



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: MAY 22, 2013

FROM: INFORMATION TECHNOLOGY

**SUBJECT: RESOLUTION NO. _____ - AGREEMENT BETWEEN THE CITY OF
LOS ANGELES HARBOR DEPARTMENT AND C3 BUSINESS
SOLUTIONS, INC. FOR ENTERPRISE RESOURCE PLANNING
SUPPORT SERVICES**

SUMMARY:

The Information Technology (IT) Division is requesting approval to enter into an agreement with C3 Business Solutions, Inc. (C3) to provide professional services to support and maintain the City of Los Angeles Harbor Department's (Harbor Department) new Enterprise Resource Planning (ERP) System. The new ERP has been in use since October 1, 2012 with the Harbor Department already seeing lower operating costs and improved information management, processing, and controls when compared to the previous financial system. As with any sophisticated software package, City staff cannot perform all of the work required to support and maintain the ERP due to its proprietary and specialized nature. In order for the ERP to continue to function in the most efficient and productive manner, the proposed professional services agreement is required on an as-needed basis, to assist Harbor Department staff and to provide knowledge transfer.

The recommendation to select C3 is based on a competitive Request for Proposals (RFP) process performed by the Harbor Department. C3 is a qualified Small Business Enterprise (SBE); therefore 100% of the agreement will contribute towards the Harbor Department's SBE goals. C3 is located in Santa Ana, California and also qualifies for the Harbor Department's Local Business Preference Program (LBPP).

The term of the proposed agreement is three years at a not-to-exceed amount of \$1,200,000.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that in accordance with the Los Angeles City Charter Section 1022, it is more feasible for outside contractors to perform this work than City employees;

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2. Approve the agreement with C3 at an amount not-to-exceed \$1,200,000 for a three year term;
3. Authorize the Executive Director to execute and the Board Secretary to attest to said agreement; and
4. Adopt Resolution No. _____.

DISCUSSION:

Background and Context – At its September 1, 2011 meeting, the Board approved Agreement No. 11-3009, in the amount of \$8,448,701, to purchase and implement the Oracle E-Business Suite ERP. The ERP replaced the Harbor Department's previous mainframe-based financial system as part of the IT Strategic Plan. The ERP scope was to implement the finance and supply chain modules and interfaces to five other systems. The finance and supply chain modules included 25 functional areas, including but not limited to, general ledger, accounts payable, accounts receivable, cash management, fixed assets, budgeting, projects, grants, purchasing and inventory. The ERP was completed on-schedule and within budget, and has been in use since October 1, 2012.

The ERP is the core financial and purchasing system of the Harbor Department. It provides mission-critical functionality required to support the Harbor Department business operations, decision support, and other information needs. Without the ERP, the Harbor Department would not be able to meet the needs of a modern enterprise in terms of timely reporting and financial and process integration and controls.

Although ERP's benefits include a net savings of approximately \$800,000 per year in external expenses, improved financial controls, and real-time information management, there remain significant challenges post-implementation. These include a weak understanding of certain process flows, inconsistencies in data, and gaps in training. While the efforts of staff and the implementation consultants have resolved many of the issues that have arisen, the Harbor Department requires on-going ERP services to continue to support and maintain the system and allow staff to climb the learning curve.

Proposed Agreement – The proposed agreement (Transmittal 1) will provide the required services, on an as-needed basis, to assist Harbor Department staff with the support and maintenance of the new ERP. This will be the Harbor Department's first agreement for ERP support services. The proposed agreement includes training and knowledge transfer to Harbor Department staff. However, training and knowledge transfer alone are not sufficient to eliminate the need for the proposed agreement because of the on-going needs for proprietary and specialized services. For example, on-going support is needed for ERP changes or issues caused by new business

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requirements, technology changes, software patches (e.g. – security, fixes, updates, etc.), changes to the other systems interfaced to the ERP and complex system issues. Without the on-going support, issues will not be resolved and the ERP will not function properly. It is anticipated that ERP vendor support will always be needed for the on-going proprietary and specialized work, as it is for other software systems.

The proposed agreement includes the following services, on an as-needed basis:

- Maintenance and System Support

Maintenance and system support includes services to keep the system running and to troubleshoot and resolve any errors in the operation of the system. It includes monitoring to ensure system availability; problem identification and resolution; and applying critical security patches and updates. Patches are software code that the vendor releases in order to fix bugs in the system or to provide necessary functionality.

- Training and Knowledge Transfer

Training and knowledge transfer includes both formal classroom training as well as informal one-on-one support. These services provide the knowledge that both technical and functional Harbor Department staff require in order to operate and maintain the system. They include knowledge of how to use the system in order to: process transactions; configure the system to meet specific Harbor Department requirements such as setting up our chart of accounts for distribution of charges; perform month-end and year-end processing; apply system patches; run jobs to interface data to other systems; and run reports and extract information from the system.

- Design and Development

Design and development includes services to support new or changing business requirements. New requirements can include: new reports, dashboards, or other forms of providing financial information; business process changes that result in new workflows or changes to existing workflows; and policy changes such as revised employee benefits.

Changes in external systems that the Harbor Department interfaces with may also necessitate changes in our ERP System. For example if the City's Financial Management System (FMS) requires new data from our financial system, then the programs which send this data will need to be modified.

The proposed three-year agreement is for an amount not-to-exceed \$1,200,000. However, the Harbor Department is not committed to spending this entire amount.

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Selection Process – The selection of C3 is based on a competitive RFP process performed by the Harbor Department. Nine firms responded to the RFP and submitted proposals (Transmittal 2). The selection committee evaluated the proposals based on: 1) firm's qualifications, experience, and references; 2) project organization, personnel, and staffing; 3) approach and engagement management; 4) rates, fees, and budget control; and 5) quality and responsiveness of the proposal. The selection committee was comprised of individuals from the Harbor Department's IT, Accounting, and Contracts and Purchasing Divisions, and an external rater from Los Angeles World Airports. Six firms were invited to participate in interviews with the selection committee and present their proposal. Based on the scoring criteria, the selection committee recommends C3 (Transmittal 3).

Small Business Enterprise and Local Business Enterprise Preference Programs – C3 is a qualified Small Business Enterprise (SBE); therefore, 100% of the proposed Agreement will contribute towards the Harbor Department's SBE objectives. The contract opportunity was also eligible for the new Local Business Enterprise Preference Program which provides for an eight percent (8%) preference for qualifying Local Business Enterprises (LBE). C3, located in Orange County, is a qualified Local Business Enterprise (LBE). Although the contract opportunity provided for an 8% preference for LBEs, C3 scored the highest and as a LBE, the preference did not impact the final results.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an agreement with C3 for professional services in support of the Harbor Department's new ERP system. As an administrative activity, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II Section 2 (f) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

Approval of the proposed Agreement will support two direct and eight secondary jobs for the five-county region.

FINANCIAL IMPACT:

Approval of the proposed three-year Agreement with C3 authorizes the IT Division to retain professional services with a not-to-exceed limit of \$1,200,000 to support the Harbor Department's ERP system. Funds for fiscal year 2013/14 in the amount of

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400,000 were requested to be budgeted as part of the annual budget process. Upon Board approval, funding for future fiscal years will be requested to be budgeted as shown in the table below.

Fiscal Year	Anticipated Amount
2013/14	\$ 400,000
2014/15	\$ 400,000
2015/16	\$ 400,000
Total Not-To-Exceed Amount	\$1,200,000

The Harbor Department is not committed to spend the entire proposed amount in any given fiscal year listed above. Expenditures are based on an as-needed, task order basis. Funds will be expended from Account 54310, Center 0640, and Program 000.

A Termination for Non-Appropriation of Funds Clause (also known as a Funding Out Clause) is included in the Agreement.



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CITY ATTORNEY:

The Office of the City Attorney has prepared the agreement and approved it as to form and legality.

TRANSMITTAL:

1. Agreement with C3 Business Solutions, Inc.
2. List of Proposers
3. Evaluation Matrix

FIS Approval:  (initials)
CA Approval:  (initials)

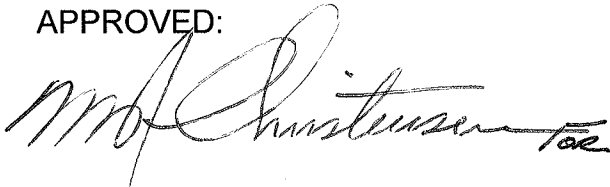


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