



City Council Staff Report

From: City Manager
Report Type: CONSENT CALENDAR
Lead Department: IT Department

Meeting Date: June 3, 2024

Report #:2404-2875

TITLE

Approval of Contract Amendment No. 3 to Contract No. C15152204A with Questica to Increase Compensation by \$168,635 (for a new not-to-exceed of \$1,227,659) and Extend the Term for Two years for a total term of 12 years for the Budget Software System, Support and Maintenance. CEQA status – not a project.

RECOMMENDATION

Staff recommends that City Council approve and authorize the City Manager or their designee to execute Amendment No. 3 Contract C15152204A with Questica (Attachment A) for the provision of a budget software system, support and maintenance through June 30, 2026 in an amount not-to-exceed \$168,635. This amendment results in a revised total contract not-to-exceed amount of \$1,227,659 for a total contract term of 12 years.

BACKGROUND

The City's use of Questica started in 2014, when the system was selected through a rigorous RFP process. On June 23, 2014, the City Council approved the contract with Questica, establishing the enterprise budgeting system ([CMR 4516](https://www.cityofpaloalto.org/files/assets/public/v/1/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2014/4516.pdf)¹). Subsequently, on December 8, 2014, Council approved Amendment No. 1, increasing the total contract compensation to \$659,448 for a five-year term ([CMR 5350](https://www.cityofpaloalto.org/files/assets/public/v/1/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2014/5350.pdf)²). Amendment No. 2, approved on September 23, 2019, extended the term by 5 years and increased total compensation to \$1,059,024 over ten years ([CMR 10618](https://www.cityofpaloalto.org/files/assets/public/v/1/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2019/id-10618.pdf?t=59683.91)³). The current request seeks a two-year extension to ensure continued access to the budgeting system.

¹ June 23, 2014 Report: <https://www.cityofpaloalto.org/files/assets/public/v/1/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2014/4516.pdf>

² December 8, 2014 Report: <https://www.cityofpaloalto.org/files/assets/public/v/1/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2014/5350.pdf>

³ September 23, 2019 Report: <https://www.cityofpaloalto.org/files/assets/public/v/1/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2019/id-10618.pdf?t=59683.91>

ANALYSIS

Questica serves as the City's primary tool for developing both operating and capital budgets, as well as for the Long-Range Financial Forecast (LRFF), labor cost modeling, and financial reporting and monitoring. This solution is integrated with the City's existing Enterprise Resource Planning (ERP) system and other essential software tools, including the City's budget publishing software for producing the City's annual Operating, Capital Improvement, and Municipal Fee Schedule Books, and our Open Data Platform for budget document publishing. The contract amendment adds \$168,635, bringing the new not-to-exceed total to \$1,227,659, and extends the term by two years to May 31, 2026. The extension is necessary to facilitate the evaluation of budgeting system products including transition time should a new budgeting system be recommended. Given the impracticality of soliciting a new system within the current contract timeframe, an exemption to competitive solicitation was issued and fully executed by the City Manager per PAMC 2.30.360(b)(2). Staff recommends approval of this amendment to ensure continuity of the City's budgeting processes while beginning next steps such as requirements gathering, RFP issuance, vendor selection, and system implementation.

FISCAL/RESOURCE IMPACT

Funding for this contract amendment in FY 2025 is within the proposed budgeted levels to be adopted by the City Council on June 17, 2024. No additional funding is requested.

Funding for subsequent years of the contract will be subject to approval through the annual budget development process. The Information Technology Department is funded by an internal service fund. Approximately 44% of the department is General Fund funded with the remaining 56% funded by enterprise and special revenue funds.

STAKEHOLDER ENGAGEMENT

The services were coordinated with internal stakeholders and the service provider.

ENVIRONMENTAL REVIEW

Approval of the contract amendment is not a project under CEQA per CEQA Guidelines section 15061(b)(3).

ATTACHMENTS

Attachment A: Amendment No. 3 to Contract No. C15152204A between the City of Palo Alto and Questica

APPROVED BY:

Darren Numoto, Chief Information Officer