



May 29, 1997

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TO: BOARD OF DIRECTORS
FROM: LINDA BOHLINGER
INTERIM CHIEF EXECUTIVE OFFICER

Los Angeles County
Metropolitan
Transportation
Authority

SUBJECT: CONTRACT AMENDMENTS FOR COMPUTER HARDWARE
MAINTENANCE, SOFTWARE LICENSE FEES AND
MAINTENANCE

One Gateway Plaza
Los Angeles, CA
90012
213.922.6000

RECOMMENDATIONS

- A) Amend sole-source contracts with **IBM, Los Angeles**, for:
- 1) mainframe computer hardware and software license fees in the amount of \$793,000, incurred during Fiscal Year 1996-1997;
 - 2) mainframe computer hardware maintenance in the amount of \$900,000, for Fiscal Year 1997-1998, and
 - 3) software license fees in the amount of \$1,200,000, for Fiscal Year 1997-1998 which is subject to audit and verification of reasonableness of price and terms.
- B) Amend sole-source contract with **Oracle Corporation, Redwood Shores**, for:
- 1) software license fees and services in amount of \$450,000 for Fiscal Year 1997-1998 which is subject to audit and verification of reasonableness of price and terms.

ORGANIZATIONAL IMPACT

Contract services allow MTA to maintain required support for a wide variety of computer hardware devices and proprietary software products.

BUDGET IMPACT

Funds are available in the 1996-1997 budget to cover the year end expenses for IBM hardware maintenance and software license fees. Funding for the contract amendments for the upcoming fiscal year for computer hardware maintenance, software license fees and maintenance has been included in the proposed Fiscal Year 1997-1998 operating budget.

ALTERNATIVES CONSIDERED

There is no viable alternative. The MTA has made a substantial investment in computer programs that operate on the hardware and software products covered by these agreements. Since the MTA computer programs are based on licensed software products that are proprietary in nature, converting them to use different software products from new vendors would require substantial expenditures of time and money.

BACKGROUND

The amendment to the existing contracts with IBM (K6316 and K6319) are needed to cover the shortfall created as Fiscal Year 1996-1997 draws to a close. Recent auditing measures have revealed that the past two fiscal years (FY'96 and FY'97) were underfunded. This shortfall prevents the ITS from processing recent IBM invoices for hardware maintenance and software license fees. As a corrective action and preventive measure this amendment is needed to ensure that this problem does not reoccur at the close of the next fiscal year. These amendments will properly adjust the total amount of outstanding payments due in accordance with the appropriate fiscal term.

Each year the Board authorizes the renewal of the MTA's annual computer hardware maintenance, software license fees and maintenance agreements. Licensed software products serve as a foundation for the operation of many computer programs MTA has invested in over the years.

The MTA's mainframe computer equipment is all maintained by IBM. Coordination of maintenance through a single vendor simplifies matters substantially and results in more effective service response to the end-user. The Oracle Corporation software is currently used for the MTA's Financial Information System (FIS).

SMALL BUSINESS PARTICIPATION

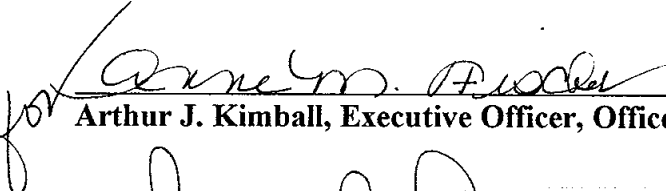
There is no subcontracting opportunity in that these are all proprietary software products and equipment. Both IBM and Oracle maintain warranty agreements specifying that they must perform all maintenance services.

ATTACHMENTS

None.

Prepared by:

Cheryl Brown
Senior Administrative Analyst-ITS Administration



Arthur J. Kimball, Executive Officer, Office of Procurement



Terry Matsumoto, Interim Deputy Chief Executive Officer

ATTACHMENT A
CONTRACT HISTORY

IBM Contract No. 6319 (Hardware Maintenance)

1. Original Action	June 26, 1990	\$1,045,000
2. Amendment 1	June 14, 1991	1,100,000
3. Amendment 2	June 12, 1992	1,050,000
4. Amendment 3	June 23, 1993	1,050,000
5. Amendment 4	June 22, 1994	900,000
6. Amendment 5	June 29, 1995	981,343
7. Amendment 6	June 09, 1996	600,000
8. Amendment 7	this action	900,000
TOTAL		\$7,626,343

IBM Contract No. 6316 (Software License Fees/Maintenance)

1. Original Action	May 25, 1988	\$ 950,000
2. Amendment 1	June 8, 1989	962,512
3. Amendment 2	June 14, 1990	64,125
4. Amendment 3	June 26, 1990	1,250,000
5. Amendment 4	June 13, 1991	1,281,000
6. Amendment 5	June 12, 1992	1,345,050
7. Amendment 6	June 23, 1993	1,332,000
8. Amendment 7	June 24, 1994	1,300,000
9. Amendment 8	June 29, 1995	1,292,391
10. Amendment 9	July 9, 1996	1,213,164
11. Amendment 10	this action	1,200,000
TOTAL		\$12,190,242

ORACLE Contract No. PS92100097 (Software License Fees and Services)

1. Original Action	October 12, 1995	\$147,970
2. Renewal of Contract	July 9, 1996	617,833
3. Renewal of Contract	this action	450,000
TOTAL		\$1,215,803