



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 11/10/2020

ALL

Item Creation Date: 10/15/2020

H25006.A.1 - Software Licenses and Services for Enterprise Resource Planning System -
ORDINANCE

Agenda Item#: 54.

Summary:

AN ORDINANCE APPROVING AND AUTHORIZING A FIRST AMENDMENT TO CONTRACT NO. 4600012882 BETWEEN THE CITY OF HOUSTON AND SAP PUBLIC SERVICES, INC. FOR SOFTWARE LICENSES AND SERVICES FOR ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM (APPROVED BY ORDINANCE 2014-0756) FOR HOUSTON INFORMATION TECHNOLOGY SERVICES TO EXTEND THE TERM OF THE CONTRACT AND TO ADD THE PURCHASE OF SAP CLOUD; AMENDING ORDINANCE NO. 2014-0756 (PASSED ON AUGUST 6, 2014) TO INCREASE THE MAXIMUM CONTRACT AMOUNT FOR CONTRACT NO. 4600012882 BETWEEN THE CITY OF HOUSTON AND SAP PUBLIC SERVICES, INC. FOR SOFTWARE LICENSES AND SERVICES FOR ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM; CONTAINING PROVISIONS RELATING TO THE SUBJECT; AND DECLARING AN EMERGENCY

Background:

S10-H25006.A1 - Approve an ordinance authorizing a first amendment to Contract No. 4600012882 between the City of Houston and SAP Public Services, Inc. (approved by Ordinance No. 2014-756, passed on August 6, 2014) to increase the maximum contract amount from \$18,000,000.00 to \$22,106,523.00, extend the contract term from August 18, 2023 to August 17, 2024, and to allow the purchase of SAP Cloud solutions for Houston Information Technology Services.

Specific Explanation:

The Director of Houston Information Technology Services (HITS) and the Chief Procurement Officer recommend that City Council approve an ordinance authorizing a first amendment to the contract between the City of Houston and SAP Public Services, Inc. to increase the maximum contract amount from \$18,000,000.00 to \$22,106,523.00, extend the contract term from August 18, 2023 to August 17, 2024, and to purchase SAP Cloud solutions for HITS.

The scope of work in the original contract requires the contractor, SAP, to provide commodities, i.e., software, associated software licenses, annual maintenance and support for the term of the contract, and professional services (if requested). This contract was awarded in 2005 to implement the Financial, Procurement, HR and Payroll modules in a two-phase process. Phase I was successfully implemented and there was an intent to proceed to Phase II. After 2005, the user base grew due to the changing and increasing demand from City departments. This growth became apparent to SAP in late 2007 and the City of Houston was informed of the need to obtain licenses for the additional users; and would be addressed in a Phase II. However, Phase II was not implemented and SAP licenses remained out of compliance.

The current Agreement continues with the implementation of Phase II, paying for maintenance, and providing related professional services for the continued implementation of the Enterprise Resource Planning System. The contract was awarded on August 6, 2014, by Ordinance No. 2014-0756 for a four-year term, with five one-year options to renew in the original amount of \$18,000,000.00. The expenditures as of October 15, 2020 total \$9,206,109.34. The contract currently allows for on premise solutions only. The purchase of

SAP Cloud based (SaaS) solutions will modernize SAP features, enabling the City to meet its business needs and improve operations. The additional spending authority is projected to meet the Annual Maintenance and Subscription Cost of the new product until contract expiration in 2024.

Since 2006 the City' of Houston's ERP environment is SAP. The City implemented SAP Financials and Logistics in 2006 (FICO), Human Capital Management and Payroll (HCM) in 2007 and Employee / Manager Self Service (ESS/MSS) in 2014. There have been several enhancements to the City's ERP application since its implementation, most recently, in 2020, implementing Contract Lease Management (CLM), based on SAP Flexible Real Estate Management (RE-FX), for the purpose of Government Accounting Standards Board (GASB) version 87 compliance for lease accounting standards. The City's version of SAP, R3 ECC6 EHP6, uses a legacy systems interface format (sFTP), which requires regular manual intervention from the ERP team and the City's business departments to move/transfer and monitor files between SAP and non-SAP systems, e.g., COH payroll file to JPMorgan. The sFTP programs/scripts created to transfer files via sFTP require manual monitoring to ensure they transfer correctly and on-time between SAP and non-SAP software or third-party vendors.

This item was presented to the Transportation, Technology & Infrastructure (TTI) Committee on October 1, 2020.

MWBE Subcontracting:

This contract was awarded with a 35% MWBE participation goal related to consulting services. The City of Houston has not yet engaged the vendor for these services. The Office of Business Opportunity will continue to monitor this contract, work with the contractor and

department, and engage when consulting services are offered to ensure MWBE participation.

Fiscal Note:

Funding for this item is included in the FY2021 Adopted Budget. Therefore, no Fiscal Note is required in the Financial Policies.

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Jerry Adams
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Summer Xiao
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Jerry Adams, Chief Procurement Officer
Finance/Strategic Procurement Division

Department Approval Authority Signature

10/29/2020

10/29/2020

ESTIMATED SPENDING AUTHORITY			
DEPARTMENT	FY2021	OUTYEARS	FY23-24 TOTAL
Houston Information Technology Services	\$0.00	\$4,106,523.00	\$4,106,523.00

Prior Council Action:

Ordinance 2014-0756 - passed August 6, 2014.

Amount of Funding:

\$4,106,523.00

Central Service Revolving Fund
 Fund No.: 1002

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ATTACHMENTS:

Description	Type
Certification of Funds	Backup Material
COI and Endorsements	Backup Material
Delinquent Tax Report	Backup Material
Form B	Backup Material
MWBE Verification Form	Backup Material
Ordinance 2014-0756	Backup Material
Ownership Information Form	Backup Material
AM Best	Backup Material
Amendment - Partially Executed	Backup Material