

**CITY OF SAN ANTONIO
INTERDEPARTMENTAL MEMORANDUM
ERM Project**

TO: Mayor and City Council

FROM: Troy Elliott, Director, ERM Project

THROUGH: Terry M. Brechtel, City Manager

COPIES: J. Rolando Bono, Deputy City Manager; Travis M. Bishop, Assistant City Manager; Andrew Martin, City Attorney; Gary Moeller, Director, Information Technology Services Department; Milo Nitschke, Director, Finance Department; Bill Wood, Assistant City Attorney; ERM Steering Committee; File

SUBJECT: Purchase of Additional Oracle database and tuning pack licenses

DATE: May 29, 2003

SUMMARY AND RECOMMENDATIONS

This Ordinance authorizes the City to proceed with the purchase of additional Oracle database and tuning licenses in support of the Enterprise Resource Management (ERM) Project.

An Ordinance authorizing the execution of a contract option and approving an amendment to the existing contract with the Oracle Corporation as previously approved in Ordinance 95820 to provide the City of San Antonio with proprietary server and tuning management licenses in an amount of \$670,800; providing for annual service and maintenance for five years at an initial amount not to exceed \$196,768 through September 30, 2004, \$147,576 in years two and three, \$152,003 in year four and \$156,564 in year five; appropriating and encumbering funds in the amount of \$867,568 and authorizing payment; and associated documents for a total value not to exceed \$1,471,287.

Staff recommends approval of this Ordinance.

BACKGROUND INFORMATION

In support of the Enterprise Management Project (ERM Project) the City entered into an agreement with the Oracle Corporation on May 30, 2002 to provide the City of San Antonio with an initial purchase of twenty database and tuning licenses, and support and maintenance in an amount of \$517,127.72 as authorized by Ordinance 95820. Additionally, City staff negotiated an option to purchase additional licenses through May 30, 2003 at a discount of 51.22% of the published list price. This provided the City the opportunity to perform the necessary due diligence and time to evaluate the total number of required licenses without causing a time delay to the ERM Project.

Upon completion of the ERM Project's analysis and due diligence efforts, an additional 40 database and tuning licenses are necessary to support the ERM Project. After determination of the necessary licenses a combination of the status of the economy and the approach of the end of Oracle's fiscal year allowed the City to negotiate an additional 9.78% discount above the original discount of 51.22%, representing a total discount of 61% of the published list price. This also includes an extension of the 51.22% discount through November 30, 2003. The purchase of these additional licenses were planned for and included in the cost estimates for the ERM project.

The major provisions of the agreement with the Oracle Corporation include the following:

- License Fee and Payment
 - List price is \$40,000 per Enterprise Edition Database License and \$3,000 per Tuning Management Pack license, for a total license cost of \$43,000 per license discounted 61% for a total net license fee of \$16,770 per license
 - A total of 40 additional licenses is required at the net license price of \$16,770 per license for a total cost of \$670,800 (representing a discount of \$1,049,200 from published prices)
- Maintenance and Service Fees
 - Maintenance is calculated at 22% of the net license amount per year for years 2003, 2004 and 2005. Maintenance for years 2006 and 2007 shall not exceed a three percent increase for each year.
 - The first year of maintenance covers the 16 month period through September 30, 2004
 - The total cost of maintenance for 5 years is not to exceed \$800,487 as follows:
 - June 1, 2003 through September 30, 2004: \$196,768 (sixteen months)
 - October 1, 2004 through September 30, 2005: \$147,576
 - October 1, 2005 through September 30, 2006: \$147,576
 - October 1, 2006 through September 30, 2007: \$152,003 (assumes maximum increase of 3%)
 - October 1, 2007 through September 30, 2008: \$156,564 (assumes maximum increase of 3%)
- Total contract costs
 - The total cost of licenses and maintenance fees through September 30, 2008 is not to exceed \$1,471,287
- Payment Terms
 - License and first year maintenance fees of \$867,568 are due and payable 30 days from date of invoicing
 - Years 2-5 maintenance is due on October 1st of each year

The additional licenses are needed to bring the City into license compliance for the rollout of the remaining portions of the ERM project. Oracle does not guarantee any discount off of the list price if no purchase is made prior to May 30, 2003.

As previously indicated, Ordinance 95820 authorized the purchase of 20 database and tuning licenses, and maintenance and support for a total amount not to exceed \$876,984 over five years. Exercising this option would authorize an additional 40 database and tuning licenses with maintenance and support in an amount not to exceed \$1,471,287 over five years. The total amount authorized previously by Ordinance 95820 and this recommended action would total \$2,348,271 payable to the Oracle Corporation, comprised of \$1,070,641 for database and tuning licenses and not to exceed \$1,277,630 for maintenance and support payable over five years.

POLICY ANALYSIS

Purchase of additional Oracle database licenses is consistent with previous City Council actions to facilitate the implementation of an Enterprise Resource Management System. The database licenses are necessary to store and manage information for all ERM software and are a critical technology component of the ERM Project. Discretionary contract disclosures are not applicable to DIR Procurements.

FISCAL IMPACT

This ordinance appropriates \$867,568 (\$670,800 for the purchase of 40 Oracle Database Enterprise Edition and 40 Tuning Management Pack licenses and \$196,768 for maintenance and support for year one) from the Oracle Corporation. Additionally, the amount of \$867,568 will be encumbered when a purchase order is issued and made payable to the Texas Department of Information Resources. This purchase is being made through Sigma Solutions, an authorized reseller of Oracle products and services, through the State of Texas' Department of Information Resources GoDIREct program. This amount is to be funded from the certificates of obligations dedicated to the ERM Project or other available funds.

The remaining years of service and maintenance will be funded through the annual operating budget process in an amount not to exceed \$147,576 in each of years two and three, \$152,003 in year four, and \$156,564 in year five. This reflects a fixed maintenance cost of 22% of the discounted purchase price in the first three years and a maximum increase of 3% in each of years four and five. The total amount paid for maintenance and service paid in years two through five will not exceed \$603,719.

The amount of \$867,568 is programmed within the ERM Project Budget. The hardware and software budget estimated at the beginning of the project considered the need for additional Oracle licenses. The combined hardware and software budget for the ERM Project is \$15,635,500 of which \$13,631,313 has been obligated through previous Council actions for items such as SAP Software, Hansen Software, Software Maintenance, initial hardware purchase, initial purchase of Oracle licenses, Crystal report writer, and Mercury Interactive Testing Tool. As a result a sufficient balance of \$2,004,187 is available for the purchase of the additional Oracle licenses and future equipment and software needs of the ERM Project.

COORDINATION


This item was coordinated with the Purchasing and General Services Department, City Attorney's Office, Finance Department and the Information Technology Services Department.

SUPPLEMENTARY COMMENTS


Subject to the approval of this ordinance, staff has negotiated contract terms and conditions in accordance with the Department of Information Resources GoDirect program. Oracle will deliver the software licenses to the City of San Antonio through a reseller agreement with Sigma Solutions, a local SBEDA firm.

This purchase is being made in accordance with the State of Texas Cooperative Purchasing Agreement adopted by the City of San Antonio Resolution No. 91-39-53. Additionally, the Texas Government Code Section 791.025 states "a local government, including a council of governments, may agree with another local government or with the state or a state agency, including the General Services Commission, to purchase goods and services."


SIGNATURES



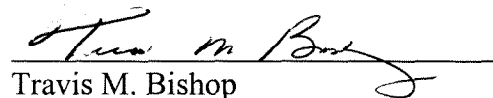
Troy Elliott
ERM Project Director



Milo Nitschke
Director
Finance Department




Gary Moeller
Director
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Travis M. Bishop
Assistant City Manager

Approved:



Terry M. Brechtel
City Manager