

DATE: May 23, 2012
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 12-10
Authorizing a Contract with Lawson Software, Inc. for up to \$900,000 for the Purchase of up to Five Years of Support and Maintenance

BOARD ACTION REQUESTED

Adopt Resolution No. 6946

ACTION DESCRIPTION

This action will authorize the Executive Director to enter into a new Lawson Software Support Agreement with Lawson Software, Inc. ("Lawson") for up to five years of support and maintenance of the financial software currently licensed from Lawson (the "Software"), for a negotiated five-year contract total of up to \$900,000 (the "Lawson Software Support Agreement"). The current contract between PDC and Lawson for support and maintenance of the Software expires on May 31, 2012. The new Lawson Software Support Agreement has an initial one-year term that will automatically renew for additional one-year periods until the fifth anniversary of the agreement, unless one party provides a timely notice of non-renewal to the other party.

The new Software Support Agreement also limits Lawson's annual increase in fees for maintenance and support of the Software (other than third-party software licensed through Lawson) if the level and scope of the maintenance and support services remains the same, Lawson continues to offer such services on the same terms and conditions, and PDC's payment obligations are satisfied. Details of the products we presently license and have under the support and maintenance contract and for which we will continue to purchase support and maintenance under the new Lawson Software Support Agreement, are defined in the contract, page 6. Under the new Lawson Software Support Agreement, the total annual cost for the support and maintenance services through May 31, 2013 is \$152,826.69.

Assuming the Lawson Software Support Agreement is renewed each year, the level and scope of the maintenance and support services remains the same, Lawson continues to offer the maintenance and support services on the same terms and conditions, and PDC's payment obligations are satisfied, this annual cost cannot increase more than 5 percent per year resulting in total contract payments that will not exceed \$900,000 (excluding fee increases in excess of 5 percent per year, if any, for third-party software licensed through Lawson).

BACKGROUND AND CONTEXT

Lawson is our Enterprise Resource Planning ("ERP") software. The Commission approved the use and installation of the Lawson Software Suites from a competitive procurement in 1999. It is our primary financial application which supports all transaction processing (e.g., General Ledger, Accounts Payable, Payroll, Purchasing, Cash Management, Human Resources, Business Intelligence/Reporting). In addition, Lawson is now fully integrated with Portfol, our Loan and Customer Relationship Management software.

The annual support and maintenance cost for Lawson represents 25 percent of the overall PDC software maintenance budget. This is the largest single software maintenance expenditure.

The system maintenance and support services we use include: day-to-day questions on system functionality, server optimization, implementation of patches/fixes, testing of patches, federally mandated updates to produce annual W-2 and 1099 creation, and major upgrades.

To continue to receive vendor upgrades and application support and assistance for the Lawson products we currently license, we need a new support and maintenance contract to replace the existing contract that expires May 31, 2012. Under Part 1, Section III.14 of PDC's Local Contract Review Board Administrative Rules (August 2011 version), contracts for maintenance and support services from the manufacturer of software in use by PDC are categorically exempt from competitive solicitation.

COMMUNITY AND PUBLIC BENEFIT

Continuing the software maintenance without a lapse in coverage adds a higher level of data integrity and more effective stewardship of public dollars.

PUBLIC PARTICIPATION AND FEEDBACK

The initial annual payment under the Lawson Software Support Agreement is included in the FY 2011-12 Budget. The payment for the first annual renewal is included in the FY 2012-13 proposed budget. Feedback on this expense was provided through the budgeting process.

BUDGET AND FINANCIAL INFORMATION

The Lawson software maintenance budget has been approved for this fiscal year and is included in the requested budget for FY 2012-13. Future budgets will contain requests to continue the software maintenance agreement. Assuming the Lawson Software Support Agreement is renewed each year, the level and scope of the maintenance and support services remains the same, Lawson continues to offer the maintenance and support services on the same terms and conditions, and PDC's payment obligations are satisfied, Lawson's annual price increase cannot exceed 5 percent per year over the next five years (through FY 2016-17), resulting in total contract payments that will not exceed \$900,000 (excluding fee increases in excess of 5 percent per year, if any, for third-party software licensed through Lawson). Either Lawson or PDC may elect not to renew the Lawson Software Support Agreement by providing written notice to the other party at least six months prior to the expiration of the then-current one-year support period. In addition, PDC may terminate the Agreement if the Board of Commissioners fails to appropriate sufficient funds to cover the required payments.

Invoice Due:	<i>Highest Annual Invoice *</i>
6/1/12	152,826.69
5/1/13	160,468.01
5/1/14	168,491.41
5/1/15	176,915.99
5/1/16	185,761.78
5/1/17	195,049.87
	<u>\$886,687.07</u>

* Represents maximum 5% increase

RISK ASSESSMENT

Maintenance coverage provides PDC with access to product upgrades, software updates and corrections, access to support engineers, *How-To* assistance, remote diagnosis, priority case queuing and 24/7 telephone critical case support. Failure to renew the Lawson maintenance agreement would make these support services unavailable to PDC, thereby increasing PDC's risk of inadequate support needed for business-critical processes in the areas of Finance, Procurement, Payroll, Agency Reporting, and Human Resources.

ALTERNATIVE ACTIONS

There are no cost-effective short-term alternatives to entering into the new Lawson Software Support Agreement. If PDC were to discontinue its Lawson system maintenance, we would be subject to the loss of data integrity and an interruption to key business operations. The IT Division is in the process of assessing all agency software systems and evaluating applicability for long term PDC use. Should any cost-effective alternatives to Lawson, and thus alternatives to this system maintenance contract, become available within the next five years, PDC would be allowed to cease making payments under this contract (see Section 3.10 of the agreement).