

0150-10082-0001

**TRANSMITTAL**

TO  
Eugene D. Seroka, Executive Director  
Harbor Department

DATE  
MAY 07 2015

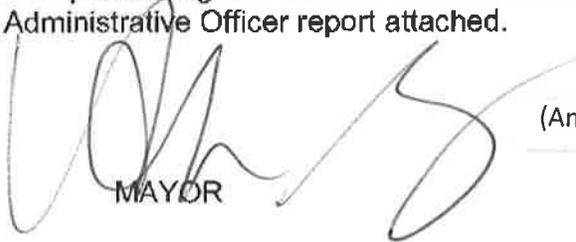
COUNCIL FILE NO.

FROM  
The Mayor

COUNCIL DISTRICT  
15

**PROPOSED SECOND AMENDMENT TO AGREEMENT NO. 10-2093 WITH MICROSOFT CORPORATION TO PROVIDE PRODUCT SUPPORT AND CONSULTING SERVICES**

Transmitted for further processing and Council consideration.  
See the City Administrative Officer report attached.



(Ana Guerrero)

MAYOR

MAS:ABN:101500841

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

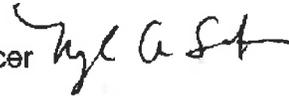
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Date: May 1, 2015

CAO File No. 0150-10082-0001  
Council File No.  
Council District: 15

To: The Mayor

From: Miguel A. Santana, City Administrative Officer



Reference: Correspondence from the Harbor Department dated March 24, 2015; referred by the Mayor dated March 26, 2015

Subject: **PROPOSED SECOND AMENDMENT TO AGREEMENT NO. 10-2093 WITH MICROSOFT CORPORATION TO PROVIDE PRODUCT SUPPORT AND CONSULTING SERVICES**

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### SUMMARY

The Harbor Department (Port) Board of Harbor Commissioners (Board) requests approval of Resolution No. 13-7777 authorizing the Second Amendment to sole-source Agreement No. 10-2903 (Agreement) with Microsoft Corporation (Microsoft) to continue providing product support and consulting services for all Microsoft products used by the Port. According to the Port, these services are required to maintain and maximize the computing environments of the Port, which currently relies on Microsoft technology for its on-going operations. In 2013, the First Amendment was approved to extend the terms of the Agreement for an additional three years; which extended the Agreement to a total of six years, until October 26, 2016, and increased total expenditure amount not to exceed \$1,497,969 (C.F. 13-1630). The proposed Second Amendment will revise the Microsoft's fee summary and services amount and correct a clerical error by reducing the contract amount by \$5,942, from \$1,497,969 to the revised amount of \$1,492,027. All remaining terms and conditions of the Agreement will remain in full force and effect, with the exception of any updated City's contractual provisions. In accordance with Charter Section 373, and the Los Angeles Administrative Code Section 10.5, Council approval is required for long term contracts that exceed three years.

### BACKGROUND

Microsoft is based in Redmond, Washington, with offices in Los Angeles and other Southern California cities. Microsoft software is used for all the critical Control systems of the Port. The Port entered into the Agreement with Microsoft to improve and integrate functions for their informational technology systems. According to Port staff, Microsoft products are used for most of the Port's informational systems, including the desktop software, messaging, critical business applications, license compliance, and core infrastructure services such as databases and operating systems. The original three-year Agreement expired in October 2013 and was subsequently approved on a month-to-month basis until approval of the First Amendment for an additional three-year contract term. The original three-year contract amount was \$497,969. The First Amendment increased the contract by three years and amount by \$1,000,000, to a total amount not to exceed \$1,497,969.

**PROPOSED SECOND AMENDMENT**

According to the Port, the ongoing support of Microsoft will assist the Port's Information Technology Division (ITD) and allow the Port to continue to operate at its current level without business interruption and prepare for future information technology requirements. The Port will continue to use Microsoft technologies in its daily operations by integrating the existing and new computer systems to improve fiscal and operating efficiencies for future information technology requirements for Port staff, customers and stakeholders as follows:

- Problem resolution via telephone, electronic and online website access;
- Application assistance with infrastructure and database design, and recommendations;
- Migration of obsolete software or applications into the latest Microsoft technologies; and,
- Lab facilities for future product review, development, testing, and migration activities.

The proposed Second Amendment will revise Microsoft's fee summary and services by reducing the support fee of \$5,942 due to a one-time Microsoft investment discount on its Premier Support. The reduction will provide a budget saving of \$5,942 and lessen the total contract from \$1,497,969 to \$1,492,027. The revision will not change the current services provided by Microsoft Agreement.

**Microsoft Agreement and Proposed Second Amendment**

	Years	Agreement Period	Amount	Cumulative Total
Original Agreement	1-3	FY 2010-11 to October 2013	\$497,969	\$497,969
First Amendment	4-6	FY 2013-14 FY 2014-15 FY 2015-16	\$160,000 \$420,000 \$420,000	\$1,000,000
Proposed Second Amendment			\$ (5,942)	\$(5,942)
<b>Revised Total</b>				<b>\$1,492,027</b>

The Agreement will continue to require Microsoft to perform assessments and provide recommendations to improve the existing and future software and systems in three different strategic areas. Year One, of the three-year First Amendment, includes the assessment of the information technology. Years Two and Three include the recommendations and implementation provided by Microsoft. The three strategic areas include the following: 1) implementing a disaster recovery of the Port's critical systems, such as e-mail and Active Directory; 2) implementing the server availability; and 3) improving the configuration of management and change control to increase the reliability of the existing system. In addition, Microsoft is assisting the Port with the completion of migrating custom applications developed with Microsoft. The Port's ITD recommends reducing the department's dependency on these custom applications developed by Microsoft and other consultants over the coming years.

Microsoft was a sole source selection because of its proprietary software and its exclusive knowledge and tools to perform this work. Microsoft is the sole source provider of the proprietary software and technical support/maintenance, which is only performed by Microsoft affiliates. The

service provided is considered a Premier Service which includes workshops, security checks, on-site engineers for critical system shutdown issues and account management. The Port states that Microsoft has provided satisfactory services and has provided a system that is in accordance with Port requirements.

### **CONTRACTING COMPLIANCE**

The City Attorney has approved the proposed resolution and Second Amendment to Agreement No. 10-2903 as to form. In accordance with Charter Section 1022, the Port has determined that the work specified in the Agreement can be performed more economically and feasibly by independent Contractors than by City employees. The Port Director of Environmental Management has determined that this an administrative activity and is therefore 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. According to the Port, Microsoft will comply with the provisions of all applicable contracting ordinances.

### **RECOMMENDATION**

That the Mayor, approve proposed Resolution No. 13-7556 authorizing the Second Amendment to Agreement No. 10-2903 between the Harbor Department (Port) with Microsoft Corporation (Microsoft) to continue to provide product support and consulting services for all Microsoft products used by the Port and revise the fee summary and services amount and reduce the contract amount by \$5,942, from \$1,497,969 to \$1,492,027, and return the request to the Port for further processing, including Council consideration.

### **FISCAL IMPACT STATEMENT**

Approval of the Second Amendment to the contract between the Harbor Department and Microsoft Corporation will result in a reduction of the contract amount by \$5,942, from \$1,497,969 to \$1,492,027. All remaining terms and conditions of the contract will remain in full force and effect, with the exception of the incorporation of updated City's contractual provisions. Approval of the proposed Amendment complies with the Harbor Department's adopted Financial Policies and the proposed resolution will not impact the City's General Fund.

### **TIME LIMIT FOR COUNCIL ACTION**

Pursuant to Charter Section 373, "Long Term Contracts Approved by Council," and the Los Angeles Administrative Code Section 10.5, "Limitation and Power to Make Contracts," unless the Council takes action disapproving a contract that is longer than three years within 60 days after submission to Council, the contract shall be deemed approved.