accounting and Analysis operating budget account 322000 to Project 71896, Financial Management Information System.
- 6) Authorize the Purchasing Administrator to execute a purchase order contract with Hewlett Packard for the acquisition of computer hardware in an amount not to exceed \$165,000 and authorize the purchase order to be issued without competitive bidding pursuant to City Charter Section 1002 (c), labor, material, supplies, or services available from only one vendor.

**BACKGROUND:**

In July 1997, the City Council authorized the City Manager to enter into a contract with

**Datastudy Inc., to assist with the implementation of the PeopleSoft financial system. Prior to this time Datastudy had been a subcontractor to PeopleSoft who had been selected, through a competitive selection process, to provide the City an integrated financial system. The purpose of contracting directly with Datastudy was to reduce hourly service costs and streamline communication; both of which have occurred.**

**Between July 1997, and January 1998, four of the eight PeopleSoft modules were implemented including, General Ledger, Accounts Payable, Project Costing and Purchasing. In January 1998, the City Council authorized an increase to the not to exceed amount of the Datastudy contract in order to provide support for implementing the remaining modules: Accounts Receivable, Billing, Inventory, Asset Management and Budget. Since this time three have been implemented.**

**The City is currently using the basic functionality of the modules listed above except for the Purchasing module. This module has required special attention due to complications with the requisition, encumbrance, and contract processes. Datastudy has been working through these complications with PeopleSoft to rectify this problem. However, the testing and analysis of this problem have caused the City to incur unanticipated costs in the form of additional Datastudy services.**

**In order to provide the requisition, encumbrance, and contract processes required by the City, PeopleSoft has agreed to provide an upgrade of our current system version 5.0 to version 7.03. This upgrade would normally cost approximately \$154,000 for the software plus consulting fees for installation at \$75,000. These services (a value of approximately \$229,000) will be performed at no cost to the City and extend PeopleSoft's support of the system for another thirty months.**

**Even after full implementation is achieved, a system such as complex and critical as PeopleSoft will require on-going support to meet the ever changing needs of the City. Although the City has in-house staff trained in supporting the system, the level of services which will be required exceed existing resources. Moreover, since services will be required on an "as-needed" basis and will vary in frequency, it is not in the City's interests to hire additional staff.**

**Normally, the City would undertake a competitive selection process in order to identify a firm capable of meeting on-going service needs. Considering the quality of work performed by Datastudy thus far coupled with its detailed knowledge and understanding of the manner in which the PeopleSoft system is configured to operate in Pasadena, it is highly unlikely that the City could identify a vendor who would better serve it's needs. For these reasons, it is recommended that the City Council authorize the City Manager to enter into a contract with Datastudy to provide for support services on an as-needed basis for a period not to exceed five years and for an amount not to exceed \$300,000 the first fiscal year and \$200,000 each year thereafter.**

#### **Hardware Purchase Order Contract**

**The City has outgrown the current hardware and requires additional capability and memory to run the upgraded version of the PeopleSoft software. At present, the City has a substantial investment in Hewlett Packard equipment as well as the staff training necessary for operation and**

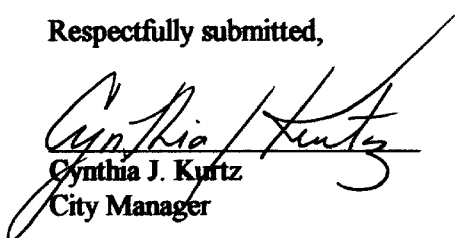
maintenance. Were the City to switch to other equipment there would be increased costs for staff training and support and it could jeopardize the timing and successful completion of the upgrade. It is therefore recommended that the City Council authorize the City Manager to enter into this purchase order contract not to exceed \$165,000.

City Charter Section 1002 (C) and P.M.C. 4.09.060 (B) (1) provides for exemption from competitive bidding and the requirements of the Affirmative Action in Contracting Ordinance for purchase of labor, material, supplies, and services available from only one vendor.

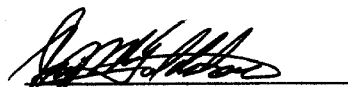
FISCAL IMPACT:

Sufficient funds have been budgeted in the fiscal year 1999 Operating Budget Account No. 322100, Finance-Accounting & Analysis for the Datastudy contract and will be requested in future budgets for the ongoing management of the system. Funds needed for the Hewlett Packard purchase order contract and the additional consultant services will reduce fund balance in the Equipment Leasing Fund by \$265,000 and increase the Capital Improvement Budget for Project 71896, Financial Management Information System, by the same amount.


Respectfully submitted,

  
Cynthia J. Kurtz  
City Manager

Approved by:

  
Jay M. Goldstone  
Director of Finance

Prepared by:

  
Paula Hanson  
Acting Management Analyst V