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CITY OF OAKLAND



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September 30, 2003

IGNACIO DE LA FUENTE, PRESIDENT
CITY COUNCIL
OAKLAND, CALIFORNIA

PRESIDENT DE LA FUENTE AND MEMBERS OF THE CITY COUNCIL

SUBJECT: RESOLUTION AUTHORIZING THE CITY MANAGER TO NEGOTIATE AND EXECUTE A 5-YEAR LICENSING AND SUPPORT AGREEMENT WITH ORACLE CORPORATION FOR THE CITY'S HUMAN RESOURCES, PAYROLL AND FINANCIAL APPLICATIONS SOFTWARE FOR AN AMOUNT NOT-TO-EXCEED FOUR MILLION, ONE HUNDRED THIRTY-TWO THOUSAND, ONE HUNDRED TWENTY-FOUR DOLLARS (\$4,132,124).

PURPOSE AND SCOPE

In accordance with the Measure H Charter Amendment, which was passed by the voters at the General election of November 5, 1996, we have made an impartial financial analysis of the accompanying Council Agenda Report and Proposed Resolution. The purpose of our analysis was to evaluate the reasonableness of the proposed \$4,132,124 agreement.

In making our analysis we also reviewed Section 2.04.080 of the City of Oakland Municipal Code, and obtained additional information from Agency staff.

Since the Measure H Charter Amendment specifies that our impartial financial analysis is for informational purposes only, we did not apply Generally Accepted Government Auditing Standards as issued by the Comptroller General of the United States. Moreover, the scope of our analysis was impaired by Administrative Instruction Number 137, effective May 21, 1997, which provides only seven (7) calendar days for us to plan, perform and report on our analysis.

SUMMARY

In 1997, the City issued a Request for Proposal (RFP) to provide software for its Human Resources, Payroll and financial applications, and awarded the contract to Oracle Corporation. On February 24, 1998, the City entered into both a Software Licensing Agreement and a Support Agreement with Oracle for a 5-year period.

Licensing Agreement

According to the Agenda report, the original Software Licensing Agreement met the needs of the City when the software was acquired, but did not provide the large number of application and technology solutions that have since been developed in Oracle 11i. Therefore, the City proposes to convert the current Oracle software license to an e-Business Application Suite license.

Support Agreement

The original Support Agreement expired on February 27, 2003, but was extended by Oracle through the end of July 2003 in order to give the City and Oracle enough time to negotiate a new Agreement. Agency staff considers it important to renew the agreement in order to maintain and enhance support for the system's applications.

PROCUREMENT PROCESS

In order to obtain favorable pricing for the new Licensing and Support Agreements, the City has entered into a cooperative purchasing agreement with Los Angeles County, as authorized by the City's Municipal Code Section 2.04.080.

FISCAL IMPACT

The five-year cost of ownership for the Oracle License and Support Agreement totals \$4,132,124, as summarized below:

<u>Description</u>	<u>Amount</u>
Licensing	\$1,273,928
Support	2,299,809
Support [2/27/03 -7/31/03]	114,200
Tax	225,689
Price Hold Option	218,497
Rounding	<u>1</u>
Total	<u>\$4,132,124</u>

Under the new Agreement, Oracle will provide a "Price Hold Option" to cover pending technology project initiatives (such as Code Enforcement and Permit Tracking System, Fleet Management System, and Electronic Document Management System) that may require additional software licenses.

CONCLUSION

The proposed resolution appears to be reasonable.

Prepared by:


Jack McGinity, CPA

Report completion date:
September 2, 2003

Issued by:


Roland E. Smith, CPA
City Auditor