

**TO THE COUNCIL OF THE  
CITY OF LOS ANGELES**

Your **BUDGET AND FINANCE Committee**

**reports as follows:**

BUDGET AND FINANCE COMMITTEE REPORT relative to a proposed contract with Computer Sciences Corporation, Inc. (CSC) for the replacement of the City's email system with Google's software as a service product.

SUBMITS WITHOUT RECOMMENDATION the following recommendations of the City Administrative Officer (CAO), SUBJECT TO THE APPROVAL OF THE MAYOR:

1. NOTE and FILE the report from the CAO dated July 9, 2009, regarding a contract with CSC.
2. APPROVE the contract dated October 2009 with CSC, attached to the CAO report dated October 7, 2009 in the Council file, for the replacement of the City's e-mail system with Google's "software as a service" product that includes word processing, spreadsheet, and presentation applications, in the amount of \$7,250,000, for a term of three years from the date of execution with two one-year renewal options, subject to the revision of the agreement to reflect the rebate advance described in the CAO report, and subject to the review and approval of the City Attorney as to form.
3. AUTHORIZE the General Manager, Information Technology Agency (ITA) to seek reimbursement for qualifying hardware and software purchased by the City pursuant to the 2006 class action antitrust settlement agreement with Microsoft up to the full remaining balance of \$1,507,209, to be received by the City as a General Fund receipt.
4. INSTRUCT the General Manager, ITA, upon receipt of the Microsoft settlement agreement funds (Recommendation No. 3 above) to request the CAO to recommend through its Financial Status Report a transfer from the Reserve Fund to ITA in an amount up to the reimbursements received as required to fund this contract after all other potential funding sources identified in this report have been exhausted.
5. INSTRUCT the ITA, with the assistance of the CAO, to identify additional funding as may be required if the sources identified in this report are inadequate for the 2009-10 costs of this contract.

Fiscal Impact Statement: The CAO reports that the total budgetary impact of implementing the Google system in 2009-10 would be \$5,976,205. Of this amount, \$1,951,260 is for additional expenditures not included in the 2009-10 Budget, including \$1,754,760 for Google implementation and e-mail subscriptions, and \$196,500 for infrastructure upgrades. These unbudgeted expenditures will be a General Fund obligation. ITA has identified \$1,687,209 that could be used for this project, comprised of savings totaling \$180,000 from its 2009-10 Budget and additional funding of \$1,507,209 from a 2006 class action antitrust settlement agreement between the City and Microsoft. CSC agreed to advance the City \$250,000 in future rebates to cover the majority of the remaining 2009-10 balance of \$264,051. The above recommendations are in compliance with the City's financial policies.

Community Impact Statement: None submitted

## SUMMARY

At its meeting on October 19, 2009, the Budget and Finance Committee considered the City Administrative Officer's (CAO) report and final draft contract with Computer Science Corporation (CSC) to replace the City's e-mail system. As proposed by the Information Technology Agency (ITA), the City's GroupWise e-mail system would be replaced by Google's "software as a service" e-mail system, which also includes word processing, spreadsheet, and presentation preparation applications. The CAO, after review of issues raised during consideration of this matter by the Information Technology and Government Affairs (ITGA) Committee, recommends approval of the contract with CSC and implementation of the proposed Google system.

The Committee engaged in a lengthy discussion involving the ITA General Manager, the CAO, as well as representatives of Novell, the City's current e-mail system provider, representatives of Google, and representatives of the Los Angeles Police Department (LAPD). Some of the concerns expressed by the Committee involved security issues concerning the Los Angeles Police Department as well as other City departments, (i.e., Department of General Services Security) where security of communications and storage of data is crucial; repercussions to CSC/Google if there were a breach in security; the lack of a liquidated damages clause in the proposed contract; the cost to return to the Novell system if that became necessary should the Google application not work, or if the Department of Justice (DOJ) fails to approve the system for the LAPD, which is necessary to proceed with this application for the LAPD.

The LAPD reported that Google's Government Cloud Environment is conceptually acceptable; however, the LAPD will need to continue to have discussions with Google and the DOJ to obtain DOJ's official approval of this security system. The ITA General Manager expressed to the Committee that security under the Government Cloud Environment is more secure than the current Novell/GroupWise system and stated that the benefits of going to Google outweigh keeping the current system.

During the discussion, the CAO reported that the full five year cost for transition to the Google application is \$24.5 million; with the Fiscal Year 09-10 cost being \$1.5 million in unbudgeted costs. The ITA General Manager reported that the City is currently behind in GroupWise upgrades, therefore, if the City were to continue with Novell/GroupWise, upgrades would be necessary and a significant portion of the \$1.5 million needed for the Google application in FY 09-10 would be required to upgrade GroupWise.

At the conclusion of the discussion, because of concerns raised during the discussion particularly related to costs and security, the Committee questioned the urgency of this transition in the current economic environment and chose to submit the CAO's recommendations without recommendation. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

BUDGET AND FINANCE COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
PARKS:	YES
SMITH:	ABSENT
ROSENDAHL:	YES
HUIZAR:	YES
KORETZ:	YES

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**-NOT OFFICIAL UNTIL COUNCIL ACTS-**