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TO: Supervisor Hilda L. Solis, Chair  
Supervisor Mark Ridley-Thomas  
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Supervisor Michael D. Antonovich

FROM: Jeffrey Prang  
Assessor

**NOTIFICATION OF SOLE SOURCE NEGOTIATIONS WITH ORACLE USA, INC. FOR DEVELOPMENT OF ASSESSOR MODERNIZATION PROJECT (AMP) PHASE II**

This notice is being sent in accordance with Revised Board Policy 5.100, which requires that County of Los Angeles (County) Departments that intend to negotiate a sole source service contract for Board approval must provide advance written notice to the Board at least four (4) weeks prior to commencing contract negotiations for new contracts.

The Assessor intends to begin sole source contract negotiations with Oracle USA, Inc. (Oracle) for development of Assessor Modernization Project (AMP) Phase II four weeks from the date of this memorandum. Phase II of AMP will not commence until Phase I development is complete.

**Background**

The Assessor's current legacy system environment includes over 120 aging applications that are not well integrated. Many of the mainframe applications were originally implemented between 1965 and 1978. The Assessor conducted an extensive evaluation of Commercial-Off-the-Shelf (COTS) products, including property tax administration and assessment systems and middleware products, and consulted with Sierra Systems, Gartner, and the County Chief Information Office (CIO), to identify two vendors, Oracle America, Inc. (Oracle) and International Business Machines Corporation (IBM) that already had Master Services Agreements (MSA) for middleware products and consulting services with the County. Working closely with CIO and County Counsel, a "targeted solicitation" process was developed under the MSA work order process and proposals from Oracle and IBM were evaluated. The Assessor, with the assistance from ISD, evaluated each of the Work Order proposals and determined that Oracle's response proposed a more cost effective and complete solution to address the business needs of

the Assessor. County Counsel and Outside Counsel reviewed the process and concurred with the selection of Oracle.

On June 16, 2015, your Board authorized the Assessor and CIO to execute a work order with Oracle for the development of Phase I of AMP. Phase I is part of a five phase agile development project to replace the Assessor's currently outdated systems. Phase I of AMP will establish the overall enterprise architecture and plan for the entire system, and includes the foundational system components including: the creation and population of a new assessment roll system ("Assessment Roll"); rewrite of the "Assessor Portal" interface for both personal computers ("PC") and mobile devices; functionality to store base year value and compute trending for all properties on the Assessment Roll; and a case management pilot designed for secure taxpayer self-service access. The "Go Live" date for AMP Phase I is set for October 2016.

Throughout Phase I the Assessor has fostered a working relationship with partner departments including the Chief Executive Office (including Chief Information Office), the Internal Services Department, the Auditor-Controller, the Board of Supervisors, the Treasurer and Tax Collector, the Registrar-Recorder/County Clerk, and County Counsel. The departments have participated in a regular Advisory Steering Committee discussing project status, collaboration and integration points, shared functional roadmaps, and budget and unmet needs. Several modifications to our existing Assessor Portal resulted from these discussions with corresponding changes to the AMP functional roadmap for future phases. Furthermore, the Assessor has worked with County Assessors throughout the State of California through the California Assessors' Association and a Peer Review Committee to ensure that AMP meets recognized standards for California assessment practices.

Phase II of AMP will build on the foundations of functionality built in Phase I and provide additional functional components including: property identification, address management, and parcel change; foundational elements for master workflows and automation of the new construction process; Prop 13 assessment processing; replacement/modernization of system interfaces with partner Departments (primarily Auditor-Controller and Treasurer & Tax Collector); foundational elements for automating market approach appraisals; and functionality that supports the processing of public service inquiries and assessment exclusions (i.e., miscellaneous Propositions).

### **Justification for Sole Source Contract**

In our extensive evaluation of COTS products and other California Counties' attempts to modernize their property tax assessment systems, we found high project failure rates in medium and large-sized counties throughout the State. One of the foremost reasons was the lack of understanding of California assessment practices by the vendor (even vendors well versed in property tax assessment in general) and the inability of those vendors to adapt their products to comply with California assessment practices. To mitigate this risk,

Oracle's staff was collocated with Assessor's subject matter experts to gain an understanding of the depth and complexity of California assessment practices.

Over the past eleven (11) months, Oracle's architects and technical staff have been onsite working hand-in-hand with Assessor's staff to develop the foundational pieces of AMP, including the complex data structures and business rules needed to support property taxation in the County. Numerous workshops, discussions and clarifications resulted in the successful acceptance of key deliverables including business requirements and the functional, technical and solution architectures for AMP. Throughout this period and by design, the Assessor has been able to evaluate Oracle's performance on this critical project and make any adjustments necessary for a successful Phase II deployment. Phase II will reuse key Phase I development and architectural artifacts developed by Oracle. Introducing a new vendor to an ongoing project would introduce new risk and significantly disrupt the development process. In addition, the institutional knowledge gained by Oracle during this period is a key component for seamless development of AMP, which is a time-sensitive project with a significant learning curve. To negotiate with a new partner would result in increased costs, higher risks to the County and major delays in project schedule.

The Assessor has furthermore concluded that Oracle's performance to date has demonstrated their dedication and commitment to the project, and their ability to see it through to a successful conclusion. Oracle has invested strong executive sponsorship, committed appropriate quality resources, reasonably met targeted deadlines and has stayed within the approved budget for Phase I while delivering on the contracted functionality. The Assessor and Oracle are on-target to launch Phase I of AMP by October 2016.

The on-site solution and development efforts have also resulted in a successful working relationship between Oracle, the Assessor, and the Internal Services Department (ISD). The Assessor plans to internally develop key components in Phase II jointly with Oracle. Maintaining the resource continuity between organizations will support this effort. In regards to infrastructure, Assessor, ISD and Oracle have collaborated in the architecture, provisioning and configuration of the multiple technical environments needed to support AMP. Similar to Oracle learning and understanding the Assessor's business, Oracle spent significant time with ISD learning and understanding the County's network infrastructure. Building on this knowledge and maintaining this consistency will allow us to efficiently administer and upgrade existing environments while quickly deploying new environments and enhancements as needed resulting in both time and costs savings.

The Assessor is aggressively targeting to decommission its legacy systems by July 2019. This timeline is dependent on maintaining a consistent and dedicated vendor throughout the early phases of AMP. In both Phase I and Phase II, there is a heavy reliance on training, mentoring and knowledge transfer from Oracle. The Assessor will begin development responsibilities in Phase II, and will increasingly reduce its dependency on

Oracle starting in Phase III with a goal of becoming self-reliant by the end of Phase V. Maintaining a consistent vendor will foster this approach.

### **Timeline**

The Assessor intends to commence contract negotiations with Oracle for Phase II of AMP four weeks from the date of this memorandum. AMP development will continue until the Phase I work order is completed which is estimated to be in October 2016. Phase II will not commence until Phase I development is complete.

### **Conclusion**

Oracle has provided great service and is committed to the success of AMP. They have delivered to the expectations of the Assessor and are a valued partner for the County and the Assessor's development team. Based on discussions with CEO, CIO, ISD and County Counsel, and our evaluation of Oracle's performance to-date, sole source approval will mitigate risks highlighted above and will provide project continuity, cost savings and timely delivery of a fully integrated and modernized assessment system which serves as the backbone of the property tax system.

If you have any questions or require additional information please let me know.

Attachment

JP:SMH

c: Chief Executive Officer  
County Counsel  
Executive Officer, Board of Supervisors  
Internal Services Department