



RESOLUTION NO. 024 212

BOARD LETTER APPROVAL

Mona Guirguis

MONA T. GUIRGUIS
Interim Chief Information Technology Officer

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Aram Benyamin (Jun 3, 2024 17:38 PDT)

ARAM BENYAMIN
Chief Operating Officer

Janisse Quinones

Janisse Quinones (Jun 6, 2024 22:16 PDT)

JANISSE QUIÑONES
Chief Executive Officer and Chief Engineer

DATE: June 3, 2024

SUBJECT: Amendment No. 9 to Agreement No. 47553-7 with IBM Corporation for Software Licensing, Software Subscription and Support, and Monthly License Charge Software

SUMMARY

The proposed Amendment No. 9 (Amendment) to Agreement No. 47553-7 (Agreement) with IBM Corporation (IBM) is to extend the Agreement term by five years to December 31, 2028, and increase the Agreement amount by \$40,284,247 from \$79,428,464 to a new not-to-exceed amount of \$119,712,711. All other terms and conditions of the Agreement will remain unchanged.

The Amendment will allow LADWP to continue to purchase and renew software licenses needed to manage various critical business applications such as Customer Information System, payroll, billing, and financial systems. While LADWP is in the process of establishing a new Enterprise Resource Planning (ERP) system, it is anticipated that IBM mainframe products will still be needed for three to five years after the implementation of the future ERP system.

The Amendment requires City Council approval 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 with IBM as required in Charter Section 373.

ALTERNATIVES CONSIDERED

There are no feasible alternatives currently. IBM is the copyright and patent holder of all Mainframe operating systems currently installed at LADWP and is the legal entity to grant rights to the use of this software. Without this Amendment, all software licenses, subscriptions, and support of the existing software will expire.

Amending the Agreement with IBM ensures LADWP will be able to continue to manage various critical business applications supported by IBM.

FINANCIAL INFORMATION

The Amendment will add five years and increase the Agreement amount by \$40,284,247. The Agreement amount is approved and funded by LADWP's Power and Water Revenue Funds.

Agreement/Amendment	Current Maximum Expenditure	Proposed Amendment No. 9	Amended Maximum Expenditure
Agreement Base Year – (1 year + 4 renewal options)	\$17,730,128	-	\$17,730,128
Amendment No. 2 (inadvertently skipped)	-	-	-
Amendment No. 3 (exercised 2 nd year renewal option)	-	-	-
Amendment No. 4 (exercised 3 rd year renewal option)	-	-	-
Amendment No. 5 (exercised 4 th renewal option)	-	-	-
Amendment No. 6 – (extend contract for additional 5 years)	\$19,006,630	-	\$36,736,758
Amendment No. 7 – (extend contract for another 5 years)	\$15,472,706	-	\$52,209,464
Amendment No. 8 – (extend contract for another 5 years)	\$27,219,000	-	\$79,428,464
Proposed Amendment No. 9 – (extend contract another 5 years)		\$40,284,247	

Agreement Total:	\$79,428,464	\$40,284,247	\$119,712,711
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BACKGROUND

On February 20, 2007, Resolution No. 007 147 authorized the execution of Agreement No. 47553-7 with IBM for renewal of software maintenance support, purchase of new software licenses for mainframe operating systems, software related products, consolidation of two existing software maintenance contracts with Maintenance, Repair, & Operation Software Inc. and FileNet Software which were then acquired by IBM. The Agreement was for one year with four one-year options, for a total of five years from October 31, 2006 through October 30, 2011, for a not-to-exceed amount of \$17,730,128. The Agreement also created an Enterprise License Agreement (ELA) with IBM, which is the premier software acquisition offering from IBM for a multi-platform environment. The ELA provides software licensing, software subscription and support, and monthly license charge software to LADWP.

Additionally, under the Agreement, LADWP can negotiate with IBM directly for premier software licensing at a discounted price. This provides LADWP with overall savings due to a bundled, bottom line, value-based contract payable in installments; a simplified billing process; and price protection for the maintenance of existing software. IBM also provides 24/7 support and maintenance for critical mainframe and distributed software to meet LADWP's operating needs and to support future improvements to the current systems. IBM supports maintenance guarantees, bug fixes, security patches, and access to new versions of the software without having to rebuy licenses.

LADWP adopted IBM products as the standard for the following software:

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

Other IBM products and applications that are ongoing components of LADWP's computing environment supporting the payroll and financial systems include:

- Account management
- Application infrastructure
- Assistance software
- Business analytics
- Connectivity and application integration
- Database software tools
- Information Technology service management

- Mainframe monthly license
- Problem resolution software

The following renewal options, change orders, and administrative amendments have been issued during the life of the Agreement:

On October 31, 2006, LADWP established Agreement No. 47553 with IBM under Resolution No. 007 147 for a one-year term with four one-year renewal options from October 31, 2006 through October 30, 2011, for renewal of software maintenance support, purchases of new software licenses for mainframe operating system software related products, and consolidation of two existing software maintenance contracts.

On November 1, 2007, Amendment No. 1 was processed to exercise the Agreement's first year renewal option to purchase mainframe software licenses and continue the software maintenance and support. No additional funding was required.

On December 27, 2007, Change Order No. 1 was processed to extend the expiration date through October 31, 2008, purchase mainframe software licenses, and continue software maintenance and support. No additional funding was required.

On October 1, 2008, Change Order No. 2 was processed to authorize purchase of new software products under the Agreement that included Content Management, Security Software, Maximo Asset Management licenses, and the discounted rate of monthly license charges software programs. No additional funding was required.

On November 1, 2008, Amendment No. 3 was processed to exercise the Agreement's second-year option extending the Agreement date through October 31, 2009, to continue to provide mainframe software licenses and software maintenance and support. No additional funding was required.

On June 30, 2009, Change Order No. 3 was processed to add 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. No additional funding was required.

On November 1, 2009, Amendment No. 4 was processed to exercise the Agreement's third-year option extending the expiration date through October 31, 2010, to purchase mainframe software licenses and continue software maintenance and support. No additional funding was required.

On November 1, 2010, Amendment No. 5 was processed to exercise the Agreement's fourth-year renewal option extending the expiration date through October 31, 2011, for the purchase of mainframe software licenses and continued software maintenance and support. No additional funding was required.

On November 1, 2011, Amendment No. 6 was processed with IBM under Resolution No. 012 108 to extend the Agreement for an additional five years from October 31, 2011

through October 31, 2016, for an amount not-to-exceed \$36,736,758, for software licensing, software subscription and support, and IBM MLC software.

An IBM Enterprise Software and Services Option (ESSO) was also established to rework the pricing structure for the software purchased under the Agreement and simplify the billing process. The ESSO has been updated to include new and existing software licenses, quantity, and identify new IBM software as a service offering.

On November 1, 2015, Amendment No. 7 was adopted by the Board under Resolution No. 016 126 to extend the Agreement by two years and two months from October 31, 2016 through December 31, 2018, with an amount not to exceed \$52,209,464, to allow LADWP to continue purchasing IBM software, licenses, subscriptions, and support for existing software.

On April 2, 2019, Amendment No. 8 was adopted by the Board under Resolution No. 019 167 to extend the Agreement term by five years from January 1, 2019 through December 31, 2023, and add funding for an amount not-to-exceed \$79,428,464, allowing LADWP to continue operating IBM software under ELA pricing; avoid significant price increases on mainframe usage charges; and take advantage of speed, flexibility, and security of adopted critical IBM applications in the Cloud environment.

Amendment No. 9 will allow LADWP to continue operating IBM software under ELA pricing, avoiding significant price increases on mainframe usage charges, and taking advantage of speed, flexibility, and security of adopted critical IBM applications in the Cloud environment.

Since the execution of the Agreement, IBM products and services have maintained their usefulness, reliability, and cost-effectiveness in providing critical support to mainframe software and discounts on maintenance and additional licenses. As software has become obsolete, transforming LADWP's legacy applications from mainframe to a distributed environment is critical in the implementation of the future ERP system. As such, LADWP expects to continue with IBM solutions for at least the next five years with proposed additional funding and breakdown as follows (based on the newly negotiated ESSO option):

A	B	C	D*
Payment Schedule	Monthly License Charge for Mainframe (MF) Software + IBM PassPort Advantage Distributed Software & MF Software Support	Contingency for Future Purchases	Total
01/01/2024	\$5,369,977	\$1,500,000	\$6,869,977
12/31/2025	\$5,906,975	\$1,500,000	\$7,406,975
12/31/2026	\$6,497,672	\$1,500,000	\$7,997,672
12/31/2027	\$7,147,440	\$1,500,000	\$8,647,440
12/31/2028	\$7,862,184	\$1,500,000	\$9,362,184
Totals:	\$32,784,248	\$7,500,000	\$40,284,248

*Includes not-to-exceed total pricing. The amounts in columns B and C are estimated and may fluctuate depending on LADWP's technology usage decisions.

IBM has performed satisfactorily under this Agreement.

In accordance with the Mayor's Executive Directive No. 4, the City Administrative Officer's Report was approved on May 28, 2024.

ENVIRONMENTAL DETERMINATION

Determine item is exempt pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15060(c)(3). In accordance with this section, an activity is not subject to CEQA if it does not meet the definition of a project. Section 15378(b)(5) states that organizational or administrative activities that will not result in direct or indirect physical changes in the environment do not meet that definition. Therefore, approval of the amendment to the agreement to maintain and support LADWP's IBM Mainframe and its related critical business applications is not subject to CEQA.

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
- CAO Report

PROCUREMENT SUMMARY

1.	Recommended Vendor(s): IBM Corporation
2.	Procurement Type: Sole Source
3.	Procurement Details: A. Contract Status: Amendment No. 9 B. Bid Advertisement Date: N/A C. Pre-Bid Conference Date: N/A D. Bid/Proposal Due Date: N/A E. Number of Downloads of Solicitation: N/A F. Number of Bids/Proposals Received: N/A G. Protest Received: N/A
4.	Buyer Assigned: Ramiro Puhawan
5.	Contract Administrator: Jon Hoang
6.	LADWP System/Division: Joint/Information Technology Services
7.	Contact Person for Item: Jon Hoang

A. Evaluation Rating Summary of Proposal

Not applicable to this Amendment.

B. Evaluation of Amendment

Prices proposed in the Amendment were determined to be fair and reasonable. In March 2022, LADWP conducted another pricing negotiation with IBM to update the listing and quantity of new and existing software licenses and identify the IBM software as a service offering. Consequently, a strategic software agreement between LADWP and IBM was signed which included the addition of the following IBM products into the Enterprise Software and Services Option (ESSO):

- New Mainframe Software and Subscription and Support
- New Security Licensing (Appliances + Advanced Threat Feed Software as a Service + Installation Services)
- New Business Process Automation Subscription License and Service
- 200K Cytometric Bead Array Buffer
- Increased Monthly License Charges

The one year and nine-month costs for the IBM software and services listed in ESSO, including the additional IBM products referenced above, would normally exceed \$14,814,301 in IBM Government Entitled Pricing; however, under the newly negotiated ESSO, the costs would not exceed \$10,253,000, resulting in approximately \$4,561,301 ESSO savings.

Service/Item History – Number of Times Item or Service has been Procured					
Contract/ PO No.	Contractor	Term of Contract	Start Date	Ending Date	Contract Amount
47553 7	IBM	17 years, 2 months	10/31/2006	12/31/2023	\$79,428,464

Vendor Experience – Number of Contracts Vendor had with LADWP During the Past 5 Years					
Contract/ PO No.	Contract Description	Term of Contract	Start Date	Ending Date	Contract Amount
47553-7	Mainframe hardware maintenance & integrated software	17 years, 2 months	10/31/2006	12/31/2023	\$79,428,464

C. Local Business Preference Program (LBPP)

Not applicable to this Amendment.

D. Additional Outreach Efforts Taken

Not applicable to this Amendment.

E. Small Business Enterprises (SBE)/Disabled Veterans Business Enterprises (DVBE)/Minority Business Enterprises (MBE)/Women Business Enterprises (WBE)/Other Business Enterprises (OBE) Subcontracting Participation

Not applicable as this is a sole source contract. There are no subcontracting opportunities because the services are proprietary and can only be performed by IBM.