



**DATE: APRIL 6, 2017**

**FROM: INFORMATION TECHNOLOGY**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - AWARD OF PURCHASE  
ORDER CONTRACT TO ZONES, INC. FOR INFORMATION  
TECHNOLOGY EQUIPMENT, SUPPLIES AND RELATED SERVICES**

**SUMMARY:**

Staff requests approval of a purchase order contract to Zones, Inc. (Zones) for information technology (IT) equipment, supplies and related services. This contract will be used on an as-needed basis to purchase computer-based hardware, including desktops, laptops, tablets, monitors, keyboards, printers, routers, switches and peripherals, and related software, supplies and services. This is to support on-going operations, new projects and future growth. The proposed contract is for a not-to-exceed amount of \$2,250,000 and a term of three years.

This recommendation is based on the competitive bid process performed by the Contracts and Purchasing Division (CPD) of the City of Los Angeles Harbor Department (Harbor Department) for Bid Number F-969. Zones is headquartered in Auburn, Washington, with a local office in Cerritos, California.

The proposed contract is the financial responsibility of the Harbor Department.

**RECOMMENDATION:**

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Find that the competitive contracting requirement is met using the responses from the Harbor Department's Bid Number F-969;

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3. Approve the contract with Zones, Inc. for the purchase of IT equipment, supplies, and related services for an amount not-to-exceed \$2,250,000 with a term of three years;
4. Authorize the Executive Director to make non-technical corrections or clarifications, within the authorized contract amount, to effectuate the intent of the contract;
5. Authorize the Executive Director to execute and the Board Secretary to attest; and
6. Adopt Resolution No. \_\_\_\_\_.

**DISCUSSION:**

Background and Context– The Information Technology Division (ITD) provides computer and communications systems support to over 1,000 computer users at the Harbor Department. This includes responsibility for the purchase, installation, maintenance, and replacement of computer-based equipment for all Harbor Department Divisions. This is required to support on-going operations, new projects and future growth. Due to the different manufacturers of IT equipment used by the Harbor Department, it is more efficient to establish and administer one contract with a company that is an authorized reseller of the different IT equipment, rather than multiple contracts with each manufacturer.

Prior to the proposed contract, ITD procured IT equipment, supplies and related services through a similar contract with En Pointe Technologies Sales, LLC (En Pointe). At its meeting February 20, 2014, the Board approved Contract No. 39693 with En Pointe for a not-to-exceed amount of \$2,250,000 and a term of three years. The total amount spent was approximately \$2,198,972.

Proposed Contract– The proposed contract will be used to procure IT equipment, supplies and related services in a similar way to the previous En Pointe contract. Examples of equipment purchased include, but are not limited to, computer-based desktop computers, laptops, tablets, monitors, printers, routers, servers, switches, peripherals, and related software, supplies and services.

Most purchases will replace existing IT equipment as they become obsolete. The industry best practice for hardware replacement age is 3-4 years for laptop computers, 3-5 years for desktop computers, and 4-6 years for network equipment. Beyond this age, the IT equipment may not be supported by the vendor, be incompatible with other technologies, have performance issues or be costly to repair. In addition, ITD anticipates the need for IT equipment purchases to accommodate new projects and growth.

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The proposed contract is for a not-to-exceed amount of \$2,250,000 and a term of three years. This amount is based on the current asset inventory due for replacement and anticipated spending. Expenditures based on actual needs will be incurred only when the Harbor Department authorizes an order. Total expenditures will not exceed \$2,250,000 over the term of this contract. However, the Harbor Department is not committed to spending this entire amount.

The recommendation to select Zones is based on the competitive bid process performed by the Contracts and Purchasing Division for Bid Number F-969 (Transmittal 1). With the proposed contract, the Harbor Department will pay a mark-up percentage of 0.5% to 1% over the published prices from specified IT equipment manufacturers. In addition, if a lower price is offered to a government, educational, or other special pricing program, then the same lower pricing will be available to the Harbor Department. Without this contract, the Harbor Department may not receive the lower pricing if purchasing IT equipment with individual purchase requisitions.

The Harbor Department's Small Business Program requirement does not apply to procurement contracts because a separate City of Los Angeles ordinance governs this activity. Zones is headquartered in Auburn, Washington, with a local office in Cerritos, California.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is award of a purchase order contract to Zones for as-needed IT equipment, supplies and services. As an administrative activity, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

**FINANCIAL IMPACT:**

Approval of the proposed contract authorizes ITD to purchase IT equipment, services and supplies from Zones for a not-to-exceed amount of \$2,250,000 over its three year term. The annual maintenance cost of the purchased equipment is expected to be the same as the current level because the replaced hardware will be removed from service.

Funds for Fiscal Year 2016/2017 in the amount of \$350,000 are available from multiple Divisions in Accounts 13150 and 55160, Program 000. Each Division budgets funds for their anticipated IT equipment needs. When a Division requests IT equipment, the requesting Division will pay for the order from its budgeted funds.

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Future Fiscal Year funds, as shown in the table below, will be requested as part of the annual budgeting process, subject to Board approval.

Fiscal Year	Program 000, Budget Accounts		Total Budget Amounts
	13150 (Equipment Over \$5,000)	55160 (Office Equipment)	
2016/17	\$100,000	\$250,000	\$350,000
2017/18	\$100,000	\$650,000	\$750,000
2018/19	\$100,000	\$650,000	\$750,000
2019/20	\$75,000	\$325,000	\$400,000
Total Not-to-Exceed Amount:			\$2,250,000

The actual expenditures may differ from the estimated amounts in any given fiscal year and in any given budget account. However, the total expenditures under the proposed Agreement will not exceed \$2,250,000.

Office space at Harbor Department facilities will not be required for Zones staff.

A Termination for Non-Appropriation of Funds Clause (also known as a Funding Out Clause) is included in the Agreement.

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**CITY ATTORNEY:**

The Office of the City Attorney has reviewed and approved this Purchase Order Contract as to form and legality.

**TRANSMITTAL:**

1. Harbor Department Bid No. F-969

FIS Approval: MB (initials)  
CA Approval: MB (initials)



LANCE KANESHIRO  
Chief Information Officer



THOMAS E. GAZSI  
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APPROVED:



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FOR

LK:KC