



**CITY OF SAN DIEGO
COUNCILMEMBER SHERRI S. LIGHTNER
DISTRICT ONE**

M E M O R A N D U M

DATE: April 16, 2009

TO: Mary Lewis, Chief Financial Officer

FROM: Councilmember Sherri Lightner, District 1

A handwritten signature in black ink, appearing to be "SL", written over the name "Councilmember Sherri Lightner, District 1".

SUBJECT: SAP Contract

All City contracts and contractors must be held to the highest standards to protect public interests and assure the proper use of tax dollars. It is my understanding that the Mayor had originally agreed to provide quarterly updates to the Council and that the last one was in October 2007. The Council should be provided these quarterly updates, as originally agreed. In view of the budget overruns and performance issues, additional scrutiny and safeguards are in order.

The Public and Council would benefit from clear information about SAP's finished deliverables, and information regarding whether terminating the Axon contract and contracting with SAP has resulted in improvements. The Mayor's proposal should require SAP to provide measurable projections for finished deliverables and require SAP to guarantee the longevity and applicability of the software.

Staff has stated that the current budget will be exceeded by \$10 million. Approval of the proposed contract amendment will result in the authorization to finance seven of the ten-million dollar increase. SAP should provide reasonable assurances indicating that it will complete the scope of work within their current contract. Requests for additional funds should be substantiated by a responsible indication of when such requests will end so that the City does not perpetuate the same lack of accountability that contributed to significant cost overruns. SAP should share in the burden of any unbudgeted costs.

Additionally, this contract needs to identify whether in-house IT, Data Processing Corp., or outside workers would provide the best product and service.

In an effort to provide taxpayers and decision makers with the appropriate level of transparency and dependability, I would appreciate a response to the following questions.

1. What is the cost of the City's FTE's working on the ERP?
2. Does the IBM loan pay the cost of those City employee FTE's? If so, how much of the loan is being paid to City employees?
3. Has SAP been asked to secure financing, or to help the City find financing?
4. Have the Axon contracted services changed with the change to SAP? If so, how?
5. Has Axon been completely released from this project?
6. Is this work which could be performed by SDDPC?
7. What deliverables have been achieved?
8. What are the remaining deliverables and the estimated date of completion for each one?
9. Is SAP willing to cost share in the additional costs?
10. What is the cost of maintenance and software upgrades, and how long is the contract?
11. Including repayment of the loan and support personnel, what is the anticipated annual cost of the ERP system?
12. Is there a licensing agreement with SAP?
13. Did the original Council action require an EOC Plan?
14. How does this contract amendment contribute to the original goal of the contract?
15. Can the City insist that the original contract be fully performed before investing in any further "modifications"? If not, why not?

The answers to these questions will help guide the decision-making process so that taxpayers can be assured of receiving the promised product—a more efficiently run government.

Thank you for considering this request.

SL:jr

cc: Andrea Tevlin, Independent Budget Analyst
Councilmembers