



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Scott P. Johnson

**SUBJECT:** SEE BELOW

**DATE:** April 26, 2010

Approved

Date

5/6/10

**COUNCIL DISTRICT:** Citywide

**SUBJECT: SOFTWARE LICENSE MAINTENANCE RENEWAL WITH ORACLE, INC.**

## RECOMMENDATION

Adoption of a resolution authorizing the Director of Finance to:

- a) Negotiate and execute purchase orders with Oracle, Inc. (Redwood City, CA) pursuant to the master terms and conditions agreed upon between the parties on February 28, 2005 for software update and license support for a one year term, at a total cost of \$419,359; and
- b) Approve a contingency not-to-exceed \$20,000 to cover any unanticipated additional maintenance requirements during the initial one year renewal term, subject to the appropriation of funds; and
- c) Exercise annual options to renew software update and license support with Oracle, Inc. subject to the annual appropriation of funds.

## OUTCOME

Provide continued software support and maintenance of the City's Oracle database software which is the foundation for all of the City's enterprise systems and mission critical applications.

## BACKGROUND

Since 1997, the City has had various license and maintenance agreements with Oracle for database software. The most recent master agreement was approved by Council in February



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2005 in the amount of \$2,676,056. The master agreement sets forth the terms and conditions that govern the various ordering documents for software update and license support required for the database licenses purchased over time. The terms of the various ordering documents under the master agreement expired on or about April 29, 2010. Staff recommends renewing the software update and license support for a one year term under the same terms and conditions of the existing master agreement with Oracle.

### ANALYSIS

Oracle software is currently used enterprise-wide to provide relational database technology for San José's mission critical technology systems. Relational database technology is the industry-accepted method of storing an organization's information assets (data), and providing safe, secure, and reliable access to it through other application interfaces. Below is a list that illustrates some, but not all, of the enterprise applications where Oracle software is currently used:

- Public Safety Computer Aided Dispatch (CAD)
- Financial Management System (FMS)
- Integrated Billing System (IBS)
- San Jose Permits Online (AMANDA)
- PeopleSoft HR/Payroll and timecard entry
- Retirement Accounts
- Airport Master Plan Project
- Capital Improvement Project Tracking System

Due to the mission critical nature of the applications listed above, the City requires continuous support and maintenance of Oracle software. Ongoing support will provide the City with immediate access to Oracle's database software version updates, fixes, security alerts, and critical patch updates, major product and technology releases, and assistance with service requests 24 hours a day 7 days a week.

Per our current master agreement with Oracle, maintenance and support costs have been fixed for the past five years. Staff has been in negotiations with Oracle and they agreed to cap any future annual price increases to not more than 3% per year. Staff and Oracle also performed an analysis of current Oracle licensing requirements and determined there was an opportunity to reduce (de-activate) eleven of the Database Enterprise licenses resulting in a one-time savings of \$23,739.

Oracle has been the City's standard enterprise relational database software since the Information Technology Master Plan was published in 2000. This standard was reviewed and re-established in April 2010 by the City's Information Technology Department.

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Oracle software is proprietary and Oracle is the sole source provider for support and maintenance. Therefore, Finance has determined that a unique and unusual situation exists that make the application of the requirements for competitive procurement of a service agreement contrary to the public interest. Thereby, staff recommends that the City Council authorize this sole source recommendation in accordance with City's Municipal Code Section 4.12.235 titled "Unique Services", since the support and maintenance is only available through Oracle.

If the recommendations are approved by Council, staff will issue purchase orders under the terms and conditions of the existing master agreement executed on February 28, 2005 to renew license update and support for the various databases for another year. Additionally, staff will be able to issue future purchase orders on annual basis to renew software update and license support with Oracle, Inc. subject to the annual appropriation of funds.

### **EVALUATION AND FOLLOW-UP**

This memorandum will not require any further follow-up from staff.

### **POLICY ALTERNATIVES**

Not applicable.

### **PUBLIC OUTREACH/INTEREST**

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater; **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

While this item does not meet any of the criteria above, this memorandum will be posted on the City's website for the May 18, 2010 Council Agenda.

### **COORDINATION**

This memorandum has been coordinated with the Information Technology Department, Airport, the City Manager's Budget Office, and the City Attorney's Office.



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**FISCAL/POLICY ALIGNMENT**

This action is consistent with the following General Budget Principles “We must focus on protecting our vital core city services for both the short- and long-term” and “We must continue to streamline, innovate, and simplify our operations so that we can deliver services at a higher quality level, with better flexibility, at a lower cost” and the Strategic Initiative “Make San Jose a Tech-Savvy City; lead the way in using technology to improve daily life.”

**COST SUMMARY/IMPLICATIONS**

The annual cost for maintenance is estimated to be approximately \$419,359 plus a cap of 3% inflationary adjustment per year. Ongoing costs for this contract are included in the 2010-2011 Forecast for the Information Technology and Airport Departments non-personal/equipment budget.

**BUDGET REFERENCE**

The table below identifies the fund and appropriations proposed to fund the agreement recommended as part of this memorandum.

Fund #	Appn #	Appn. Name	Total Appn	Amt. of Agreement (2009-2010)	2009-2010 Adopted Operating Budget (Page)	Last Budget Action (Date, Ord. No.)
001	0432	N/P Equipment – Information Technology	\$4,960,989	\$315,924	VIII-154	2/9/10, Ord. No. 28698
523	0802	N/P Equipment – Airport	\$44,473,210	\$65,915	VIII-2	10/20/09, Ord. No. 28653
423	0432	N/P Equipment – Information Technology	\$284,611	\$14,593	VIII-154	6/23/09, Ord. No. 28593
446	0432	N/P Equipment – Information Technology	\$138,039	\$7,295	VIII-154	6/23/09, Ord. No. 28593
446	0762	N/P Equipment – Environmental Svcs.	\$3,415,017	\$1,172	VIII-66	2/09/10, Ord. No. 28698
513	0762	N/P Equipment – Environmental Svcs.	\$36,555,142	\$3,516	VIII-66	2/09/10, Ord. No. 28698
515	0432	N/P Equipment – Information Technology	\$20,291	\$3,648	VIII-154	6/23/09, Ord. No. 28593
541	0432	N/P Equipment – Information Technology	\$144,416	7,296	VIII-154	6/23/09, Ord. No. 28593
<b>Total Current Funding Available</b>			<b>\$89,991,715</b>	<b>\$419,359</b>		

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**CEQA**

Not a project, File No. PP10-066(a) Agreements and Contracts.

/s/

SCOTT P. JOHNSON  
Director, Finance

For questions please contact Mark Giovannetti, Purchasing Officer at (408) 535-7052.

