

Executive Summary

Information Systems Advisory Committee Meeting, September 8, 2022

Board of Governors Meeting, September 22, 2022

Enterprise Integration Platform as a Service

Topic

Citizens staff is requesting approval to enter into contracts with Oracle America, Inc. (“Oracle”) and Applied Software Technology LLC (“AST”) for the purchase, implementation, and use of a new cloud-based integration platform (“middleware”) product. The base term will be five (5) years followed by five (5) optional one (1) year renewals. The contract amount for the five-year base term is estimated to be \$3,996,287.

History

Citizens currently uses a collection of middleware¹ and middleware-related products from Oracle, Jitterbit, and Flux. The current licenses will expire in 2022 but may be extended if necessary. These middleware products are currently used to integrate forty-five (45) internal software applications and fifty (50) external software applications. During a typical business day, these middleware products process over five hundred fifty thousand (550,000) transactions between them. Following a catastrophe event, the daily transactions can increase up to five (5) times the normal usage.

The current middleware platform requires dedicated hardware and additional specialty third party software such as scheduling and managed file transfer. The dependency on physical infrastructure, lack of cloud compatibility, ever increasing license costs and functional deficiencies make the product untenable for Citizens.

The new product, Oracle Integration Cloud Service (“OIC”), will replace the existing middleware products and improve system performance in the following ways:

- By utilizing pre-built integration components and application programming interface based connectors available in OIC, Citizens’ development team will be able to deliver new integrations four (4) to six (6) times faster.
- OIC allows for simplified creation and enhancements of integrations by using out-of-the-box connectors for most of the major Citizens systems – including Citizens Insurance Suite, Back Office/Enterprise Resource Planning, Agency Administration System, and IT Help Desk System. These out-of-the-box connectors will enable development of high-quality integration services in a short time to support changing business needs.

¹Integration middleware is a piece of software that connects two or more disparate systems, moving data between the systems (both synchronously and asynchronously) while transforming the data as needed to facilitate meaningful utilization by the receiving system.

Executive Summary

Information Systems Advisory Committee Meeting, September 8, 2022
Board of Governors Meeting, September 22, 2022

- OIC offers easy scalability options that will accommodate catastrophic event volume spikes. This will allow Citizens to have access to additional capacity as needed without paying for standby capacity that is not utilized between catastrophe events.
- OIC reduces operational risks by providing security, regulatory compliance, high availability, and backup features, all of which are known benefits of transitioning from on-premises application hosting to cloud-based platform as a service.
- OIC includes complete enterprise-class components for managed file transfer, scheduling, and reporting, thus eliminating the need for separate procurements separate management, and separate payments for those technologies.
- OIC is hosted by Oracle and eliminates the need for version upgrade projects and hardware support by Citizens.

The OIC product is expected to reduce costs (such as licenses, hardware, and utilities) by \$2,600,473 over the first five (5) years. If Citizens renews the contract, the cost savings are expected to be even more significant in years 6-10. Citizens' staff will present those cost savings to the Board in a future Action Item if Citizens seeks to renew the contract.

Year	Current	Future	
	Platforms (avoidable costs are highlighted)*	Oracle Integration Cloud Platform (OIC Software)	Application Software Technology (AST) Implementation Fees
2022	\$1,156,834	\$334,851	\$1,655,984
2023	\$2,014,676	\$334,851	\$0
2024	\$1,453,476	\$334,851	\$0
2025	\$1,526,150	\$334,851	\$0
2026	\$1,602,458	\$334,851	\$0
5 Year Cost	\$7,753,594	\$1,674,255	\$1,655,984
Contingency	Not Applicable	\$666,048	
Total	\$7,753,594	\$3,996,287	
5-Year Net Cost Reduction of \$2,600,473			

*Notes:

1. Current platform costs assume an annual uplift of 5% year over year.
2. Cost benefits begin from 2023 onwards.
3. A hardware upgrade would be required in year 2023 in current state.
4. The contingency funds amount to 20% of the total future costs, to account for future growth (such as policy growth and potential catastrophe support) and operational fine tuning.

Executive Summary

Information Systems Advisory Committee Meeting, September 8, 2022

Board of Governors Meeting, September 22, 2022

The OIC product was not only highly capable and able to meet all of Citizens' anticipated needs, it was the most economical choice offered to Citizens from the vendors passed through to negotiations under the Invitation to Negotiate. The next-ranked product would not have achieved the savings outlined above.

AST is a world class systems integrator based in Lisle, IL. They are an Oracle Cloud Premier Partner and authorized Oracle reseller. During the solicitation, the AST team demonstrated the most robust expertise in OIC. AST has several marquee Oracle Cloud customers in both public and commercial sectors including the City of Jacksonville, FL and Orlando Airport Authority, FL. AST is staffing the contract with a technical team that is highly qualified and experienced in migrating customers from on premises version of the middleware product to the cloud version.

Recommendation

Staff proposes that the Information Systems Advisory Committee review, and, if approved, recommend the Board of Governors:

- a) Approve contracts with Oracle America, Inc. and Applied Software Technology LLC for an initial term of five (5) years with optional renewal terms of an additional five (5) years subject to future Board approval, with an initial five (5) year contract amount not to exceed \$3,996,287, as set forth in this Action Item; and
- b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.

ACTION ITEM

New Contract

Contract Amendment

Other _____

CONSENT ITEM

Contract Amendment

Existing Contract Extension

Existing Contract Additional Spend

Previous Board Approval _____

Other _____

Action Items: Items requiring detailed explanation to the Board. When a requested action item is a day-to-day operational item or unanimously passed through committee it may be moved forward to the board on the Consent Index.

Move forward as Consent: This Action item is a day-to-day operational item, unanimously passed through committee or qualifies to be moved forward on the Consent Index.

Consent Items: Items not requiring detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

<p>Purpose/Scope</p>	<p>This Action Item seeks Board approval to contract with two (2) vendors for the purchase, implementation and use of Oracle Integration Cloud Service and related products and services. If approved, this product will replace Citizens' current on-premises middleware platforms in early 2023 and will result in substantial cost savings and increased functionality.</p>
<p>Contract ID</p>	<p>Enterprise Integration Platform as a Service Contract number: 21-21-0002-00 Vendors: Oracle America, Inc. ("Oracle"), as the underlying product provider. Applied Software Technology LLC ("AST"), as the implementation services provider and as Oracle's authorized reseller.</p>
<p>Budgeted Item</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Funding for the purchase, implementation, and use of the Oracle Integration Cloud Service in the amount of \$2,389,002 will be included in the upcoming 2022 budget request that will be submitted to the Board for approval in December 2021. Funding for subsequent contract years will be budgeted in the appropriate budget year.</p>

<p>Procurement Method</p>	<p>On January 12, 2021, Citizens released Invitation to Negotiate No. 21-0002 for Enterprise Integration Platform as a Service. Twenty (20) vendors submitted replies and the top twelve (12) proposals were moved forward to negotiations. On August 19, 2021, the Negotiation Team recommended award of Oracle to Applied Software Technology LLC.</p>
<p>Contract Amount</p>	<p>\$3,996,287 for the first five (5) years of the contract, comprised as follows:</p> <ol style="list-style-type: none"> 1. Implementation Services: \$1,655,984 2. Software Subscriptions: \$1,674,255 <ul style="list-style-type: none"> • \$334,851 annually for five (5) years, based on current IT system traffic and integrations. 3. Contingency: 20% = \$666,048, to cover such items as: <ul style="list-style-type: none"> • Additional subscription volumes to account for future growth in system traffic and integrations (due to increased number of policyholders, future catastrophic events, and other factors). • Unforeseen implementation service needs. • New Oracle Integration products and services, if/when needed to improve and fine-tune operations.
<p>Contract Terms</p>	<p>The contracts will have a 5-year base term and five (5) optional one (1) year renewal periods. Citizens staff will seek Board approval for the renewal periods if and when the decision to renew is made.</p>
<p>Committee Recommendation</p>	<p>Staff proposes that the Information Systems Advisory Committee review, and if approved recommend the Board of Governors:</p> <ol style="list-style-type: none"> a) Approve contracts with Oracle America, Inc. and Applied Software Technology LLC for a base term of five (5) years with optional renewal terms of an additional five (5) years subject to future Board approval, with an initial five (5) year contract amount not to exceed \$3,996,287, as set forth in this Action Item; and, b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.
<p>Board Recommendation from Committee</p>	<p>If approved at its September 8, 2021, meeting, the Information Systems Advisory Committee recommends that the Board of Governors:</p> <ol style="list-style-type: none"> a) Approve contracts with Oracle America, Inc. and Applied Software Technology LLC for a base term of five (5) years with optional renewal terms of an additional five (5) years subject to future Board approval, with an initial five (5) year contract amount not to exceed \$3,996,287, as set forth in this Action Item; and, b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.

Contacts

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