



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Agreement with Accela Inc. for Replacement of Project Tracking System

OVERVIEW

On September 22, 2015, the Development Services Department (DSD) will present the City Council with a proposed agreement with Accela, Inc. to replace the current DSD Project Tracking System (PTS). DSD is replacing its 15 year-old computer system which was developed in-house by City staff. The new system will support the City's Information Technology strategy to implement current off-the-shelf packages that meet the functional needs of the department. The new PTS will track and manage all events, entities, and commitments for the City's land development process and code enforcement, and provide additional functionality and integration with the City's SAP Enterprise Resources Program, GIS system, web resources and other systems.

The total value of the proposed Accela agreement is approximately \$10.9 million for a term extending five years. The costs identified within the agreement include software license, hosting, and maintenance fees as well as implementation costs. Software license fees and implementation costs are anticipated to be one-time costs while hosting and maintenance fees are expected to be annual ongoing expenses. The system implementation phase, which includes documenting business processes, configuring the Accela product, converting data, testing, and training users, is anticipated to take up to 18 months.

DSD and the Department of Information Technology (IT) are proposing a Sole Source procurement process for the Accela agreement. City Council Policy 300-7 identifies criteria to be considered in a Sole Source procurement. Council Policy 300-7 states "This decision must be based on circumstances where competition is not feasible and such selection must be adequately justified. Such justification must contain substantive reasons as to why only one firm was selected and must reference specific items such as time constraints, cost savings, or unavailability of similar expertise." To support the sole source procurement process, DSD has primarily cited Accela's market strength and ability to meet the City's current and future needs. DSD also cites significant cost savings of approximately \$1.2 million which includes a discount if an agreement is awarded by September 30, 2015.

As this agreement was not presented to a City Council Committee, this report provides information on PTS acquisition in other jurisdictions and also reviews the projected costs and savings related to the proposed agreement.

FISCAL/POLICY DISCUSSION

DSD uses PTS as its core information system to manage the permitting and development functions for the Department. The PTS is an in-house system, which DSD and the Department of IT staff began to develop in 1998 and placed into operation in 2001. DSD has added several additional modules to the system since 2001 to enhance the system’s capabilities. However, as the PTS handles high volumes of various transactions and the development of additional system features have been recommended by multiple stakeholders, including the Office of the City Auditor¹, DSD and the Department of IT began evaluating the operational and technical requirements for a new system.

REVIEW OF MARKET

In conjunction with developing the desired upgrades and additional features for a new PTS, DSD reviewed how other municipalities were addressing their respective land development processes. DSD staff collected information and contacted several municipalities to discuss their respective electronic systems and the “lessons learned” from their searches and implementation of new systems. DSD reviewed cities locally and nationally, and searched for projects of similar size. Each project is different due to its complexity, identified scope of work, mix of products and services, and population of the respective municipality. Population plays a role in determining the size and cost for certain features such as hosting fees.

Table 1 provides an example of the estimated PTS project costs for various municipalities. While the actual projects and the costs may not be directly comparable due to the number of variables related to the project design, the table provides an example of the costs incurred by various municipalities to upgrade their respective PTSs.

TABLE 1 - ESTIMATED PROJECT COSTS IN OTHER MUNICIPALITIES

Municipality	Population	Estimated Project Cost^{1,2}
City of New York	8,406,000	\$30,800,000
City of San Antonio	1,409,000	\$12,000,000
County of San Diego ³	550,000	\$11,000,000
City of Seattle	652,000	\$4,250,000
City of Oakland ⁴	406,000	\$3,700,000
City of San Diego	1,356,000	\$6,076,000

1. Estimated project cost does not include hosting and maintenance fees.
2. Estimated project cost may not be total cost of program as additional costs or phases may not have been included.
3. Population is for the unincorporated areas of the County only.
4. Cost estimate is five years old.

¹ Within the Office of the City Auditor’s June 2012 Performance Audit of the DSD’s PTS, several of the report’s findings indicated that the current design and implementation of the PTS lacks many critical controls and features to facilitate effective operations. Additionally, the Audit states that the PTS lacks modern, user-friendly features found in other systems.

Additionally, DSD collected information on the procurement process (Request for Proposal (RFP) or Sole Source) undertaken by several municipalities. Table 2 provides a sample of the procurement processes and vendors selected by several municipalities.

TABLE 2 - PROCUREMENT PROCESSES USED IN OTHER MUNICIPALITIES

Municipality	Procurement Process	Vendor Selected
County of San Diego ¹	RFP / Sole Source	Accela
City of Chula Vista	Sole Source	Accela
City of Oakland	Sole Source	Accela
City of Sacramento	Sole Source	Accela
City/County of San Francisco	Sole Source	Accela
City of Los Angeles	RFP	Accela
City of Portland	RFP	Hanson
City of New York	RFP	Accela

1. Contract split into multiple portions.

PROCUREMENT PROCESS

Prior to developing the proposed agreement, DSD first identified the PTS needs of the City and reviewed lessons learned from other municipalities. DSD explained to our Office that Accela was uniquely qualified to leverage their market position to best provide updated products and services to the City. Based on their research and rationale, DSD and the Department of IT jointly determined that Accela was best suited to meet the needs of the City. Upon determining that Accela was the best fit for the City, DSD discussed the procurement process with the City’s Purchasing and Contracting Department.

The Purchasing and Contracting Department, in an effort to expedite the commencement of the project, initially recommended a cooperative procurement contract be considered. San Diego Municipal Code Section 22.3208 allows a contract to be awarded without advertisement or a competitive process if the cooperative procurement contract: (1) is in the best interest of the City; and (2) is to the City’s economic advantage; and (3) was competitively awarded using a process that complies with the policies, rules, and regulations developed and implemented by the City.

An agreement between Accela and the State of Michigan was identified as a potential opportunity to pursue the usage of a cooperative agreement. The agreement would reduce the time needed to initiate the project, established discounts from the list prices for products and services, and had been competitively bid. However, after review of the Statement of Work for the State of Michigan agreement, the City determined that it would not be in the best interest of the City to use the State of Michigan agreement. The Statement of Work for the State of Michigan agreement did not fully meet the needs of the City and amendments would be necessary to ensure the City’s needs would be met. It was determined that a standalone agreement with Accela would be preferable.

In discussions between the City and Accela, Accela offered the extend to same discounts for certain products and services to the City that were negotiated in the State of Michigan agreement. Additionally, Accela offered a secondary discount on the proposed implementation costs if an agreement could be negotiated and awarded prior to September 30, 2015 (close of the fiscal quarter for Accela). As DSD and the Department of IT had previously concluded that Accela was the best operational and technical fit for the City from a strategic perspective, DSD opted to pursue a sole source contract to expedite the award of the contract. DSD and the Department of IT state their support for meeting the criteria of a sole source

contract in the Request and Certification for Sole Source Procurement from DSD to the Purchasing and Contracting Director dated August 11, 2015.

PTS COSTS AND DISCOUNTS

The total cost for the Accela agreement over the five-year term is approximately \$10.9 million. The proposed agreement establishes costs of approximately \$7.0 million in Year 1, followed by annual payments of approximately \$967,000 in Years 2 – 5. DSD has identified several specific funding sources to address the projected costs for Year 1 of the agreement. The Year 1 funding plan for the new PTS includes contributions from the Code Enforcement Civil Penalties Fund², the DSD Enterprise Fund, and funding via the City’s Master Lease Agreement as approved by the City Council on June 3, 2015.

TABLE 3 - YEAR 1 FUNDING

Funding Source	Amount
Civil Penalties Fund	\$3,000,000
DSD Enterprise Fund	\$1,351,816 ⁽¹⁾
Master Lease Agreement	\$2,691,476
Funding Total	\$7,043,292

⁽¹⁾\$697,000 allocated to project in FY 2016 Budget. Balance of contribution anticipated from Fund's Unrestricted Reserve.

Funding for Years 2 – 5 (approximately \$967,000 on an annual basis) of the proposed agreement is not specifically identified in the staff report. DSD has indicated that the annual operating costs associated with the new PTS will be incorporated into the department’s future operating budgets. DSD is currently undertaking a fee study which will evaluate the projected revenues and expenditures of the department (including future operating costs of the new PTS) to determine if department fees need to be adjusted to maintain a balanced budget. DSD expects the fee study and any recommendations for fee adjustments based upon the study to be presented to the City Council by the end of Calendar Year 2015. If the completion of the fee study is delayed or an imbalance in revenue and expenses is not addressed through fee adjustments, yet to be determined revenue sources and/or reserve funds will be required to address any revenue shortfalls.

DSD has indicated that the \$10.9 million cost for the PTS reflects a \$1.2 million discount from Accela’s list prices for the negotiated services. Based on preliminary DSD estimates, the \$1.2 million discount is comprised of approximately \$841,000 in reduced costs from the extension of the discounts offered in the State of Michigan agreement, and approximately \$376,000 from the secondary discount offered IF the contract is awarded prior to September 30, 2015. These discounts will be realized over the term of the agreement. The Pricing Summary (Exhibit 5 of the proposed agreement) outlines the proposed costs associated with the different services to be provided by Accela.

Table 4 illustrates the projected costs for the PTS over the term of the agreement.

TABLE 4 - PROJECTED PTS COSTS

Fee/Cost	Year 1	Year 2	Year 3	Year 4	Year 5	GRAND TOTAL
License Fee	\$2,691,475	\$0	\$0	\$0	\$0	\$2,691,475
Implementation Cost ¹	\$3,384,895	\$0	\$0	\$0	\$0	\$3,384,895
Hosting Fee	\$429,971	\$429,971	\$429,971	\$429,971	\$429,971	\$2,149,855
Maintenance Fee	\$536,949	\$536,949	\$536,949	\$536,949	\$536,949	\$2,684,745
TOTAL	\$7,043,290	\$966,920	\$966,920	\$966,920	\$966,920	\$10,910,970

1. Implementation anticipated to take up to 18 months. For display purposes, all costs shown in Year 1.

² The Code Enforcement Civil Penalty Fund is for the enhancement of the City’s code enforcement efforts. As the new PTS will enhance code enforcement efforts, DSD is including this funding as part of the Year 1 funding plan. The Office of the City Comptroller has opined that this would be an appropriate use of these funds.

ANNUAL OPERATING COSTS

DSD estimates the current operating costs for the systems to be replaced with the new PTS are approximately \$750,000 on an annual basis. Based on the proposed agreement, the operating costs for the new systems will be approximately \$967,000, representing an increase of approximately \$217,000 on an annual basis. DSD will continue to incorporate the annual operating costs into the department's annual operating budgets. As previously mentioned, DSD is currently undertaking a fee study which will evaluate the projected revenues and expenditures of the department to determine if the department fees need to be adjusted to maintain a balanced budget.

CONCLUSION

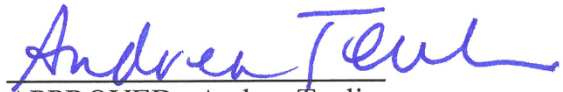
DSD is pursuing an agreement with Accela Inc. to replace the current PTS used by the City to manage the City's land development process. Upon completion of an evaluation of the City's needs and review of the activity in the land development software market place, DSD and the Department of IT determined that Accela Inc. would be the best operational and technical fit for the City from a strategic perspective.

DSD initially pursued a cooperative agreement to secure the vendor contract; however, after further review, it was determined that a standalone sole source contract would be a preferable avenue for engaging with the proposed vendor. City Council Policy 300-7 requires that the sole source procurement process be supported by substantive reasons. DSD and the Department of IT provide support for the sole source contract in the Request and Certification for Sole Source Procurement from DSD to the Purchasing and Contract Department, dated August 11, 2015.

This report provides additional information related to the proposed Sole Source agreement based on our discussions with DSD staff. Additionally, we provide information related to the projected costs and savings for the proposed agreement.



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