



RESOLUTION NO. _____

BOARD LETTER APPROVAL

A handwritten signature in blue ink, reading 'David H. Wright', is written over a horizontal line.

DAVID H. WRIGHT
Chief Administrative Officer

A handwritten signature in blue ink, reading 'Marcie L. Edwards', is written over a horizontal line.

MARCIE L. EDWARDS
General Manager

DATE: November 18, 2015

SUBJECT: Amendment No. 7 to Agreement No. 47553-7 With International Business Machines Corporation (IBM) for Software Licensing, Software Subscription and Support, and Monthly License Charge Software

SUMMARY

The Amendment will allow LADWP to continue purchasing IBM software, licenses, subscriptions, and support for existing software. This software is an on-going component in our computing environment and will be for the foreseeable future. The proposed Amendment No. 7 (Amendment) to Agreement No. 47553-7 (Agreement) is to increase the Agreement amount by \$15,472,706.38 (budgeted) from \$36,736,757.53 to a new not-to-exceed amount of \$52,209,463.91, and extend the term by two years and two months to a new contract end date of December 31, 2018. All other terms and conditions of the Agreement will remain unchanged.

Pricing negotiations in December 2012 under this contract resulted in a consolidated Enterprise License Agreement (ELA) with IBM to provide software licensing, software subscription and support, and monthly license charge software to the Los Angeles Department of Water and Power (LADWP). The ELA pricing negotiations resulted in a fifty percent savings from the standard government discount pricing.

While the current contract can be continually amended, it appears possible to consolidate additional IBM contracts into a new contract to be effective by January, 2019. LADWP will continue to utilize IBM software and support with the ELA discounted pricing during this amendment period and continue to evaluate pricing against industry standards.

City Council approval is required in accordance with Charter Section 373.

RECOMMENDATION

It is requested that the Board of Water and Power Commissioners (Board) adopt the attached Resolution recommending City Council's approval of the Amendment to the Agreement for software licenses, subscription and support of the existing software with IBM as required in Charter Section 373.

ALTERNATIVES CONSIDERED

The only possible alternative to the proposed Amendment is to negotiate a new sole source contract with IBM. However, by the time a new contract is negotiated all software licenses, subscription and support of the existing software would expire. The expiration of the contract would result in the termination of our ability to use some critical mainframe and cyber security software solutions.

FINANCIAL INFORMATION

The proposed Amendment will add two years and two months, and increase the contract limit by \$15,472,706.38.

	Current Maximum Expenditure	Requested Amendment No. 7	Amended Maximum Expenditure
Agreement No. 47553-7*	\$36,736,757.53		\$52,209,463.91
Amendment No. 7		\$15,472,706.38	

*Includes all previous amendments.

Funding for the Amendment is included in the budget.

BACKGROUND

LADWP has had, and will need, to continued contracting with IBM for the use and support of IBM software. LADWP established the current Agreement in 2012 to create an Enterprise License Agreement (ELA) with IBM, which is the premier software acquisition offering from IBM for a multiplatform environment. The ELA provides software licensing, software subscription and support, and monthly license charge software to LADWP at significant discounts to standard government pricing and includes future price protections. IBM products have been adopted by LADWP as the standard for the following software:

- Application testing software tools
- Asset management solutions
- Content management
- Document and records management
- Mobile management and security
- Security software
- Unified endpoint management

Other IBM products and applications are also essential to the operation and productivity of LADWP:

- Account Management
- Application infrastructure
- Assistance software
- Business analytics
- Connectivity and application integration
- Database software tools
- IT service management
- Mainframe monthly license
- Problem resolution software (web)

The Agreement consolidated previously separated software contracts into the ELA, which allows for a single contract administered by Information Technology Services Division (ITSD). The result is overall savings to LADWP due to a bundled, bottom line, value based contract with a payment plan structured to meet existing cash flow requirements, as well as significant reductions in administration costs for managing the contract.

Under the agreement LADWP can negotiate with IBM directly for Premier Software Licensing with a discounted price, simplified billing processes, and price protection for the maintenance of existing software.

With the retirement of the contract administrator this past year, ITSD would like to negotiate a new contract that consolidates additional IBM services from other contracts. ITSD will begin these negotiations with a new contract anticipated to be effective by January 1, 2019.

The Agreement was originally authorized by Board Resolution No. 007 147 and adopted February 20, 2007. Under this resolution the Board authorized one year, from October 31, 2006 to October 30, 2007, with an additional four one-year options, from October 31, 2007 to October 30, 2011. Amendment Nos. 1 and 3 thru 5 (inadvertently skipped No. 2) authorized Resolution Nos. 008 086, 009 084, 010 126, and 011 091, which approved these options.

Amendment No. 6 was authorized by Board Resolution No. 012 108 and adopted November 15, 2011, by the Board and subsequently adopted by the Los Angeles City Council on January 4, 2012. Amendment No. 6 increased the amount of the Agreement by \$19,006,629.83 and extended the term by five years.

The following Administrative Amendments and Change Orders have been issued during the life of the Agreement:

	Effective Date	Description
Change Order No. 1	December 27, 2007	Price renegotiation of contracted items and FileNet, CMOD, and MLC Sub-capacity (Monthly Bill) being added to the deliverables
Change Order No. 2	October 1, 2008	Authorized purchase of new software products under the Agreement that includes Content Management, security software, Maximo Asset Management licenses, and the Monthly License Charge at a discounted rate
Change Order No. 3	June 30, 2009	Added New Software Implementation Packages for the second phase of the Enterprise Content Management project, including Records Manager, and FileNet Capture software, and new licenses for the InfoPrint Transform Software
Administrative Amendment No. 1	May 8, 2012	Authorized purchase of the software products and services covered by, but not outlined in, Amendment No. 6, which include additional licenses for Content Management, Maximo Asset Management, and software maintenance extension to 2015
Administrative Amendment No. 2	December 31, 2012	Established authority for a revision to the pricing structure for the software purchased under the Agreement and simplified the billing process
Administrative Amendment No. 3	April 30, 2013	Established authority for the inclusion of new products and services offered by IBM to provide extended support of Capacity Backup microcode license change for the Mainframe
Administrative Amendment No. 4	December 20, 2013	Accepted Amendment No. 1 to IBM Enterprise Software and Services Option to the Agreement to provide IBM enterprise software including problem analysis software Tealeaf, record retention software StoreIQ, and security software QRadar
Administrative Amendment No. 5	May 1, 2014	Accepted Amendment No. 2 to IBM Enterprise Software and Services Option to the Agreement to provide additional IBM enterprise security software QRadar, including appliance, license, and maintenance
Administrative Amendment No. 6	December 30, 2014	Accepted Amendment No. 3 to IBM Enterprise Software and Services Option to the Agreement for any future purchases of IBM SaaS Offerings. Also replaced the IBM contact information

The following categories and estimates will serve as the Statement of Work for this Amendment:

Categories	2016	2017	2018	Total
Monthly License Charge Mainframe Software	\$ 925,086.59	\$ 962,090.06	\$ 1,000,573.66	\$2,887,750.31
PPA Distributed Software	\$ 2,968,725.23	\$ 3,108,073.11	\$ 3,834,252.25	\$9,911,050.59
Mainframe Software Support	\$ 138,180.00	\$ 151,998.00	\$ 167,197.80	\$457,375.80
Total Support including Mainframe and Open Systems	\$ 4,031,991.82	\$ 4,222,161.17	\$ 5,002,023.71	\$13,256,176.70
Provision for Future Purchases	\$500,000.00	\$650,000.00	\$845,000.00	\$1,995,000.00
Possible Maximo Software Purchase**		\$2,500,000.00		\$2,500,000.00
Grand Total	\$4,531,991.82	\$7,372,161.17	\$5,847,023.71	\$17,751,176.70*

*Prior to this request, the contract was set to expire October 31, 2016, and had an estimated remaining balance of \$2,278,470.32. Therefore, the total amount needed to cover this Amendment is the difference between the total amount and the remaining balance, \$15,472,706.38.

**Under this Agreement, the future purchase of the Maximo software licensing may be used to manage other departmental assets not included in the original scope of Maximo Project. Therefore, the estimated amount of funding for the software is being included in this request. However, the final decision regarding this purchase will not be made until 2017. The estimated funding will only be used upon approval by the Board.

The proposed Amendment requires City Council approval according to Charter Section 373. A copy of the City Administrative Officer (CAO) report dated October 27, 2015, is attached.

ENVIRONMENTAL DETERMINATION

In accordance with the California Environmental Quality Act (CEQA), it has been determined that continuing software maintenance and support is exempt pursuant to the General Exemption described in CEQA Guidelines Sections 15061(b)(3). General Exemptions apply in situations where it can be seen with certainty that there is no potential that the activity in question may have a significant effect on the environment.

CITY ATTORNEY

The Office of the City Attorney reviewed and approved the Amendment and Resolution as to form and legality.

ATTACHMENTS

- Procurement Summary
- Resolution
- Amendment No. 7 to Agreement No. 47553-7
- CAO Report