TO: Board of Contracts and Awards
FROM: Jack Kelanic, Director of Information Technology *JK*
                    Kathy Vaughan, IT Manager, Information Technology Department
COPY: City Council, City Manager, City Clerk, SBE Coordinator, LEAP Coordinator, and
                    Chuck Blankenship, Finance/Purchasing
SUBJECT: SAP HANA license agreement
                    Per existing SAP Master Services Agreement June 12, 2002, Requesting City Council
                    Date of December 13, 2016
DATE: December 2, 2016

SUMMARY:

The Information Technology Department recommends a contract be awarded to SAP Public Services, Inc. in the amount of $597,842.66, plus applicable sales tax, for software product licensing of SAP HANA and related software products, in support of a planned major upgrade to the City's SAP business systems in 2017.

The need for future software maintenance service renewals beyond December 31, 2017 is likely given an anticipated system lifecycle of approximately ten years. In accordance with the 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.

If approved, this contract would help ensure the City's sustainable SAP technology environment, which the City and Tacoma Public Utilities can continue to use in support of core business operations.

BACKGROUND:
The City implemented SAP software as its Enterprise Resource Planning (ERP) system in 2003. Since that time, the City has leveraged SAP software as its major financial, work management, utility billing and human resources/payroll system.

The Information Technology Department last upgraded the City's SAP system in 2011, and has since kept the system current with all annual security updates and enhancement packages.

Periodic system upgrades are necessary to remain on a commercially supported software platform that continues to be enhanced with new functionality and security patches.

ISSUE: The City's current SAP software system is aging and SAP, Inc. has announced discontinuation of commercial support for the City's SAP ECC Business Suite system on December 31, 2025. As of January, 2016 SAP no longer provides functional enhancements to the ECC Business Suite product. SAP functional enhancements are only available to customers licensed and running Business Suite on HANA and/or S/4 HANA.

In order to preserve the City's larger business systems investment, the Information Technology Department is anticipating two major SAP system upgrade events over the next four fiscal periods,

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notwithstanding other planned strategic business technology initiatives such as Customer Relationship Management (CRM) and Automated Metering Infrastructure (AMI), for which HANA in-memory computing capabilities are likely prerequisite.

ALTERNATIVES: There are three alternatives: not upgrading, deferring the upgrade, or implementing different ERP system platform.   Not upgrading is not recommended because the City would inherit increasing fiscal, cybersecurity, technology, and compliance risk as the system falls further behind. Deferring is not recommended because it would increase the cost and complexity of the eventual upgrade, and would be less efficient, requiring staff to reiterate comprehensive testing cycles. Additionally, the system upgrade cannot be completed during a budget development year. Moving to an alternative ERP platform was considered as part of the City's 2014 strategic ERP assessment, but not recommended because it is simply not feasible financially, and because the SAP software is still considered one of the top ERP software systems worldwide.

COMPETITIVE SOLICITATION: The original purchase of SAP software in June of 2002 was competitively procured via Request for Proposal. The recommended additional software licensing purchase was not competitively bid.

CONTRACT HISTORY: This contract is for additional SAP software licensing per existing SAP Master Services Agreement dated June, 2002.

SUSTAINABILITY: Not applicable.

SBE/LEAP COMPLIANCE: Not applicable.

RECOMMENDATION:

The Information Technology Department recommends a contract be awarded to SAP Public Services Inc., in the amount of $597,842.66, plus applicable taxes, for software licensing of SAP HANA and related software products.

EXPENDITURES:

FUND NUMBER & FUND NAME	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
Information Services Fund 5800	596600	5412170	$597,842.66
TOTAL			$597,842.66

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REVENUES:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
Information Services Fund 5800	596600		$597,842.66
TOTAL			$597,842.66

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: There is no fiscal impact to the current biennial budget. The 2016 costs in the amount of $597,842.66 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. N/A

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