



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kip Harkness
Rosalynn Hughey
Julia H. Cooper

SUBJECT: SEE BELOW

DATE: June 3, 2019

Approved

Date

6/13/19

**SUBJECT: REPORT ON INTEGRATED PERMITTING SYSTEM AND
AMENDMENTS TO AGREEMENTS WITH CSDC SYSTEMS, INC. AND
AVOLVE SOFTWARE CORPORATION**

RECOMMENDATION

Accept staff's report on the Integrated Permitting System project and adopt a resolution authorizing the City Manager to:

- a. Negotiate and execute the Second Amendment to the Agreement for Integrated Permitting System with CSDC Inc. (Austin, TX) to significantly reduce the scope of work, revise the schedule of performance and payments, add funds for scope-related supplemental services, and reduce maximum compensation by \$3,775,463 for a total not-to-exceed compensation of \$4,334,244 for the initial term ending on July 31, 2026, subject to the appropriation of funds; and
- b. Negotiate and execute amendments, changes orders, and sales orders to the agreement with Avolve Software Corporation executed on September 20, 2016 to directly purchase additional licenses, support, maintenance, and related professional services for a not-to-exceed compensation of \$629,158 for the initial term ending on July 31, 2026 and exercise options to extend the agreement for up to ten (10) one-year option terms through July 31, 2036, subject to the appropriation of funds; and
- c. Increase contingency by \$150,000 for a maximum contingency of \$563,000 for both agreements to address unanticipated changes or services required to support project implementation during the initial term ending July 31, 2026, subject to the appropriation of funds.

OUTCOME

The Integrated Permitting System (IPS) will track permits for the Department of Planning, Building and Code Enforcement (PBCE), the Department of Public Works (PW), and the Fire Department (Fire), including online application, plan submission, electronic plan review, permit issuance and inspections, dispatch, and staff access through mobile devices. In addition, the IPS will allow customers to track application status, online fee payments, receipt of comments, scheduling, and view inspections online.

BACKGROUND

On September 20, 2016, the City entered into an agreement with CSDC Systems, Inc. (CSDC) for an Integrated Permitting System (IPS). This agreement was the result of a competitive Request for Proposal process conducted by the Finance Department beginning in 2015 and was previously brought before Council on March 1, 2016.^{1,2} The agreement was amended in September 2018 to extend the initial term through July 31, 2026 and to adjust the project and compensation schedules. In conjunction with execution of the original CSDC agreement, the City also executed a separate software license and support agreement with Avolve for its ProjectDox® software (an electronic plan and document workflow solution used to streamline the submission, review, and approval processes) but all purchases of Avolve software and services were included in the contract with CSDC.

The IPS project will enable business productivity and customer service improvements through key digital capability enhancements for permit application, issuance, enforcement, and transparency. The project includes upgrading the City's internal permitting system (AMANDA), replacing unsupported platforms, integrating new solution capabilities, and improving data quality to collectively support business process transformation.

The original IPS implementation schedule targeted completion of the project over a period of 28 months (by March 2019). In May 2018, when it appeared that the project implementation schedule was not going to be met, the City contracted with Gartner, Inc. to conduct a "health check" technology audit and make summary recommendations on how to reset the project to achieve a successful outcome. Upon conclusion of the audit, Gartner made the following key recommendations: 1) adopt an agile methodology for software implementation, 2) focus on the highest priority requirements that can be tied to clear, measurable business value for the City to deliver a minimum viable product within 2 - 3 sprint cycles, and 3) implement changes to the team to ensure a focused approach and dedicated members.

¹ March 2016 Council Memo: https://sanjose.granicus.com/MetaViewer.php?view_id=&event_id=2125&meta_id=558623

² March 2016 Mayor's Memo: https://sanjose.granicus.com/MetaViewer.php?view_id=&event_id=2125&meta_id=559676

Following the Gartner assessment, staff considered several options for the project, including leaving the project as is or cancelling it altogether, and concluded that the best path forward was to 1) pause all work on the project; 2) make changes centered around project approach, project team, and project scope in accordance with the Gartner recommendations; and 3) restart the project. During this process, it became clear that for the project to be successful, changes would be required with staffing, process, and technology.

Project Update:

In August 2018, the City began the project reset process by conducting a “Scope and Schedule Summit” with partner vendors CSDC and Avolve to begin the process of re-scoping the contract and realigning the schedule. Following this Summit, staff decided to monitor progress on a monthly basis and evaluate the project status at the end of Quarter 1 2019 (January – March) before making recommendations to City Council for the final changes to the project, vendor contracts, and project team.

Between September 2018 and March 2019, the City restarted the project with a new approach and rebranded the work as the Development Services Transformation. The City convened a new Transformation Team of dedicated cross-departmental staff and vendor partners to get the project back on track. The Transformation Team uses an agile scrum approach to “chunk” out the work and swarm resources around key priority areas. Key priority areas are developed as Objectives as measured by Key Results (OKRs). On January 24, 2019, the Transformation Team presented its *Quarter 1 Objectives and Key Results (January 2019 – March 2019)* at the Ad-Hoc Committee on Housing Construction and Development Services (see Attachment A).

Central to the new agile approach is a new governance structure. The new governance structure allows the team to move quickly on decisions that had previously limited forward progress and includes oversight by an Executive Committee made up of department directors who assist the team by setting strategic direction, clearing roadblocks, and helping to resolve issues more expeditiously.

By March 2019, the Transformation Team, using OKRs and an agile scrum approach, completed 14 out of 17 Key Results (see Attachment B). After this short three-month period, the City now has working software, a functioning governance model, and a mended relationship with the vendor partners. The Transformation Team is now working toward *Quarter 2 Objectives and Key Results (April 2019 – June 2019)* (see Attachment C).

Based on the success of this new approach, staff recommends continuing the partnership with CSDC and Avolve by amending their respective agreements as summarized below.

ANALYSIS***Summary of the Second Amendment to CSDC Agreement:***

This amendment will remove scope items that are not critical to the completion of the project and items that are best performed by City staff or another vendor. The intent is for the project team to focus on only items that can be completed in a timely manner and that will return the most value to the City while still achieving the goals of the project.

Below is the summary of high-level scope changes staff recommends:

Item	Current Contract Scope	Second Amendment Recommendation	Business Reason
1	<i>SpatialDNA Data</i> – Data cleansing and syncing	Keep in scope.	Completed and Implemented.
2	<i>GeoCortex GIS</i> – Integrated Geographical maps with rich GIS data	Keep in scope.	Provides custom features and functionality.
3	<i>Amanda 7 Upgrade</i> – Next Generation web-based Amanda platform	Keep in scope, add resources, and extend implementation timeline	Requires adequate testing and City custom configuration migration.
4	<i>Workflow and Process Improvements and Automation</i>	Keep only a focused number of top process improvements for each department (PBCE, PW and Fire) and remove non-critical.	A number of critical process improvements are already implemented. Scope should focus on higher impact items to simplify change management. Process improvement is highly iterative so non-critical improvements are better suited to implementation by internal IT resources after project completion.
5	<i>Code Enforcement Task Mgmt and Workflow Platform</i>	Remove from scope.	The CSDC platform does not meet the needs of Code Enforcement. Focus on adoption and use of platform “as is” and evaluate third party solutions as future option for Code Enforcement.
6	<i>Avolve ProjectDox</i> – ePlan upload, review, and feedback	Licenses already procured through CSDC. Ongoing support, maintenance, and professional services to be directly purchased from Avolve.	The City will avoid cost markups and be able to drive faster implementation by establishing a more direct relationship with Avolve.
7	<i>Inspector Mobile App</i> – App-based information and workflow for Inspectors	Remove from scope.	Current mobile app capabilities do not meet the City’s requirements. Inspectors can use the web-based platform on laptops and tables to perform mobile inspections.

Item	Current Contract Scope	Second Amendment Recommendation	Business Reason
8	<i>Public Portal</i> – Customer facing digital capabilities for application and submission, online approvals, payment, scheduling, and status updates	Keep in scope and increase development effort.	This is the fastest and most cost effective approach to replace the City’s aging sjpermit.org portal and provide value to the City community and customers.
9	<i>Software Licenses</i>	Reduce licenses on software capabilities not required by business.	Cost savings.
10	<i>Web Hosting</i>	Remove from scope.	City web hosting will simplify architecture for future changes and provide cost savings.

This amendment will memorialize the use of an agile scrum methodology for identifying, prioritizing, and delivering scope items through 2-week sprint cycles. The amendment modifies the payment process/schedule to allow CSDC to be eligible for a 50% payment upon completion and delivery of work products (along with a unit testing reports demonstrating that the vendor has conducted required quality testing internally before delivering to the City) upon conclusion of each sprint cycle and receipt by City of an acceptable invoice. Funds will be set aside to pay for unanticipated supplemental services required to complete a sprint cycle that are not currently anticipated in the scope. These funds may be contracted by authorized program staff through an executed Supplemental Service Order Form in an amount not to exceed \$10,000 per sprint cycle for scope-related services, without the need for a contract amendment or change order.

Summary of Avolve Agreement:

There is no change required to the Avolve base agreement as it already allows for the City to directly purchase from Avolve. However, sales orders will be issued to the agreement for each purchase. The City plans to procure professional services and ongoing maintenance and support that were previously included in the CSDC directly from Avolve, resulting in a cost savings by eliminating the CSDC markup. The City will spend \$246,900 for professional services required to complete system installation, configuration, and testing and \$382,258 for ongoing maintenance and support through July 31, 2026.

EVALUATION AND FOLLOW-UP

This memorandum will not require any follow-up from staff.

PUBLIC OUTREACH

This memorandum will be posted on the City’s website for the June 25, 2019 City Council meeting.

COORDINATION

This memorandum has been coordinated with the Department of Public Works, the City Attorney’s Office, and the City Manager’s Budget Office.

COMMISSION RECOMMENDATION/INPUT

At a Smart Cities Committee Meeting held on November 1, 2018, staff was directed to provide an update to Council on the IPS project and staff’s progress in addressing the findings of the Gartner assessment.

FISCAL/POLICY ALIGNMENT

This action is consistent with the Council-approved budget strategy for the effective use of technology and is directly tied to one of the City Manager’s top ten 2019 enterprise priorities, “Building the San José of Tomorrow - Private Development Services.”

COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION	\$4,963,402
2. COST ELEMENTS:	
<u>CSDC Agreement (including Amendments & Change Orders)</u>	
- Software	\$1,045,625
- Implementation Services	\$2,348,243
- Early Hosting	\$78,000
- Support and Maintenance	\$762,376
- Supplemental Services (subject to executed service order)	\$100,000
	CSDC Subtotal
	\$4,334,244
<u>Avolve Agreement</u>	
- Support and Maintenance	\$382,258
- Implementation Services	\$246,900
	Avolve Subtotal
	\$629,158
	Contingency
	\$563,000
	GRAND TOTAL
	\$5,526,402

3. **SOURCE OF FUNDING:** Fund 001 - In 2015-2016, \$4,200,000 was appropriated for the contract with CSDC, Inc. for the Integrated Permitting System. The funds are fully encumbered and will be carried over as a carryover encumbrance to fund this contract in 2019-2020. The ongoing funding for the maintenance and support, after implementation, will be shared and coordinated with Development Services partners, and recommended budget actions to appropriate funds will be brought forward through a budget process.

4. **FISCAL IMPACT:** After the initial seven-year term, ongoing maintenance and technical support service cost is estimated at \$248,785 per year with any future maintenance renewal cost adjustments capped at 3% annually. Additional costs for City technology staff and infrastructure will be incurred to bring hosting of the system in-house following implementation.

BUDGET REFERENCE

The table below identifies the fund and appropriation that were established in March 2016 to fund the original 28-month implementation.

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contract*	2019-20 Proposed Operating Budget Page	Last Budget Action (Date, Ord. No.)
001	3995	Development Fee Program Integrated Permitting System	\$4,200,000	\$4,200,000	N/A	N/A

* Funds for the contract were appropriated in 2015-2016 from the Development Fee Program Technology Reserve (\$4,200,000) to cover the originally estimated 28-week implementation. The funds are fully encumbered and will be carried over into 2019-2020 to fund the remaining expenses for the contract.

The contract amount of \$763,402 for the initial term of the agreements; ongoing maintenance, support, and services costs after the initial term; and contingency (\$563,000) are currently not budgeted and are subject to the appropriation of funds. It is anticipated that staff will bring forward recommended budget actions to fund these costs as part of a future budget process.

HONORABLE MAYOR AND CITY COUNCIL

June 3, 2019

Subject: Integrated Permitting System Report and Amendments

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CEQA

Not a project, Public Project Number PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

/s/

KIP HARKNESS
Deputy City Manager

/s/

ROSALYNN HUGHEY
Director of Planning, Building, and
Code Enforcement

/s/

JULIA H. COOPER
Director of Finance

For questions on the IPS project implementation, please contact Matt Loesch, Deputy Director of Public Works, at 408-975-7381.

For questions on the IPS agreements, please contact Jennifer Cheng, Deputy Director of Finance, at (408) 535-7059.

Attachment A: Quarter 1 Objectives and Key Results (January 2019 – March 2019)

Development Services Transformation Q1 2019 (Jan. - Mar.)

Objectives

Simple, Self-serve, Digital User Experience



Clear, Consistent, Effective Process



Strong, Collaborating Team



Great Internal Tools to Enable Teamwork



EXTERNAL

INTERNAL

(as measured by)
Key Results

- | | |
|---|---|
| <ul style="list-style-type: none"> <input type="checkbox"/> Geocortex implemented <input type="checkbox"/> Portal roadmap defined <input type="checkbox"/> Broadening E-plan review with small cells pilot | <ul style="list-style-type: none"> <input type="checkbox"/> Service Inventory and Prioritization <input type="checkbox"/> Problem Identification Workshop of top 3 prioritized services (goal = 2 out of 3) <input type="checkbox"/> Solution Identification Workshop of top 3 prioritized services (goal = 2 out of 3) <input type="checkbox"/> Begin piloting top 3 (goal = 2 out of 3) |
|---|---|

- | | |
|---|--|
| <ul style="list-style-type: none"> <input type="checkbox"/> Form Transformation Team <input type="checkbox"/> Kickoff held <input type="checkbox"/> Reset with CSDC and contract amended <input type="checkbox"/> "War room" space reserved <input type="checkbox"/> Technology/Software for team success procured | <ul style="list-style-type: none"> <input type="checkbox"/> Spatial DNA implemented <input type="checkbox"/> Public Works Utilities (Minor) Folders tested and in use <input type="checkbox"/> Public Works Special Districts Folders 50% complete <input type="checkbox"/> Planning Single Family, Development, and Environmental Folders tested and in use <input type="checkbox"/> Scrum adopted and in practice |
|---|--|

Development Services Transformation Q1 2019 (Jan. - Mar.)

Objectives

Simple, Self-serve, Digital User Experience



Clear, Consistent, Effective Process



Strong, Collaborating Team



Great Internal Tools to Enable Teamwork



EXTERNAL

INTERNAL

(as measured by)
Key Results

- Geocortex implemented
- Portal roadmap defined
- Broadening E-plan review with small cells pilot

- 100% of Goal met
- >65% of Goal met
- <65% of Goal met

- Service Inventory and Prioritization
- Problem Identification Workshop of top 3 prioritized services (goal = 2 out of 3)
- Solution Identification Workshop of top 3 prioritized services (goal = 2 out of 3)
- Begin piloting top 3 (goal = 2 out of 3)

- Form Transformation Team
- Kickoff held
- Reset with CSDC and contract amended
- "War room" space reserved
- Technology/Software for team success procured

- Spatial DNA implemented
- Public Works Utilities (Minor) Folders tested and in use
- Public Works Special Districts Folders 50% complete
- Planning Single Family, Development, and Environmental Folders tested and in use
- Scrum adopted and in practice



Development Services Transformation Q2 2019 (Apr. - Jun.)

Objectives

Simple, Self-serve, Digital User Experience



Clear, Consistent, Effective Process



Strong, Collaborating Team



Great Internal Tools to Enable Teamwork



EXTERNAL

INTERNAL

(as measured by)
Key Results

- Online fee and permit estimator contract signed
- ePlan Review Roadmap defined and approved
- Complete Public Portal MVP User-Acceptance Testing
- Select 3 metrics for tracking user experience and establish baseline data

CEQA

- 80% CEQA documents ready for public circulation after 2nd review
- 99% Planning application status available 24/7 in plain english

Power Teams

- 80% Single Family & Tree Removal applications ready for hearing or issuance after 2nd submittal
- 80% Planning applications are submitted complete

- Parcel research 80% faster
- PW Minor Utility Permit Fees processed 90% faster each month
- 80% staff trained on new workflows (folders) & GIS software
- 3 Team Members trained as scrum masters
- Complete 25% AMANDA 7 User-Acceptance Testing

- Resolve 99% of data errors in parcel and property records
- Complete User-Acceptance Testing for all new workflows (folders)
- Project status updates provided 95% faster
- 60 minutes saved per project close-out
- 50% increase in time-tracking accuracy