



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

DATE: AUGUST 2, 2023

FROM: INFORMATION TECHNOLOGY

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF FIRST AMENDMENT TO AGREEMENT NO. 22-9854 NITI SYSTEMS CONSULTANTS, INC. FOR SYSTEM INTEGRATION AND SUPPORT SERVICES FOR THE ENTERPRISE RESOURCE PLANNING (ERP) CLOUD MIGRATION PROJECT

SUMMARY:

Staff requests approval of a First Amendment to the existing City of Los Angeles Harbor Department (Harbor Department) Agreement No. 22-9854 with NITI Systems Consultants, Inc. (NITI) for the Oracle Enterprise Resource Planning (ERP) Cloud migration project. The ERP Cloud migration project schedule has been extended for an additional twelve (12) months and the system will go-live on July 1, 2024.

The proposed Amendment will increase the not-to-exceed amount by \$9,240,332, from \$12,884,438, to the total not-to-exceed agreement amount of \$22,124,770. The three-year term of the agreement remains unchanged.

The Harbor Department will continue to be financially responsible for the 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;
2. Find that in accordance with the Los Angeles City Charter Section 1022, the services required can be performed more feasibly by an outside contractor than by City employees;
3. Approve the First Amendment to Agreement No. 22-9854 with NITI Systems Consultants, Inc. for system integration and support services for an additional amount of \$9,240,332 with a total not-to-exceed \$22,124,770;
4. Direct the Board Secretary to transmit the First Amendment to Agreement No 22-9854 to the Los Angeles City Council for approval pursuant to Section 373 of the Charter of the City of Los Angeles and Section 10.5 of the Los Angeles Administrative Code;

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5. Authorize the Executive Director to execute and the Board Secretary to attest to said Amendment for and on behalf of the Board; and
6. Adopt Resolution No. _____.

DISCUSSION:

Background - The existing Oracle Enterprise E-Business Suite (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 the 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.

The Oracle ERP Cloud project is necessary for the Harbor Department to replace the current core, on-premise, financial business information system. Oracle ended standard Software maintenance and support for the current ERP system in December 2021, and it was decided to implement Oracle Cloud ERP System instead of upgrading the on-premise Oracle System. This project will move functions of the current system to the cloud and provide solutions to challenges with the current system such as inadequate reporting capabilities, cumbersome user interfacing, labor intensive software maintenance, and inflexibilities to accommodate the Port's business process changes.

Planning for the ERP system upgrade started in August 2019, and the following year the Harbor Department decided to implement Oracle ERP Cloud.

Previous Board Action - The Board approved the NITI Agreement No. 22-9854 on February 15, 2022, for system integration and support services for a not-to-exceed compensation amount of \$12,884,438 and a term of three (3) years ending on March 14, 2025.

The project was divided into five phases and was planned to be completed within twelve (12) months. Project implementation began on July 1, 2022, and the Go-Live was expected to be on July 1, 2023. As of June 2023, the initial two phases of the project (Discovery and Vision) were completed. Currently, the project is in the Validate and Construct phases.

- **Phase 0 - Discovery** (April 2022 – June 2022) – Completed preliminary project discovery phase to identify the vision, goals, business cases, and stake holders as well as begin project planning; defined the Harbor Department's requirements and future state business processes as well as roles and configurations.
- **Phase 1 – Vision** (July 2022 – January 2023) – Discussed and clearly defined the vision for the project. A concise vision sets a tangible framework and helps determine how an activity fits into the overall project assumptions and scope at the conceptual level; redesigned the Chart of Accounts (COA) to help ensure the Harbor Department is “future

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ready" for growth, regulatory reporting changes, and internal analysis needs; increased automation of workflows, reconciliation, and key business functions to help minimize and reduce manual processes and work-arounds.

- **Phase 2- Validate** (In progress) - The key stakeholders and project team align and finalize the to-be design, develop a plan for implementation and finalize the solution design.
- **Phase 3 – Construct** (In progress) - In the Construct phase, NITI and the Harbor Department are building and testing the technology solution and design layers using an iterative testing process, Conference Room Pilot (CRP) and System Integration Testing (SIT), and prepare for deployment.

Reasons for Amendment – The Validate and Construct phases are extended due to the extensive business transformation, design decisions, Subject Matter Experts' (SMEs) feedback from testing events, as well as various deep dive sessions and to streamline multiple critical business processes. After extensive review of various options, and to ensure the overall success of the project, the ERP Project Team presented the schedule extension recommendation with lessons learned to the Project Steering Committee which consists of four (4) senior management leaders for guidance and oversight assistance and proposed that the project should be extended with scope and cost changes. The Project Steering Committee approved the schedule extension recommendation on April 26, 2023.

The Project team recommends extending the Go-Live date from July 1, 2023 to July 1, 2024 as the extended project schedule allows for additional time and resources necessary to complete technical, functional tasks, and testing required for a successful system implementation. In addition, the Project team presented the additional cost, scope, and schedule change to the Audit Committee on May 25, 2023. Below is the revised project schedule.

- **Phase 2- Validate** (August 2022 – December 2023) - During this phase, the final solution design will be validated against the standard to-be design based on leading practices. During this validation process, the Harbor Department determines any requirements that deviated from the standard and thus will develop a tailored solution that is customized to the Harbor Department's unique business requirements.
- **Phase 3 – Construct** (December 2022 – April 2024) - In the Construct phase, NITI and the Harbor Department are building and testing the technology solution and design layers using an iterative testing process, Conference Room Pilot (CRP) and System Integration Testing (SIT) and preparing for deployment.
- **Phase 4 – Deploy** (December 2023 – July 2024) - In the Deploy phase, NITI and the Harbor Department will conduct User Acceptance Testing (UAT), deploy the solution and its relevant components, and deliver training to end-users.
- **Phase 5 – Evolve** (July 2024 – September 2024) - In the final project phase Evolve, NITI and the Harbor Department will complete post go-live support and project closure procedures and transition to applicable HyperCare support, which will be 90 days starting from the Go-Live date.

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Phase	Approved Schedule		Proposed Schedule	
	Start	Finish	Start	Finish
Phase-0 - Discovery	04/01/2022	06/30/2022	04/01/2022	06/30/2022
Phase-1 - Vision	07/01/2022	11/30/2022	07/01/2022	01/31/2023
Phase-2 - Validate	08/01/2022	12/30/2022	08/01/2022	12/30/2023
Phase-3 - Construct	12/01/2022	05/31/2023	12/01/2022	04/01/2024
Phase-4 - Deploy	02/01/2023	06/30/2023	12/01/2023	07/01/2024
Phase-5 - Evolve	07/01/2023	08/31/2023	07/01/2024	09/30/2024

The extended schedule with the Go-Live date of July 1, 2024 will better accommodate the following:

- Based on lessons learned from the testing events, and the feedback from SMEs, the project team identified a need to restructure the testing event and re-test configurations. Additional time allows the project team to thoroughly review and validate the future state of critical business models, test scripts and smoke test prior to the testing events. The extended duration of the testing events will provide added benefits to the Harbor Department's end users, business analysts and core team leads.
- The COA is an essential and foundational element of an enterprise-wide system. The scope increase allows for extra time to perform deep dives into design decisions and validations so that the Harbor Department's future redesigned COA will comply with the recommended leading practice and provide additional operational data to support staff and management in making business decisions.
- As a result of business transformation and design decisions, as well as various deep dive sessions, twenty-three (23) additional integrations were identified during Validation workshops and testing events, such as the Computerized Maintenance Management System (MaintStar) to capture Work Order numbers, labor costs, inventory, assets and purchasing details; Project Information Control System (PICS) to capture project detail, budget data and Grant Project funding data; and the City of Los Angeles Financial Management System (FMS) to exchange Account Payable transactions for the reconciliation process.
- Full Planning and Budgeting Cloud Service (PBCS) Implementation
 - Implementation of additional Enterprise Performance Management (EPM) functionalities to allow the consolidation of planning processes performed outside the system to be directly incorporated into EPM and ERP.
 - Some examples of these processes include revenue modeling, Profit and Loss (P&L) allocation creation and reporting, expenditure plan management and reconciliation, detailed sub-divisional budgeting, and expense monitoring.
 - The primary goal of the overall ERP/EPM project is to enhance connections between EPM and ERP through new, detailed COA segments and data transfers between ERP sub-ledgers and EPM components. The ability to extensively map and transfer data between ERP and EPM requires more extensive work than would

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have been allowable through a simple lift and shift as provided in the originally planned scope.

- In addition, the extended schedule aligns with the delayed implementation schedule of Workday, the City of Los Angeles new Human Resources and Payroll (HRP) system for stabilization of integrations between two systems. It also allows time for proper security patching, disaster recovery and other "dry runs" prior to Go-Live to help increase effectiveness of knowledge transfer activities to the Harbor Department's support staff and ongoing system stabilization.

Proposed Amendment – Staff requests approval of the First Amendment to Agreement No. 22-9854 (Transmittal 1) in order to increase the not-to-exceed amount by \$9,240,332 in order to fund the additional costs associated with the schedule extension.

First Amendment of Agreement No. 22-9855 with CherryRoad Technologies, Inc. to provide continued IT staff augmentation and backfill services for supporting the extended implementation schedule of the Oracle Enterprise ERP Cloud migration project and First Amendment of Agreement of No. 21-9843 with Byrd Professional Resources LLP dba Byrd Group for staffing as-needed Business Systems Analyst Services will be considered by the Board under a separate report and recommended board action.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of the First 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 Amendment will increase not-to-exceed compensation by \$9,240,332, from \$12,884,438 currently to a total three-year agreement amount of \$22,124,770. The increased capital cost of \$9,240,332, was approved by the Project Development Committee (PDC) on May 3, 2023, and is budgeted under Work Order 2564800, Account No. 54310 (Information Systems Consulting Services), Center 0640 and 1206, Program No. 000.

Fiscal Year	Approved Agreement		Proposed Amendment		Total
	Capital	Operating	Capital	Operating	
2021/2022	\$ 0	\$ 110,000	\$ 0	\$ 0	\$ 110,000
2022/2023	\$ 8,831,838	\$ 430,000	\$ 0	\$ 0	\$ 9,261,838
2023/2024	\$ 0	\$ 1,863,800	\$ 9,240,332	\$ 0	\$ 11,104,132
2024/2025	\$ 0	\$ 1,648,800	\$ 0	\$ 0	\$ 1,648,800
Total Not-To-Exceed	\$ 8,831,838	\$ 4,052,600	\$ 9,240,332	\$ 0	\$ 22,124,770

The actual expenditures may differ from the estimated amounts in the accounts and in any given

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fiscal year presented in the table above. However, the total aggregate amount will not exceed \$22,124,770. Furthermore, the proposed HyperCare (post-implementation support) period was negotiated from 30 to 90 days post Go-Live date with no additional cost.

The proposed amended Agreement is one of three (3) purchase amendments necessary for the ERP Cloud project. NITI is working with two (2) staff augmentation vendors; CherryRoad Technologies Inc. (CherryRoad) under Agreement No. 22-9855 and Byrd Professional Resources, LLC (Byrd) under Agreement No. 21-9843 to implement Oracle ERP Cloud project for the Harbor Department. The proposed total not-to-exceed cost of the ERP Cloud project is \$40,000,891. All anticipated ERP Cloud project expenditures are below:

Expenditure	Approved	Proposed Increase	Total Amount
System integration and support services (Proposed Agreement with NITI)	\$12,884,438	\$9,240,332	\$22,124,770
Oracle software and subscriptions	\$2,949,429	\$60,000	\$3,009,429
Other software and other hosting/support	\$903,711	\$235,000	\$1,138,711
Temporary backfill staffing (Staff Augmentation): Business Systems Analysts (Byrd) IT (CherryRoad)	\$6,153,700	\$2,732,486	\$8,886,186
Equipment and materials	\$29,652	\$0	\$29,652
Existing Harbor Department staff working on the project (no additional employees hired for this project)	\$3,994,367	\$817,776	\$4,812,143
Total:	\$26,915,297	\$13,085,594	\$40,000,891

There is no change to the original proposed ongoing operational cost for the Oracle ERP Cloud. 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 additional consulting support, if needed, for the new system.

CITY ATTORNEY:

The Office of the City Attorney has prepared and approved the proposed Amendment as to form and legality.

TRANSMITTALS:

1. First Amendment between the City of Los Angeles Harbor Department and Agreement No. 22-9854 - NITI Systems Consultants, Inc.

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FIS Approval: MB

CA Approval: kfm

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