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DEPARTMENT OF PUBLIC SOCIAL SERVICES
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December 12, 2006

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 THE EXECUTION OF AMENDMENT NUMBER TWELVE TO THE LEADER INFORMATION TECHNOLOGY AGREEMENT WITH UNISYS CORPORATION (DECEMBER 12, 2006 AGENDA ITEM) (ALL DISTRICTS – 3 VOTES)

JOINT RECOMMENDATION WITH THE CHIEF INFORMATION OFFICER THAT YOUR BOARD:

Approve, and instruct the Chair to sign, upon receipt of State and federal approval, the attached Amendment Number Twelve to County Agreement Number 68587 (LEADER Agreement) with Unisys Corporation to: (i) extend the term of the LEADER Agreement by five (5) years and increase the total maximum contract sum by $135 million; (ii) provide the County an option, to be exercised by the Director of Department of Social Services (DPSS), to further extend the Agreement for up to three (3) optional one-year extensions, with an annual cost not to exceed $27 million; (iii) reflect that Unisys shall provide a technology refresh at the central processing and networking sites to address increased LEADER System capacity needs (e.g., up to 3.5% annual growth in LEADER System workstations and laptops) during this extension; (iv) reflect that Unisys shall provide access between the LEADER System network and County's enterprise network (LAnet/EN) by implementing a network bridge; (v) reflect that Unisys shall provide maintenance and repair services on all LEADER System hardware and software; (vi) reflect that Unisys shall continue to provide Facilities Management/Operations and

Telecommunications support and warranty services for the LEADER System; (vii) reflect that Unisys shall provide Application Software Maintenance and/or Enhancements at a revised hourly rate of $105, based on 8,000 hours per month; (viii) amend Exhibit A (Statement of Work) to set forth all tasks and deliverables required; and (ix) amend certain provisions and payment schedules of the LEADER Agreement.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Background

On September 12, 1995, your Board approved the initial LEADER Agreement between the County and Unisys. The Initial Term of the LEADER Agreement expired on April 30, 2005. Amendment Number Ten providing for a twenty-four (24) month extension was executed on March 15, 2004, and this Extended Term commenced on May 01, 2005 and will expire on April 30, 2007. In the interim, the State and federal agencies have determined that the County should procure competitive bids for a LEADER replacement system. Based on the latest procurement planning schedule, which minimizes risk to our welfare participants, DPSS anticipates that the implementation of the LEADER replacement system will take a minimum of five (5) years after the current contract term ends on April 30, 2007. Therefore, DPSS is requesting to extend the LEADER Agreement by five (5) years, with up to three (3) optional one-year extensions.

Alternatives Analysis and Recommendation

In June 2004, DPSS brought in an outside consultant to conduct an Alternatives Analysis (AA), an analysis and assessment of future alternatives to the LEADER System, to enable DPSS to effectively provide services and to determine the best course of action upon expiration of the current LEADER Agreement. This effort was completed in October 2004.

Results of the AA confirmed that the vendor community lacks the capability and interest in taking over the LEADER System in its current technical architecture and environment due to the size, complexity and proprietary technology of the current system hardware and software. Further, LEADER System turnover to another vendor in a short timeframe would subject the County to excessive risk; therefore, it is in the best interest of the County to pursue an extension with Unisys in order to provide uninterrupted service to the public.

The five-year cost of this Amendment Number Twelve will increase the total maximum contract sum by $135 million. This increase includes the cost of Facilities Management/Operations and Telecommunications (FM&O) and Application Software Modifications and/or Enhancements (M&E). It should be noted that this amount excludes County costs for local office hardware moves, local office telecommunication circuits, whole-unit replacements of local office hardware and related software, additional local office hardware and related software for local office expansions and the

installation of such additional hardware and software, and telecommunications hardware, software and services for additional dial-up users.

The current LEADER system is over a decade old, and is in need of technology upgrades. Unisys has indicated that the increase in the FM&O rates, over the current contract rates, is primarily attributable to the cost of the technology refresh, including, for example, the central site upgrade (mainframe, software, equipment, and network components), needed to maintain the current service levels for increased users, data, and processing volumes over the extension period.

DPSS expects to continue to utilize 8,000 hours per month for M&E during the extension period. Under provisions of the current Unisys agreement, the first 4000 M&E hours are paid at a rate of $83.62 per hour, followed by a rate of $123 per hour for any additional M&E hours. The M&E rate for the extension period shall be $105 per hour, which is included in the total maximum contract sum. M&E rate shall remain the same for the entire five-year extension period and the three (3) optional one-year extensions.

Goods and Services Under Proposed Amendment Number Twelve

In addition to the goods and services provided under the current LEADER Agreement (e.g., system operations, technology/operations management, network support, help desk operations, dial-up server support, local office hardware maintenance (servers, workstations, laptops, printers, routers, switches, and hubs), local office software maintenance, enterprise network support, central site operations and support, database administration, central print and mail services, production control of batch jobs, system security, back-up and disaster recovery services, M&E, etc.), Unisys shall also provide the following:

Technology Refresh

Under this Amendment, the FM&O charges include a technology refresh at the central processing sites in Eagan and Roseville, MN, the central networking sites in Mission Viejo and Downey, CA, and the central print facility in El Segundo, CA to replace obsolete, out-of-service, or insufficient technology, including hardware and software components, in order to support growth projections and comply with all specifications and service levels over the next five (5) to eight (8) years. These upgrades are required to continue operation of the LEADER System with increased data, usage and transaction volumes anticipated over the next eight (8) years, and comply with the performance, availability and response time service levels under the LEADER Agreement. Additionally, these upgrades will enable the County, at the County's option, to connect up to 3.5% additional workstations and laptops per year in the LEADER System to support future expansion during the next eight (8) years. However, this Amendment does not include the cost to the County of providing a technology refresh of the local office hardware (e.g., workstations, laptops, printers, servers or networking equipment) or the local office software.

Bridged Environment

The current LEADER System environment is a closed network, and therefore, does not provide access to County applications/resources on LAnet/EN (e.g., e-mail, on-line help desk, user manuals, policy and procedures, DPSS website, and other data resources). The network bridge (referred to in the Amendment as Bridged Environment) will allow users of the LEADER System to have access to these County applications/resources. This will eliminate the need for two workstations on a desk, unless needed for other reasons. Also, Unisys shall provide and implement a solution for County-specified workstations and laptops in the LAnet/EN environment to have access to the LEADER System.

LEADER System Expansion

The County may elect to purchase from Unisys or another vendor, and increase the total number of, workstations and laptops in the LEADER System to a maximum of 14,373 at any time during the five-year extension period. This is an increase of 2,271 workstations and laptops over the current 12,102 workstations and laptops in the LEADER System, based on a 3.5% annual growth (compounded annually). The technology refresh described above provides for increased capacity at the central processing and networking sites to accommodate this growth.

If the County elects to extend the Agreement for any of the three (3) optional one-year extensions, the County may elect to purchase from Unisys or another vendor, and increase the total number of workstations and laptops up to 14,876 during the first twelve (12) months, 15,397 during the second twelve (12) months, and 15,936 during the third twelve (12) months. The technology refresh provides for increased capacity at the central processing and networking sites to accommodate this growth.

Local Office Hardware and Software Support

Upon the expiration of the current two-year extension on April 30, 2007, utilization charges for local office hardware and software at the local offices shall no longer apply. The ownership of the hardware will be transferred to the County under this Amendment. Furthermore, Unisys shall provide to the County royalty-free, perpetual and irrevocable licenses for local office software installed at the local offices. Unisys shall continue to provide maintenance and repair services. Unisys shall continue to repair the hardware in the local offices or replace whole units of such hardware with County-supplied hardware, where it is mutually determined that replacement parts are not commercially available or the hardware cannot be repaired due to damage. County will also supply all the local office software required for such whole unit replacements of local office

hardware, except that Unisys will supply any local office software needed to connect with Unisys's proprietary architecture.

Implementation of Strategic Plan Goals

Amendment Number Twelve is consistent with the principles of County Strategic Plan Goal #1: Service Excellence for improving quality of service and organizational effectiveness. In addition, Amendment Number Twelve 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

To date, the cost of LEADER totals $232,876,732. This compares very favorably to other automated welfare systems throughout the state. The execution of this Amendment will increase that contract sum by a maximum of $135,000,000 over the five-year extension period.

Costs for Fiscal Year 2006-07

The total estimated costs for Amendment Number Twelve in FY 2006-07 are $4,500,000. These costs will be subvented by State and federal revenue in the estimated amount of $4,230,000. The NCC is estimated at $270,000. Sufficient funding has been included in the Department's FY 2006-07 Budget Request.

Costs for Fiscal Year 2007-08

The total estimated costs for Amendment Number Twelve in FY 2007-08 are $27,000,000. These costs will be subvented by State and federal revenue in the estimated amount of $25,380,000. The NCC is estimated at $1,620,000. Sufficient funding will be included in the Department's FY 2007-08 Budget Request.

Costs for Fiscal Years 2008-09 through 2010-11

The total estimated costs for Amendment Number Twelve in FY 2008-09 and 2010-11 are $27,000,000 annually. These costs will be subvented by State and federal revenue in the estimated amount of $25,380,000 annually. The NCC is estimated at $1,620,000 annually. Sufficient funding will be included in the Department's FY 2008-09 Budget Request.

Costs for Fiscal Year 2011-12

The total estimated costs for Amendment Number Twelve in FY 2011-12 are $22,500,000. These costs will be subvented by State and federal revenue in the estimated amount of $21,150,000. The NCC is estimated at $1,350,000. Sufficient funding will be included in the Department's FY 2011-12 Budget Request.

Costs for Fiscal Years 2012-13 through 2014-15

Should the County determine to exercise any of the three (3) optional one-year extensions, State and federal funding will be requested.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

This Amendment was reviewed and approved as to form by County Counsel. As with the existing LEADER Agreement and its previous amendments and modification notices, outside counsel, Mitchell, Silberberg & Knupp LLP, also reviewed and commented on the Amendment in accordance with your Board's policy regarding technology contracts.

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

Amendment Provisions

Following is a summary of the major provisions of this Amendment:

- **Technology Refresh:** Unisys shall upgrade obsolete, out-of-service, or insufficient technology, including hardware and software components, at the central processing and networking sites in order to support LEADER System growth projections and comply with all specifications and service levels of the LEADER Agreement.

- **Bridged Environment:** Unisys shall provide and maintain a bridged environment to allow communication between the LEADER System network and LAnet/EN. In addition to the complete security of the LEADER System, Unisys shall also be responsible for network protection against any disabling devices (e.g., viruses, worms, and spyware) in the bridged environment.

- **LEADER System Expansion:** The County may elect to purchase from Unisys or another vendor, and increase the total number of workstations and laptops in the LEADER System from the current 12,102 to a maximum of 14,373 during the five-year extension period. If the County determines to exercise any of the three (3) optional one-year extensions, the County may elect to purchase and increase the total number of workstations and laptops up to 14,876 during the first twelve

(12) months, 15,397 during the second twelve (12) months, and 15,936 during the third twelve (12) months.

- **Local Office Hardware Ownership and Local Office Software Licenses:** Ownership of all local office hardware will be transferred from Unisys to the County. Unisys shall provide to the County royalty-free, perpetual and irrevocable licenses for local office software installed at each local office site.

- **Local Office Hardware and Software Maintenance:** Currently, Unisys bears all responsibility for the maintenance and repair, including providing replacements, of local office hardware. Under this Amendment, County will assume the responsibility for the acquisition of and payment for specified whole-units of local office hardware needed to replace local office hardware, where it is mutually determined that replacement parts are commercially unavailable or the hardware cannot be repaired by Unisys due to damage. Unisys shall continue to provide maintenance and repair services for all hardware and software in the LEADER System.

- **Local Office Telecommunications Circuits:** Unisys is currently responsible for all local office telecommunication circuit charges and invoices the County only for actual telephone charges for local office sites added or expanded in prior LEADER Agreement and amendments plus a 5% administrative surcharge. Under this Amendment, County will now be responsible for the payment of telephone company charges for all local office telecommunication circuits. However, Unisys shall continue to be responsible for managing all telecommunication circuits.

- **Increased Limitation of Liability:** Unisys' maximum liability for damages for default is increased from $15,000,000 to $25,000,000. This increase applies to damages which first occur during the five-year extension period and the three (3) optional one-year extensions.

Assignment and Delegation

This Amendment revises the Assignment and Delegation provision to be consistent with the County's standard contract language.

Contractor Responsibility and Debarment

This Amendment revises the Contractor Responsibility and Debarment provision to be consistent with the County's standard contract language.

Chief Administrative Office (CAO) Risk Management

The County's CAO Risk Management has reviewed and approved the Amendment provisions relating to insurance and the limitation of Unisys' liability for damages.

State and Federal Approval

This Amendment and funding for the five-year extension period have been submitted to the requisite State and federal agencies for approval. Their approval is pending.

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 (2) additional years) to Unisys to provide an automated welfare system. Amendment Numbers Three and Four approved by your Board extended the 7.5-year contract term by two (2) years to April 30, 2005, making the Initial Term of the Agreement nine (9) years and six (6) months. On March 15, 2005, your Board approved Amendment Number Ten to extend the contract term for the optional two years, from May 1, 2005 through April 30, 2007. Currently, DPSS is requesting that your Board extend the LEADER Agreement for five (5) years (with three (3) optional one-year extensions) beginning May 1, 2007 through April 30, 2012.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The execution of Amendment Number Twelve augments the LEADER System by allowing County-specified workstations and laptops in the LEADER System to have access to the County's enterprise network (LAnet/EN) through the implementation of the bridged environment; increasing, at County's option, the total number of workstations and laptops in the LEADER System by up to 2,271; and upgrading and/or replacing obsolete, out-of-service, or insufficient technology, in order to support LEADER System growth projections.

CONCLUSION

Upon receipt of State and federal approvals and funding of this Amendment, DPSS will notify the Executive Officer, Board of Supervisors and request the return of two (2) 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:vo

Attachment

c: Executive Officer, Board of Supervisors
Chief Administrative Officer
County Counsel
Chair, Information Systems Commission
Auditor-Controller