



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the
Board of Harbor Commissioners

DATE: APRIL 26, 2016

FROM: INFORMATION TECHNOLOGY

SUBJECT: RESOLUTION NO. _____ - THIRD AMENDMENT TO AGREEMENT NO. 10-2903 WITH MICROSOFT CORPORATION TO PROVIDE MICROSOFT SUPPORT AND CONSULTING SERVICES

SUMMARY:

The City of Los Angeles Harbor Department (Harbor Department) is requesting approval of the Third Amendment to Agreement No. 10-2903 (Agreement) with Microsoft Corporation (Microsoft) for support and consulting services for Microsoft products used by the Harbor Department. These services are required to maintain and optimize the Harbor Department's computing environment, which relies on Microsoft technology for its on-going operations. The proposed Third Amendment will extend the existing Agreement by three additional years, for a total of nine years, with no change in the total not-to-exceed amount. All remaining terms and conditions of Agreement No. 10-2903 remain unchanged.

The Agreement with Microsoft is a sole-source agreement as Microsoft software and products can only be serviced by Microsoft. Microsoft is based in Redmond, Washington, with offices in Los Angeles and other Southern California cities. The Harbor Department will continue to be financially responsible for payment of services rendered under the Agreement.

RECOMMENDATION:

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

1. Find that the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve the Third Amendment to Agreement No. 10-2903 to extend the existing Agreement for an additional three years, for a total of nine years;
3. Direct the Board Secretary to transmit the Third Amendment to Agreement No. 10-2903 to the Los Angeles City Council for approval pursuant to Section 373 of the

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Charter of the City of Los Angeles and Section 10.5 of the Los Angeles Administrative Code;

4. Authorize the Executive Director to execute and the Board Secretary to attest to the Third Amendment to Agreement No. 10-2903, upon approval by the City Council; and
5. Adopt Resolution No. _____.

DISCUSSION:

Background and Context– Microsoft technologies are used on most of the Harbor Department's computer systems, including desktop software, messaging, critical business applications, and core infrastructure services such as databases, active directory and operating systems. Microsoft products are also used by the Harbor Department's customers and stakeholders such that its continued use will enable the Harbor Department to interface with them seamlessly without interruption.

Agreement 10-2903 (Transmittal 1), which the Board approved at its October 7, 2010 meeting, is used to assist the Information Technology (IT) Division staff in maintaining and optimizing the Harbor Department's computing environment. The maintenance and technical support involve:

- Problem resolution support 24 hours a day, 7 days a week via telephone, electronic and Premier online website access;
- Support assistance with infrastructure and database design, recommendation and migration;
- Application development assistance in migrating obsolete platforms or applications to the latest Microsoft technologies; and
- Lab facilities for future Microsoft product review, development, benchmarking, testing, prototyping and migration activities.

Microsoft Premier Support has helped with license compliance, reduced system outages, greater use of existing products, and preparation for future information technology requirements. This is an on-going effort as new technologies are implemented throughout the Harbor Department and integrated into the existing computing environment.

The First Amendment (Transmittal 2), which the Board approved at its September 19, 2013 meeting, was to extend the original Agreement No. 10-2903 for three additional years, for a total of six years, and to add \$1,000,000 to the Agreement, for a total not-to-exceed amount of \$1,497,969.

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The Second Amendment (Transmittal 3), which the Board approved at its March 18, 2015 meeting, was to revise Microsoft's Fee Summary and Services by Location document to correct a clerical error in this document and reduce the Premier Support fee by \$5,942 due to a one-time Microsoft investment discount. The total not-to-exceed amount was revised to \$1,492,027.

The total amount spent to date is \$704,126. The remaining balance of \$787,901 will be used to fund the proposed Third Amendment.

Proposed Third Amendment– The proposed Third Amendment will extend the existing Agreement by three additional years, for a total of nine years. The total not-to-exceed amount will remain unchanged at \$1,492,027. Funding for the three additional years is available within the existing total not-to-exceed amount because of less than anticipated use of the as-needed Microsoft services due to fewer computer issues.

Procurement Process– Agreement No. 10-2903 is a sole source selection because Microsoft Premier Support is provided only by Microsoft for its proprietary software. Microsoft has exclusive knowledge and tools to perform this work (Transmittal 5). The City of Los Angeles Information Technology Agency, Department of Water and Power, and Los Angeles World Airports procure these services similarly.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a Third Amendment to Agreement No. 10-2903 with Microsoft for support and consulting services for Microsoft products used by the Harbor Department, which is an administrative activity. As such, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

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FINANCIAL IMPACT:

The proposed Third Amendment is to extend the existing Agreement by three additional years with no change in the total not-to-exceed amount. Upon Board approval, future fiscal year funds, as shown below, will be requested to be budgeted as part of the annual budget adoption process.

Fiscal Year	IT Division Budget Account (Cost Center 0640, Program 000)		Total
	Account 54110	Account 54310	
16/17	\$65,020	\$116,570	\$181,590
17/18	\$66,971	\$235,139	\$302,110
18/19	\$68,980	\$235,139	\$304,119
Total Not-To-Exceed	\$200,971	\$586,848	\$787,819

The actual expenditures may differ from the estimated amounts in any given fiscal year or in any given budget category listed above. However, the total expenditures under the proposed Agreement will not exceed \$1,492,027.

Office space for one to three consultants will be used intermittently within the space reserved for the IT Division. This office space will be used only when on-site work is required. Staff will not be displaced.

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 reviewed and approved the Agreement as to form and legality.

TRANSMITTAL:

1. Agreement 10-2903 with Microsoft Corporation
2. First Amendment to Agreement 10-2903 with Microsoft Corporation
3. Second Amendment to Agreement 10-2903 with Microsoft Corporation
4. Third Amendment to Agreement 10-2903 with Microsoft Corporation
5. Microsoft Sole Source Letter

FIS Approval:  (initials)

CA Approval:  (initials)



LANCE KANESHIRO
Chief Information Officer



THOMAS E. GAZSI
Chief of Public Safety and
Emergency Management

APPROVED:



EUGENE D. SEROKA
Executive Director

LK:kc