TO: Mayor and City Council
FROM: Susan Mayer, Chief Financial Officer
SUBJECT: IMAGING STORAGE AND HOSTING SERVICES WITH NEKO INDUSTRIES, INC. FOR CITY ATTORNEY, CITY CLERK AND CITY MANAGER (PUR 11-044)

RECOMMENDATION

It is recommended that the City Council adopt a resolution approving findings and authorizing the City to implement hosted/off-site imaging services for the City Attorney, City Clerk and City Manager Departments, with NEKO Industries, Inc., of Roseville, a valued added reseller of Hyland OnBase, products and services, of Cleveland, OH. This action will provide the OnBase Online solution through the State of California’s Master Services Agreement, in an amount not-to-exceed $16,395 for the three (3) departments at a cost of $5,465 per department. It is also recommended that the City Council authorize the City Manager to take appropriate actions to carry out the purpose and intent of the resolution.

Summary

In lieu of an Enterprise Content Management (ECM) solution, a temporary solution to provide customers with efficient and improved document management services; the offices of the City Attorney, City Clerk and City Manager wish to enter into a contract with NEKO Industries, Inc. to image and manage a myriad of documents. NEKO Industries, Inc. has responded to a Request for Proposals (RFP) from the State of California to provide such services. That vendor is already being used by the City of Stockton through a Master Services Agreement that allows for shared vendor pools between public agencies. This action would again use the State Master Service Agreement to employ the same vendor (NEKO Industries, Inc.), to include actual imaging services for these departments. The NEKO Industries, Inc. contract with the City does not need to be amended; however, the existing purchase order would be increased by $16,395.

DISCUSSION

Background

The City currently uses Novell GroupWise for its primary ECM solution which includes messaging functionality and document storage libraries. Documents are stored on two network drives on the City’s computing network. In addition, the Clerk’s Office uses Advantage, a software application which tracks active and inactive paper records. Records that have been indexed into Advantage have retention applied for shipment to off site storage or for destruction. In 2003, an inventory of paper documents identified over 12 million paper documents needing to be imaged. This figure does not include
documents(records which are maintained on microfilm and/or microfiche, or any
documents that have been added since then.

The City identified weaknesses in the ability of its existing ECM solution to reliably and
efficiently handle the entire lifecycle of its electronic records. These weaknesses have
resulted in a strong need for a robust ECM solution. In 2006, the City adopted
Resolution No. 06-0409 approving findings for the purchase of an imaging solution
utilizing software to scan and index historical and current documents for electronic
document management through the State of California’s Master Services Agreement
which is a competitively bid process, with NEKO Industries, Inc. This was based on the
immediate document storage needs of four (4) City departments. In 2007, a fifth
department was added along with a Request for Proposal being issued to acquire a
comprehensive ECM solution. Subsequently, each year since its adoption, Council has
approved via Council Resolutions 10-0365, 09-0369, 08-0240, 07-0420, 07-0177, and
06-0409 the purchase of imaging services from NEKO Industries, Inc.

In March 2009, the acquisition of the ECM Project was postponed Due to budget
constraints. However, operationally, it remains important for the City to continue
electronic document imaging as an alternative to storage and maintenance of paper
documents.

In September 2009 (PUR 09-087), Information Technology went before Council to
propose that the OnBase Online Imaging solution hosted offsite in Ohio be brought in
house, whereby all of the data files and other content would be stored on servers in the
City’s data center. The primary justifications for these efforts were, improved system
performance and long term cost savings. In addition, this solution would have resolved
speed and throughput issues commonly associated with transferring large files across
the Internet and Network. Proposed costs for this solution in November 2009 were
$312,000. The Council did not act on the IT proposal due to budget constraints.

Present Situation

The hosted/off-site imaging solution, which is provided by Hyland OnBase through
NEKO Industries, Inc., is currently implemented in Administrative Services, Community
Development, Municipal Utilities, Public Works and the Police Department’s
Neighborhood Services Division. This solution adds organizational capacity as it allows
departments to reduce paper storage and to capture and convert paper based
information to electronic images that are stored electronically. Documents stored in a
secure environment which is full text searchable and easily accessible to numerous
persons based on their security profile.
IMAGING STORAGE AND HOSTING SERVICES WITH NEKO INDUSTRIES, INC.
FOR CITY ATTORNEY, CITY CLERK AND CITY MANAGER (PUR 11-044)
(Page 3 of 4)

Based on their current operational needs, the following three additional departments need to be added at this time: City Clerk; City Attorney; and the City Manager.

NEKO Industries, Inc. is offering a reduced cost for this implementation. The regular cost per department for software and services is $16,000 and is being discounted based on the City’s fiscal constraints on a one-time basis to $5,465. This represents a savings in excess of $30,000. Also, NEKO Industries, Inc. is waiving the monthly maintenance fee of $600 per month per department for the first year of the contract for a savings of $21,600. At the end of the first year, the added department’s costs will increase by approximately $600 per month for software maintenance.

It should be noted that although the acquisition and implementation of a City department-wide document and content management system has been postponed due to economic conditions, as part of the Citywide Technology Strategic Plan (CTSP) project, staff will review and prioritize that project along with all other City-wide technology initiatives. The proposed addition of the City Attorney, City Clerk, and City Manager departments to the existing NEKO contract has been vetted with NexLevel Information Technology, the consultant currently completing the CTSP, and does not conflict with nor negatively impact the implementation strategy for the City-wide content management system which may be included in the CTSP.

FINDINGS

Stockton Municipal Code section 3.68.070 provides for an exception to the competitive bidding requirement for purchases in cases where the City Council has approved findings that support and justify the purchase. The findings are as follows:

1. Previous purchases from NEKO Industries, Inc. since July 2006 were made using a cooperative purchasing agreement through the State of California’s Master Services Agreement,

2. The State of California’s Department of General Services has approved a Master Services Agreement which extends the original terms and conditions previously provided by NEKO Industries, Inc. to the City of Stockton; this action amends the current contract between the City of Stockton and NEKO Industries, Inc.

3. NEKO Industries, Inc. has provided excellent service under the current contract. It is in the best interest of the City to continue with NEKO Industries, Inc. based on the fact that five (5) departments are already using the proposed solution thus providing for a compatible document storage solution.
4. Currently, all imaged documents as part of this solution reside on servers located in Cleveland, Ohio that are owned and operated by Hyland OnBase, of whom NEKO Industries, Inc. is a Value Added Reseller. Consolidation of documents on these existing servers reduce the cost of procuring and maintaining the hardware required for this solution.

FINANCIAL SUMMARY

The amount to provide hosted/off-site maintenance and operational costs from October 2011 through October 2012 for the three departments is $16,395, which has been budgeted in the three department’s respective accounts as listed below for $5,465 each.

City Attorney – 010-1401-510-30.50, City Clerk – 010-1101-510-30.51 and City Manager – 010-1211-510-20.23 ($4098.75), 010-1212-510-20.23 ($1366.25)

Respectfully submitted,

[Signature]

SUSAN MAYER
CHIEF FINANCIAL OFFICER

SM:tad

APPROVED

[Signature]

LAURIE MONTES
DEPUTY CITY MANAGER
RESOLUTION APPROVING FINDINGS AND AUTHORIZING THE IMPLEMENTATION OF HOSTED/OFF-SITE IMAGING SERVICES FOR THREE CITY DEPARTMENTS WITH NEKO INDUSTRIES, INC., IN AN AMOUNT NOT TO EXCEED $16,395 (PUR 11-044)

The City of Stockton (City) seeks to enter into an agreement with NEKO Industries, Inc., for hosted/off-site imaging services for the offices of the City Attorney, City Clerk, and City Manager; and

There is a strong need to transfer documents to digital form (imaging) in the offices of the City Attorney, City Clerk, and City Manager; and

Since 2006, six separate procurement actions have been approved for imaging services from NEKO Industries Inc.; now therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

1. Stockton Municipal Code section 3.68.070 provides an exception to the competitive bidding process in cases where the City Council has approved findings that support and justify the purchase:

   a. Previous purchases from NEKO Industries, Inc., since July 2006 were made using a cooperative purchasing agreement through the State of California’s Master Services Agreement.

   b. The State of California’s Department of General Services has approved a Master Services Agreement which extends the original terms and conditions previously provided by NEKO Industries, Inc., to the City; this action amends the current contract between the City and NEKO Industries, Inc.

   c. NEKO Industries, Inc., has provided excellent service under the current contract. It is in the best interest of the City to continue with NEKO Industries, Inc., based on the pricing levels offered.

   d. Currently, all imaged documents as part of this solution reside on servers located in Cleveland, Ohio, that are owned and operated by...
Hyland OnBase of whom NEKO Industries, Inc., is a value added reseller.

2. Based on these findings, the City Council hereby declares that an exception to the competitive bidding process is justified to implement hosted/off-site imaging services with NEKO Industries, Inc., in an amount not to exceed $16,395, from August 8, 2011 through August 7, 2012.

3. The City Manager is authorized to take such other actions as are appropriate to carry out the intent of this Resolution.

PASSED, APPROVED, and ADOPTED October 18, 2011.

ANN JOHNSTON, Mayor
of the City of Stockton

ATTEST:

BONNIE PAIGE
City Clerk of the City of Stockton