THE CITY OF SAN DIEGO

REPORT TO THE CITY COUNCIL

DATE ISSUED: September 12, 2012   REPORT NO: 12-112

ATTENTION: Council President Young and Members of the Rules Committee

SUBJECT: Vendor Registration and eSourcing Software

REFERENCE:

REQUESTED ACTION: Authorize utilization of Funds in the Department of Information
Technology CIP Budget (Project S12021) for Implementation of the PlanetBids Vendor
Registration and eSourcing Software

STAFF RECOMMENDATION: Authorize use of the Budgeted Funds for Staff's
Recommended Software Solution

SUMMARY:

The City of San Diego has a long standing commitment to ensuring all entities interested in
doing business with the City are provided an equal opportunity to participate in competing for
City purchases of goods, services (includes professional services) and public works construction
contracts. A report to Rules Committee dated August 1, 2007 (#07-135) identified a Centralized
Bidder Registration System and "E-Commerce" as two initiatives which could contribute toward
that commitment. Also in August 2007 a Mayoral Equal Opportunity Task Force requested the
Purchasing & Contracting Department work with San Diego Data Processing to develop and
implement a Contractor/Vendor Registration System; the system went live in June 2008 however
its effectiveness was limited because it did not interface with the Purchasing System (OPIS) or
other contract bid and award tracking systems. As a result the system fell out of use due to the
labor and time intensive manual processing of the data in order to send electronic notices to
potential vendors and contractors.

Currently vendor registration is segmented across 4 different systems, two of which can require
vendor payment which discourages participation. Public Works Contracting (eBidBoard) and
Purchasing & Contracting (DemandStar) utilize different sourcing software. Creating and
issuing electronic solicitations require manual exchange of information between multiple data
bases and the sourcing software. Vendors must print out documents and prepare and submit hard
copy responses; subsequent staff review and evaluation is done manually with little or no data
captured for analysis and reporting on vendor participation. Buyers do not have ready access to
award data for analysis useful in identifying cost reduction opportunities through more effective
sourcing.

SAP, the City's ERP System, is currently utilized for all financial elements of the procure to pay process including requisitioning, creation and release of purchase orders, receipt of goods/services, invoice processing and payment including repository of AP Master Vendor data. Vendor registration and procurement functions are not currently part of the ERP platform. The Administration Department implemented PRISM software to manage vendors with special certifications and most importantly to monitor subcontractor compliance for Public Works activity. Full integration between any new software and these existing systems would be preferable. However staff determined that it would be acceptable to maintain the current procedure for setting up vendors in SAP and for entering data in PRISM.

Software Alternatives Considered
The first alternative considered was a two phased implementation proposed by SAP. When the City implemented SAP the SRM-PPS module, Supplier Relationship Management for the Public Sector, was included in the license but was not implemented. Recently the City was informed that the Vendor Registration Component had been enhanced and redesigned and was now available as a standalone module SLC (Supplier Lifecycle Management). Phase I would implement SLC (for vendor registration) and limited elements of SRM to provide some level of eSourcing functionality. Phase 2 would result in full installation of SRM's procurement functionality with full integration of vendor data and financial related information with the City's existing SAP system.

A broad market of off the shelf software exists to provide agencies with cost effective vendor registration and electronic sourcing capability. The functionality of the software is narrowly focused so the software is very intuitive and demonstrates a high degree of user friendliness for vendors and purchasing staff. A recent survey (12/2012) in Government Procurement magazine reported that by a 2 to 1 margin, organizations with ERP installations supplemented those with off the shelf software for vendor registration and sourcing functionality rather than obtaining this functionality through their ERP solution.

Several off the shelf solutions were reviewed. Based on discussions with other agencies, previous software demonstrations and the results of competitive processes carried out by other agencies, two specific software alternatives were evaluated in detail. PlanetBids software is used by several agencies in the San Diego area and is very familiar to an extensive number of vendors who would also do business with the City of San Diego. The software suite includes several modules which provide functionality to meet the needs identified by the business users. The software is highly regarded with strong references. The San Diego Airport Authority selected PlanetBids competitively and established a contract with piggyback provisions for use by other agencies.

The second stand alone software system, SciQuest, is also highly regarded by users and in IT literature. SciQuest's suite includes a comprehensive set of procure to pay modules including those necessary to provide the City's desired vendor registration and sourcing functionality. The software is available to public agencies through a Western States Contracting Alliance cooperative contract awarded through an extensive multi-state competitive procurement process.

Evaluation and Selection Process

All key stakeholder departments were engaged in the process to assess these software alternatives, including Comptroller, Department of Information Technology/Enterprise Resource Planning, Public Works Contracting group, Administration/EOC and Purchasing & Contracting. Functional requirements were developed and each vendor identified the functionality that was provided by the software identifying where custom programming was required. Multiple software demonstrations were held for business users to view and discuss software functionality and features. References were requested and distributed amongst the stakeholders. Vendor representatives were invited to provide feedback based on participating in a SAP webinar demonstration and working with PlanetBids and SciQuest software via test portals set up by the software companies.

Business user departments evaluated if the software met or exceeded their business needs as well as ease of use, ease of data reporting, and the installation and maintenance level of effort. Technical staff was asked to evaluate pre-work requirements and installation complexity, data security and vendor characteristics and strength.

Based on the assessment, PlanetBids is the recommended solution. The SAP alternative was not recommended primarily due to SAP's inability to demonstrate that much of the City's required functionality could be met in a user friendly environment without extensive and very costly software customization. In addition, the vendor registration portion of the system (SLC) has been completely redesigned and is somewhat untested. The software is only now being implemented in several organizations. The IT Business Leadership Group discussion and final approval of the recommendation to implement PlanetBids included direction that the City's eventual end goal should be incorporation of the SAP solutions for Vendor Registration and eProcurement. PlanetBids should be viewed as an interim solution until the usability of the SAP software has been enhanced, and the software modules have been established and refined in the market place at which time the City should reconsider their implementation dependent upon sufficient funding being available.

FISCAL CONSIDERATIONS:

The FY2013 budget includes $900,000 for implementation of a vendor registration solution. The budget specifically references use of the funds for implementation of the vendor registration elements of the SAP Supplier Relationship Management (SRM) module. Today's item requests authorization to utilize the budgeted funds for Staff's recommended software solution, PlanetBids as an alternative. First year costs for the PlanetBids software, including installation and annual licensing are estimated to be $180,000. The five year cost is estimated at $789,000. The system is hosted by the software supplier so there are no new requirements for City hardware. No ongoing technical support costs have been identified; however Purchasing & Contracting staff will assume the role of Business User Administrator.

The solution provides a number of tangible and intangible benefits. Tangible benefits include cost savings that will result through a much more efficient and timely procurement process by eliminating the current exchange of information between systems, preparation and processing of paper documents, manual issuance of weekly notices of bid opportunities to SLBE/ELBE firms

and manual tabulation of results involved in every solicitation process and resulting award. Cost savings will also accrue through increased strategic sourcing made possible by greater ability to access and analyze procurement data. Through analysis, strategic sourcing will enable Purchasing & Contracting to identify and establish contracts based on competitive prices for purchases now being made across the City with no or limited competition. This opportunity has the greatest cost savings potential.

EQUAL OPPORTUNITY CONTRACTING INFORMATION (IF APPLICABLE):

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

An update on the process of considering Vendor Registration and eSourcing software alternatives was provided to the Rules Committee on June 27th. At that time the Committee requested that staff incorporate vendor feedback into the software review process and requested staff return with an update at the September 19th Rules meeting.

The City Council approved $900,000 in the FY2012 budget for implementation of the vendor registration functionality of SAP's SRM software. The $900,000 was carried forward to the FY2013 Budget pending completion of this software review.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

Approximately 10-15 representatives from the vendor community were invited to participate as noted above and half provided feedback to a set of questions regarding software usability and performance. Vendor feedback favored PlanetBids software.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Implementation of new Vendor Registration and eSourcing software will impact the vendor community by requiring new registration actions. A working group of vendor representatives will be established to provide input as the final registration interface is developed. Actions are also being considered that could reduce the re-registration burden including importing data into the system from the City's current Master Vendor Data file in SAP. In addition, staff is discussing with PlanetBids the possibility of creating a basic vendor profile within the City's Vendor Registration system by transferring registration data for vendors who have registered in the PlanetBids system from other local agencies. This option could also be discussed with the vendor working group to identify any concerns over such a process, and ways to address those concerns to ensure vendor participation. Overall, the system should provide a more effective process for notifying vendors of opportunities and provide them with a much more efficient and timely electronic means for preparing and submitting their responses for consideration.

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Originating Department

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Assistant Chief/Chief Operating Officer