

M I N U T E S

JOINT ADMINISTRATION AND SERVICE COMMITTEES

JULY 25, 1983

The joint meeting of the Administration and Service Committees of the Legislative Council was called to order by the Administration Committee Chairman, Representative John H. Connors, at 4:25 p.m., Monday, July 25, 1983, in Committee Room 22 of the State House, Des Moines, Iowa. Administration and Service Committee members present, in addition to Chairman Connors, were:

Senator C. W. Bill Hutchins, Chairman, Service Committee
Senator C. Joseph Coleman
Senator Donald V. Doyle
Senator Merlin D. Hulse
Senator Calvin O. Hultman
Senator Lowell L. Junkins
Representative Dale M. Cochran
Representative Thomas J. Jochum
Representative Jean Lloyd-Jones
Representative Lester D. Menke
Representative Delwyn Stromer

Also present were Representative Donald D. Avenson, Speaker of the House, Representative Lowell E. Norland, Mr. Dennis Prouty, Director, Legislative Fiscal Bureau, Mr. Serge H. Garrison, Director, Legislative Service Bureau, Mr. Burnette E. Koebernick, Senior Legal Counsel, Legislative Service Bureau, other legislative staff members, representatives of the news media, and other interested persons.

Senator Coleman moved that the Administration and Service Committees dispense with the reading of the minutes. The motion was seconded by Senator Hultman and adopted unanimously on a voice vote.

Representative Menke noted that the members of the Committee have spent since 10:00 a.m. reviewing demonstrations on text processing and fiscal compilations for most of the day and that in his opinion, both were requested to demonstrate the same tasks, that both failed, and that he feels that the Committees ought to consider a recommendation for a one-year delay on the project.

Senator Junkins stated that each of the bids provides for a customizing charge of approximately \$100,000 and a certain amount of hours required for this project and inquired as to whether a delay on the bids will mean that customizing time will be required at any time the project is commenced. Mr. Garrison responded that the RFP specifies 59 requirements which must be met and that any time the project is undertaken, a certain amount of customizing time is necessary for implementation of the computer system. Mr.

Prouty also noted that neither company will undertake the necessary customizing work without a contract. Mr. Garrison pointed out that in order to accomplish the task of customizing the system to the needs of the General Assembly, either company will have to work very closely with the legislative staff.

Representative Stromer indicated that on the basis of the demonstrations seen on this date, he would have to favor the Sperry Corporation on the basis of performance seen today but suggested that he is not particularly happy with either company.

Senator Junkins inquired as to whether either company would be under contract to have the program put together by a specific date. Mr. Garrison responded in the affirmative and Mr. Prouty explained that the RFP specifies a November 1 date for performance.

Representative Menke inquired as to whether interest costs are computed in the figures provided by both companies. Mr. Prouty responded that Honeywell has indicated that the rate of interest computed on the Honeywell product is eight and one-half percent and that a rate of eleven and one-half percent has been figured on third-party vendor equipment. He also noted that he has not been able to compute the rate of interest applied to the figures used by Sperry but indicated that Sperry representatives have indicated orally their willingness to meet an eight and one-half percent interest rate.

Representative Cochran inquired as to whether with the capabilities of the current system used by the General Assembly, a real need exists for a new system. Mr. Garrison responded in the affirmative noting that an improved system is required for publication purposes. He also indicated that the current system is somewhat dated and that there is increasing difficulty in obtaining parts for the current equipment.

Chairman Connors noted that no other members of the Committees have indicated a desire to make any comments at this time and suggested that each of the vendors be asked to appear before the Committees and directed that the representatives of Honeywell be invited in first.

The representative from Honeywell, Mr. Larry Swanson, indicated that the company representatives were very disappointed when the amendment to the amendment provided by Mr. Garrison could not be programmed. He pointed out that Honeywell approached the General Assembly with a computer system that would enhance publication efforts for the General Assembly and emphasized that Honeywell is able to provide that system in the timely manner requested by the General Assembly. Chairman Connors pointed out that the real problem as far as members of the Committees are concerned is that we have not seen an operational system.

Senator Hultman inquired as to whether Honeywell can interface with Central Data Processing equipment at the current time. Mr.

Swanson responded in the affirmative noting that a letter is on file with the Council indicating that the tests have been completed and that the two systems can be interfaced. Mr. Swanson also pointed out that there are several items which he would like to address at this time. He noted that the competition has indicated that the software and maintenance costs, like their hardware and software, are phased in over eighteen months. If all of the hardware is delivered with the initial system, an additional \$48,000 in maintenance and software costs must be added to the total cost or conversely a similar but not exact amount deducted from the Honeywell quote. He emphasized that Honeywell proposes to implement the entire program at one time.

He also emphasized that the customization charges proposed by Honeywell are on a "not to exceed" basis and that the Iowa General Assembly should verify that any other vendor is quoting on the same basis. Mr. Swanson also pointed out that the site requirements for Honeywell are approximately twenty percent less in area and that the Honeywell site requirements include 536 square feet versus the 720 square feet required by Sperry. He suggested that larger space requirements means greater site costs including room preparation, electrical and air conditioning needs, and maintenance requirements. He noted that a false floor is not required for the Honeywell equipment and that the estimated site preparation savings could be approximately \$40,000 plus ongoing charge differentials. Mr. Swanson also noted that to be competitive with Honeywell, Sperry hardware has been discounted at a twenty percent rate and inquired as to whether all subsequent orders would be so discounted. He emphasized that it is not unusual to discount the initial order and sell future upgrades at list price and this implies a twenty percent differential between Honeywell and Sperry on future needs. He also noted that the original bid provided by Sperry for software development was \$433,000 and that that was reduced to \$113,000 on June 28, 1983.

Mr. Swanson pointed out that the original hardware bid submitted by Sperry was close to two million dollars. He suggested that the reduction in the bid price was due to the competitive presence of Honeywell's excellent CP-6 product and suggested that price cutting and discounting often occurs again when it is realized that the product proposed does not meet the prospect's specifications or when the product capabilities are not as extensive as those bid by a competitor. Mr. Swanson also indicated that purchase of the Honeywell system rather than lease would reduce monthly costs by \$2,200.

Chairman Connors recognized Mr. J. Peterson of Honeywell for his comments. Mr. Peterson noted that Honeywell does not have a plant in Iowa but that many employees do reside in Iowa and that Honeywell is currently in the process of implementing an exchange program between Honeywell personnel and personnel at Iowa State University. Mr. Peterson also suggested that the system proposed by Honeywell will provide much greater flexibility in the future and urged the Committees to receive a written agreement from Sperry

on the future flexibility of the equipment which they have bid. He suggested that the problem with the amendment to the amendment was the first niche and that they should have no problems fixing it and noted that the Honeywell system, if purchased by the General Assembly, will still be operational by November 1 of this year.

Mr. Williamson of Honeywell also stated that Honeywell will guarantee total support for the system and will have no problems guaranteeing that the system would be operational by the November 1 date. Representative Menke inquired that if a delay were urged for one year, would Honeywell be able to provide the system next year. Mr. Williamson responded in the affirmative. Senator Junkins inquired that if the system is not purchased, would Honeywell continue to customize the system for our needs. Mr. Williamson responded in the negative and indicated that customizing would occur if it were needed in some additional project that Honeywell bid on in the future. Chairman Connors inquired as to the life of the system to be provided by Honeywell. Mr. Swanson responded that it would be easily usable for seven to eight years.

Chairman Connors noted that no additional members of the Committees have requested an opportunity to ask questions and suggested that the representatives of the Sperry Corporation be invited into the meeting at this time.

Mr. Jerry Suther of Sperry indicated that Sperry has demonstrated their product and capabilities and noted that they have demonstrated that they can do the job required by the General Assembly. He noted that all of the text processing can be accomplished by November 1 and all of the fiscal requirements can be accomplished by January 1, 1984. He noted that with Sperry all equipment will come from one vendor and that the equipment Sperry is bidding meets or exceeds all the requirements in the Request For Proposal.

Senator Hultman inquired as to whether Sperry can currently interface with the equipment with the Central Data Processing center. Mr. Suther responded in the affirmative.

Representative Cochran noted that the legislative personnel have been trained on use of certain computer languages and inquired as to whether Sperry can use the current computer language. A representative of the Sperry Corporation noted that MAPPER does correlate and work with COBAL. Representative Cochran asked whether this system will be meaning that Iowa is a pioneer in legislative systems for Sperry. Mr. Suther responded that Maryland currently uses the Sperry system for its fiscal data.

Senator Junkins noted that neither vendor has demonstrated the system as it would be used by the General Assembly and this creates a problem for the Committee in trying to make a decision based upon assurances from the respective companies. He noted that the Sperry bid has indicated a cost of \$113,560 for customization and inquired as to whether this is the upper limits for Sperry. Mr. Suther responded in the affirmative.

Representative Cochran noted that the original proposed bid submitted was for a much higher amount and inquired as to how these costs were reduced and whether it was reflected in the system the General Assembly will receive. Mr. Suther responded that Sperry was able to reduce the costs on the basis of the Request For Proposal and in the meantime a new product had been provided which was at a reduced cost.

Chairman Connors inquired as to the life expectancy of the Sperry system. Mr. Vennard responded that the system should last from five to ten years. Chairman Connors noted the use of color on the fiscal system and inquired whether this was a separate item. Mr. Suther responded in the affirmative.

Representative Menke inquired as to whether Sperry would intend to sell the system to Kansas, Missouri, or another state based upon the system developed for Iowa. Mr. Vennard responded that Sperry would like to sell the system elsewhere but that this could be prohibited in the contract.

Representative Stromer noted that Honeywell has indicated the use of their system for publication purposes and inquired as to whether Sperry has addressed the publication requirements for the General Assembly. Mr. Garrison pointed out that the publication requirements are outlined in the Request For Proposal.

The Sperry personnel were requested to leave the meeting so that the Committees could continue their discussions of the proposal.

Senator Hultman moved that the Administration and Service Committees recommend that the Legislative Council purchase the system provided by Honeywell. The motion was seconded by Senator Hulse. Senator Hultman noted that there are a number of reasons why he has decided that Honeywell is the product to buy. He noted that the customizing costs will be reduced for Honeywell and the space requirements outlined by Honeywell will mean less space the General Assembly will have to provide. He also indicated that the Honeywell cost figures are rather firm while it has been somewhat difficult to elicit the same figures from Sperry representatives. He indicated that the Committees are not aware of the number of additional personnel which would be required for the Sperry system while Honeywell has indicated no additional personnel will be required. He also emphasized that he questioned both companies about their ability to interface with Central Data Processing and both responded in the affirmative. He pointed out that Mr. Garrison has a letter in his possession from Central Data Processing which indicates that Sperry has not been able to interface with Central Data Processing as of this date. He also noted that the advantage of the Honeywell system is that many other computers can be used or hooked into the system and there are a number of questions about this issue in the Sperry proposal.

Senator Hutchins noted that he has a newspaper editorial taken from the Omaha World Herald which raises definite question about the financial condition of Honeywell in the computer business and whether Honeywell will be able to survive in the computer business in the near future. Senator Junkins noted that the contract must provide for all of the other items necessary in a computer system and that the only alternative left would be that suggested by Representative Menke, mainly delay in acquisition of a computer system.

Representative Jochum noted that he certainly is not an expert on computers and that it appeared to him from the demonstrations on this date that either company should be able to do the job requested by the General Assembly. He noted that the only other consideration should be whether or not one company or the other has a business located within the state. There being no further discussion, Senator Hultman called the question on his motion. The motion failed on a vote of four ayes and eight nays. Voting in the affirmative were Senators Hultman and Hulse and Representatives Connors and Cochran. Voting in the negative were Senators Hutchins, Coleman, Doyle, and Junkins, and Representatives Jochum, Lloyd-Jones, Menke, and Stromer.

Representative Stromer moved that the Administration and Service Committees recommend that the Legislative Council purchase the Sperry system. The motion was seconded by Representative Jochum and adopted on a vote of nine ayes and three nays. Voting in the affirmative were Senators Hutchins, Coleman, Doyle, and Junkins, and Representatives Connors, Cochran, Jochum, Lloyd-Jones, and Stromer. Voting in the negative were Senators Hulse and Hultman and Representative Menke.

There being no additional business, the joint meeting of the Administration and Service Committees was adjourned at 6:25 p.m.

Respectfully submitted,

BURNETTE E. KOEBERNICK
Senior Legal Counsel

7/25/83
ADM. SER. I/24