

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: January 26, 2023

CAO File No. 0150-07334-0004

Council File No.

Council District: 11

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer

Reference: Communication from Los Angeles World Airports dated December 15, 2022 and January 4, 2023; referred by the Mayor for a report on December 15, 2022

Subject: **PROPOSED REPLACEMENT CONTRACT WITH SAP PUBLIC SERVICES, INC. TO CONTINUE THE SOFTWARE LICENSE AGREEMENT FOR SYSTEMS, APPLICATIONS, AND PRODUCTS AT LOS ANGELES WORLD AIRPORTS**

RECOMMENDATION

That the Mayor:

1. Approve Los Angeles World Airports (LAWA; Department) Resolution No. 27653 to authorize a proposed sole-source replacement contract to continue the existing software license agreement for systems, applications, and products with SAP Public Services, Inc. for a total contract amount not-to-exceed \$1,950,000; and,
2. Authorize the Chief Executive Officer of the Los Angeles World Airports to execute the proposed agreement, and return the Resolution documents to LAWA for further processing, including Council consideration.

SUMMARY

The LAWA Board of Airport Commissioners (BOAC) requests approval to execute the proposed replacement agreement (Contract; Agreement) with SAP Public Services, Inc. (SAP; Consultant), to continue the software license agreement for systems, applications, and products at LAWA. The commencement date of the proposed Agreement becomes retroactively effective on January 1, 2023 and terminates on December 31, 2025, for a total of three years. Approval of the Agreement establishes a one-year term with two one-year renewal options, to be exercised at the discretion of LAWA's Chief Executive Officer, and an expenditure authority not-to-exceed \$1,950,000 over the term.

BACKGROUND

On December 15, 2022, the BOAC approved a LAWA staff report and request for approval to execute a new Agreement with SAP to continue the software license agreement for systems, applications, and products at LAWA (Attachment 1). Contract No. DA-5414, the former contract with SAP, expired December 31, 2022, and while the maintenance will continue on a month-to-month basis, the necessary licensing agreements, critical components of the Agreement are required to continue to prevent work disruptions. The proposed term of the new Agreement is one year with two one year renewal options for a total contract term of three years, retroactive to January 1, 2023 through December 31, 2025.

Sole-Source Determination - Since 2006, the SAP contracts have been executed as sole-source software license agreements. According to LAWA staff, SAP retains proprietary and intellectual property rights to the licensed SAP software used by the Department and is the only authorized provider for software maintenance and support services. Pursuant to the Los Angeles City Charter Section 371(e)(7) "Competitive Bidding; Competitive Sealed Bids," the Department is unauthorized to seek bids from third-party consultants to perform maintenance, support services, or procure related products for the software.

Enterprise Resource Planning (ERP) Software - SAP is the market leader in enterprise application software helping companies run more efficiently by shaping ERP software to develop solutions that facilitate effective data processing, management of business processes, and information flow across organizations. The Consultant's ERP software includes programs to manage LAWA's core business functions, such as its financial portfolio, procurement, and human resources (HR), in addition to providing end-to-end applications and services that enable the Department to operate more efficiently. Its integrated applications connect all components of LAWA's business functions into an intelligent suite on a fully digital platform that centralizes the Department's data portfolio. This helps LAWA manage its core business processes and makes real-time data easily accessible across the Department. As a result, LAWA can accelerate workflows, improve operational efficiency, and increase productivity.

LAWA Functions Supported by SAP - LAWA indicates that it has used the SAP software maintenance and support services since the year 2000 and SAP's software applications are required to maintain the Department's major business functions. The current software is the basis for LAWA's Financial Accounting Management Information Systems (FAMIS) and provides the airport with the ability to manage its overall financial portfolio and human capital. LAWA staff reports that the major business functions at the Department supported by SAP include: 1) Financial Systems, 2) Controlling, 3) Budget Planning and Monitoring, 4) Human Resources, 5) Procurement, and 6) Project Accounting.

Challenges - The current version of SAP will no longer be supported by the Consultant after 2027 for standard maintenance and 2030 for extended maintenance. Without the SAP software services, Department functions may be inadvertently exposed to risks from using out-of-date software. Entering into a license agreement with another company or replacing the software is not feasible at this time because the current software is proprietary to SAP. Both cases will likely cost more

than the proposed replacement Agreement and an immediate replacement of the system will significantly disrupt the Department's operations, thus, making it difficult for the LAWA to resolve interface issues while waiting for a new software system.

Through the proposed Contract, SAP Enterprise Support includes various improvement and innovation initiatives for advanced support and software enhancement updates. Authorization of the Agreement will ensure that the Department receives any new updates, enhancements, and additional product knowledge so that it can continually operate the SAP system without interruption to its business functions. A summary of the software license agreement includes but is not limited to the services in Attachment 1.

Budget - Expenses sustained have been fixed at a rate of \$545,617 per year for Fiscal Years 2020 through 2022 for a total of \$1,636,851. The proposed budget for the license fee over the ensuing years of the Contract includes base maintenance fees and a yearly 3.3 percent adjustment for California tax schedules and price fluctuations based upon Consumer Price Index adjustments. LAWA also included a contingency to shield against inflation, the necessity for additional licensing, and other unforeseen factors. The table below summarizes the estimated cost of a new Agreement over the proposed three-year period.

Calendar Year	Maintenance Fee
2023	\$563,623
2024	\$582,222
2025	\$601,435
Subtotal	\$1,747,280
Contingency	\$202,720
Total	\$1,950,000

Costs incurred under this Contract will be recovered through landing fees, terminal building rates and charges, and non-aeronautical revenues. Funds for subsequent years, if necessary, will be requested as part of LAWA's annual budget process.

Options for Upgrade or Replacement of the System - In parallel efforts, LAWA is exploring various options to either replace the SAP system or implement a major upgrade to the current ERP software prior to expiration of the proposed replacement agreement. On April 7, 2022, the Department released a Request for Proposals (RFP) to select professional consulting services to assist with an evaluation process of its FMD System and obtain viable software solutions to support LAWA's core business functions. Essential components of the RFP comprises: 1) an analysis to determine whether the Department requires a new ERP software system or an upgrade to its current FMD System; 2) the Consultant's recommendation of a short list of ERP software solutions; and 3) development of a future RFP to solicit qualified candidates to deliver a new or upgraded ERP system.

Competitive Selection Process – Seven firms submitted proposals, which were reviewed and evaluated by a four-member selection committee comprised of LAWA senior-level staff. The

evaluation panel established that SDI provided a proposal most beneficial to LAWA as it demonstrated the necessary skill and competence to advise LAWA through its software advancement processes. Further, SDI has extensive experience in the Los Angeles region and has successfully partnered with over 200 public agencies to successfully execute and deliver large-scale projects within budget. LAWA states that it will execute the proposed Agreement with SDI upon Council approval.

From initial concept development through full implementation of either an upgrade or a new system, LAWA estimates the timeline to launch the required system ranges from 24 to 30 months. The Department estimates a go live date of July 2024 is achievable if it is determined that the best course of action is to implement a major software upgrade.

CITY COMPLIANCE

The City Attorney has reviewed and approved the proposed Contract as to form and legality. Actions of the proposed Agreement are not subject to the City's Standard Provisions for Ordinances, contracting, and insurance requirements. In accordance with Charter Section 373 and Administrative Code Section 10.5(a) and 10.5(b)(2), the Agreement requires Council approval because the total term of the Contract exceeds three years.

FISCAL IMPACT STATEMENT

Approval of the proposed three-year contract to SAP Public Services, Inc. will have no impact on the City's General Fund. The proposed Agreement impacts the Los Angeles World Airports' Operating Budget by \$1,950,000. The actions of the proposed Contract complies with the Los Angeles World Airports' adopted Financial Policies.

Attachment 1 - BOAC December 15, 2022 Report and January 4, 2023 Resolution No. 27653
Attachment 2 – SAP Public Services, Inc. Scope of Services



December 15, 2022

The Honorable Karen Bass
Mayor, City of Los Angeles
City Hall – Room 303
Los Angeles, CA 90012

ATTN: Heleen Ramirez
Legislative Coordinator

LAX

Van Nuys

City of Los Angeles

Karen Bass
Mayor

**Board of Airport
Commissioners**

Beatrice C. Hsu
President

Valeria C. Velasco
Vice President

Gabriel L. Eshaghian
Nicholas P. Roxborough
Belinda M. Vega
Karim Webb

Justin Erbacci
Chief Executive Officer

RE: Request to approve a one-year sole-source agreement, with two one-year renewal options, with SAP Public Services Inc.

In accordance with Executive Directive No. 4, we are transmitting a copy of the specified board report for the request to approve a one-year sole-source agreement, with two one-year renewal options, with SAP Public Services Inc., to continue the software license agreement for Systems, Applications, and Products at Los Angeles World Airports, in an amount not to exceed \$1,950,000.

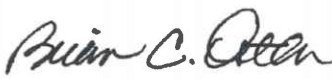
City Council approval is required pursuant to Section 373 of the Los Angeles City Charter.

Sincerely,

Justin Erbacci
Chief Executive Officer

JPE:MSA:KSF
Attachments



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Report to the BOARD OF AIRPORT COMMISSIONERS																									
<i>Approver:</i>  Tatiana Starostina, Chief Financial Officer	Meeting Date 12/15/2022																								
<i>Reviewer:</i>  Brian C. Ostler, City Attorney <i>ca</i>	Needs Council Approval: ☒ Y																								
 Justin Erbacci (Dec 8, 2022 15:10 PST) Justin Erbacci, Chief Executive Officer	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Reviewed for/by</th> <th style="text-align: left;">Date</th> <th style="text-align: left;">Approval Status</th> <th style="text-align: left;">By</th> </tr> </thead> <tbody> <tr> <td>Finance</td> <td>12/6/2022</td> <td>☒ Y ☐ NA</td> <td>CH</td> </tr> <tr> <td>CEQA</td> <td>12/2/2022</td> <td>☒ Y</td> <td>JO</td> </tr> <tr> <td>Procurement</td> <td>12/7/2022</td> <td>☒ Y ☐ Cond</td> <td>RG</td> </tr> <tr> <td>Guest Experience</td> <td>12/2/2022</td> <td>☒ Y</td> <td>TB</td> </tr> <tr> <td>Strategic Planning</td> <td>12/5/2022</td> <td>☒ Y</td> <td>BNZ</td> </tr> </tbody> </table>	Reviewed for/by	Date	Approval Status	By	Finance	12/6/2022	☒ Y ☐ NA	CH	CEQA	12/2/2022	☒ Y	JO	Procurement	12/7/2022	☒ Y ☐ Cond	RG	Guest Experience	12/2/2022	☒ Y	TB	Strategic Planning	12/5/2022	☒ Y	BNZ
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SUBJECT

Request to approve a one-year sole-source agreement, with two one-year renewal options, with SAP Public Services Inc., to continue the software license agreement for Systems, Applications, and Products at Los Angeles World Airports, in an amount not to exceed \$1,950,000.

RECOMMENDATIONS

Management RECOMMENDS that the Board of Airport Commissioners:

1. ADOPT the Staff Report.
2. DETERMINE that this action is administratively exempt from the California Environmental Quality Act (CEQA) pursuant to Article II, Section 2.f of the Los Angeles City CEQA Guidelines.
3. FIND that this contract is exempt from competitive bidding under Sections 371(e)(3) and 371(e)(7) of the Los Angeles City Charter. 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. 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.

4. APPROVE a one-year software license agreement, with two one-year renewal options, with SAP Public Services, Inc., from January 1, 2023 through December 31, 2025.
5. AUTHORIZE the Chief Executive Officer, or designee, to execute the software license and maintenance support agreement with SAP Public Services Inc. at Los Angeles World Airports upon approval as to form by the City Attorney and approval by the City Council.

DISCUSSION

1. Purpose

To maintain a software license agreement with SAP Public Services Inc. (Exhibit A) and pay annual software license fees to continue using the SAP software.

2. Prior Related Actions/History of Board Actions

- **October 17, 2000 – Resolution No. 21182 (DA-3555)**
The Board of Airport Commissioners (Board) approved the original software license agreement with SAP that was established through a competitive proposal process.
- **December 15, 2003 – Resolution No. 22249 (DA-3837)**
The Board approved the execution of a sole-source software license agreement with SAP Public Services Inc. to cover calendar years 2004 and 2005.
- **December 5, 2000 – Resolution No. 22849 (DA-4068)**
The Board approved the execution of a sole-source software license agreement with SAP Public Services Inc. to cover calendar years 2006 through 2008.
- **January 9, 2009– Resolution No. 22880 (DA-4068)**
In January 2009, SAP switched from its standard support model to a new Enterprise Support license agreement. In order not to disrupt the use of SAP, the Financial Management Systems Division entered into a three-month agreement with SAP Public Services Inc. (January 1 through March 31, 2009).
- **March 2, 2009 – Resolution No. 23732 (DA-4330)**
The Board approved the First Amendment to Contract DA-4330, Resolution 22880 that approved the execution of the software license agreement for the period April to December 2009 and calendar years 2010 through 2012. The City Council adopted the action under Council File 09-0478 in April 2009. The amount spent under Contract DA-4330 was \$1,922,900.
- **September 17, 2012 – Resolution No. 24900 (DA-4330A)**
The Board approved the extension of the sole-source software license agreement with SAP Public Services Inc. for calendar years 2013 through 2016, in an amount not to exceed \$2.5 million. The amount expended under contract DA-4330 was \$2,090,789.
- **September 21, 2016 – Resolution No. 26070 (DA-4330B)**
The Board approved the Second Amendment to Contract DA-4330 with SAP Public Services, Inc. to extend term three years (from January 1, 2017 through December 31,

2019), to maintain software license agreements to continue using the Systems, Application and Products (SAP) software for costs not to exceed \$1,735,062.

- **December 19, 2019 – Resolution No. 26911 (DA-5414)**

The Board approved the extension of the sole source software license agreement with SAP Public Services Inc. for calendar years 2020 through 2022, in an amount not to exceed \$1,950,000.

3. Current Action/Rationale

SAP software is the basis for LAWA's Financial Accounting Management Information System (FAMIS). The system provides the airport with 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)

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
- 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

The cost for the license will be \$1,747,280 over the proposed three-year period as follows:

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

These amounts are fixed and include local sales tax for the Commonwealth of Pennsylvania where SAP Public Services Inc. is located. These costs are subject to California taxes and Consumer Price Index (CPI) adjustments of 3.3 percent.

Throughout the contract period, staff recommends and implements major enhancements and improvements to SAP, and SAP enhancement modules and/or applications are subject to additional licensing costs. The \$1,950,000 not-to-exceed requested amounts would account for additional licensing, as approved/implemented, and applicable CPI adjustments.

How This Action Advances a Specific Strategic Plan Goal and Objective

This action advances this strategic goal and objective: *Innovate to Enhance Security, Efficiency & Effectiveness: Reinvent processes to improve focus and increase speed.* SAP software is the basis for LAWA's FAMIS. The system provides the ability to manage the airport's overall financial portfolio, procurement, and human capital. This software license agreement allows LAWA to use the software to access system updates and patches and provides high level help-desk assistance for major technical issues and questions outside the expertise of internal staff.

4. Fiscal Impact

The cost for license fees will be \$1,747,280 over a three-year period. To allow for additional California taxes and slight pricing fluctuations based on the Consumer Price Index (allowable under the 2000 license agreement), staff is requesting a not-to-exceed amount of \$1,950,000 for this period. These costs are included in the calculation of the annual airline rates and charges.

The chart below reflects costs incurred for Fiscal Years 2020 through 2022.

Cost	Fiscal Year	Services
\$545,617	2020	Licensing
\$545,617	2021	Licensing
\$545,617	2022	Licensing

5. Alternatives Considered

- ***Take No Action***

Taking no action is not recommended as LAWA would be unable to continue using SAP software that is responsible for vital airport functions such as financial management, budget planning, human resources, purchasing, and project systems. Only SAP Public Services Inc. can license the use of its proprietary SAP software.

- **Maintain License Agreement with SAP**

Only SAP Public Services Inc. can authorize the use of its software. Without a license agreement with SAP, LAWA cannot use its software that is responsible for essential airport functions such as financial management, budget, human resources, and procurement of materials and services.

- **Replacement of SAP**

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

On April 7, 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.

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. This timeline includes the 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. Therefore, requesting renewal of licensing for one year with two one-year options is the best course of action.

APPROPRIATIONS

Funding for these services is included in the FY 2022–2023 Los Angeles World Airports 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.

STANDARD PROVISIONS

1. 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.
2. The proposed document(s) is/are subject to approval as to form by the City Attorney.
3. 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.
4. This action is not subject to the provisions of the Living Wage/Service Contractor Worker Retention Ordinances.
5. This action is not subject to the provisions of the Business Enterprise (BE) Programs.

6. This action is not subject to the provisions of the Affirmative Action Program.
 7. This action does not require a Business Tax Registration Certificate number.
 8. This action is not subject to the provisions of the Child Support Obligations Ordinance.
 9. This action is not subject to the insurance requirements of the Los Angeles World Airports.
 10. This action is not subject to the provisions of Charter Section 1022 (Use of Independent Contractors).
 11. This action is not subject to the provisions of the Contractor Responsibility Program.
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12. This action is not subject to the provisions of the Equal Benefits Ordinance.
 13. This action is not subject to the provisions of the First Source Hiring Program.
 14. This action is not subject to the provisions of Bidder Contributions CEC Form 55.
 15. This action is not subject to the provisions of MLO Bidder Contributions CEC Form 50.
 16. This action is not subject to the provisions of the Iran Contracting Act.

Attachments:
Exhibit A – SAP Enterprise Support Renewal Agreement

January 4, 2023

The Honorable City Council
of the City of Los Angeles
City Hall, Room 395
Los Angeles, CA 90012

Subject: Sole Source Agreement with SAP Public Services Inc.

Pursuant to Section 373 of the City Charter, enclosed for your approval is the Sole Source Agreement with SAP Public Services Inc. that was approved by the Board of Airport Commissioners at its December 15, 2022 meeting. There is no impact to the General Fund.

LAX

Van Nuys

City of Los Angeles

Karen Bass
Mayor

**Board of Airport
Commissioners**

Beatrice C. Hsu
President

Valeria C. Velasco
Vice President

Gabriel L. Eshaghian
Nicholas P. Roxborough
Belinda M. Vega
Karim Webb

Justin Erbacci
Chief Executive Officer

RECOMMENDATIONS FOR CITY COUNCIL:

1. Adopt the determination by said Board 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; and
2. Approve 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
3. Concur with said Board's action on December 15, 2022, by Resolution 27653, authorizing the Chief Executive Officer, or designee, of Los Angeles World Airports to execute said Sole Source Agreement with SAP Public Services Inc.

Very truly yours,



Misha McConnell, Commission Executive Assistant I
BOARD OF AIRPORT COMMISSIONERS

Enclosures

cc: Trade, Travel and Tourism Committee
Councilmember Park, e-file
Councilmember McOsler, e-file
Councilmember Soto-Martinez, e-file
CAO (Airport Analyst), e-file
CLA (Airport Analyst), e-file
City Clerk's Office, e-file



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

LAX

Van Nuys

City of Los Angeles

Karen Bass
Mayor

Board of Airport
Commissioners

Beatrice C. Hsu
President

Valeria C. Velasco
Vice President

Gabriel L. Eshaghian
Nicholas P. Roxborough
Belinda M. Vega
Karim Webb

Justin Erbacci
Chief Executive Officer



- 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

Scope of SAP Enterprise Support

Below indicates a general scope of work related to the support that SAP Public Services, Inc. will deploy at LAWA through the term of the contract. The Consultant will provide continuous improvement and innovation to:

- New software releases of the licensed Enterprise Support Solutions, as well as tools and procedures for upgrades;
- Extended maintenance for older SAP software versions;
- Continuous quality checks for proactive 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;
- Access to SAP Solution Manager module (enterprise edition) with extended functionality for deployment, operation, continuous improvement, and innovation of SAP solutions;
- 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;
- Advanced Support for Enhancement packages and other SAP Software Updates;
- Incident handling for problems related to Enterprise Support Solutions;
- Support and Advising; and
- Continuous Quality System Checks;