

R-21

August 15, 2023

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt a Resolution authorizing the City Manager, or designee, to execute a contract, and any necessary documents including any necessary subsequent amendments, with Kyndryl Holdings, Inc., of New York NY, for the transition of the City of Long Beach in-house mainframe systems to a hosted mainframe service, in an annual amount of \$1,534,810, with a 20 percent contingency in the amount of \$306,962, and an one-time cost of \$101,549, for the transition and configuration of the hosted mainframe environment for the first year. The total annual contract amount will not exceed \$1,841,772 for a period of three years, with the option to renew for two additional one-year periods, at the discretion of the City Manager; and,

Increase appropriations in the General Services Fund Group in the Technology and Innovation Department by \$445,027, offset by a transfer of funds set aside from the LBCOAST project. (Citywide)

DISCUSSION

City Council approval is requested to enter into a contract with Kyndryl Holdings, Inc., to provide hosting services for the transition of the City of Long Beach (City) in-house mainframe systems to a hosted mainframe for City applications.

In 2008, the City purchased the existing mainframe from IBM to host large enterprise systems. Today the mainframe hosts the critical applications used to manage business functions of Budget (BPREP), HR/Payroll, and Labor Distribution. The current mainframe hardware is at risk of physical failure due to its age and complexity of maintenance. Additionally, the operating system that is currently running on the mainframe has been out of support with IBM since 2016. Since then, the Technology and Innovation Department (TID) has leveraged a best effort contract via a third-party company for support of the mainframe.

As part of the LBCOAST Phase 2 project, the mainframe applications and services were planned to be transitioned from the existing mainframe and onto more modern computing platforms. With the LBCOAST Phase 2 project delayed for several years as discussed in a January 30, 2023 memo to the Mayor and City Council, stabilization of mainframe

applications is a critical City priority. It is necessary to mitigate any potential mainframe risk to ensure availability of these critical applications. After careful analysis, it was determined that the best course of action is to transition all mainframe workloads to a cloud-hosted mainframe environment rather than investing in acquiring new mainframe hardware and upgrading the applications for compatibility.

As part of the due diligence process to identify cloud-hosted mainframe solutions, TID identified three foundational requirements needed for hosting the City's mainframe applications. 1) The new hosted environment must support the existing mainframe operating system and applications without an upgrade requirement. 2) The hosted solution must be compatible with our existing mainframe disaster recovery solution, Kyndryl. 3) The hosting partner must have the ability to supplement mainframe staffing support, if needed. A competitive procurement for these services are not feasible since there is only one provider, Kyndryl Holdings, Inc., who meets all three foundational requirements. Kyndryl Holdings, Inc., is also the City's current disaster recovery solution provider and is uniquely positioned to meet all of the City's foundational requirements and also able to provide enhanced value by improving the City's disaster recovery configuration.

City Charter Section 1801 requires that contracts for City purchases be awarded to the lowest responsible bidder after a competitive bid process but allows for awards without a competitive bid process if accompanied by a Resolution adopted by City Council.

This matter was reviewed by Deputy City Attorney Erin Weesner-McKinley on July 12, 2023, Purchasing Agent Michelle Wilson on July 10, 2023, and by Budget Analysis Officer Greg Sorensen on July 20, 2023.

TIMING CONSIDERATIONS

City Council action is requested on August 15, 2023, to ensure the new contract is executed expeditiously.

LEVINE ACT

This item is subject to the Levine Act. The Mayor, Councilmembers, and Commissioners who have received a contribution of more than \$250 within 12 months prior from a party, participant, or their representatives involved in this proceeding may do either of the following: (1) disclose the contribution on the record and recuse themselves from this proceeding; OR (2) return the portion of the contribution that exceeds \$250 within 30 days from the time the elected official knew or should have known about the contribution and participate in the proceeding.

All parties, participants, and their representatives must disclose on the record of this proceeding any contribution of more than \$250 made to the Mayor or any Councilmembers within 12 months prior to the date of the proceeding. The Mayor, Councilmembers, and Commissioners are prohibited from accepting, soliciting, or

directing a contribution of more than \$250 from a party, participant, or their representatives during a proceeding and for 12 months following the date a final decision is rendered.

FISCAL IMPACT

The annual amount of the contract will not exceed \$1,841,772, inclusive of a 20 percent contingency of \$306,962. A one-time cost of \$101,549 for the transition and configuration of the hosted mainframe environment that will be offset by the LBCOAST project budget will be incurred in year one of the contract. The current mainframe costs are budgeted at \$1,191,332 and the incremental increase from this new contract of \$343,478, excluding the contingency, will be covered by the LBCOAST budget on an annual basis, for a new annual contract amount totaling \$1,534,810. The one-time costs and the new annual contract excluding contingency will total \$1,636,359 for the first year. Any use of the contingency will also be funded by the LBCOAST budget or be offset by savings in the Technology and Innovation Department operating budget. The LBCOAST budget has anticipated the need to mitigate the risk of the existing mainframe and any associated costs until the Phase 2 of the project, replacement of the HR, Payroll and Budget systems was resumed.

The existing mainframe costs will continue to be allocated and recovered from the client departments through the annual Technology and Innovation Department Memorandum of Understanding (MOU), while the incremental difference will be covered by the LBCOAST project budget. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



LEA D. ERIKSEN
DIRECTOR
TECHNOLOGY AND INNOVATION

APPROVED:



THOMAS B. MODICA
CITY MANAGER

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RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH AUTHORIZING THE CITY MANAGER TO EXECUTE A CONTRACT, AND ANY NECESSARY DOCUMENTS INCLUDING ANY NECESSARY AMENDMENTS, WITH KYNDRYL HOLDINGS, INC., OF NEW YORK, NY, WITHOUT ADVERTISING FOR BIDS FOR THE TRANSITION OF THE CITY'S IN-HOUSE MAINFRAME SYSTEMS TO A HOSTED MAINFRAME SERVICE, IN AN ANNUAL AMOUNT NOT TO EXCEED \$1,841,772 AND A ONE-TIME COST OF \$101,549

WHEREAS, City Council approval is requested to enter into a contract with Kyndryl Holdings, Inc., to provide hosting services for the transition of the City's in-house mainframe systems to a hosted mainframe for City applications; and

WHEREAS, in 2008, the City purchased the existing mainframe from IBM to host large enterprise systems; and

WHEREAS, today the mainframe hosts the critical applications used to manage business functions of Budget (BPREP), HR/Payroll, and Labor Distribution; and

WHEREAS, the current mainframe hardware is at risk of physical failure due to its age and complexity of maintenance, as well as being out of support with IBM since 2016; and

WHEREAS, the Technology and Innovation Department (TID) has leveraged a best effort contract via a third-party company for support of the mainframe; and

WHEREAS; as part of the LBCOAST Phase 2 project, the mainframe applications and services were planned to be transitioned from the existing mainframe

1 and onto more modern computing platforms; and

2 WHEREAS, with the LBCOAST Phase 2 project delayed for several years
3 as discussed in a January 30, 2023 memo to City Council, stabilization of mainframe
4 applications is a critical City priority; and

5 WHEREAS, it is necessary to mitigate any potential mainframe risk to
6 ensure availability of these critical applications; and

7 WHEREAS, after careful analysis, it was determined that the best course of
8 action is to transition all mainframe workloads to a cloud-hosted mainframe environment
9 rather than investing in acquiring new mainframe hardware and upgrading the
10 applications for compatibility; and

11 WHEREAS, As part of the due diligence process to identify cloud-hosted
12 mainframe solutions, TID identified three foundational requirements needed for hosting
13 the City's mainframe applications: 1) The new hosted environment must support the
14 existing mainframe operating system and applications without an upgrade requirement.
15 2) The hosted solution must be compatible with our existing mainframe disaster recovery
16 solution, Kyndryl. 3) The hosting partner must have the ability to supplement mainframe
17 staffing support, if needed.

18 WHEREAS, a competitive procurement for these services are not feasible
19 since there is only one provider who meets all three foundational requirements: Kyndryl
20 Holdings, Inc. is our current disaster recovery solution provider and is uniquely
21 positioned to meet all of the City's foundational requirements and also able to provide
22 enhanced value by improving the City's disaster recovery configuration;

23 NOW, THEREFORE, the City Council of the City of Long Beach resolves as
24 follows:

25 Section 1. The above recitals are true and correct and are incorporated
26 herein.

27 Section 2. The City Manager is hereby authorized to enter a contract,
28 and any necessary documents including any necessary amendments, with Kyndryl

1 Holdings, Inc., for the transition of the City’s in-house mainframe systems to a hosted
2 mainframe service, in an annual amount of One Million Five Hundred Thirty-Four
3 Thousand Eight Hundred Ten Dollars (\$1,534,810), with a 20% contingency in the
4 amount of Three Hundred Six Thousand Nine Hundred Sixty-Two Dollars (\$306,962), for
5 a total annual contract amount not to exceed One Million Eight Hundred Forty-One
6 Thousand Seven Hundred Seventy-Two Dollars (\$1,841,772) and a one-time cost of One
7 Hundred One Thousand Five Hundred Forty-Nine Dollars (\$101,549), for a period of
8 three (3) years, with the option to renew for two (2) additional one-year periods, at the
9 discretion of the City Manager.

10 Section 3. This resolution shall take effect immediately upon its adoption
11 by the City Council, and the City Clerk shall certify the vote adopting this resolution.

12 I hereby certify that the foregoing resolution was adopted by the City
13 Council of the City of Long Beach at its meeting of _____, 2023 by the
14 following vote:

15
16 Ayes: Councilmembers: _____
17 _____
18 _____
19 _____

20 Noes: Councilmembers: _____
21 _____

22 Absent: Councilmembers: _____
23 _____

24 Recusal(s) Councilmembers: _____

25
26
27 _____
28 City Clerk

LEVINE ACT DISCLOSURE STATEMENT

California Government Code Section 84308, commonly referred to as the "Levine Act," prohibits any Long Beach City Councilmember, the Mayor, and Commissioner ("City Officer") from participating in any action related to a proceeding if they receive any political contributions totaling more than \$250 within the previous twelve months, while a proceeding is pending, and for 12 months following the date a final decision in a proceeding concerning a license, permit, entitlement, franchise or, contract (collectively "license, permit, or contract") has been made, from the person or company awarded the said license or contract. The Levine Act also requires a City Officer that has received such a contribution to disclose the contribution on the record of the proceeding.

City Officers are listed at the following sites:

- The Mayor and Councilmembers - <https://www.longbeach.gov/officials/>
- Harbor Commissioners - <https://polb.com/commission>
- Water Commissioners - <https://lbwater.org/about-us/current-water-commissioners/>
- Planning Commissioners - <https://www.longbeach.gov/mayor/action/commissions/>
- Parks and Recreation Commissioners - <https://www.longbeach.gov/mayor/action/commissions/>
- Board of Examiners, Appeals, and Condemnation - <https://www.longbeach.gov/mayor/action/commissions/>
- Cultural Heritage Commission - <https://www.longbeach.gov/mayor/action/commissions/>
- Long Beach Community Investment Company - <https://www.longbeach.gov/lbds/hn/lbcic/>

Proposers are responsible for accessing these links to review the names prior to answering the following questions.

1. Have you or your company, or any agent on behalf of you or your company, made any political contributions of more than \$250 to any City Officer in the 12 months preceding the date of the submission of your proposals or the anticipated date of any City Council, Board, or Commission action related to this license, permit, or contract?

YES

NO

If yes, please identify the City Officer(s):

2. Do you or your company, or any agency on behalf of you or your company, anticipate or plan to make any political contribution of more than \$250 to any City Officer in the 12 months following any City Council, Board, or Commission action related to this license, permit, or contract?

YES

NO

If yes, please identify the City Officer(s):

Answering yes to either of the two questions above does not preclude the City of Long Beach from awarding a license, permit, or contract to your firm or any taking any subsequent action related to the said license, permit, or contract. It does, however, preclude the identified City Officers from participating in any actions related to this license, permit, or contract.

Date

Joe D Briggs A.A.A.

Signature of authorized individual

Type or write name of authorized individual

Type or write name of company