

APPROVED
BY THE CITY COUNCIL

JUN 22 1999

OFFICE OF THE
CITY CLERK



4.1

DEPARTMENT OF
ADMINISTRATIVE SERVICES

SALLY W. NAGY
CHIEF INFORMATION OFFICER

CITY OF SACRAMENTO
CALIFORNIA

June 16, 1999

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AG 99-103
CC 99-339

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: UPDATE ON THE CITY'S YEAR 2000 READINESS (Y2K) EFFORT; REQUEST FOR SOLE SOURCE CONTRACT FOR CONTINUATION OF KPMG'S MANAGEMENT OF THE YEAR 2000 PROJECT OFFICE

LOCATION: Citywide

RECOMMENDATION:

This report recommends that the City Council approve the attached resolution which suspends formal competitive bidding and authorizes the City Manager to execute a Professional Services Agreement with KPMG Peat Marwick, LLP in the amount of \$497,100 for professional services related to the continued operation of a Year 2000 Project Office.

CONTACT PERSONS: Sally W. Nagy, Chief Information Officer, 264-8600

FOR THE COUNCIL MEETING OF: June 22, 1999

SUMMARY:

The City has made great progress in preparing for the year 2000. This report provides status information on the City's Year 2000 Readiness (Y2K) effort. It also recommends that the City Council adopt the attached resolution which suspends competitive bidding and authorizes the City Manager to execute a sole source contract in the amount of \$497,100 with KPMG Peat Marwick, LLP for project management of the City's Year 2000 Project Office.

BACKGROUND:

City staff have been working on the Year 2000 issue since 1996 when the City Council approved the purchase of a new IBM enterprise server and operating system software to replace the old mainframe hardware and software. On March 2, 1999, the Council authorized the establishment of a centralized Year 2000 Project Office and the retention of KPMG to provide an independent assessment of the City's readiness efforts and project management of the City's Y2K Project Office. This is the first status report since the start of the consolidated approach to readiness.

This report will cover five main areas:

- Current Status of Remediation Efforts
- Emergency Planning
- Public Information and Outreach Plan
- Year 2000 Project Office
- Next Steps

Current Status of Remediation Efforts

Mainframe Systems: Staff created a test area that is being used for final testing of all mainframe applications. This testing, which simulates the remainder of 1999 and half of 2000, began in April for most mainframe applications. These include the City's Financial, Human Resource, Utility Billing, Pension, Business Tax and Parcel systems. To-date, all applications have successfully passed tests through January 1, 2000. Testing will continue through mid-September to ensure all applications can successfully process dates and data through June 30, 2000.

Several other small applications (Weed Abatement, Workers' Compensation, Telephone Billing, and Council Fliers) were targeted for replacement rather than remediation or deferred testing based upon their run cycle. This work has been completed and these are currently being tested as well.

Microcomputers: Staff continues to identify, test and either fix or replace non-compliant PCs. Progress continues.

Networks: In December 1998, the Council authorized the Technology Division of Administrative Services Department to proceed with an analysis of the City's networks in order to improve network reliability and stability. This analysis, which has just concluded, resulted in a recommendation for improvements which, when implemented will also satisfy network-related year 2000 compliance requirements. Staff is currently developing an implementation plan to meet both performance and Y2K objectives.

Embedded Chips: This area continues to be that of greatest concern as embedded chip problems are the most difficult to identify and time-consuming to fix. Departments have made significant progress in both the identification and correction of potential problems. A number of systems have already been tested, fixed and/or replaced. These include the City's phone systems. The most significant phone system identified as being non-compliant is the Police 9-1-1 phone system. Initially, it was thought the best approach to compliance was to replace this system. However, a reassessment has led to a decision to fix the existing system rather than replace it. This has been determined to be the safest approach to achieving compliancy. Another critical embedded chip issue relates to the Mobile Data Terminals (MDTs) used by Police and Fire. The newer models have been determined to be compliant. However, the older ones are not. The MDT and the dispatch software manufacturers conducted tests to determine the extent of the problem and possible solutions. The Police Department has determined that the issues identified do not warrant correction prior to the new year. Finally, embedded chips are having a significant impact on the Public Works Department's Y2K workload. The over 300 buildings, 2,400 vehicles, 600 traffic signals and many other items needing to be inventoried and assessed, have placed a tremendous load on the department. They have had to prioritize those items that must be ready by year's end and those that can wait.

Emergency Planning

The City recognizes the need to work with other government agencies to ensure we achieve a Y2K compliant community status. The Public Safety City/County Year 2000 Task Force continues to meet with participants including the County Executive, City Manager's Office, Sheriff, Police, Sacramento Fire Chief, American River Fire Chief, City and County Emergency Operations Coordinators, City and County Chief Information Officers, and City and County Public Information Officers. As you may recall, this group came together to jointly address planning for Emergency Operations Center Year 2000 activities. Its primary focus is to anticipate and respond to the human needs of Y2K problems; including those not necessarily caused by computer system failures. These include extraordinary year-end celebrations, demonstrations, heightened fear and uncertainty, and the potential for weather related emergencies that occur at this time of the year.

Three subcommittees were set to prepare plans to address:

- Internal Information Technology Readiness
- Emergency Response/Public Safety Considerations
- Public Information and Outreach

On July 20th a report detailing Y2K plans for Emergency Operations will be presented to the Mayor and Council.

Public Information and Outreach

The Public Involvement Plan continues to be fine-tuned (see Attachment A-2). The City's Y2K Internet Web Page debuted in May (www.sacto.org/y2k/). And the City has a paid advertisement in KFBK's Y2K Guide coming out this month. The City's campaign begins in earnest in July with a joint City/County Press Conference to announce the City's Y2K Public Outreach Plans. These will include announcement of the Y2K Hotline, publication of the City's Y2K Preparedness Brochure, participation in the President's "Y2K Community Conversation Program", utility bill inserts and other outreach opportunities.

Year 2000 Project Office

In March, the Council authorized the establishment of a Year 2000 Project Office and the retention of KPMG LLP to:

- Manage the Project Office
- Assess the City's efforts to-date
- Oversee the development of a consolidated City-wide Year 2000 workplan
- Coordinate departmental Y2K activities

The first task of this office was to conduct an independent review and audit of the effort to-date, and to identify potential problems. Today, KPMG will provide a report on its findings (see Attachment A-3).

However, as we near the countdown to the critical date, it is clear that we must continue to focus on Y2K readiness. The Year 2000 Project Office is needed to facilitate development of departmental contingency and business recovery plans. As before, qualified City staff is already fully engaged either in year 2000 work or other critical projects and is not available to fully staff the Project Office.

As time is of the essence and continuity is critical to meeting the deadline, it is requested that a follow-on agreement with KPMG LLP be executed in order to proceed with Phase II. KPMG's proposal (see Attachment A-1) includes the following tasks:

- Manage the Project Office
- Provide monthly assessments of the City's efforts
- Oversee the implementation of a consolidated City-wide Year 2000 workplan
- Assist in the development of contingency plans
- Coordinate cross-departmental Y2K activities

Next Steps

Substantial progress has been made and, overall, the City is well positioned for the turn of the century. But, as you will see from the KPMG Assessment Report, there is much yet to be done and the deadline is rapidly approaching. The focus for the remainder of 1999 will be to finish the work in process, reevaluate and test what's been done, identify any remaining problem areas that haven't been addressed and develop contingency plans to deal with possible Y2K failures both by City systems and those outside our control.

- We will continue our participation on the City/County Year 2000 Task Force to jointly plan and execute Public Safety Year 2000 contingency efforts.
- Departmental contingency plans will be developed.
- An aggressive public information and outreach campaign will be conducted.
- Staff will provide regular updates to the Mayor and Council for the duration of this project.

FINANCIAL CONSIDERATIONS:

Administrative Services requests this agreement be funded from the remaining ASD Department prior year carryover savings (\$245,000) and from various affected funds including the General Fund Contingency (\$252,100). The balance of the General Fund Contingency before this action is \$416,000.

ENVIRONMENTAL CONSIDERATIONS:

Ongoing administrative and maintenance activities, which are not made for purposes of a public works construction project, do not constitute a "project" and are exempt from the California Environmental Quality Act (CEQA). CEQA Guidelines, Sections 15061(b)(1), 15378(b)(3).

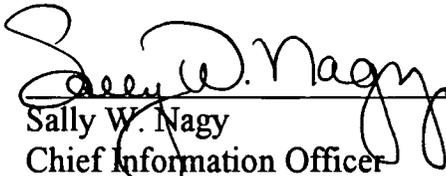
POLICY CONSIDERATIONS:

Addressing the Year 2000 problem for the City is critical to continued operations and services to the community in the Year 2000 and consistent with the City Council's direction.

ESBD

KPMG, Peat Marwick, LLP is not certified ESBD. Our original agreement with them was established prior to the creation of the ESBD Program. It would be highly disruptive to our progress if we changed vendors for this work at this time.

Respectfully submitted,


Sally W. Nagy
Chief Information Officer

RECOMMENDATION APPROVED:


Robert P. Thomas
City Manager

Exhibits:

- A-1 KPMG Proposal dated June 8, 1999
- A-2 Public Involvement Plan, City of Sacramento, June 1999
- A-3 KPMG Y2K Final Assessment Report dated June 15, 1999

APPROVED
BY THE CITY COUNCIL

JUN 22 1999

OFFICE OF THE
CITY CLERK

RESOLUTION NO. 99-339

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

RESOLUTION AUTHORIZING A SOLE SOURCE AGREEMENT WITH KPMG PEAT MARWICK, LLP FOR THE CITY'S YEAR 2000 (Y2K) READINESS EFFORT.

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO THAT:

The City Manager and City Clerk are hereby authorized to execute a Sole Source Agreement with KPMG Peat Marwick, LLP in the amount not-to-exceed \$497,100 for Phase II of the City's Year 2000 Readiness (Y2K) Effort.

MAYOR

ATTEST:

CITY CLERK

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FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____ 7



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Sacramento, CA 95814

Telephone 916 448 4700
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June 8, 1999

Ms. Sally W. Nagy
Chief Information Officer
City of Sacramento
1000 I Street, Suite 120
Sacramento, CA 95814-2601

Dear Ms. Nagy:

KPMG LLP (KPMG) appreciates the opportunity to continue working with you on the City of Sacramento's Year 2000 efforts.

Based on the knowledge gained in Phase I and our previous discussions, this proposal addresses how KPMG would assist the City in continuing to enhance its Year 2000 compliance efforts, including assessing the City's approach and methodology, articulating and documenting what has been done to date and what still needs to be done, and maintaining the PMO that was established in Phase I to manage its Year 2000 compliance program.

During Phase II, KPMG's main role in this project will be to continue to assist the City to review, articulate and enhance its Year 2000 compliance program and methodology. KPMG is not responsible for developing a separate methodology and tool. KPMG will assist the City in further refining its diagnostic approach and techniques, but is not responsible for any aspects of the City's Year 2000 compliance.

Our proposal includes the following sections:

- Project Organization and Staffing
- Project Work Plan
- Project Schedule and Costs
- KPMG Year 2000 Experience

Each of these areas is discussed separately in the remaining sections of this letter.





Ms. Sally W. Nagy
June 8, 1999
Page 2

PROJECT ORGANIZATION AND STAFFING

KPMG will utilize staff from its Public Services Practice who are based in Sacramento, California to direct and manage this project for the City. This will provide staff who are familiar with public and private sector business practices and Year 2000 compliance efforts. It also will ensure a high level of responsiveness to the City.

The project will be directed by Mr. Robert O'Neill, a Principal in KPMG's Public Services Practice. Mr. O'Neill has more than 20 years of experience working with state and local government agencies in California. He has been trained and certified in the KPMG Year 2000 project management methodology. Mr. O'Neill will work closely with the project team to ensure that the day-to-day work is planned, coordinated and conducted to meet the City's project objectives.

Ms. Donna Caughman, a Manager, will serve as the Project Manager for this effort. Ms. Caughman has more than 15 years of experience in project management and is also certified as a Project Management Professional (PMP) by the Project Management Institute (PMI). Ms. Caughman offers significant management experience with Year 2000 projects and directed the Year 2000 Project Office for Vision Service Plan (VSP). Ms. Caughman has also served as a Manager on KPMG's Year 2000 compliance work with the California Department of Insurance. Ms. Caughman will be responsible for the day-to-day management of the project. She will work closely with Mr. O'Neill to ensure the project's success.

Mr. Terence S. Leuchars, a Manager with KPMG's Public Services Practice, will serve as the on-site Project Leader for the work with the City. Mr. Leuchars has more than 20 years experience providing project management development, implementation and training services for a broad array of public and private sector clients. He has recently been involved in KPMG's Year 2000 compliance work with the California Department of Insurance. Mr. Leuchars is certified as a PMP by the PMI. He will be assigned full-time, on-site at the City to direct the activities of the City's Year 2000 PMO.

Mr. Peter Julicher and Mr. Brian Gegan from KPMG's Public Services Practice, will serve as the Quality Assurance reviewers on this engagement. Mr. Julicher is Principal who has over 25 years at KPMG. Mr. Julicher has managed or directed over 200 systems consulting projects throughout the Western Region of the U.S. These projects have included large-scale statewide implementations, client/server custom development, Internet systems integration and strategic technology planning. Prior to joining KPMG, he held numerous technical managerial positions with IBM in software development, design and project planning. Mr. Julicher is one of KPMG's Designated Year 2000 Specialist Partners and has also been certified in the KPMG Year 2000 project management methodology.



Ms. Sally W. Nagy
June 8, 1999
Page 3

Mr. Brian Gegan is a Senior Manager with KPMG. Mr. Gegan offers more than 16 years of experience in project management, including numerous engagements involving multi-million dollar, complex and technologically advanced projects, including extensive work relating to Year 2000 compliance efforts by public and private sector agencies. Mr. Gegan is certified as a PMP by the PMI and has been an active presenter and member in PMI's international symposiums. He has been trained and certified in the KPMG Year 2000 project management methodology.

PROPOSED PROJECT WORK PLAN

KPMG believes that the City should continue with the second phase of the three-phased approach to complete its remaining Year 2000 compliance efforts. Each of these phases, the associated activities within each phase, and the suggested time frame for each phase are listed below.

<u>Phase</u>	<u>Description of Activities</u>	<u>Time Frame</u>
I.	Establishment of the City's Year 2000 PMO, assessment of the City's Year 2000 compliance efforts to date, development of a consolidated City-wide Year 2000 workplan, and initial support to individual departments in coordinating the Year 2000 workplan activities.	March 1, 1999 – June 30, 1999
II.	On-going implementation support of the City's Year 2000 PMO, execution of high priority and mission critical Year 2000 compliance workplans based on the risk assessment performed in Phase I, continued coordination and support with City departments.	July 1, 1999 – January 31, 2000
III.	Finalization of the implementation support of the City's Year 2000 PMO, execution of low priority and non-mission critical Year 2000 compliance work plans, and wrap-up and reporting on the City's Year 2000 compliance efforts and results.	February 1, 2000 – April 30, 2000

By using a three-phased approach, KPMG believes that the City can maintain better project management and cost control over each stage of the work. The phased-approach will enable the City to assess potential risk, set priorities and determine the appropriate level of resources needed at critical junctures in its Year 2000 compliance program.



Ms. Sally W. Nagy
June 8, 1999
Page 4

The remainder of this proposal addresses only Phase II of the proposed three-phased approach to completing the City's Year 2000 compliance effort.

Phase II Workplan

The project workplan for Phase II is divided into six major tasks. Each of these tasks is briefly summarized below.

- Task 1: Assist in Managing the Year 2000 Charter and in Holding Meetings**
Assist in the management of a Year 2000 PMO Charter and convene regular meetings of the Executive Steering Committee (at least monthly) and with the Y2K Leads within each City department (at least weekly).
- Task 2: Assist in Coordinating the City's Year 2000 PMO Program**
Assist in the coordination of the City's Year 2000 program, including: providing guidance to individual departments, briefing elected and appointed officials, research and disseminate important Year 2000 developments, coordinate with other state, regional and local agencies, serve as the single point of contact for all external entities.
- Task 3: Assist in Managing the City's Year 2000 Project Workplan**
Assist in the on-going development and management of a consolidated Year 2000 Project Workplan based on the review and assessment of the work performed to date by individual departments. Specifically, this plan will assist the City with Year 2000 project coordination, risk assessments and management, schedule development and management, documentation, coordination processes, and information dissemination and briefings.
- Task 4: Assist in Providing On-Going Year 2000 Support**
Assist in providing on-going support to the City and individual departments involved in Year 2000 compliance efforts, including: inventory, assessment, remediation, contingency plan development and implementation.
- Task 5: Assist in Providing Assessment of the City's Y2K Compliance Efforts**
Assist in providing on-going assessments of the City and individual department's efforts in several key areas. These assessments would analyze the efforts of the departments in the following areas: inventory, compliance assessment, remediation and testing, contingency planning, awareness, workplans and documentation. These assessments would be performed monthly.



Ms. Sally W. Nagy
June 8, 1999
Page 5

Task 6: Assist in Preparing Year 2000 Program Deliverables

Assist in the coordination, preparation and production of major deliverables of the Year 2000 PMO, including:

- Assessment of City's Year 2000 Compliance Activities
- Year 2000 Project Workplans
- Contingency Plans
- Summary Report on Work Performed in Phase II

Project Assumptions

KPMG's workplan is predicated upon a series of assumptions regarding the City's and KPMG's level of involvement. These assumptions are outlined below:

- City of Sacramento will continue to provide at a level equal to Phase I support:
 - ◆ Executive Sponsor – City Manager's Office
 - ◆ Chief Information Officer Liaison – Serve as technical and managerial liaison for Year 2000 PMO
 - ◆ Executive Steering Committee – Department Heads, Charter Offices, CIO
 - ◆ Project Management Office Staff – 2.5 full-time equivalent staff (using a combination of a manager and an administrative staff) and a half-time clerical
 - ◆ Y2K Department Leads – 1 from each department
 - ◆ Project Office Location – Including space for 5 – 6 people, desks, telephones, etc.
- KPMG will provide:
 - ◆ Project Director – Responsible for overall project quality and success
 - ◆ Project Manager – Responsible for planning and coordinating work
 - ◆ Project Quality Assurance Staff – KPMG senior staff to periodically review Year 2000 work by KPMG
 - ◆ Project Leader – 1 full-time KPMG Manager to lead and manage the PMO on a day-to-day basis
 - ◆ Project Scheduler / Controller – 1 full-time KPMG Program Analyst to assist in day-to-day operations and activities of the PMO

Based on these assumptions, KPMG has developed a Summary Project Workplan that is shown in Exhibit I. This exhibit shows the estimated number of hours by staff by task.



Ms. Sally W. Nagy
 June 8, 1999
 Page 6

Exhibit I: Summary of Project Workplan Hours – Phase II

Task	Project Director O'Neill	Project Manager Caughman	Project Lead Leuchars	Senior Consultant Jasper	Program Analyst Liong	Total
1. Assist in Managing the Year 2000 Charter and in Holding Meetings	21	21	112		112	266
2. Assist in Coordinating the City's Year 2000 Program	14	28	336		336	714
3. Assist in Managing the City's Year 2000 Project Workplan	14	28	168		168	378
4. Assist in Providing On-Going Year 2000 Support	7	84	168	16	168	443
5. Assist in Providing On-Going Assessments of the City's Y2K Compliance Efforts	7	84	168	84	168	511
6. Assist in Preparing Year 2000 Program Deliverables	21	35	168		168	392
Total Hours	84	280	1,120	100	1,120	2,704

PROJECT SCHEDULE AND COST

We estimate that the scope of work will take approximately seven months to complete. We are prepared to begin the work on July 1, 1999 and complete the work by January 31, 2000. We suggest that the period of the contract run through February 29, 2000 to allow time for any changes or modifications that may be needed to finalize the project deliverables.

Our firm estimates that it will take 2,704 hours of professional staff time to complete this project. Based upon the scope of work outlined in the proposal, we estimate that the work will cost \$492,500 in professional fees. In addition, KPMG will be reimbursed for any actual out-of-pocket expenses incurred, such as report preparation or reproduction. We estimate these expenses will be \$4,600. Thus our total not to exceed price for this project is \$497,100. We will bill for hours of service performed on a monthly basis. Exhibit II presents a summary of our project costs.



Ms. Sally W. Nagy

June 8, 1999

Page 7

Exhibit II: Summary of Project Costs – Phase II

<u>Professional Fees</u>	<u>Rate/Hour</u>	<u>Hours</u>	<u>Fees</u>
Robert O'Neill, Principal	\$325	84	\$ 27,300
Donna Caughman, Manager	\$250	280	70,000
Terence Leuchars, Manager	\$250	1,120	280,000
Chris Jasper, Senior Consultant	\$200	100	20,000
Irene Liong, Program Analyst	\$ 85	<u>1,120</u>	<u>95,200</u>
Total Hours and Fees		2,704	\$492,500
<u>Expenses</u>			<u>Total</u>
Report Preparation (48 hours @ \$45/hour)			\$ 2,160
Report Production (32 hours @ \$45/hour)			1,440
Report Copies (10,000 pages @ \$.10/copy)			<u>1,000</u>
Total Expenses			\$ 4,600
Total Not to Exceed Project Cost			<u>\$497,100</u>

While KPMG agrees to assist the City in its Year 2000 effort, KPMG makes no representations or warranties that any services performed hereunder will result in the technical changes or fixes needed to make the assets of the City Year 2000 compliant. The City acknowledges and agrees that the accomplishment of the goals established for this engagement will require each party to fully cooperate with the other party, to fulfill its role and perform its obligations in a timely manner with personnel qualified to perform the tasks assigned and to coordinate its efforts with the efforts of other party and that all services provided will be the result of the parties' joint input and efforts. Accordingly, the City shall retain the right and also the responsibility to make decisions with respect to such services and their implementation with respect to its business, and KPMG makes no representation or warranty with respect thereto.

The City agrees to indemnify, defend and hold harmless KPMG from and against any and all liabilities, damages, claims, losses, costs, and expenses (including reasonable attorneys' fees) incurred by KPMG in connection with its performance of services hereunder except to the extent resulting from the negligence or willful misconduct of KPMG.



Ms. Sally W. Nagy

June 8, 1999

Page 8

KPMG appreciates the opportunity to submit this proposal to the City of Sacramento. Should you have any questions regarding our proposal, or need additional information, please contact me at (916) 554-1114.

Very truly yours,

KPMG LLP

A handwritten signature in black ink, appearing to read 'R.T. O'Neill', written in a cursive style.

Robert T. O'Neill

Principal

Outreach Tactic*

EXHIBIT A-2

	July	August	September	October	November	December
● Produce Y2K Preparedness Brochure	Available 6/30					
● Establish 24-Hour Hotline (916) 444-2Y2K	Activated 7/01					
● Include Y2K Info on City Web Site - www.sacto.org/y2k/	Completed					
● Conduct City/County Press Conference to kick off "Y2K Readiness"	Scheduled 7/20					
● Produce "Y2K" Tip of the Month News Releases		-	-	-	-	-
● Paid Advertisement in KFBK Y2K Guide (insert placed in July issue of Sacramento Magazine)	Available 7/01					
● Utility Bill Inserts (Circulation 120,000 City Property Owners)	Insert Confirmed			Insert Confirmed		Insert Confirmed
● Customize "Y2K" Message to Businesses, Chambers, Neighborhood Associations, Utilitizing Existing data bases via Direct Mail	On-Going					
● Place Pre-written Articles in Community Organization Newsletters	On-Going					
● Link City Y2K Web Site to Neighborhoodlink.com	Completed					
● Organize "Y2K" Community Conversation" Educational Forum (Panel Members: City/County, SMUD, PG&E, Pac Bell, Bank of America, Kaiser, American Red Cross)		Air Live Production	Replay	Replay	Replay	Replay
● Participate in President's Council on Year 2000 Conversion	Coordinate National Linkage	Advertise Educational Forum				
● Conduct Media Relations and Multi-Cultural Outreach (Spanish, Chinese, Vietnamese, Hmong)	On-Going					
● Create Media Opportunities to Show City and County Y2K Readiness	Press Conference				EOC Joint Exercise	
● Develop Question & Answer Fact Sheets Distributed to City Employee Workforce-4,200 Employees			Distribute via payroll			
● Capitalize on Events Organized by Other State and Federal Agencies, or Non-profit Organizations	On-Going					

* Indicates Majority Elements of PR Strategy Work Plan

91