



Agenda Item No. 4

To: Finance-Auditing Committee/Committee of the Whole
Meeting of July 12, 2007

From: Robert A. Haar, Director of Information Systems
Teri W. Mantony, Deputy General Manager, Administration & Development
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Subject: **APPROVE ACTIONS RELATIVE TO THE EXECUTION OF AN
AMENDMENT TO CONTRACT NO. 2003-D-1, FINANCIAL
MANAGEMENT SYSTEM AND OTHER RELATED ITEMS, WITH
SUNGARD BI-TECH, INC., TO PROVIDE HOST SERVERS USED FOR
IFAS AND SPEAR TECHNOLOGY APPLICATIONS**

Recommendation

The Finance-Auditing Committee recommends that the Board of Directors approve an amendment to Contract No. 2003-D-1, *Financial Management System and Other Related Items*, with Sungard Bi-Tech, Inc. to host servers used for IFAS and Spear technology applications in the annual contract amount of \$278,400 subject to an annual adjustment for inflation, plus a 5 percent contingency of \$13,920, and a one time set up charge of \$20,000 with the understanding that requisite funds are available in the District Division's Information Systems FY 07/08 operating budget and that future years will be budgeted accordingly.

Summary

In September 2003, the Board approved Contract No. 2003-D-1 to Sungard Bi-Tech (SBI) and Spear Technologies for a *Financial Management System and Other Related Items*. This resulted in the replacement of the District's outmoded financial management computer system with the IFAS and Spear software applications technology. One part of that contract involved the purchase and installation of a variety of servers at the District to support these applications. SBI currently provides support services for these servers remotely at an annual cost of \$117,960. These support services include UNIX system administration and some data base administration functions. These are services that are not available with existing District staff and are not the type of services which can be provided in-house due to the detailed technical knowledge that is needed of the IFAS application. This knowledge includes:

- How the database is designed to support the application;
- How the application is installed and maintained on the database server;

- How supporting portions of the application are installed and maintained on web and Citrix servers;
- How software updates are applied to the various application, web and Citrix servers;
- How database contents are migrated between version upgrades;
- How client and server application software is compiled under new software releases; and,
- What the interrelationships are between the client and server software.

Since these services are provided remotely from their Chico, California, location, SBI calls these *Remote Services Provider (RSP)* services.

Recently, because of the cost of significant hardware upgrades that will be needed soon, staff reviewed the options for server support. The significant hardware upgrades needed are the purchase of two large UNIX servers that would each cost over \$100,000. The District's existing servers, which were purchased at the time of the initial implementation of the financial and related systems project, are almost at maximum capacity, and the District will need larger capacity servers to accommodate additional modules in the near future. The District basically has two options to meet its requirements: (1) the District could purchase larger servers at a significant capital cost and continue to house them at District facilities, with support from SBI's RSP services; or (2) the District could avoid the capital cost of new servers and contract with SBI to host the IFAS and Spear servers at their centralized facilities in Chico, where SBI would also provide combined server and application support. SBI calls this hosting arrangement Application Service Provider (ASP) services.

After weighing the benefits and costs of these options, staff recommends engaging SBI for ASP services. As part of this contract change to expand SBI's services from an RSP function to an ASP function, SBI would oversee:

- Server hardware and software;
- Connectivity services with a managed T1 line and VPN failover;
- Disaster Recovery services;
- UNIX system administration;
- Database administration; and,
- Over a dozen other related services.

By relocating the IFAS and Spear servers to the SBI facilities, the District gains several important benefits. First, since SBI has deep and extensive experience with the financial management systems it helped design for the District, it will have considerable capacity to seamlessly attend to the District's hardware and application support needs. They offer greater application familiarity and depth of staff than the District could replicate in-house. Second, the relocation of the servers to SBI's centralized facilities in Chico should provide greater security and redundancy for disaster recovery situations. They are well equipped to safeguard and protect against technology failures, particularly in light of SBI's close relationship with its sister company, SunGard Data Services, the world's largest Disaster Recovery vendor. Third, by using SBI's servers, the District will have much larger, more powerful database servers to accommodate the new modules that the District plans to implement.

This new contract arrangement, at an annual cost of \$278,400, would replace the existing RSP contract. This results in a net increase in annual cost of \$160,440. However, the new arrangement has the potential to save District funds in a variety of ways.

Probable cost savings that could result from this arrangement include:

- a. Reduction in a probable need for an additional System Administrator that would cost approximately \$120,000 annually. If the industry ratio for servers to System Administrators were followed, the District would need three System Administrators. However, this action will allow the District to manage its servers with the current authorized positions.
- b. Reduction in hardware/software upgrade costs will be eliminated by not needing to upgrade the Windows servers every 3 years and the Unix servers every 4 years averaging \$70,000 annually.
- c. Reduction in hardware support costs of approximately \$10,000 annually by not needing the vendor that monitors and replaces faulty hardware on the UNIX servers.
- d. Reduction in database maintenance costs of approximately \$11,000 annually by not needing to pay for Oracle database licenses.
- e. Reduction in costs of approximately \$8,000 annually for software licenses for Windows servers.

Once the ASP arrangement is implemented, the existing IFAS and Spear servers at the District can be recycled for other applications.

The District has worked regularly with SBI for the past four years and has been pleased with the relationship. SBI staff has proved to be professional, knowledgeable, trustworthy and responsive. This relationship is expected to continue. Currently, 42 other SBI customers utilize the ASP option to host servers at SBI. District staff interviewed several of these customers to determine their level of satisfaction with SBI hosting their servers. Their typical level of satisfaction was high.

Staff has worked with legal counsel to confirm that this is an appropriate sole source procurement, and that a contract amendment is a viable option. SBI ASP not only includes hosting of the IFAS hardware, but also includes support of the IFAS environment including database analysis, optimizing, and backups, and provision of test accounts for software upgrade testing and other testing. These services are unique and require extensive knowledge of the IFAS application. These services can not be provided by other hardware hosting or collocation companies. SBI confirmed that they will not provide these services if the servers are at an ASP location other than SBI's. This meets the definition of sole source procurement in Section VI.A.1 of the District's Procurement Manual.

As with the existing contract, SBI's fee for ASP services will increase each year in accordance with the increases in the percentage of the Consumer Price Index (CPI-W for Selected Areas, West Urban Adjustment) published by the Department of Labor and Statistics with the prior year as the baseline. Again, as with the existing contract, each March 1st, SBI may provide evidence in writing that an increase up to 2% above the CPI change is justified for the upcoming year.

Staff confirmed that the proposed compensation for these services is fair and reasonable, and in accordance with market norms.

Fiscal Impact

The additional \$165,360 needed for FY 07/08 budget will be absorbed from the District Division's Information Systems FY 07/08 Operating Budget (see Table One below). The annual cost of \$278,400 and the annual 5 percent contingency needs in subsequent years will be adjusted in accordance with contract provisions and budgeted in each future fiscal year.

The contract amendment results in a total cost of \$312,320 in the FY 07/08 operating budget, comprised of an annual cost of \$278,400, a one-time set up charge of \$20,000, and an annual 5 percent contingency of \$13,920. It is projected that the implementation of the ASP solution will result in an estimated annual savings of \$99,000 in the Information Systems Department's Operating and Capital Budgets in future years (see page 3 items b through e). However, the projected savings for FY 07/08 is \$29,000 because no server upgrades are scheduled.

Table One

<u>Additional Cost in FY 07/08</u>	<u>Cost</u>
Annual Cost	\$278,400
5% Contingency for extra servers	13,920
Currently Spent on the RSP Program	(117,960)
FY 07/08 Offsets in IS Department	(29,000)
Total Additional Annual Incremental Cost	145,360
Total Additional One-Time Costs	20,000
TOTAL Additional Cost in FY 07/08	\$165,360