**TO:**     Board of Contracts and Awards

**FROM:**   Jack Kelanic, Director of Information Technology *JK*
Andy Cherullo, Finance Director *AC*

**COPY:**   City Council, City Manager, City Clerk, SBE Coordinator, LEAP Coordinator, Patsy Best, Chuck Blankenship

**SUBJECT:** Procure-to-Pay Software and Implementation Services
RFP Specification No.: IT15-0518F, Requesting City Council Date of March 22, 2016

**DATE:**   March 9, 2016

## SUMMARY:

The Information Technology and Finance Departments recommend a contract be awarded to Ariba, Inc., of Sunnyvale, CA. in the amount of $3,136,585.00, plus a 25% contingency for a cumulative total of $3,920,731.00, plus applicable taxes, for software and implementation services for a procure-to-pay automation system. The cumulative total includes both one-time implementation services as well ongoing software subscription fees for an initial contract term ending December 31, 2020.

The need for future software services renewals beyond December 31, 2020 is possible given a projected system lifecycle of 5-10 years. In accordance with Tacoma Municipal Code 1.06.269, authorization for software support and maintenance services may continue until the City no longer needs the software.

## STRATEGIC POLICY PRIORITY:

- Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.
- Strengthen and maintain a strong fiscal management.

If approved, this contract would provide both the City and its vendors with an intuitive, web-based, portal for soliciting and managing bids, contract development and authorization, procurement, invoicing and payment processing for goods and services used by the City and Tacoma Public Utilities in the provision of public services.

## BACKGROUND:

When the City implemented SAP software to address its enterprise resource planning (ERP) needs in 2003, the SAP procurement modules were not included in scope. As such, procure-to-pay business processes including, sourcing, purchasing, material management, contracting and invoice payment have remained highly manual and relatively unchanged for both the City and its vendors since that time.

Following the City's 2014 strategic assessment of SAP, a cross-functional procure-to-pay project team, was established to conduct a deeper analysis of the City's business processes. The procure-to-pay project team was comprised of staff from Finance, Purchasing and Payables, Information Technology, and the Office of Management and Budget. The team took a structured, customer-centric approach by engaging stakeholder groups to document current processes, identify pain points and inefficiencies, review policies and standards, and assess the City's data reporting and analytics capabilities.

The team also benchmarked the City's recent expenditure data and contracting practices against current industry best practices.

The team identified several major opportunities for streamlining and digitizing services, such as:
- electronic vendor pre-registration for bid notifications;

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- electronic vendor bids, tabulation and evaluation of bids;
- electronic contract development and authorizations workflow
- automated vendor invoicing and accounts payable activities
- master contracts to consolidate buying power
- automatic replenishment of stock materials
- real-time analysis of expenditures and purchasing activities
- contract compliance monitoring

Finally, the procure-to-pay project team developed a detailed business case to address the above opportunities with commercially available software and implementation services. The business case outlines anticipated cost savings for the City based on strategic sourcing for goods and services, and efficiencies introduced by an automated digital system.

ISSUE: The City's current procurement, contracting and payment processes create a highly manual and inefficient environment with limited reporting capabilities. An investment in technology tools and services is necessary to improve business processes and maximize efficiency.

The current inefficiencies related to manual processes also impact the City's vendors and potential vendors, which are presently required to print and mail bids, invoices, payments, etc.

ALTERNATIVES: The alternatives to the proposed software implementation project are to take no action or to customize the existing SAP modules for minor business process enhancements. Neither of these options would position the City to maximize efficiencies, maximize savings on the purchase of goods and services, or promote business opportunities for vendors wishing to conduct business with the City.
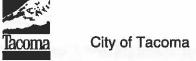
If approved, the Ariba software and services would be made available for City vendors and potential vendors. More specifically, all vendors could self-register for notifications of City's business opportunities and submit bid responses and contracts documents through the portal for no charge.

Additionally, if selected as a business partner, vendors would have the option to submit related electronic transactions (e.g. purchase orders, invoices, etc.) via e-mail at no charge. A second option provides vendors the capability to leverage the full software functionality and access to the Ariba global business network by exchanging electronic documents and transactions through the web-based portal. Vendors choosing this option may be subject to vendor-paid fees for contracted work.

There would be no scenario in which vendors were subjected to fees for registering and competing for City business opportunities.

COMPETITIVE SOLICITATION: Request for Proposals, Specification No. IT15-0518F was opened November 3, 2015. Four companies were invited to bid in addition to normal advertising of the project. Five submittals were received.

| Respondent | Location (city and state) | Rank |
|---|---|---|
| **Ariba, Inc.** | **Sunnyvale, CA** | 1 |
| Coupa | San Mateo, CA | 2 |
| Phoenix Business, Inc. | Haltom City, TX | 3 |
| Zycus, Inc. | Princeton, NJ | 4 |

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cloudBuy PLC                    Reading, England                    5

CONTRACT HISTORY: New Contract

SUSTAINABILITY: Implementation of this contract will result in significant opportunity to improve the City and vendors sustainability efforts, by replacing paper with electronic documents, mail and courier-driven processes with electronic methods for submittal and evaluation of bids, electronic authoring and routing of contracts, purchase orders and invoices.

SBE/LEAP COMPLIANCE: No proposals received included SBE firms or the use of SBE firms.

**RECOMMENDATION:**
The Information Technology and Finance Departments recommend a contract be awarded to Ariba, Inc., of Sunnyvale, CA. in an amount of $3,136,585.00, plus a 25% contingency for a cumulative total of $3,920,731.00, plus applicable taxes, for software and implementation services for a procure-to-pay automation system.

**FISCAL IMPACT:**
Funds in the amount of $963,957 are budgeted and available in the 2015/2016 biennium.

**EXPENDITURES:**

| FUND NUMBER & FUND NAME * | COST OBJECT (CC/WBS/ORDER) | COST ELEMENT | TOTAL AMOUNT |
|---|---|---|---|
| Information Services Fund 5800 | 596910 | 5310100 | $3,920,731.00 |
| | | | |
| TOTAL | | | $3,920,731.00 |

* General Fund: Include Department

**REVENUES:**

| FUNDING SOURCE | COST OBJECT (CC/WBS/ORDER) | COST ELEMENT | TOTAL AMOUNT |
|---|---|---|---|
| Information Services Fund 5800 | 596910 | 5950343 | $3,737,191.00 |
| Information Services Fund 5800 | 596930 | 5950342 | $183,540.00 |
| | | | |
| TOTAL | | | $3,920,731.00 |

**POTENTIAL POSITION IMPACT:**

| POSITION TITLE | PERMANENT/ PROJECT TEMPORARY POSITION | FTE IMPACT | POSITION END DATE |
|---|---|---|---|
| | | | |
| TOTAL | | | N/A |

*This section should only be completed if a subsequent request will be made to increase or decrease the current position count.*

**FISCAL IMPACT TO CURRENT BIENNIAL BUDGET:** There is no fiscal impact to the current biennial budget. The 2016 costs in the amount of $963,957.00 are appropriated and available within Fund 5800.

**ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED?** Yes.

**IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.**
The remaining contract balance of $2,956,774.00 for services in 2017-2020 is contingent upon the approval of future biennial budgets.