County of Los Angeles
Department of Public Social Services

Bryce Yokomizo
Director

July 18, 2002

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

RECOMMENDATION TO AUTHORIZE EXECUTION OF AMENDMENT NUMBER FIVE TO THE LEADER INFORMATION TECHNOLOGY AGREEMENT WITH UNISYS CORPORATION TO IMPLEMENT THE ELECTRONIC BENEFIT TRANSFER INTERFACE (ALL DISTRICTS – 3 VOTES)

CIO RECOMMENDATION: APPROVE (X) APPROVE WITH MODIFICATIONS ( ) DISAPPROVE ( )

JOINT RECOMMENDATION WITH THE CHIEF INFORMATION OFFICER THAT YOUR BOARD:

Approve and instruct the Chairman to sign the attached Amendment Number Five to County Agreement Number 68587 with Unisys Corporation ("Unisys") to increase the Total Maximum Contract Sum by $6,981,607.00, to complete the modification, testing, and pilot implementation of the LEADER System Software for the Electronic Benefit Transfer (EBT) interface. The execution of the Amendment will increase the Total Maximum Contract Sum from $152,598,804.00 to $159,580,411.00. The additional $6,981,607 will be funded 100% by State and federal revenue. There is no Net County Cost (NCC) for this Amendment. Implementation of the Amendment is contingent upon receipt of State funding approval. This is a federally mandated State project and the State has federal approval for its EBT project expenditures.

PURPOSE / JUSTIFICATION OF RECOMMENDED ACTION

The purpose of this recommended action is to modify the LEADER Agreement to incorporate EBT changes to conform to State and federal mandates. The major steps to implementing the EBT Modifications include determining system requirements, developing design specifications, coding and unit testing all the programs, and system and regression-testing LEADER after the EBT Modifications have been completed and installed.

Under federal and State law, California is mandated to implement an EBT system for issuance of Food Stamp benefits. The Statewide EBT System will replace the paper food coupons currently issued to Food Stamp beneficiaries with a magnetic stripe (debit) card. Food Stamp benefits will be redeemed at point-of-sale (POS) devices that will be located at every current Food Stamp merchant.

While State law mandates that Food Stamp benefits be issued through EBT, it allows each county to choose whether to use the State's EBT system for its cash programs. A county may elect to add cash to the EBT program during initial EBT development and implementation or wait until the Statewide implementation has been completed. However, the State is encouraging concurrent implementation of Food Stamps and cash. With concurrent implementation, the State will pay the County's share of the EBT development costs, including that share of cost that would have normally been apportioned to the County's General Relief (GR) program.

In January 2002, your Board approved and instructed DPSS to notify the State that Los Angeles County is interested in exercising the County's non-binding option to pursue implementation of EBT for the issuance of cash benefits to eligible participants, and requested that the State complete the EBT Cash Access Plan at no cost to the County. Notice was provided to the State in accordance with your Board's direction, and the State has started work on a Cash Access Plan for Los Angeles County. In all, the State will provide three iterations of the Cash Access Plan; the second and third versions will be revised to respond to comments on the previous submittal. The recommendation to your Board regarding using EBT to issue cash benefits will be based on the third and final Cash Access Plan. DPSS will work collectively with interested Community Groups throughout the evaluation. Due to the complexity of the process, that recommendation, which will include options to using the Statewide EBT system and the costs of those options, will not be provided until 2003.

Approval of this Amendment Number Five does not commit your Board to use the EBT system to issue cash benefits. If your Board approves EBT for cash benefits, the current cash and Food Stamp benefit issuance system (L.A. FAIR) will be phased out after full EBT implementation. During the State EBT Pilot Test Phase and conversion, however, LEADER must support both EBT and L.A. FAIR.

If your Board does not approve the use of EBT to issue cash benefits, the L.A. FAIR system contract must be reprocured to support cash-only issuances. These costs will be ongoing and are in addition to the cost to modify LEADER to interface with the Statewide EBT System.

In any event, upon completion of the State EBT Pilot Test Phase, there will be an increase in ongoing facilities maintenance and operations (FM&O) costs, estimated at $1,428,898, to support the EBT Modifications for the remainder of the Initial Term of the LEADER Agreement that ends on April 30, 2005. The payment terms for these increased FMO resources will be reflected in an additional Schedule to the LEADER contract and will be based on a fixed rate per month up to a projected food stamp and cash caseload maximum (700,000), plus an additional monthly per thousand case charge when the maximum allowable caseload is exceeded.

These additional FM&O costs will require a contract amendment to increase the Total Contract Sum and to update Schedules to the LEADER Agreement. These costs will be subvened by State and federal revenue. The NCC will be included in the FY 2003-04 and 2004-05 DPSS budgets.

LEADER system changes necessary to implement EBT will occur over a nine-month period, followed by a two-month State preparation phase. Los Angeles County will then support the State EBT Pilot Test Phase in two district offices for a five-month period. Following the pilot, Countywide conversion and implementation roll-out will be completed in no more than five months.

Implementation of Strategic Plan Goals

Amendment Number Five is consistent with the principles of County Strategic Plan Goal #1: Service Excellence of the Countywide Strategic Plan for improving quality of service and organizational effectiveness. In addition, the Amendment is consistent with DPSS' objectives for increasing the efficiency and effectiveness of departmental programs through expanded information technology and communications.

Expansion of the LEADER System is part of the DPSS Business Automation Plan.

FISCAL IMPACT / FINANCING

Amendment Number Five increases the current Total Maximum Contract Sum of the LEADER Agreement from $152,598,804 to $159,580,411. The additional $6,981,607 will be funded one hundred percent (100%) by State and federal revenue. Contract expenditures will be budgeted in the appropriate Fiscal Year. Payments will be made in accordance with the terms of this Amendment Number Five.

Costs for Fiscal Year 2002-03

The federal and State governments will fund one hundred percent of the $4,916,087.20 EBT cost, including all costs that would normally be apportioned to the General Relief (GR) program, for Amendment Number Five for Fiscal Year 2002-03. There is no NCC.

Costs for Fiscal Year 2003-04 through 2004-05

The remaining $2,065,519.80 in EBT costs includes a payment in the amount of $1,018,278.75 for Subdeliverable 12.5, *System Test Report for EBT Modifications*, and a payment in the amount of $1,047,241.05 for Amendment Number Five withholds that will be distributed beginning in Fiscal Year 2003-04. These costs, including any costs that would be normally apportioned to the GR program, are funded one hundred percent (100%) by the State and federal governments. There is no NCC.

DPSS Budget

Upon completion of the State EBT Pilot Test Phase, there will be an increase in ongoing facilities maintenance and operations (FM&O) costs, estimated at $1,428,898, to implement and support the EBT Modifications for the remainder of the Initial Term of the LEADER Agreement.

These additional FM&O costs will require a contract amendment to increase the Total Contract Sum and to update Schedules to the LEADER Agreement. These FMO costs will be subvened by State and federal revenue in accordance with the approved Cost Allocation Plan contained in the LEADER Implementation Advance Planning Document. The NCC will be included in the FY 2003-04 and 2004-05 DPSS budget.

As stated above, if your Board does not approve the use of EBT to issue cash benefits, there will be ongoing L.A. FAIR costs to issue cash issuances, along with the ongoing costs for LEADER to interface with the Statewide EBT System for FS issuances.

FACTS AND PROVISIONS / LEGAL REQUIREMENTS

This is Amendment Number Five to County Agreement Number 68587 between the County and Unisys approved by your Board on September 12, 1995. Implementation of this Amendment is contingent upon receipt of State funding approval.

This Amendment was negotiated and prepared by DPSS staff and reviewed and approved as to form by County Counsel. As with the existing contract and its previous amendments, Mitchell, Silberberg & Knupp LLP also reviewed and commented on the draft Amendment Number Five in accordance with your Board's policy regarding technology contracts.

The Statement of Work to Amendment Number Five (Exhibit A) contains the detail to design, develop and pilot EBT, including a breakdown of the costs that total the requested $6,981,607. All work will be warranted through April 30, 2005, the end of the Initial Term of the LEADER Agreement. Payment to Unisys for the work and services will be made upon completion and acceptance of each deliverable at the price set for each deliverable less a 15% withhold. Thereafter withholds will be paid in two (2) equal installments. The first installment will be made upon successful completion of an initial 45 consecutive day State EBT pilot test during which the EBT modifications must work in accordance with the existing performance standards in the LEADER production environment. The final withhold payment will be made at the end of the State EBT Pilot Test Phase which Unisys supports but in which it has no direct involvement, but in no event will the withholds be paid before July 30, 2003.

Unisys has calculated this firm-fixed price based on the County's specifications. This Amendment requires the addition of new programs to the LEADER application, revision of existing programs, and the establishment of new interfaces between LEADER and an external service provider (Citicorp). This also reflects the need to implement these changes to the system in an expedited manner while maintaining its stability for users throughout the County.

This is not a Prop A contract and accordingly is exempt from the requirements of the Living Wage Ordinance.

CONTRACTING PROCESS

Unisys was selected via a competitive solicitation. On September 12, 1995, your Board awarded a 7.5 year contract (with the option for two additional years) to Unisys Corporation to provide an automated welfare system within 42 months and to operate the system for an additional 48 months. Amendment Number Three and Amendment Number Four approved by your Board extended the 7.5-year contract term by two years to April 30, 2005, making the Initial Term of the Agreement 9 years and 6 months.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The execution of this Amendment augments the LEADER System by expanding the system's capability and accommodating the participant population.

CONCLUSION

Implementation of this Amendment Number Five is contingent upon receipt of State approval and funding. Upon receipt of State approval of this Amendment, DPSS will notify the Executive Officer-Clerk of the Board and request the return of three (3) original signed copies of this Amendment and one (1) adopted stamped Board Letter to the Department of Public Social Services.

Respectfully submitted,

BRYCE YOKOMIZO
Director

JON W. FULLINWIDER
Chief Information Officer

BY/JWF:pcr
Enclosures
c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors
Auditor-Controller