

# REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
13	06/24/13	Open	Action	05/29/13

Subject: Approving a Noncompetitive and Sole Source Procurement and Delegating Authority to Award a Contract for Technical Software Upgrade Services to SAP Public Services

## ISSUE

Whether or not to approve a noncompetitive and sole source procurement and delegate authority to the General Manager/CEO to award a contract for technical software upgrade services to SAP America, Inc. (SAP Public Services)

## RECOMMENDED ACTION

Adopt Resolution No. 13-06-\_\_\_\_, Approving a Noncompetitive and Sole Source Procurement and Delegating Authority to the General Manager/CEO to Award a Contract for Technical Software Upgrade Services to SAP Public Services.

## FISCAL IMPACT

Budgeted:	Funding pending *	This FY:	\$	
Budget Source:	Capital	Next FY:	\$	245,000
Funding Source:	Cal. Prop 1B, CTSGP	Annualized:	\$	245,000
Cost Cntr/GL Acct(s) or Capital Project #:	G075	Total Amount:	\$	245,000
Total Budget:	\$ 245,000			

\* Contingent upon the State's willingness to bond in support of Prop 1B projects.

## DISCUSSION

In October 2001, RT awarded a contract for the purchase and installation of an integrated financial management, payroll, plant maintenance, and material management system to SAP Public Services. The implementation of SAP's R/3 system version 4.6c was successfully completed in July of 2001. SAP Public Services has been providing software maintenance and support services to RT on an annual basis since RT's original implementation in 2001.

The R/3 software version currently in use at RT has exceeded its manufacturer-supported life span and must be upgraded to ensure continued manufacturer support and regulatory and tax compliance.

SAP has provided technical system support services to RT for over 12 years and is intimately familiar with RT's implementation and the customizations that have been implemented. Given the proprietary nature of the SAP system, RT's dependency on the system for business critical functions such as payroll and personnel management, and because SAP is the manufacturer of

Approved:

Presented:

Final 06/20/13  
General Manager/CEO

Director of Information Technology  
J:\Board Meeting Documents\2013\11 June 24, 2013\-\$ for SAP Technical Upgrade\_RevFB.rdoc.doc

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the system, staff believes SAP Public Services is the most qualified organization to perform a successful upgrade of RT's R/3 system.

Due to RT's dependency on its SAP system for critical business functions such as payroll and other accounting processes, staff believes there would be significant business impacts to RT's operations if there are excessive delays or an upgrade failure is experienced.

Staff believes the best possible way to mitigate the risk posed is to contract directly with SAP Public Services to provide the necessary upgrade services. SAP is not only the manufacturer of the product, but has also been the primary support and sole system maintenance service provider to RT for the past thirteen years. Due to its familiarity with the product and knowledge of RT's implementation and configuration, SAP is uniquely qualified to perform the necessary upgrade services.

A grant for this project has been applied for, and approved, via the Proposition 1B, Transit Security Grant Program; however funding is not currently available. CalEMA has estimated funding for this project may be available by the end of 2013. Execution of a contract with SAP will be contingent on either: (1) the availability of funds for the contract; or (2) agreement by SAP to accept delayed payment for contract work.

Staff recommends entering into a sole source contract with SAP America, Inc. to perform technical upgrade services to upgrade RT's system to the latest version.

In accordance with Section 1.405.C of RT's Procurement Ordinance, the Board may approve a noncompetitive procurement when it determines that it is in the best interest of RT.

Staff recommends that the Board approve a noncompetitive and sole source procurement and delegate authority to the General Manager/CEO to award and execute a contract for technical software upgrade services to SAP America, Inc. for an amount not to exceed \$245,000, including reimbursable expenses if: (1) contract negotiations are successful; and (2) Proposition 1B funding is available.

RESOLUTION NO. 13-06-\_\_\_\_\_

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

June 24, 2013

**APPROVING A NONCOMPETITIVE AND SOLE SOURCE PROCUREMENT AND DELEGATING AUTHORITY TO THE GENERAL MANAGER/CEO TO AWARD A CONTRACT FOR TECHNICAL SOFTWARE UPGRADE SERVICES TO SAP PUBLIC SERVICES**

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, SAP America, Inc. has provided technical support services for its' R/3 software system purchased by and installed at RT since 2001 and is intimately familiar with RT's system use, maintenance history and system customizations;

THAT, because of its familiarity with RT's implementation of R/3, and as the manufacturer of the proprietary R/3 software system, SAP America, Inc. is uniquely qualified to perform upgrade services of RT's R/3 software system, minimizing risks to RT's mission critical business functions that depend on the R/3 system;

THAT, it is in the best interest of RT to retain the services of SAP America, Inc. to perform technical software upgrade services without following RT's competitive solicitation procedures set forth in Article II of RT's Procurement Ordinance;

THAT, pursuant to section 1.405.C, of RT's Procurement Ordinance, a sole source procurement is authorized under a Best Interest finding;

THAT, the General Manager/CEO is hereby authorized to award a Contract to SAP Public Services, wherein SAP Public Services agrees to provide technical software upgrade services for an amount not to exceed \$245,000, including reimbursable expenses, upon successful completion of contract negotiations and execute the foregoing Contract, subject to either: (1) availability of Proposition 1B funding for the Contract; or (2) an agreement by SAP America Inc. to accept delayed payment for Contract work to allow for the arrival of grant funding.

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PATRICK HUME, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: \_\_\_\_\_  
Cindy Brooks, Assistant Secretary