

DATE: FEBRUARY 15, 2022

FROM: INFORMATION TECHNOLOGY

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF AGREEMENT BETWEEN NITI SYSTEMS CONSULTANTS, INC. AND THE CITY OF LOS ANGELES HARBOR DEPARTMENT FOR THE ORACLE ENTERPRISE RESOURCE PLANNING CLOUD MIGRATION PROJECT

SUMMARY:

Staff requests approval to enter into an Agreement with NITI Systems Consultants, Inc. (NITI) for system integration and support services for the Oracle Enterprise Resource Planning (ERP) Cloud Migration project. This project will 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 Agreement is three years and the not-to-exceed amount is \$12,884,438. The proposed Agreement 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 NITI is based on a competitive Request for Proposal (RFP) process performed by the Harbor Department. NITI is a certified Small Business Enterprise (SBE). Therefore, 100% of the proposed Agreement will contribute towards the Harbor Department's SBE objectives.

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

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;

SUBJECT: AGREEMENT WITH NITI SYSTEMS CONSULTANTS, INC.

2. 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;
3. Approve the Agreement with NITI Systems Consultants, Inc. for system integration and support services for a not-to-exceed compensation amount of \$12,884,438 and a term of three years;
4. Authorize the Executive Director to execute and the Board Secretary to attest the said Agreement for and on behalf of the Board; and
5. 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, 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

SUBJECT: AGREEMENT WITH NITI SYSTEMS CONSULTANTS, INC.

- 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 Agreement – The proposed Agreement (Transmittal 1) with NITI is for system integration and support services to migrate the Harbor Department's existing, on-premise Oracle EBS to the new Oracle ERP Cloud. The Oracle software, subscriptions, and training will be purchased separately because NITI does not sell Oracle products.

The proposed Agreement is for a term of three years at an amount not-to-exceed \$12,884,438. The implementation will be over one year, from July 1, 2022 to June 30, 2023, and the remaining two years of the proposed Agreement will be for preliminary discovery and for post-implementation services. The scope of work includes the following:

- Implementation Services:
 - Phase 0 - Discovery – During this initial phase, NITI and Harbor Department staff will perform preliminary discovery, begin designing business transformations, and begin project planning. Phase 0 is anticipated to commence in April 2022. Phase 0 has no cost.
 - Phase 1 - Vision – In the Vision phase, the project will be officially launched, and key stakeholders will align on key design principles regarding how to best deploy the integrated and standardized enterprise financial solution across the Harbor Department. Phase 1 has a fixed-price cost of \$616,397.
 - Phase 2 - Validate – In the Validate phase, NITI and Harbor Department staff will align and finalize the to-be design, develop a plan for implementation, and finalize the overall solution design. During this phase, the final solution design will be validated against the standard to-be design, which is based on leading practices. The objective of this phase will be to

SUBJECT: AGREEMENT WITH NITI SYSTEMS CONSULTANTS, INC.

develop a tailored enterprise design that meets Harbor Department's business requirements. Phase 2 has a fixed-price cost of \$1,452,489.

- Phase 3 - Construct – In the Construct phase, NITI and Harbor Department staff will build and test the technology solution and design layers using an iterative testing process, conference room pilot (CRP) and system integration testing (SIT), and prepare for deployment. Phase 3 has a fixed-price cost of \$4,092,836.
- Phase 4 - Deploy – In the Deploy phase, NITI and Harbor Department staff will conduct user acceptance testing (UAT), deploy the solution and its relevant components, and deliver training to end-users. Phase 4 has a fixed-price cost of \$1,292,338.
- Phase 5 - Evolve – In the final project phase, NITI and Harbor Department staff will complete post go-live support and project closure procedures, and transition to applicable Oracle Hyper Care support. Phase 5 has a fixed-price cost of \$378,218.
- **Post-Implementation Support:** NITI will provide post-implementation support through its Cloud Managed Support, which includes case management, quarterly update support, patch management and knowledge management. Management of quarterly updates includes impact assessment, coordination of upgrades, regression testing, and change notifications for application functionality, and/or controls and security due to platform-driven functionality releases or large-impact defect fixes; management of patching cycles against a specified pre-production environment which will involve execution of regression tests from agreed regression test packs that will be collaboratively created at the start of the services and thereafter maintained by NITI. The cost of Post-Implementation Support is \$60,000 per month, with a not-to-exceed total amount of \$1,440,000.
- **As-Needed Services:** As-needed services are for unanticipated services beyond the defined scope and required to achieve the goals of the project, including:
 - As-needed design, development, implementation and other related tasks during implementation. Documentation and knowledge transfer based on related tasks, including a tracking log of tasks and hours. The estimated not-to-exceed cost is \$650,000.
 - As-Needed Level 1 Helpdesk Cloud Support. The estimated not-to-exceed cost is \$1,080,000.
 - EBS Support Services until end of stabilization period. The estimated not-to-exceed cost is \$755,000.
 - Cloud Managed Enrichment Services. After post Go-Live Hyper Care, Cloud enrichment services including configuration changes, developments and enhancements, security and controls, data integration, interface services and report writing. The estimated not-to-exceed cost is \$777,600.

SUBJECT: AGREEMENT WITH NITI SYSTEMS CONSULTANTS, INC.

- Travel: NITI will perform the majority of work remotely in collaboration with Harbor Department staff. However, when travel is required, travel expenses will be billed at the actual amounts and in accordance with the City of Los Angeles Travel Policy. The not-to-exceed amount for travel is \$349,560.

As part of the 1022 process, the Contracts and Purchasing Division (CPD) asked the other City of Los Angeles (City) Departments if they had City staff that could perform this work. The Departments that did respond to CPD's inquiry, stated that they do not have available staff. A few City Departments did not respond, which is understood to mean that they cannot provide staff.

After the project's completion, most of the operational support and maintenance will be performed by Harbor Department staff. However, some consultant services will continue to be needed to assist for new functionalities, critical updates, and proprietary and/or specialized work.

Selection Process – The recommendation to select NITI was based on a competitive RFP process performed by the Harbor Department. Seven firms responded to the RFP and submitted proposals. One of the seven was deemed unresponsive due to administrative requirements. A Selection Committee comprised of five Harbor Department staff and one external rater from the Los Angeles Department of Water and Power reviewed the six responsive proposals. The four Harbor Department staff were from the Accounting, Financial Planning and Analysis, Contracts and Purchasing, and the Information Technology Divisions. The Selection Committee reviewed and scored the proposals based on the following weighted criteria: 1) firm qualifications, experience and references; 2) project organization, personnel and staffing; 3) project approach, work plan, and management; 4) rates, fees, and budget control; and 5) clarity and comprehensiveness of the proposal. Five firms were invited to participate in a virtual interview. In addition, the Local Business Preference Program was applied to firms that qualified. Based on the scoring criteria, the Selection Committee recommends NITI for the Oracle Cloud ERP Migration project (Transmittal 2).

NITI is a certified SBE. Therefore, 100% of the proposed Agreement will contribute towards the Harbor Department's SBE objectives.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an Agreement with NITI for system integration and support 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.

SUBJECT: AGREEMENT WITH NITI SYSTEMS CONSULTANTS, INC.

FINANCIAL IMPACT:

Approval of the proposed Agreement with NITI authorizes the IT Division to proceed with system integration and support services for the Oracle ERP Cloud project for a not-to-exceed compensation amount of \$12,884,438 over three years. Fiscal Year 2022 funding in the amount of \$110,000 is available within the Information Technology Division, Account 54310 (Information Systems Consulting Services), Center 0640, Program 000. Upon Board approval, funding for future fiscal years will be budgeted as shown in the table below:

FISCAL YEAR	CAPITAL WO 2564800 Acct 54310	OPERATING Center 0640 Acct 54310	TOTAL
2021/2022	\$ 0	\$ 110,000	\$ 110,000
2022/2023	\$ 8,831,838	\$ 430,000	\$ 9,261,838
2023/2024	\$ 0	\$ 1,863,800	\$ 1,863,800
2024/2025	\$ 0	\$ 1,648,800	\$ 1,648,800
Total Not-To-Exceed	\$ 8,831,838	\$ 4,052,600	\$ 12,884,438

The capitalized amount of \$8,831,838 includes \$7,832,278 for Implementation Services Phases 1-5 and \$999,560 for possible as-needed services. 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 \$12,884,438.

The proposed Agreement 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
System integration and support services (Proposed Agreement with NITI)	\$12,884,438
Oracle software, subscriptions, training	\$2,949,429
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

SUBJECT: AGREEMENT WITH NITI SYSTEMS CONSULTANTS, INC.

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 Agreement.

CITY ATTORNEY:

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

TRANSMITTALS:

- 1. Agreement with NITI Systems Consultants, Inc.
- 2. Scoring Matrix

FIS Approval: MB
 CA Approval: SO



Lance Kaneshiro
dc=pola, dc=lahd, ou=HQ, ou=ITD,
ou=USERS, ou=EMP, cn=Lance Kaneshiro,
email=LKaneshiro@portla.org
2022.02.15 14:07:05 -08'00'



Digitally signed by
Thomas E. Gazsi
Date: 2022.02.15
14:12:41 -08'00'

LANCE KANESHIRO
Chief Information Officer

THOMAS E. GAZSI
Chief of Public Safety and
Emergency Management

APPROVED:

Marla Blewins For

EUGENE D. SEROKA
Executive Director

LK:hn