

DATE: MARCH 27, 2025

FROM: INFORMATION TECHNOLOGY

SUBJECT: RESOLUTION NO. _____ - SECOND AMENDMENT TO SERVICE AGREEMENT NO. 22-9854 BETWEEN NITI SYSTEMS CONSULTANTS, INC. AND THE CITY OF LOS ANGELES HARBOR DEPARTMENT FOR MANAGED SERVICES SUPPORT FOR THE PORT OF LOS ANGELES FUSION ENTERPRISE RESOURCE PLANNING SYSTEM

SUMMARY:

Staff requests approval of the Second Amendment to Agreement No. 22-9854 with NITI Systems Consultants Inc. (NITI) to extend the term of the agreement for Managed Services Support for the Port of Los Angeles Fusion Enterprise Resource Planning (POLA Fusion ERP) System. The current agreement expired on March 14, 2025. This request is seeking retroactive approval for a one-year extension to the term of the agreement to March 14, 2026, with no changes to the Scope of Work or the authorized agreement amount.

The proposed extension is essential to complete all remaining project deliverables necessary for project closeout and maintain uninterrupted Managed Services Support for the POLA Fusion ERP System, which is critical to the daily operations of the City of Los Angeles Harbor Department (Harbor Department). Extending this agreement will allow the Harbor Department to continue to access experts on the implementation consultant's team to resolve ERP system support and maintenance issues. Their in-depth knowledge of the Harbor Department's operations is essential to ensure continued systems support and operational efficiency.

The Harbor Department will continue to be financially responsible for payment of expenses incurred 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 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;

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2. Find that in accordance with the Los Angeles City Charter Section 1022, it is more feasible for outside consultants to perform this work than City employees;
3. Approve the proposed Second Amendment to Agreement No. 22-9854 with NITI Systems Consultants, Inc. retroactive to March 15, 2025, to extend the agreement term by one (1) additional year for ongoing Managed Services Support of the POLA Fusion ERP System through March 14, 2026, with no other changes to terms and compensation;
4. Direct the Board Secretary to transmit the Second Amendment to the Los Angeles City Council for ratification and approval pursuant to Charter Section 373 and Section 10.5 of the Los Angeles Administrative Code;
5. Authorize the Executive Director or designee to execute and the Board Secretary to attest said Second Amendment for and on behalf of the Board; and
6. Adopt Resolution No. _____.

DISCUSSION:

Background – Prior to the POLA Fusion ERP System implementation in October 2024, the Harbor Department had been using the on-premises POLA Enterprise E-Business Suite (EBS) since October 2012. It was the core system that supported critical financial and purchasing functions across 25 business areas, such as general ledger, accounts payable, budgeting, and inventory. It interfaced with both internal systems and external partners, including the City of Los Angeles' Financial Management System and Harbor banking partners.

In response to POLA's end of standard support for EBS in December 2021, the Harbor Department made the strategic decision to replace its legacy on-premises system with Oracle POLA Fusion ERP. This upgrade was necessary to address significant limitations in reporting, user interface, and software maintenance, while providing flexibility to meet evolving business needs. Planning for the POLA Fusion ERP migration began in August 2019, and the decision to move forward with POLA Fusion ERP was finalized in 2020. To support this transition, NITI Systems Consultants Inc. (NITI) was selected based on a competitive RFP process performed by the Harbor Department as the implementation partner to support the migration process.

Original Agreement – On February 24, 2022, the Board approved NITI Agreement No. 22-9854 for system integration and support services, with a not-to-exceed amount of

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\$12,884,438 and a term ending March 14, 2025 (Transmittal 1). The project, structured in five phases, was scheduled for completion in twelve months. Implementation began on July 1, 2022, with Go-Live planned for July 1, 2023.

First Amendment – On August 10, 2023, the Board approved NITI Agreement No. 23-9854-A to extend the ERP agreement’s timeline and budget, which includes necessary adjustments to the scope and associated costs (Transmittal 2). Specifically, the Construction phase completion date had been extended from July 1, 2023, to July 1, 2024, and the agreement’s not-to-exceed budget had been increased from \$12,884,438 to \$22,124,770.

The First Amendment was critical due to the major changes required for the migration to the POLA Fusion ERP. Additionally, valuable insights from Subject Matter Experts (SMEs) during testing and in-depth review sessions highlighted areas that needed refinement. As a result, more time and resources were necessary to optimize key business processes and ensure the overall success of the project.

Proposed Second Amendment – This amendment extends the agreement for one additional year through March 14, 2026, with no changes to the Scope of Work or compensation.

Following the Go-Live of the new POLA Fusion ERP System, we achieved key milestones, such as processing invoices and issuing purchase orders (POs), completing the month-end closing, and applying security patching to maintain compliance with the Harbor Department’s financial controls. Transition to the new system and changes in business processes have posed challenges to the Department’s financial operations as the end users adjust to new workflows and learn to navigate the new system. While our internal IT staff and functional teams are working diligently to support end-users and resolve production issues, the complexity of the system functionalities and integrations has caused delays in achieving timely resolution. To maintain smooth operations and optimize system functionalities, extending the Managed Services (MS) agreement is essential. By supplementing our internal ERP support resources with the MS team’s expertise and their institutional knowledge of the Harbor Department’s unique requirements, we can continue to provide timely production support and improve operational efficiency.

Additionally, staff is currently working on a competitive Request for Proposal (RFP) process to select a qualified vendor for Managed Services support of the POLA Oracle Fusion ERP System. As this process may require additional time to complete, an extension of the current agreement is necessary to ensure uninterrupted support during the transition.

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The proposed Second Amendment (Transmittal 3) is needed for the following reasons:

- *Ongoing Managed Services Support*: Continued expert support is necessary to guarantee the smooth functioning of the POLA Fusion ERP system, providing immediate resolution for any technical issues or user concerns that may arise, preventing disruptions in daily operations;
- *Post-Go-Live Critical Fixes*: Continued need to identify and resolve any defects or issues, ensuring the system remains fully functional, reliable, and operational;
- *Statutory/Critical Enhancement Requests*: Regular updates are necessary to meet changing statutory requirements, maintain compliance with legal and regulatory standards and avoid potential penalties or system non-compliance, and optimize system functionality; and
- *Oracle Quarterly/Security Patching*: Regular patching is crucial to address security vulnerabilities, apply performance improvements, and sustain system stability, enhancing the overall reliability and integrity of the POLA Fusion ERP System.

Ratification - Prior to Go-Live, the project team was working diligently on the required complex activities to prepare the systems for cut-over by October 1, 2024. Post Go-Live, staff prioritized and focused on critical production systems support to facilitate the Harbor Department's procurement and payment processing. Due to the resource intense activities needed to support the Go-Live and post Go-Live activities, staff was unable to complete an extension of the NITI agreement or a competitive RFP process prior to the lapse of the previous agreement.

In order to ensure uninterrupted support services for Fusion ERP, which is critical to the Department's financial operations, the Consultant continued work and was issued a one-time Purchase Order while this Second Amendment is pending. If the Board and City Council approve this Second Amendment, it will apply retroactively to March 15, 2025, and supersede and void any Purchase Orders issued after March 15, 2025. The Board and Council have the power to retroactively approve agreements and ratify past actions and payments if it could have originally authorized such contracts. Los Angeles Dredging Co. v. City of Long Beach (1930) 210 Cal. 348, 359. Here, the Board and Council had the authority on March 15, 2025, to approve this Second Amendment to extend the term for one additional year and therefore, can now approve and ratify this Second Amendment.

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ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of the Second Amendment to Agreement No. 22-9854 with NITI, 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 Second Amendment with NITI Systems Consultants, Inc. will extend the agreement by one (1) additional year. This amendment will not change the terms or the authorized not-to-exceed compensation amount of Agreement No. 22-9854.

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CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the Second Amendment to Agreement No. 22-9854 as to form and legality.

TRANSMITTALS:

1. Agreement No. 22-9854 between the City of Los Angeles Harbor Department and NITI Systems Consultants, Inc.
2. First Amendment to Agreement No. 22-9854 (Agreement No. 23-9854-A)
3. Second Amendment to Agreement No. 22-9854

FIS Approval: JS (initials)
CA Approval: SO (initials)

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THOMAS GAZSI
Chief of Public Safety and
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APPROVED:

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EUGENE D. SEROKA
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SV:hn