

RESOLUTION NO. 27653

WHEREAS, on recommendation of Management, there was presented for approval, one (1)-year Sole Source Agreement with SAP Public Services Inc., with two (2) one-year renewal options, covering software license agreement for systems, applications, and products for Los Angeles World Airports, for cost not to exceed \$1,950,000; and

WHEREAS, the SAP Public Services Inc. (SAP) software is the basis for the Financial Accounting Management Information System of Los Angeles World Airports (LAWA). The system provides LAWA the ability to manage its overall financial portfolio, procurement, and human capital. The major business functions supported by SAP include:

- Financial Systems (general ledger, accounts receivable, accounts payable, fixed assets, funds management, and special purpose ledger)
- Controlling (cost center accounting and internal orders)
- Budget Monitoring
- Human Resources (organization management, personnel administration, time management, travel, training, and events management)
- Purchasing (materials and services, contracts fixed assets, warehouse inventory, and vendor invoice automation)
- Project Accounting (project cost and budget tracking); and

WHEREAS, the current version of the software used by LAWA will no longer be supported by SAP after 2027 for standard maintenance and 2030 for extended maintenance. LAWA is evaluating the available options to replace SAP; and

WHEREAS, in April 2022, LAWA released a Request for Proposals (RFP) for a consultant to provide professional services to (a) support and assist with Enterprise Resource Planning (ERP) software evaluation services, (b) develop an RFP to select a new ERP system, and (c) recommend a shortlist of ERP software solutions for a new or upgraded financial management system; and

WHEREAS, after a review of the proposals, LAWA selected the consulting firm SDI Presence LLC (SDI) to perform the scope of work outlined in the RFP. It is anticipated that SDI will start work at the beginning of December 2022. From the beginning of the consulting services through full implementation of either an upgrade or new system, it is projected that the total project timeline could be between 24 and 30 months. Said timeline includes review of the existing business processes, recommendations for process improvements based on best business practices, selection of an ERP, system design and development, testing, and full implementation. Entering into a new Agreement with SAP is the best course of action; and

WHEREAS, the software license agreement, known as Enterprise Support, provides the following:

- Continuous quality checks for pro-active technical quality assessments
- Support advisory center 24/7 as a direct communication channel to SAP to manage important inquiries
- Service-level agreement covering the highest priority customer messages
- SAP Solution Manager module (Enterprise edition) with extended functionality for deployment, operation, continuous improvement, and innovation of SAP solutions

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- Advanced innovation support for SAP enhancement packages and support packages to activate additional functionality and avoid conflicts with customer-specific codes and modifications
- End-to-end quality management standards and support
- Continuous improvement and innovation like software upgrades, technology updates, legal changes, and access to source code
- Problem resolution and continuous access to the SAP Notes service
- Knowledge transfer as part of a community using the SAP Service Marketplace extranet, with specialized offerings for SAP Customer Competence Center locations
- Quality management with implementation tools and methodology, the standard edition of the SAP Solutions Manager application management software, and monitoring by the SAP EarlyWatch Alert service; and

WHEREAS, the cost for the license will be \$1,747,280 over the three (3)-year period as follows:

Calendar Year	Maintenance Fee
2023	\$563,623
2024	\$582,222
2025	\$601,435; and

WHEREAS, said amounts are fixed and include local sales tax for the Commonwealth of Pennsylvania where SAP is located. The costs are subject to California taxes and Consumer Price Index (CPI) adjustments of 3.3%; and

WHEREAS, throughout the agreement period, staff will implement major enhancements and improvements to SAP, and SAP enhancement modules and/or applications are subject to additional licensing costs. The agreement amount of not to exceed \$1,950,000 would account for additional licensing, as approved/implemented, and applicable CPI adjustments; and

WHEREAS, funding for the services is included in the Fiscal Year 2022–2023 LAWA Operating Budget in LAX Cost Center 1190011 – Financial Management Systems Division, Commitment Item 520 – Contractual Services. Funding for the subsequent year will be requested as part of the annual budget process; and

WHEREAS, this item, as a continuing administrative, maintenance and personnel-related activity, is exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article II, Section 2.f of the Los Angeles City CEQA Guidelines; and

WHEREAS, actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of Los Angeles City Charter Section 373;

NOW, THEREFORE, BE IT RESOLVED that the Board of Airport Commissioners adopted the Staff Report; determined that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article II, Section 2.f of the Los Angeles City CEQA Guidelines; found that the Agreement is exempt from competitive bidding under Sections 371(e)(3) and 371(e)(7) of the Los Angeles City Charter, whereas, Section 371(e)(3) provides an exemption for contracts for the furnishing of articles covered by letters patent granted by the government of the United States and Section 371(e)(7) provides an exemption for contracts for equipment repairs or parts obtained from the manufacturer of the equipment or its exclusive agent (SAP Public Services, Inc. retains proprietary and intellectual property rights to the licensed SAP software used by Los Angeles World Airports, as such, SAP Public Services, Inc. is the only authorized provider of SAP software license and maintenance support); approved the one (1)-year Sole Source Agreement

with SAP Public Services Inc., with two (2) one-year renewal options, covering software license agreement for systems, applications, and products for Los Angeles World Airports, for cost not to exceed \$1,950,000; and authorized the Chief Executive Officer, or designee, to execute said Agreement with SAP Public Services Inc. after approval as to form by the City Attorney and approval by the Los Angeles City Council.

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I hereby certify that this Resolution No. 27653 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Thursday, December 15, 2022.



Grace Miguel – Secretary
BOARD OF AIRPORT COMMISSIONERS