

**DATE: FEBRUARY 22, 2022**

**FROM: INFORMATION TECHNOLOGY**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - CONTRACT NUMBER 39966 WITH MYTHICS, INC. FOR ORACLE CORPORATION CLOUD PRODUCTS AND SERVICES**

**SUMMARY:**

Staff is requesting approval to award Contract No. 39966 to Mythics, Inc. (Mythics) for the purchase of Oracle Corporation (Oracle) products and services for the Oracle Enterprise Resource Planning (ERP) Cloud Migration project. This includes Oracle software subscriptions, licenses, training, maintenance, and related products and services needed to migrate the City of Los Angeles Harbor Department's (Harbor Department) existing on-premise Oracle E-Business Suite ERP (EBS) system to the Oracle Fusion Cloud ERP (ERP Cloud) system. Migrating to the Oracle ERP Cloud will provide improved functionality and government cloud security, and is necessary because of end-of-support for the existing Oracle EBS.

The term of the proposed Contract is three years and the not-to-exceed amount is \$2,949,429. The proposed Contract is one of several purchase agreements necessary for the ERP Cloud project. The other purchase agreements will be presented to the Board of Harbor Commissioners (Board) separately. The total cost of the ERP Cloud project is estimated to be \$26,915,297, including \$3,994,367 for existing Harbor Department staff working on the project.

The recommendation to select Mythics is based on the competitive Request for Proposal (RFP) process performed by Maricopa County, Arizona (Maricopa County) for its Contract No. 180233-002. Other City of Los Angeles departments that joined the Maricopa County contract include the Los Angeles World Airports and the Housing Authority of the City of Los Angeles.

Expenditures incurred under the proposed Contract are the financial responsibility of the Harbor Department.

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**RECOMMENDATION:**

It is recommended that the Board of Harbor Commissioners:

1. Find that the Director of Environmental Management has determined that the proposed action is administratively 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. Find that in accordance with Los Angeles Administrative Code Section 10.15(a)(8), the City may enter into the proposed contract based on the terms and conditions of Contract No. 180233-002 between Maricopa County and Mythics;
3. Find that it is in the best interest of the City of Los Angeles Harbor Department to deviate from the standard provisions of the Harbor Department contract for
  - Section 8: Default by Supplier,
  - Section 10: Inspection,
  - Section 19: Contractor's Liability, and
  - Section 20: Patent Rights;
4. Approve Contract No. 39966 with Mythics for Oracle cloud software subscriptions, licenses, and related products and services for a not-to-exceed compensation amount of \$2,949,429 and a term of three years;
5. Authorize the Executive Director to execute and the Board Secretary to attest the said Contract for and on behalf of the Board; and
6. Adopt Resolution No. \_\_\_\_\_.

**DISCUSSION:**

Background – The existing Oracle EBS is the Harbor Department's core business information system and has been in use since October 2012. It provides mission critical financial and purchasing functionality required to support Harbor Department operations, decision making, and other information needs for twenty-five business functions, including but not limited to: general ledger, accounts payable, accounts receivable, cash management, fixed assets, budgeting, projects, grants, purchasing and inventory. It is interfaced to internal and external systems, including the City of Los Angeles' Financial Management System and the Harbor Department's banking partners. Without the EBS, the Harbor Department would not be able to meet the needs of a modern enterprise in terms of timely monthly and annual financial closing and reporting, and overall process integration and controls. The system, through its associated database and reports,

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processed approximately 17,000 payments and 12,000 purchase orders in Fiscal Year 2020. The EBS software needs to be upgraded because it is currently on extended maintenance support as its standard support ended in December 2021.

Since 2019, the project team and Subject Matter Experts (SMEs) from cross-functional divisions have been analyzing and validating the Oracle ERP Cloud's capabilities, including conducting multiple demonstrations. Based on this research, the following new, enhanced, and transformational functionalities will be implemented as part of the Oracle ERP Cloud project:

- New analytical, reporting, and dashboards functionality, including the ability to use SmartView (MS Office integration) throughout the system
- Secure Government cloud, which provides a higher level of security and allows data to be accessed from any device with an internet connection
- Customized workbench, which will allow for the creation of customized dashboards and visualizations specific to each user's unique demands
- Streamlined monthly and annual close processes, including automated accruals
- Best practices with service level agreement rules and validations
- Automated budget book and other document creation through collaboration and workflow assignment, which is facilitated by direct connections of reports and narratives to source data within ERP and the budget system
- Automated processing of purchasing requisitions from creation to payments
- Automated procurement processes, including electronic signature
- Streamlined invoice processing with optical recognition capabilities
- Oracle Digital Assistant to make it easier to submit expense items
- Improved application reporting tools
- Automated accumulation of project and grant-related transactions
- Full project and grant reporting, from inception to closure
- Integration with Maintstar, the Computerized Maintenance Management System
- Data archive solution to ensure continuous access to historical/legacy finance data

A project Steering Committee, which includes management staff from the Executive Office, Finance, Engineering, and IT divisions, has been established to guide this project. A cross-functional project team has also been established.

Proposed Contract – The proposed Contract No. 39966 (Transmittal 1) is for the purchase of Oracle software subscriptions, licenses, training, maintenance, and related products and services for the Oracle ERP Cloud project. This includes Oracle Software as a Service (SaaS) product subscriptions, Oracle University Guided Learning subscriptions, Oracle Platform as a Service (PaaS), Infrastructure as a Service (IaaS) universal credits subscriptions, Oracle Linux, and Oracle VM. The proposed Contract is for a term of three years at an amount not-to-exceed \$2,949,429. The anticipated purchases and estimated amounts are below.

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- Oracle Fusion ERP Software, Oracle Cloud Access Security Broker Software (CASB), Oracle Platform as a Service (PaaS) / Software as a Service (SaaS) Subscription. The estimated amount for this is \$1,860,756.
- Oracle University Guided Learning, Education University (EDU) Unlimited Cloud Learning Subscription Software as a Service (SaaS), EDU Oracle Guided Learning Managed Service. The estimated amount for this is \$863,673.
- Other Oracle Software or Hosting. The estimated amount for this is \$225,000.

The Harbor Department is not committed to spending this entire amount. Expenditures based on actual needs will be incurred only when the Harbor Department authorizes purchases.

The proposed Contract deletes the following provisions from the Harbor Department's General Conditions. These deviations are either required by Oracle, which is the only provider of its software products, or do not apply to cloud services.

- Section 8 – Default by Supplier: The provisions from Mythics Contract No. 180233-002 with Maricopa County (Transmittal 2), including Oracle's terms and conditions in Exhibits C, D, E, and F, will apply.
- Section 10 – Inspection: This provision does not apply to cloud services.
- Section 19 – Contractor's Liability: The provisions from Mythics Contract No. 180233-002 with Maricopa County, including Oracle's terms and conditions in Exhibits C, D, E, and F, will apply.
- Section 20 – Patent Rights: The provisions from Mythics Contract No. 180233-002 with Maricopa County, including Oracle's terms and conditions in Exhibits C, D, E, and F, will apply.

Furthermore, Mythics' liability under this contract will be limited to the amount of fees paid. Based on research of other contracts for this product, this limitation is an industry standard required by Oracle and its resellers.

Staff recommends that it is in the best interest of the Harbor Department to enter into this contract despite the deviations from standard terms and conditions. Staff reviewed the deviations and determined they are consistent with other City of Los Angeles contracts for Oracle products.

Selection Process – Mythics was selected based on the competitive RFP process performed by Maricopa County for its Contract No. 180233-002, which it awarded to Mythics on December 12, 2018. The proposed Contract is the best way for the Harbor Department to procure Oracle products for the ERP project. In addition to reduced administrative burden by joining the Maricopa County contract, public entities save on

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Oracle products that have been pre-scoped, negotiated, and bid. A direct purchase from Oracle would eliminate the benefits of the cooperative agreement, while still requiring the same Oracle deviations. Other City of Los Angeles departments that joined the Maricopa County contract include the Los Angeles World Airports and the Housing Authority of the City of Los Angeles.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval to enter into a contract with Mythics for Oracle products and services for the Oracle ERP Cloud Migration project, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines

**FINANCIAL IMPACT:**

Approval of the proposed Contract with Mythics authorizes the IT Division to proceed with the procurement of Oracle products and services for a not-to-exceed compensation amount of \$2,949,429 over three years. Fiscal Year 2022 funding in the amount of \$78,516 is available within the Information Technology Division, Account 54110 (Computer Maintenance Services – Software), Center 0640, Program 000.

Upon Board approval, funding for future fiscal years will be budgeted as shown in the table below:

IT Division Operating Budget Center 0640, Account 54110	
Fiscal Year	Amount
2021/2022	\$ 78,516
2022/2023	\$ 956,971
2023/2024	\$ 956,971
2024/2025	\$ 956,971
Total Not-To-Exceed Amount	\$2,949,429

The actual expenditures may differ from the estimated amounts in the accounts and in any given fiscal year presented in the table above. However, the total aggregate amount will not exceed \$2,949,429.

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The proposed Contract is one of several purchase agreements necessary for the ERP Cloud project. The other purchase agreements will be presented to the Board separately. The total cost of the ERP Cloud project is estimated to be \$26,915,297. All anticipated ERP Cloud project expenditures are below:

Expenditure	Amount
Oracle products and services (Proposed Contract with Mythics)	\$2,949,429
System integration and support services	\$12,884,438
Other software and other hosting/support	\$903,711
Temporary backfill staffing – business systems analysts and IT	\$6,153,700
Equipment and materials	\$29,652
Existing Harbor Department staff working on the project (no additional employees hired for this project)	\$3,994,367
TOTAL	\$26,915,297

The on-going operational cost for the Oracle ERP Cloud is expected to be approximately the same as the current Oracle EBS system. The annual operating cost for the Oracle ERP cloud software subscription, licenses, and support is anticipated to be \$1,864,099. This will be offset by the elimination of the current expenditures for the existing Oracle EBS hardware, software, and consultant support. However, the initial year following implementation will be higher because of overlapping expenditures for both systems during the transition and if additional consulting support is needed for the new system.

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

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**CITY ATTORNEY:**

The Office of the City Attorney has reviewed and approved the proposed Contract as to form and legality.

**TRANSMITTALS:**

1. Contract No. 39966 with Mythics, Inc.
2. Maricopa County Contract No. 180233-002



Lance Kaneshiro  
dc=pola, dc=lahd, ou=HQ, ou=ITD,  
ou=USERS, ou=EMP, cn=Lance Kaneshiro,  
email=LKaneshiro@portla.org  
2022.02.22 20:05:56 -08'00'

LANCE KANESHIRO  
Chief Information Officer

FIS Approval: MB  
CA Approval: SO



Digitally signed  
by Thomas E.  
Gazsi  
Date: 2022.02.23  
08:08:36 -08'00'

THOMAS E. GAZSI  
Chief of Public Safety and  
Emergency Management

APPROVED:

*Marla Bleavins* For

EUGENE D. SEROKA  
Executive Director

LK:hn