

Memorandum



CITY OF DALLAS

DATE February 22, 2013

TO Transportation and Environment Committee Members: Linda L. Koop (Chair),
Sheffie Kadane (Vice Chair), Sandy Greyson, Delia Jasso, Vonciel Jones Hill,
Mayor Pro Tem Pauline Medrano

SUBJECT **Application Managed Services and Hosted Infrastructure to Support Billing and Payment System**

On Monday, February 25, 2013, you will be briefed on the proposed managed services and hosted infrastructure to support the SAP billing system.

Please contact me should you have questions.

A handwritten signature in cursive script that reads "Jill A. Jordan".

Jill A. Jordan, P.E.
Assistant City Manager

C: Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Rosa A. Rios, City Secretary
Thomas P. Perkins Jr., City Attorney
Craig D. Kinton, City Auditor
Daniel F. Solis, Administrative Judge
A.C. Gonzalez, First Assistant City Manager
Ryan, S. Evans, Assistant City Manager
Forest Turner, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Edward Scott, City Controller
Jack Ireland, Director, Office of Financial Services
William Finch, Chief Information Officer
Jo (Jody) M. Puckett, Director, Water Utilities
Frank Libro, Public Information Officer
Stephanie Cooper, Assistant to the City Manager

Application Managed Services and Hosted Infrastructure To Support Billing and Payment System

Transportation & Environment Committee

February 25, 2013





Purpose

- ◎ Report the results of the Request for Competitive Sealed Proposal (RFCSP) for Application Managed Services and Hosted Infrastructure to support citywide billing and payment system

Background

- ◎ SAP billing system was implemented in November 2008
- ◎ City has been operating and maintaining the system with assistance from a consultant
- ◎ In January 2012, Council approved an extension to the consultant contract allowing sufficient time to complete the RFCSP process for a contract to manage and host the SAP application

What Are the Goals of the RFCSP

- ◎ **Reduce and control operating costs**
 - Access Provider's lower cost structure
- ◎ **Resolve the internal IT resource shortage and high attrition rates**
 - Access Provider's extensive specialized resources to meet the tactical and strategic needs of the Utility
- ◎ **Separate Professional Services agreement**
 - Provide flexibility for system enhancements over the term of the contract
- ◎ **Engage Expert resources**
 - Allow City staff to focus on broader business issues and accelerating process improvements by having operational details assumed by an outside expert

RFCSP Process

- ◎ Business Development and Procurement Services (BDPS) advertised the RFCSP for SAP Application Management and Hosted Infrastructure Services on May 10 and 17, 2012

- ◎ As part of the vendor notification process, 1,135 electronic notices were sent by the City's web-based procurement system
 - Additionally, notifications were sent by BDPS ResourceLINK Team (RLT) to 25 chambers of commerce, and 2 advocacy groups (i.e. DFW Minority Business Council and Women's Business Council-Southwest)

Evaluation Process

- ◎ Seven proposals were received on July 18, 2012, which were distributed to the evaluation committee for review
 - Evaluation Criteria:

○ Proposers Solution	35%
○ Cost	30%
○ Proposer Qualification	20%
○ Business Inclusion and Development Plan	15%

Results

- ◎ The evaluation committee reviewed proposals and presentation from all seven proposers to establish an initial ranking. From this ranking it was determined that the City would proceed with further negotiations with two of the Proposers:
 - Deloitte Consulting, LLP
 - HCL Axon Solutions, Inc.

- ◎ Best and Final Offers (BAFO) were requested

- ◎ Utilizing the evaluation scores, BAFOs and vendor negotiations it was determined to recommend Deloitte Consulting, LLP for award

Deloitte Consulting LLP

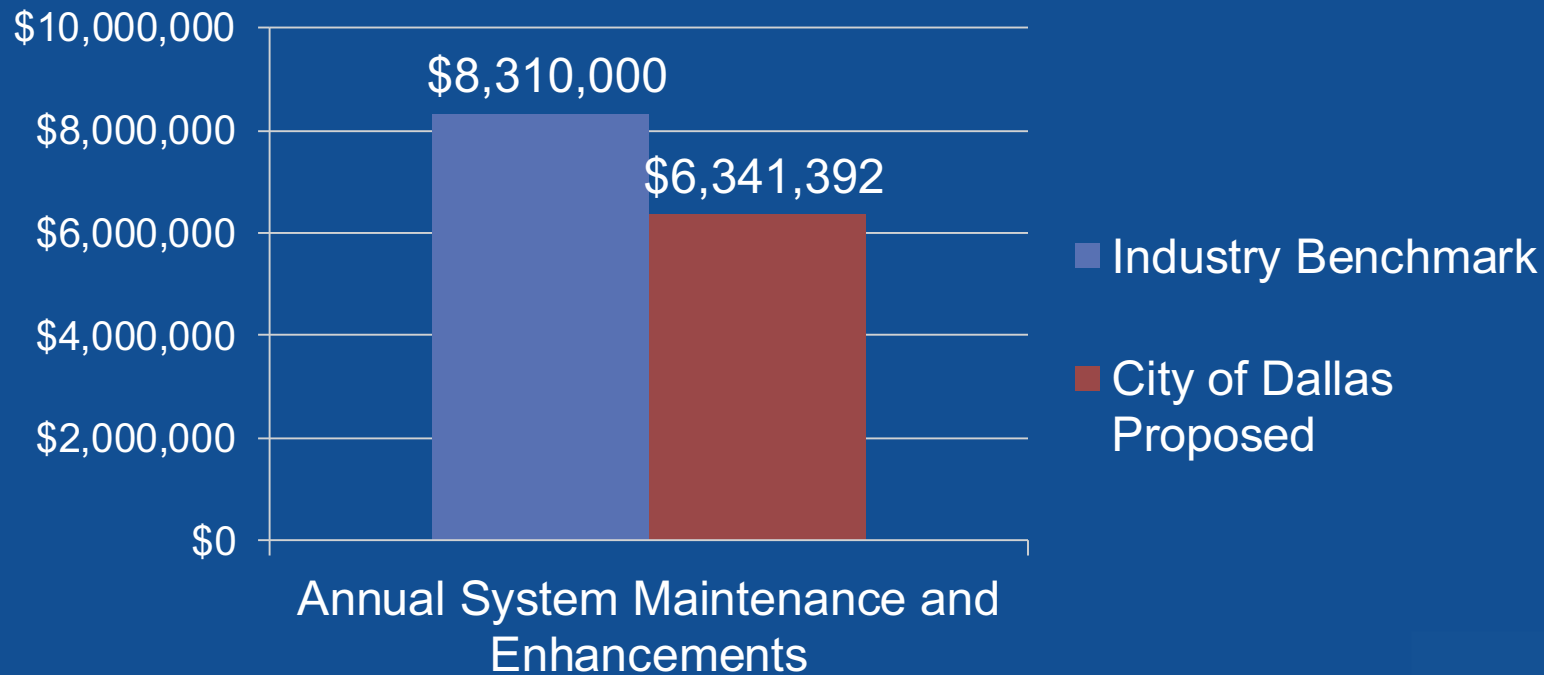


- Recognized as one of the world's foremost providers of SAP implementation and AMS services
- Serves over 243 clients in the Power and Utilities Sector
- Offers services and products to achieve the latest technological and industry-driven innovations
- Ability to continuously monitor, measure and report service levels
- Supports local government and the municipal water utility industry
- SAP Certified Partner
 - Deloitte Consulting and Secure-24 are both SAP Certified Partners
- Secure-24 will provide the hosted infrastructure services (remote data center), including hardware, database and network planning, and operating system installation and upgrades
- Demonstrated experience and facilities in the United States

Contract Cost

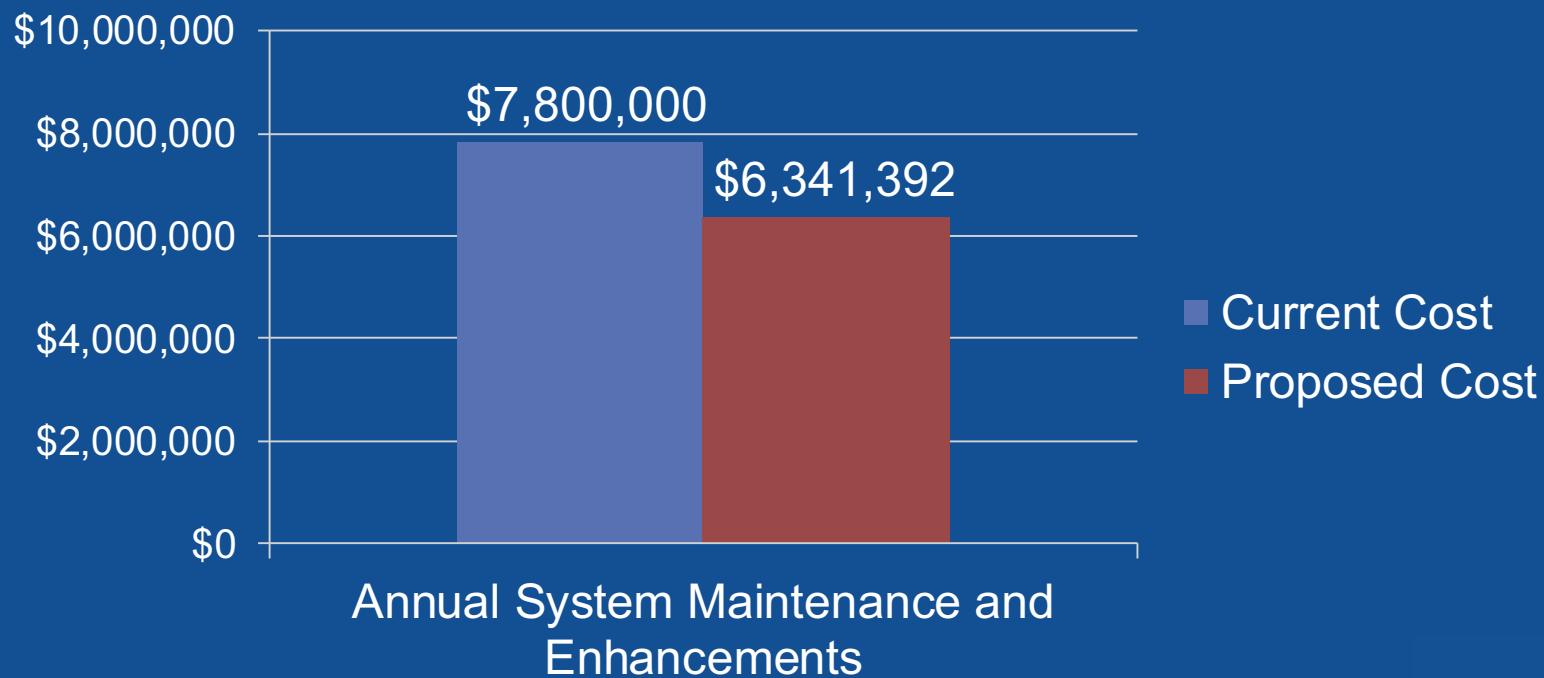
- ◎ 7-year initial term (4/1/2013 thru 3/31/2020) with two, 2-year term renewal options (subject to Council approval)
- ◎ Fixed 7-Year Cost = **\$24,274,549**
- ◎ Variable Cost = **\$10,766,900**
 - Establishes master service agreement for professional services to execute planned and future projects
- ◎ Total 7 year contract value = **\$35,041,449.00**

Benchmark Comparison



- Proposed includes the contract and internal costs for City staff and software maintenance
- According to a 2010 Gartner study, organizations annually spend up to 30% of implementation cost for system maintenance and enhancements
 - Based on \$27.7m implementation cost, the City is within industry range

Current Cost Comparison



- Proposed includes the contract and internal costs for City staff and software maintenance

Critical Components of this Agreement

- ◎ **Ownership and Confidentiality of Data**
 - Specifies that the City retains ownership of the information and data managed by the vendor
 - Data is kept strictly confidential

- ◎ **Minimum Services / Performance Levels**
 - Ensures accountability through specifying as accurately as possible the services to be provided in the contract
 - Establishes minimum service levels and associated financial penalties/credits for non-performance/compliance, including termination of the contract.

- ◎ **Audit Rights**
 - Specifies the City's right to audit the vendor's operation as it pertains to the contracted services
 - Vendor, through an independent service auditor, will annually execute and submit to the City the results of an SSAE 16 SOC 2 audit focusing on the security, system availability, processing integrity, confidentiality and privacy controls as agreed

Critical Components of this Agreement (continued)

- ◎ **Performance-Driven Service Delivery Model**
 - Adherence to industry standards for processes and procedures, best IT practices, routine monitoring and internal controls, and thorough documentation and reporting

- ◎ **Termination Phase**
 - Specifies an orderly exit transition

- ◎ **Contract Governance**
 - City / Vendor - Executive Steering Committee
 - City / Vendor - Program Management Office
 - Vendor - Service Delivery Team
 - City / Vendor - SAP Change Advisory Board
 - City - CIS Release Control Board



City's Accountability Checklist

- Dedicate City resources, with appropriate business and technology skills, to the management oversight of this engagement to ensure priorities and contract obligations are efficiently executed
- Monitor vendor performance against statement of work and credit (penalties) for services not met through SLAs
- Review vendor staffing skills and time sheets
- Perform testing of all system changes through business process, prior to approval to execute changes to the system to ensure continuity of operation without interruptions
- Ensure adherence to City's standards for execution of projects and enhancements



Timeline

- 03-27-2013:** Request for Council Approval
- 04-01-2013:** Begin Transition Engagement
- 07-20-2013:** Complete transition to application managed services and hosted infrastructure



Recommendation

Approve a seven-year service contract with Deloitte Consulting, LLP for managed application, hosted infrastructure, and professional services for the SAP billing system beginning 4/1/2013, with two, two-year renewal/extension options requiring City Council approval.



Appendix

- Deloitte's Qualifications in SAP and Utilities

Overview of Deloitte's Qualification in SAP and Utilities



Canada

- Enwin
- Bluewater Power
- Enbridge
- Hydro Quebec
- Sask Power
- ENMAX Power Corporation

