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MAY 24, 2005

IGNACIO DE LA FUENTE, PRESIDENT
CITY COUNCIL
OAKLAND, CALIFORNIA

PRESIDENT DE LA FUENTE AND MEMBERS OF THE CITY COUNCIL

SUBJECT: RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR, OR HER DESIGNEE, TO 1) EXECUTE AN AGREEMENT WITH INNOVATIVE INTERFACES, INC. FOR THE PURCHASE AND INSTALLATION OF A NEW INTEGRATED LIBRARY SYSTEM (COMPUTER CATALOG) INCLUDING ALL NECESSARY COMPUTER HARDWARE, SOFTWARE AND TELECOMMUNICATION EQUIPMENT, FOR A TOTAL CONTRACT AMOUNT NOT TO EXCEED SIX HUNDRED THOUSAND DOLLARS (\$600,000) FOR THE THREE YEAR PERIOD OF JULY 1, 2005 THROUGH JUNE 30, 2008; AND 2) EXECUTE AN ANNUAL SOFTWARE MAINTENANCE AGREEMENT WITH INNOVATIVE INTERFACES INC. FOR A FIVE YEAR PERIOD WITHOUT RETURNING TO COUNCIL FOR A TOTAL MAINTENANCE AGREEMENT AMOUNT NOT TO EXCEED THREE HUNDRED THOUSAND DOLLARS (\$300,000)

PURPOSE AND SCOPE

In accordance with the Measure H Charter Amendment, which was passed by the voters at the General election of November 5, 1996, we have made an impartial financial analysis of the accompanying Proposed Resolution and Agenda Report. In making our analysis, we also asked for additional information and clarification from City staff.

The City Auditor is elected by the citizens of Oakland to serve as an officer in charge of an independent department auditing City government activities. The independence of the City Auditor is established by the City Charter.

Since the Measure H Charter Amendment specifies that our impartial financial analysis is for informational purposes only, we did not apply Generally Accepted Government Auditing Standards as issued by the Comptroller General of the United States. Moreover, the scope of our analysis was impaired by Administrative Instruction Number 137, effective May 21, 1997, which provides only two (2) weeks for us to plan, perform and report on our analysis. Due to this time constraint, we did not verify data contained in the Proposed Resolution and Agenda Report.

BACKGROUND

The Oakland Public Library (OPL) will undergo a modernization of both the cataloging system and the general Information Technology infrastructure. Innovative Interfaces, Inc. was selected among five competing firms through a Request for Proposals process to perform this task although they were not the lowest responsible bidder in terms of price. The OPL primarily consists of:

- the Main Library
- 15 branch libraries
- African-American Museum and Library (AAMLO)
- Second Start Adult Literacy Program (Second Start)
- Bookmobile

The current cataloging system will be replaced with a new Integrated Library System (ILS). The Integrated Library System includes terminals with graphical interfaces, enhanced inter-library borrowing capability, and automated library-material circulation. The Information Technology (IT) upgrade includes better compatibility with the City network, Oracle management software, and increased security.

The Proposed Resolution authorizes staff to enter into two contracts with Innovative Interfaces, Inc. to carry out these upgrades. Innovative Interfaces would implement both the new ILS and IT upgrade in the first contract. The second would authorize maintenance services for six years upon installation of the equipment.

New Integrated Library System

The major components in the new Integrated Library System are expected to include Millennium application software with accompanying user licenses which would replace the current cataloging system. Another major expenditure component would be services such as staff training, project management and equipment installation. According to the Request for Proposal, Radio Frequency Identification technology may also be used to automate circulation and track inventory.

The Main Library, all 15 branches, AAMLO and Second Start would receive access to new ILS features such as graphical computer-catalog terminals.

Information Technology Upgrade

Some of the major components in the IT upgrade consist of networking switches compatible with the City network and routers that improve Internet accessibility between the Main Library and branches. The Proposed Resolution contains authorization for both the new ILS and IT upgrade in part because the IT upgrade must occur before the new ILS can be installed. According to staff, a single contractor performing both functions provides better seamless integration. Innovative Interfaces listed PC Professional as a subcontractor according to Contract Compliance & Employment Services documents. PC Professional will assist with the network upgrade.

FISCAL IMPACT

Installation

According to staff, the specific configuration options and associated pricing for the new ILS and IT upgrade are under negotiation. The contract to implement the new ILS and IT upgrade will be for an amount not to exceed \$600,000 over a three-year period as follows:

Fiscal Year	Not to Exceed Amount
July 1, 2005 – June 30, 2006	\$600,000
July 1, 2006 – June 30, 2007	
July 1, 2007 – June 30, 2008	

The Agenda Report states, “Innovative Interfaces, Inc. has offered the Library a payment schedule for the computer catalog software and hardware with interest-free financing over 36-months.” (Page 3) We asked staff if there were any discount terms if the City paid for the equipment in whole upon set-up and operation. Staff responded there were no discount terms. The payment in whole or in installments will equal the same dollar amount.

Maintenance

The contract for maintenance services after the new ILS and IT upgrade are installed will be for an amount not to exceed \$300,000 over a six- year period as follows:

Year	Approximate Amount
1 (upon completion of set-up)	No charge
2	\$ 59,000
3	59,000
4	59,000
5	59,000
6	59,000
Total Not to Exceed	\$300,000

CONTRACTOR SELECTION PROCESS

Five firms submitted timely proposals in response to the Request For Proposals (RFP) issued by staff. The RFP panel scoring the submissions and subsequent presentations consisted of:

- Evaluation Team consisting of library staff
- RMG Consultants, Inc., an outside firm
- Members of the Friends of the Oakland Public Library
- Library administration

Firms were scored on an overall criteria based on attributes listed in the Agenda Report such as "...company stability, system installations, increased resource sharing capability and business references with installed libraries..." (Pages 4-5) Price was also a submission component of the RFP. The firms with their accompanying bid prices were ranked as follows with the highest-scoring firm listed first:

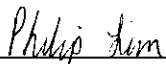
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|--------------------------------|--|
| 1. Innovative Interfaces, Inc. | \$511,026 |
| 2. Dynix Corporation | \$370,085 |
| 3. Sirsi | \$498,715 |
| 4. VTLS, Inc. | \$380,542 (amount does not include IT upgrade, did not bid for IT upgrade) |
| 5. The Library Corporation | \$647,484 |

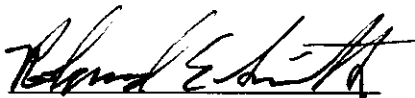
CONCLUSION

Before approving the Proposed Resolution, the Council should consider that the lowest responsible bidder in terms of price was not selected for the contract. The RFP panel determined that based on the overall criteria, Innovative Interfaces was the highest-scoring firm.

Prepared by:

Issued by:


Philip Lim
Deputy City Auditor


Roland E. Smith, CPA, CFS
City Auditor

Report completion date:
May 17, 2005