



**CITY OF PALO ALTO
CITY COUNCIL
Special Meeting
Monday, June 03, 2024
Council Chambers & Hybrid
4:00 PM**

Agenda Item

5. 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. *Consent Questions*



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

**AMENDMENT NO. 3 TO CONTRACT NO. C15152204
BETWEEN THE CITY OF PALO ALTO AND
QUESTICA INC.**

This Amendment No. 3 (this "Amendment") to Contract No. C15152204 (the "Contract" as defined below) is entered into as of June 3, 2024, by and between the CITY OF PALO ALTO, a California chartered municipal corporation ("CITY"), and QUESTICA INC., an Ontario Corporation, located at 980 Fraser Drive, Suite 105, Burlington, Ontario, Canada ("CONSULTANT"). CITY and CONSULTANT are referred to collectively as the "Parties" in this Amendment.

RECITALS

A. The Contract (as defined below) was entered into by and between the Parties hereto for the provision of a budget software system, support, and maintenance, as detailed therein.

B. The Parties now wish to amend the Contract in order to (1) extend the term of the Contract by an additional two years, through June 30, 2026, (2) increase the not to exceed total by an additional One Hundred Sixty-Eight Thousand Six Hundred Thirty-Four Dollars and Ninety Cents (\$168,634.90) to a new not to exceed amount of One Million Two Hundred Twenty-Seven Thousand Six Hundred Fifty-Eight Dollars and Three Cents (\$1,227,658.03), as detailed herein.

NOW, THEREFORE, in consideration of the covenants, terms, conditions, and provisions of this Amendment, the Parties agree:

SECTION 1. Definitions. The following definitions shall apply to this Amendment:

- a. **Contract.** The term "Contract" shall mean Contract No. C15152204 between CONSULTANT and CITY, dated July 1, 2014, as amended by:

Amendment No.1, dated December 8, 2014

Amendment No.2, dated September 16, 2019

- b. **Other Terms.** Capitalized terms used and not defined in this Amendment shall have the meanings assigned to such terms in the Contract.

SECTION 2. Section 2 entitled "TERM" of the Contract is hereby amended to read as follows:

"The term of this Agreement shall be from the date of its full execution through June 30, 2026, unless terminated earlier pursuant to Section 19 of this Agreement."

Vers.: Aug. 5, 2019

SECTION 3. The following exhibit(s) to the Contract is/are hereby amended or added, as indicated below, to read as set forth in the attachment(s) to this Amendment, which is/are hereby incorporated in full into this Amendment and into the Contract by this reference:

- a. Exhibit "C" entitled "COMPENSATION", AMENDED, REPLACES PREVIOUS.

SECTION 4. Legal Effect. Except as modified by this Amendment, all other provisions of the Contract, including any exhibits thereto, shall remain in full force and effect.

SECTION 5. Incorporation of Recitals. The recitals set forth above are terms of this Amendment and are fully incorporated herein by this reference.

(SIGNATURE BLOCK FOLLOWS ON THE NEXT PAGE.)

SIGNATURES OF THE PARTIES

IN WITNESS WHEREOF, the Parties have by their duly authorized representatives executed this Amendment effective as of the date first above written.

CITY OF PALO ALTO

City Manager


APPROVED AS TO FORM:

City Attorney or designee

QUESTICA INC.

Officer 1

By:

DocuSigned by:

E06DB45568DE407...

Name: Jas Saraw

Title: SVP Sales

Officer 2

By:

DocuSigned by:

F71575862ED44CA...

Name: Nick Thermenos

Title: CRO

Attachments:

Exhibit "C" entitled "COMPENSATION", AMENDED, REPLACES PREVIOUS.

EXHIBIT C
COMPENSATION, AMENDMENT NO. 3
(AMENDED, REPLACES PREVIOUS)

Scope	Description of Services	Cost (NTE)	Payment Schedule
Implementation (cost of all professional services required for installation, implementation, data conversion, application development, training, and the first year's warranty, maintenance, and support as well as any applicable license costs.)	Licenses: Site License (ALL YEARS)	\$160,000.00	\$43,000 at Contract Signing \$43,000 at start of training 15,000 execution of 1st contract amdt \$59,000 System Go-Live of Budget Sys.
	Implementation Services: planning & analysis, installation, data load & verify, accounting integration, training, project management per Exhibit A.	\$129,600.00	\$25,920 each (x 5) as outlined below**
	Maintenance* and Hosting (Year 1)	\$10,080.00	Contract Signing (July 1, 2014)
SUBTOTAL		\$299,680.00	--
Annual maintenance* (Year 2)	Annual Maintenance (\$57,500) and Hosting (\$10,080)	\$67,580.00	One year after contract signing
Annual maintenance* (Year 3)	Annual Maintenance (\$57,500) and Hosting (\$10,080)	\$67,580.00	Two years after contract signing
Annual maintenance* (Year 4)	Annual Maintenance (\$57,500) and Hosting (\$10,080)	\$67,580.00	Three years after contract signing
Annual maintenance* (Year 5)	Annual Maintenance (\$57,500) and Hosting (\$10,080)	\$67,580.00	Four years after contract signing
Custom Report Development	250 hours at \$170 per hour	\$42,500.00	Upon acceptance of the report
Performance Management Module Implementation and Training	100 hours at \$170 per hour	\$17,000.00	As training is delivered
SUBTOTAL - LICENSES (ALL YEARS) & SERVICES (YEARS 1-5)		\$629,500.00	--
10% Contingency ("Additional Services" per Agt § 4)		\$29,968.00	30 days after an approved invoice
SUBTOTAL NOT-TO-EXCEED COMPENSATION FOR LICENSES (ALL YEARS) & SERVICES (YEARS 1-5)		\$659,468.00	--
Annual maintenance* (Year 6)	Annual Maintenance & Hosting (Year 5 amount x 1.03)	\$69,607.40	Five years after contract signing

Vers.: Aug. 5, 2019

Annual maintenance* (Year 7)	Annual Maintenance & Hosting (Year 6 amount x 1.03)	\$71,695.62	Six years after contract signing
Annual maintenance* (Year 8)	Annual Maintenance & Hosting (Year 7 amount x 1.03)	\$73,846.49	Seven years after contract signing
Annual maintenance* (Year 9)	Annual Maintenance & Hosting (Year 8 amount x 1.03)	\$76,061.88	Eight years after contract signing
Annual maintenance* (Year 10)	Annual Maintenance & Hosting (Year 9 amount x 1.03)	\$78,343.74	Nine years after contract signing
On-Call Professional Services (Years 6-10)	150 hours at \$200 per hour (via Task Order per Agrt § 1)	\$30,000.00	Upon approved Task Order & invoice
<i>SUBTOTAL NOT-TO-EXCEED COMPENSATION FOR YEARS 6-10</i>		<i>\$399,555.13</i>	--
Annual maintenance* (Year 11)	Annual Maintenance & Hosting	\$82,260.93	07/01/2024 – 06/30/2025
Annual maintenance* (Year 12)	Annual Maintenance & Hosting	\$86,373.97	07/01/2025 – 06/30/2026
<i>TOTAL NOT-TO-EXCEED COMPENSATION OF THE AGREEMENT (ALL YEARS)</i>		<i>\$1,227,658.03</i>	--



Dear Mayor and Council Members,

On behalf of City Manager Ed Shikada, please see staff responses below for questions from Council Member Tanaka on the [Monday, June 3 Council Meeting](#).

Item 4: Approval of Contract Amendment No. 4 to Contract No. C15159248 with Geodesy in the Amount of \$495,000 (for a new not-to-exceed of \$2,425,00) and Extend the Term for Three Years for Encompass GIS Software Maintenance and Support. CEQA status

1. **What is the comprehensive timeline with specific milestones and deliverables for the transition from the Geodesy GIS system to the ESRI platform? What key risks and potential roadblocks have been identified, and what mitigation strategies are in place to address them? How does the City plan to monitor and report on the progress of this transition to ensure it remains on schedule and within budget?**

Staff response: The Encompass GIS built by Geodesy consists of disparate components and applications. Eighty percent of these components and applications are on the City's new ArcGIS platform. The City's IT GIS team plans to port the remaining components and applications by December 2025, and no risks have been identified for this project. The City GIS team and Geodesy's contractors are working closely on this project. Regular check-in meetings are held to discuss progress and address potential issues. A well-structured project plan provides a clear roadmap for executing and controlling the project phases.

2. **In light of the \$495,000 expenditure for the extension of Geodesy's contract, what specific performance metrics or key performance indicators (KPIs) will be used to assess the effectiveness of their services during the transition to the ESRI platform? How will Geodesy's support enhance the operational efficiency and accuracy of our GIS capabilities? How will the City ensure continuous performance monitoring and accountability, providing concrete data to justify this expenditure?**

Staff response: Even though the Geodesy Encompass platform will soon be retired, Geodesy will continue to provide valuable professional services to assist with the City's transition to the ESRI ArcGIS platform. Their deep understanding of the City's GIS data and department-specific GIS data workflows is helping to ensure a successful transition to the new ArcGIS platform. Performance metrics and KPIs assess the quality, efficiency, effectiveness, and impact of the GIS business processes that Geodesy will be assisting in porting from the legacy Encompass GIS platform to the new ArcGIS platform. For additional details about performance metrics, please refer to the staff report, Item 4 - "Section 1 – Scope of services," and "Section 2 – Schedule of Performance".

Item 5: 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

- 1. What is the comprehensive plan outlining the specific criteria and timeline for evaluating alternative budgeting systems during the two-year extension? How will the city ensure that we do not miss out on more advanced and cost-effective solutions during this period?**

Staff response: The criteria for evaluating budget systems will be determined at the time of issuing an RFP, within the upcoming two-year period and may include such factors as cost, features, application performance and digital versus physical document printing. The most cost-effective solutions will be identified from those solutions that responded to the RFP through evaluation from the Office of Management and Budget, Purchasing, and the IT Department.

- 2. What analysis can constituents reference regarding the improvements or efficiencies achieved through the Questica system in the past, supported by concrete data? How does the city plan to enhance these results moving forward, and what are the projected outcomes over the next two years?**

Staff response: The Questica system is an essential part of producing the annual city budget. The Questica system contributes to the efficient production of the city budget compared to manually using spreadsheets and other non-integrated tools. Examples of the efficiency of the Questica system can be found on the city website in the form of published budget documents. A list of published budget documents [can be found on the website](#). Without such tools the budget process would be less transparent and timely to the public. Annually during the budget preparation process, the city evaluates potential enhancements to the budget preparation process and integrates, where possible, viable enhancements, and the outcomes of those enhancements are integrated into the budget process that ultimately produces the annual budget.

- 3. Considering the proposed two-year extension and additional \$168,635 expenditure, what is the critical role Questica's budgeting software plays in our city's financial operations? Specifically, how does this system enhance our budgeting efficiency, transparency, and strategic planning capabilities compared to alternative solutions? What mechanisms will be put in place to ensure stakeholders, including department heads and the public, understand and appreciate the value and importance of this service in our overall financial management framework?**

Staff response: Questica is critical to the preparation and monitoring of the city budget and thus is crucial to the city's financial operations. It is also used as a forecasting tool for the long range financial forecast, labor negotiation calculations, and capital infrastructure tracking. Questica centrally automates the budget preparation and monitoring activities performed by staff and is therefore efficient compared to disparate and manually created spreadsheet solutions. In this role, Questica offers a transparent view into the city budget through the annually published city

budget examples of which [can be found on the city's website](#). Through Questica's budget planning functionality, the strategic financial plans of the city can be developed.

Item 9: Approval of Construction Contract Number C24189247 with Bear Electrical Solutions, Inc. in the amount Not to Exceed \$600,000 to provide On-Call Services for Traffic Signal and Electrical Services; CEQA status – categorically exempt (CEQA Guidelines Section 15301).

- 1. Given that the city received only one bid for this contract, what specific outreach efforts were made to attract a broader range of competitive bids? What detailed documentation can stakeholders reference on these efforts? What feedback have we received from other potential bidders regarding barriers or deterrents to their participation, and how do we plan to address these issues to enhance future competitiveness?**

Staff response: Staff followed standard practices to attract a broader range of competitive bids by identifying and notifying at least four known traffic signal contractors in the area about the IFB. Additionally, staff verbally informed multiple contractors working on signal-related projects in Palo Alto ahead of the bid release. Despite these efforts, only one bid was received. It is staff's understanding that 18 bid packages were downloaded by prospective contractors or builder's exchanges.

- 2. What is the comprehensive breakdown of the specific tasks included in the scope of work for this contract, along with detailed criteria for prioritizing these tasks? What key performance indicators and metrics will be used to evaluate Bear Electrical Solutions' performance? How will these metrics be monitored, reported, and used to ensure continuous improvement in service delivery?**

Staff response: The scope of work for this contract includes minor improvements to traffic signals, pedestrian warning beacons, electronic speed sign installations, and upgrades to existing traffic signals. Tasks are prioritized based on community service requests, safety needs, and proactive staff determinations. Bear Electrical Solutions' performance will be evaluated based on timeliness, quality of work, compliance with City Standards, and adherence to the California Manual of Uniform Traffic Control Devices. Performance metrics will be monitored through regular progress reports and service request closures. Bear Electrical previously performed successfully within budget and reasonable schedules in Palo Alto and neighboring agencies.

- 3. What is the detailed justification for the necessity of this \$600,000 investment over four years for on-call traffic signal and electrical services? Specifically, what are the current deficiencies in our traffic signal and pedestrian safety infrastructure that warrant this level of expenditure? Can you present data or projections on how these services will enhance public safety, traffic efficiency, and overall infrastructure reliability?**

Staff response: The \$600,000 investment over four years represents a 20% increase from the previous contract, accounting for rising product and labor costs while maintaining service levels. This contract addresses current deficiencies in traffic signal and pedestrian safety infrastructure, including the need to update the Accessible Pedestrian System push buttons and replace aging traffic signal equipment. The services are anticipated to enhance public safety, traffic efficiency,

and infrastructure reliability by addressing these needs through cost-effective, on-call solutions for smaller-scale tasks that do not warrant separate procurement processes.

Item 10: Approval of Professional Services Contract Number C24188409 with ACME Technologies in the Total Amount Not-to Exceed \$838,623 for a New Software Ticketing System for the Palo Alto Junior Museum & Zoo for a Term of Five Years; CEQA Status

- 1. Given the significant expenditure required for the new ticketing system, what detailed analysis compares this investment with other critical projects or services that may be deprioritized? Specifically, what potential benefits are we sacrificing in areas such as public safety, infrastructure maintenance, or community programs? How do we justify this reallocation of funds to constituents who may view these other services as higher priorities?**

Staff response: The procurement of the new ticketing system for the Junior Museum and Zoo has been thoroughly analyzed in comparison to other critical projects and services by the Finance Committee throughout the budget hearings. The new system is expected to enhance the visitor experience, increase operational efficiency, and generate additional revenue, thereby supporting the Junior Museum & Zoo's sustainability and enabling continued high-quality programs and experiences for the community. This fiscal commitment is only part of a full set of recommendations from our business consultant, with the goal to phase in the recommended investments and strategically ensure balanced support across the city when determining allocations for FY25 and beyond.

- 2. What are the measurable targets and benchmarks that will be used to evaluate the success of the new ticketing system at the Junior Museum & Zoo? What is the plan for ongoing performance assessment, including specific metrics for visitor satisfaction, operational efficiency, and revenue generation? How can we assure our constituents that this significant expenditure will deliver the promised improvements and be a worthwhile investment?**

Staff response: To evaluate the success of the new ticketing system at the Junior Museum and Zoo, we will use measurable targets and benchmarks, including increased visitor satisfaction scores, reduced and enhanced operational efficiency. Metrics will include visitor feedback surveys, ticket and membership processing times, enhanced internal interface for staff, and revenue trends. We plan for ongoing performance assessment through quarterly reviews, focusing on these key indicators. By regularly analyzing these metrics and making necessary adjustments, we aim to ensure the system delivers the promised improvements, providing our community with a transparent and worthwhile investment.

- 3. Given the significant expenditure of \$838,623 for the new ticketing system, what are the detailed projections on expected improvements in user experience, operational efficiency, and revenue generation? How will these new metrics demonstrate a substantial improvement over the system implemented last year? How can we justify this expenditure during a period of fiscal prudence without clear data on productivity gains?**

Staff response: The \$838,623 expenditure for the new ticketing system is projected to significantly enhance the user experience by streamlining and simplifying the ticketing process.

The system provides the ability to offer multi-tiered pricing, inventory management, and proper refund processing, thereby improving visitor satisfaction scores. Operational efficiency will benefit from automated processes, provide the ability to connect safely with other city software, and provide better data management, leading to decreased administrative costs and time. Revenue generation is expected to increase through improved attendance tracking, targeted marketing, and the ability to support the streamlined ability to host rental events, such as the very popular birthday party request. Compared to the current system, these new metrics will demonstrate substantial improvements through detailed performance reports. We justify this expenditure during fiscal prudence by emphasizing the long-term cost savings and revenue potential, which provide a strong return on investment.

4. **What framework outlines how the city plans to measure the economic success of this new system over the next five years? What detailed performance metrics will be used to assess improvements in operational efficiency, visitor satisfaction, and revenue generation? How will these metrics be tracked and reported to ensure transparency and accountability? What benchmarks and targets will be set for each year, and how will the city address potential deviations from expected outcomes?**

Staff response: The city will measure the economic success of the new ticketing system over the next five years using a structured framework that includes key performance metrics such as operational efficiency, visitor satisfaction, and revenue generation. Metrics include reduced processing times, increased visitor feedback scores, and higher revenue figures that are tracked and reported quarterly. Benchmarks and targets will be set annually, with specific goals for each metric to ensure continuous improvement. Fortunately, since the recent completion of the consultant led business analysis, we have a wealth of benchmarking data in multiple facets. Any deviations from expected outcomes will be promptly addressed through corrective action plans, ensuring transparency and accountability to our constituents.