



## REPORT TO COUNCIL City of Sacramento

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www.CityofSacramento.org

Staff Report  
October 24, 2006

Honorable Mayor and  
Members of the City Council

**Title:** Finance, Human Resources and Payroll System Replacement Project – eCAPS (electronic Citywide Accounting and Personnel System)

**Location/Council District:** Citywide

**Recommendation:** Staff recommends that the City Council adopt the attached **Resolution** authorizing the City Manager to execute: (1) a Software License and Services Agreement with Oracle, Inc. for the purchase of Oracle software licenses, project team training, and technical support services for an Enterprise Resources Planning Project (ERP) system for one year, for an amount not to exceed \$2,400,000; and (2) a Consultant and Professional Services Agreement with CherryRoad Technologies for the installation and implementation of an ERP system, for an amount not to exceed \$11,300,000.

**Contact:** Jim Boyle, Sr. IT Project Manager, 808-5005  
Russell Fehr, Director of Finance, 808-5832  
Geri Hamby, Director of Human Resources, 808-7173  
Stephen R. Ferguson, Chief Information Officer, 808-8600  
Reina Schwartz, Director of General Services, 808-7195

**Presenters:** Russell Fehr, Director of Finance

**Department:** CMO - Support Services

**Division:** Administration

**Organization No:** 1111 (Finance), 1511 (HR), 1311 (IT), and 3111 (General Services)

### Description/Analysis

**Issue:** The City of Sacramento has initiated an ERP Project, now officially known as eCAPS, which will result in the acquisition and implementation of a software system to replace the legacy city-wide systems for Financial and Human Resources (HR)/Payroll administration. City executives and staff have determined that better integration of financial data, improved capacity to support



activity-based cost accounting and citywide adoption of "best business practices" to improve organizational efficiency is needed. The City is also seeking better integration and compatibility with other internal legacy systems and the replacement/elimination of dozens of "shadow systems" that have been developed by departments over the years to provide functionality not provided by many outdated legacy systems.

Staff requests that the City Council adopt the attached resolution authorizing the purchase of Oracle software licenses for an ERP product that includes initial software maintenance for one year, in an amount not to exceed \$2,400,000, and awarding a Consultant and Professional Services Agreement to CherryRoad Technologies for the implementation of an ERP system in an amount not to exceed \$11,300,000. The not to exceed price for Implementation services from CherryRoad includes contingency funding of 9%, or \$913,000.

**Policy Considerations:** This recommendation is in accordance with the FY-2006/07 Approved Budget Document's Strategic Planning Process. In particular, this recommendation is consistent with the Sustainable Budget Concept that includes the following areas:

- Use one-time resources strategically
- Continuous evaluation for efficiencies and effectiveness
- Identify return on investment and impacts; fiscal and social benefits

Also, this recommendation is in accordance with the FY 2005/06 Budget Document and is consistent with "Continuing citywide Organizational Assessment process in an effort to identify both better business practices and savings to reinvest in new service demands."

**Environmental Considerations:** The report concerns administrative activities that will not have a significant effect on the environment, and does not constitute a "project" as defined by the California Environmental Quality Act (CEQA) [CEQA Guidelines Sections 15061(b)(3); 15378(b)(2)].

#### **Rationale for Recommendation:**

The City has identified the following business needs, concerns, and requirements:

- Budget and planning tools inadequate to support current planning needs
- Finance system modules no longer meet current business management needs
- Human Resources system modules do not provide adequate support for standard Public Sector Human Resources and Payroll functions
- Projects management and cost accounting management tools inadequate for present needs

- Management reporting capability inadequate to support real-time decision making

The eCAPS project will replace back-office systems in the City (HR, Payroll, Finance, etc.) as well as provide substantial new functionality in the Human Resource, Procurement, Project Accounting and Asset Management areas for all departments and operations in the City. The time has arrived for the City to transform its antiquated business processes to industry-best business practices. Through the promotion of best business practices, Enterprise software:

- Maximizes efficiencies
- Improves reporting capabilities
- Streamlines the integration and flow of information throughout an organization

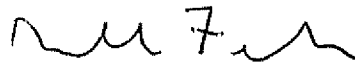
The recommendation from staff to award these contracts/licenses follows an extensive six (6) month competitive RFP process. The process was completed by a management appointed proposal evaluation team of seven staff members from five (5) departments with outside assistance from the Government Finance Officers' Association (GFOA). The team reviewed nine (9) original proposals, conducted twelve (12) days of software demonstrations, interviewed dozens of vendor references, and conducted detailed discovery sessions with the top two finalists all under oversight from the Procurement Division. For the past 30 days, the team has been negotiating license terms, terms and conditions for the professional services agreement and a detailed Statement of Work with extensive support and guidance from the City Attorney's Office.

**Financial Considerations:** The current estimate for the total eCAPS project including consulting services contract, acquisition of hardware and software, and backfill staffing is approximately \$22-25 million. This report recommends City Council adopt a resolution authorizing execution of a \$2.4 million agreement with Oracle and an \$11.3 million agreement with CherryRoad Technologies for acquisition, installation and implementation of the eCAPS project to replace the City's finance, human resources and payroll systems. In February 2006 City Council approved the allocation of \$14.6 million of accumulated departmental carryover for the majority of the General fund portion of the project. These funds will cover FY 2006/07 costs associated with the recommended agreements.

The allocation of costs related to the system was based on criteria specific to the two main elements of the system: finance and human resources/payroll. Based on this analysis and allocation, additional funding from other sources necessary to complete the financing of this project will be requested as part of the FY2007 Midyear process, and the FY2008 and FY2009 budgets based on the resources needs and timing of the project. Other sources will include the Enterprise funds and other carryover.

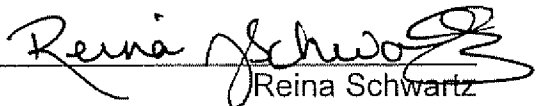
**Emerging Small Business Development (ESBD):** Oracle and CherryRoad are not City certified E/SBE firms.

Respectfully Submitted by: Jim Boyle, Sr IT Project Manager

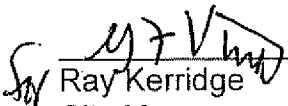
Approved by:   
Russell Fehr  
Director of Finance

Approved by:   
Geri Hamby  
Director of Human Resources

Approved by:   
Stephen R. Ferguson  
Chief Information Officer

Approved by:   
Reina Schwartz  
Director of General Services

Recommendation Approved:

  
Ray Kerridge  
City Manager

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**Attachment 1****Background**

On December 13, 2005, City staff released a Request for Proposal (RFP) for consulting services to assist City staff in the planning and staging phase of the ERP System Project. Nearly 100 firms downloaded the RFP from the City's web site, and 7 submitted proposals. A team of city staff from the Finance, HR, and IT Departments evaluated the proposals and concluded that the proposal from Government Finance Officers Association (GFOA) best met the City's needs in providing ERP System planning and selection consulting services.

On February 7, 2006, City Council Adopted a Resolution (2006-106) that approved establishing a Capital Improvement Project (CIP) and appropriated \$14.6 million of General Fund department carryover to fund the General Funded portion of the Human Resources/Financial System Replacement.

On February 7, 2006, City Council Adopted a Resolution (2006-107) that authorized the City Manager to execute a Consultant and Professional Services Agreement with Government Finance Officers Association (GFOA) to assist the City in the planning and procurement of a new integrated finance and human resource system.

On May 31, 2006, City staff again released an RFP, this time for software and implementation services for an ERP system. Seven proposal teams submitted proposals.

Of the 7 proposal teams that submitted proposals, six proposal teams were elevated to the Demonstration Phase of the selection process. The Demonstration Phase included four (4) days of presentations, lab demonstrations, and discussions for each software vendor that took place from July 11 to July 28, 2006.

Of the six proposal teams, two were further elevated and were invited back for the Discovery Phase of the selection process that included clarifying functional demonstrations, discussions, and other proposal clarifications.

The City's ERP Proposal Evaluation Team (PET) carefully reviewed all bids, vendor demonstrations, and product capabilities. Of the 7 proposal teams that submitted proposals, the ERP PET concluded that Oracle and CherryRoad's ERP software and implementation proposal best met the City's business requirements.

**Attachment 2**

**RESOLUTION NO.**

**Adopted by the Sacramento City Council**

**AUTHORIZING THE CITY MANAGER TO EXECUTE A SOFTWARE LICENSE AND SERVICES AGREEMENT WITH ORACLE, INC. FOR THE PURCHASE OF LICENSES, PROJECT TEAM TRAINING, AND TECHNICAL SUPPORT SERVICES FOR AN ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM FOR ONE YEAR, FOR AN AMOUNT NOT TO EXCEED \$2,400,000; A CONSULTANT AND PROFESSIONAL SERVICES AGREEMENT WITH CHERRYROAD TECHNOLOGIES FOR THE INSTALLATION AND IMPLEMENTATION OF AN ERP SYSTEM, FOR AN AMOUNT NOT TO EXCEED \$11,300,000; AND TO APPROVE THE RELEASE OF \$1 MILLION FROM THE ADVANCED LIFE SUPPORT RESERVE TO THE eCAPS PROJECT (AB80)**

**BACKGROUND**

- A. On December 13, 2005, City staff released a Request for Proposal (RFP) for consulting services to assist City staff in the planning and staging phase of the ERP System Project. Nearly 100 firms downloaded the RFP from the City's web site, and 7 submitted proposals. A team of city staff from the Finance, HR, and IT Departments evaluated the proposals and concluded that the proposal from Government Finance Officers Association (GFOA) best met the City's needs in providing ERP System planning and selection consulting services.
- B. On February 7, 2006, City Council Adopted a Resolution (2006-106) that approved establishing a Capital Improvement Project (CIP) and appropriated \$14.6 million of General Fund department carryover to fund a portion of the estimated General Funded costs of the Human Resources/Financial System Replacement. Current estimated project costs are \$22-25 million.
- C. On February 7, 2006, City Council Adopted a Resolution (2006-107) that authorized the City Manager to execute a Consultant and Professional Services Agreement with Government Finance Officers Association (GFOA) to assist the City in the planning and procurement of a new integrated finance and human resource system.
- D. On May 31, 2006, City staff again released an RFP, this time for software and implementation services for an ERP system. Seven proposal teams submitted proposals.
- E. Of the 7 proposal teams that submitted proposals, six proposal teams were elevated to the Demonstration Phase of the selection process. The Demonstration Phase included four (4) days of presentations, lab

demonstrations, and discussions for each software vendor that took place from July 11 to July 28, 2006.

- F. Of the six proposal teams, two were further elevated and were invited back for the Discovery Phase of the selection process that included clarifying functional demonstrations, discussions, and other proposal clarifications.
- G. The City's ERP Proposal Evaluation Team (PET) carefully reviewed all bids, vendor demonstrations, and product capabilities. Of the 7 proposal teams that submitted proposals, the ERP PET concluded that Oracle and CherryRoad's ERP software and implementation proposal best met the City's business requirements.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

- Section 1 The City Manager is authorized to execute a software License and Services Agreement with Oracle, Inc. for the purchase of Oracle software licenses and technical support services for an ERP system for one year, for an amount not to exceed \$2,400,000.
- Section 2 The City Manager is authorized to execute a Consultant and Professional Services Agreement with CherryRoad Technologies for the installation and implementation of an ERP system, for an amount not to exceed \$11,300,000. The not-to-exceed price includes contingency funds of 9%, or \$913,000.