



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

DATE: SEPTEMBER 11, 2013

FROM: INFORMATION TECHNOLOGY

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

SUMMARY:

The City of Los Angeles Harbor Department (Harbor Department) is requesting approval to the First Amendment to Agreement 10-2903 with Microsoft Corporation (Microsoft) for support and consulting services for the 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 amount of this amendment will add \$1,000,000 to Agreement 10-2903, bringing the not to exceed Amount to \$1,497,969. The term of Agreement 10-2903 is also being extended by three years bringing the total term to six years. Without the approval of this First Amendment, Agreement 10-2903 will expire on October 26, 2013.

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.

RECOMMENDATION:

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

1. Find that in accordance with the Los Angeles City Charter Section 1022, the work under the subject Agreement can be performed more feasibly by independent contractors than by City employees;
2. Approve the First Amendment to Agreement 10-2903 with Microsoft Corporation for a not to exceed amount of \$1,497,969 and a term of six years;
3. Direct the Board Secretary to transmit the First Amendment to the City Council for approval pursuant to Charter Section 606;

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

4. Authorize the Executive Director or designee to execute the First Amendment to Agreement 10-2903 and authorize the Board Secretary to attest to said amendment; 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. Further, Microsoft support will allow the Harbor Department to continue to operate at its current level without business interruption and is necessary for the Harbor Department's daily operations.

Of the \$497,969 authorized by the Board for Agreement 10-2903, \$497,632 has been expended during the previous three year term.

Benefits– Microsoft will assist the Information Technology Division (ITD) in maintaining and optimizing the Harbor Department's computing environment. The maintenance and technical support will 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 platform or applications to latest Microsoft technologies; and
- Lab facilities for future Microsoft product review, development, benchmarking, testing, prototyping and migration activities.

Strategic Alignment– Per the Information Technology Strategic Plan, this Agreement will continue to be used to improve the computing environment, which will result in efficiencies to the Harbor Department. Fiscal and operating efficiencies include: license reviews, 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. Over the term of this First Amendment (Transmittal 1), ITD will address three major strategic areas and will require Microsoft's

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consulting services to perform assessments and provide recommendations to enhance and optimize the existing computing environment. The assessments will be done in the first year. ITD is requesting the larger funding in years two and three for the purpose of implementing the recommendations provided by Microsoft. The three strategic areas being addressed are: 1) Disaster recovery of the Harbor Department's critical systems such as email and Active Directory, 2) The implementation of server high availability and 3) The improvement of configuration management/change control to increase the reliability of the existing computing environment.

Microsoft will also assist ITD with the completion of migrating custom applications developed with Microsoft technologies. The IT Strategic Plan recommends reducing the Harbor Department's dependency on these custom applications, most of which were developed by consultants over many years. Microsoft's in-depth knowledge of its product technology and availability to exclusive tools are needed to evaluate the custom programming code and to facilitate the transition of support to ITD. The first year of this Amendment includes funds to assess the Harbor Department's Microsoft-based custom applications such as the Project Information Control System and PortWatch. A separate Board action may be requested in the future to fund the assessment's recommendations and transition of the custom applications.

Procurement Process— Agreement 10-2903 is a sole source agreement because Microsoft Premier Support is provided only by Microsoft for its proprietary software. Microsoft has exclusive knowledge and tools to perform this work (Transmittal 2). The Department of Water and Power and Los Angeles World Airports are procuring these services similarly.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of the First Amendment to an Agreement with Microsoft for support of Microsoft products used by the Harbor Department to extend the compensation and term of the Agreement. As an administrative activity, the Director of Environmental Management has determined that the proposed action is exempt from CEQA in accordance with Article II Section 2 (f) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

Approval of the proposed Amendment will support 3 direct and 11 secondary one-year equivalent jobs for the five county regions.

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

FINANCIAL IMPACT:

The financial impact of adopting this proposed Board item is that the Harbor Department will commit \$160,000 to fund this Agreement during Fiscal Year (FY) 2013/14 in the account numbers specified below. For FY 2014/15 and FY 2015/16, funds will be requested to be budgeted as part of the annual budget adoption process, upon Board approval. Funds are expected to be expended from Accounts 54110 and 54310 Cost Center 0640, Program 000 as follows:

Fiscal Year	Anticipated Amount
2013/14	\$ 160,000 (\$63,000 from Account 54110 and \$97,000 from Account 54310)
2014/15	\$ 420,000 (\$63,000 from Account 54110 and \$357,000 from Account 54310)
2015/16	\$ 420,000 (\$63,000 from Account 54110 and \$357,000 from Account 54310)
<hr/> Total	<hr/> \$1,000,000

If in any subsequent fiscal year funds are not appropriated by the Board for services provided for under the contract, those services will not be used.

The financial impact of not approving the proposed Amendment is that the Harbor Department will not have to expend \$160,000 during FY 2013/14 for the services specified in the Agreement nor will proposed expenditures for subsequent years have to be committed as part of the annual budget adoption process.; however, this will likely result in Departmental operational inefficiencies resulting from a disruption of technological work processes currently in place. The benefit of funding the proposed Board item is that the scope of services provided for in the Agreement aims to improve Harbor Department operational efficiencies and staff productivity by insuring the recoverability of the Harbor Department's computer systems, insuring high system availability and insuring stability of the computer systems used by the Harbor Department by implementing tighter change control measures.

DATE: SEPTEMBER 11, 2013

PAGE 5 OF 5

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

CITY ATTORNEY:

The First Amendment has been approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. First Amendment to Agreement 10-2903 with Microsoft Corporation
2. Microsoft Sole Source Letter

FIS Approval: ef (initials)

CA Approval: JMC (initials)

for 
LANCE KANESHIRO
Chief Information Officer


MOLLY CAMPBELL
Deputy Executive Director

APPROVED:


GERALDINE KNATZ, Ph.D.
Executive Director

LK/LFG

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