



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

DATE: AUGUST 4, 2015

FROM: INFORMATION TECHNOLOGY

SUBJECT: RESOLUTION NO. _____ - AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND ORACLE AMERICA, INC. FOR SOFTWARE LICENSES, MAINTENANCE AND SERVICES

SUMMARY:

The City of Los Angeles Harbor Department (Harbor Department) is requesting approval to enter into an agreement with Oracle America, Inc. (Oracle), headquartered in Redwood City, California to purchase software licenses, maintenance, and services for the Harbor Department systems utilizing Oracle products. The proposed Agreement is needed to continue to use the existing Oracle-based systems, including Enterprise Resource Planning (ERP) for finance and procurement, HDtime for payroll, Primavera for construction project management, and Crystal Ball for financial forecasting and modeling. The initial term of the proposed Agreement is for five years with five one-year renewal options, for a total of ten years, at a not-to-exceed amount of \$6,000,000. The proposed Agreement is based on the competitive process performed by the County of Los Angeles (County) for its agreement number US-GMA-270549.

Oracle software licenses, maintenance and services are the financial responsibility of the Harbor Department.

RECOMMENDATION:

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

1. 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;
2. Approve the agreement with Oracle America, Inc. at an amount not to exceed \$6,000,000 for an initial term of five years with five one-year renewal options for a total ten-year term;
3. Authorize the Executive Director to execute and the Board Secretary to attest to the proposed Agreement, upon approval by the City Council; and
4. Adopt Resolution No. _____.

SUBJECT: AGREEMENT WITH ORACLE AMERICA, INC.

DISCUSSION:

Background and Context – The Harbor Department utilizes Oracle products for its core business functions, including the ERP for finance and procurement, HDtime for payroll, Primavera for construction project management, and Crystal Ball for financial forecasting and modeling. As with other software-based systems, the software license and maintenance fees must be paid annually in order to continue to use the system. Prior to the proposed Agreement, software licenses and maintenance fees were paid through either an authorized software reseller or individual purchase orders. However, Oracle recently restructured its sales channels and now requires a direct purchase agreement with the Harbor Department.

Proposed Agreement - The proposed Agreement (Transmittal 1) will be used to purchase, at discounted prices, the necessary Oracle software licenses, maintenance and services required to continue to use the Harbor Department's existing Oracle-based systems. The actual discount will depend on the specific product and the amount purchased, but will typically be between 32.5 and 40 percent off of the list prices.

The proposed Agreement is for an initial term of five years with five one-year renewal options, for a total of ten years, at a not-to-exceed amount of \$6,000,000. 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 term of the proposed Agreement is for up to ten years, which is the same as the County's agreement with Oracle. However, the proposed Agreement includes several provisions for earlier termination if needed, including non-appropriation of funding, breach, convenience and other considerations.

The estimated cost breakdown of the proposed Agreement is as follows:

- **Software Maintenance:** The estimated amount for software maintenance is \$5,450,000 over ten years. This ten year projection is based on the current software maintenance costs for the Harbor Department's existing Oracle-based systems, plus an estimated annual rate increase of five percent per year.
- **New Software Licenses:** The first year of the proposed Agreement includes approximately \$300,000 for the purchase of new licenses required for the HDtime payroll system and ERP system's projects and iProcurement modules.
- **Services:** The estimated amount for services is \$250,000 over ten years, or an average of \$25,000 per year. Oracle services may include training and proprietary or specialized services.

SUBJECT: AGREEMENT WITH ORACLE AMERICA, INC.

Transmittal 2 provides a detailed breakdown of the anticipated costs.

The proposed Agreement does not include funding for major system expansion or new projects. A separate request will be submitted to the Board in the future if additional funding is requested for proposed major system expansion or new projects.

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 do this work. For the Departments that did respond to CPD's inquiry, they 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.

Selection Process – The proposed Agreement is based on the competitive process performed by the County for its agreement with Oracle, agreement number US-GMA-270549 (Transmittal 3). The term of the County agreement is for an initial five years, with additional five one-year renewal options, for a total of up to ten years. Oracle is headquartered in Redwood City, California. The City's Information Technology Agency has a similar agreement based on the same County agreement.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an agreement with Oracle for the purchase of software licenses, maintenance, and services for Harbor Department systems that utilize Oracle. As an administrative activity, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

Approval of the proposed Agreement will support 11 direct and 43 secondary one-year equivalent jobs for the five-county region.

FINANCIAL IMPACT:

The financial impact of the proposed project is that the Harbor Department will expend up to \$6,000,000 over ten years for Oracle products and services.

The funding of the agreement will be from the IT Division operating budget. Funds will be allocated from the IT Division Operating Budget, Center 0640, Program 000, Accounts 54110 and 54310.

SUBJECT: AGREEMENT WITH ORACLE AMERICA, INC.

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 | 54110 | 54310 | Total |
|----------------------------|--------------------|------------------|--------------------|
| 15/16 | \$733,000 | \$25,000 | \$758,000 |
| 16/17 | \$454,000 | \$25,000 | \$479,000 |
| 17/18 | \$478,000 | \$25,000 | \$503,000 |
| 18/19 | \$502,000 | \$25,000 | \$527,000 |
| 19/20 | \$527,000 | \$25,000 | \$552,000 |
| 20/21 | \$553,000 | \$25,000 | \$578,000 |
| 21/22 | \$581,000 | \$25,000 | \$606,000 |
| 22/23 | \$610,000 | \$25,000 | \$635,000 |
| 23/24 | \$640,000 | \$25,000 | \$665,000 |
| 24/25 | \$672,000 | \$25,000 | \$697,000 |
| | | | |
| Total Not-To-Exceed | \$5,750,000 | \$250,000 | \$6,000,000 |

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 \$6,000,000. Expenditures will be incurred only when the Harbor Department authorizes purchases.

Office space for consultants will not be needed.

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


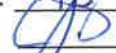
SUBJECT: AGREEMENT WITH ORACLE AMERICA, INC.

CITY ATTORNEY:

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

TRANSMITTAL:

1. Agreement with Oracle Corporation
2. Estimated Expenditures
3. Los Angeles County Contract

FIS Approval:  (initials)
CA Approval:  (initials)



LANCE KANESHIRO
Chief Information Officer



THOMAS E. GAZSI
Acting Chief of Public Safety and
Emergency Management

APPROVED:



 EUGENE D. SEROKA
Executive Director

LK:kc