



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: MAY 19, 2011

FROM: INFORMATION TECHNOLOGY DIVISION

SUBJECT: RESOLUTION NO. _____ - AWARD OF CONTRACT TO KEY INFORMATION SYSTEMS FOR IBM MIDRANGE HARDWARE, SOFTWARE, AND SOFTWARE MAINTENANCE

SUMMARY:

The Information Technology Division (ITD) is requesting approval to award a purchase order contract to Key Information Systems (KIS) for an amount not-to-exceed \$2,500,000 for the purchase of IBM midrange hardware, software, and software maintenance. Midrange hardware includes the enterprise computer servers and storage, which are used to run applications, databases, file folders, and other networked resources. No services will be purchased from this contract. Of the total not-to-exceed amount, \$1,166,667 is reimbursable from a Round 8 Department of Homeland Security grant and a State of California Governor's Office Proposition 1B grant. The expiration date of this contract shall be April 30, 2014.

This contract will be used to purchase IBM midrange hardware, software, and software maintenance to support two primary efforts. First, the relocation of the Data Center from the Harbor Administration Building (HAB) to the new Port Police Headquarters (PPHQ). The equipment purchased from this contract will replace existing older or obsolete equipment as part of this relocation effort. The PPHQ Data Center will improve the security of the Harbor Department's IT infrastructure and better support critical operations because the PPHQ is a more secure location, has emergency back-up power, and meets current building standards. Second, this contract will be used to purchase equipment to support on-going operations, new projects, and future growth.

The recommendation to select KIS is based on the competitive bid process performed by the City of Los Angeles, General Services Department (GSD) for its contract 59268. KIS is based in Woodland Hills, California.

SUBJECT: RESOLUTION NO. _____ AWARD OF CONTRACT TO KEY INFORMATION SYSTEMS

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Find that in accordance with Administrative Code Section 10.15(8), the competitive contracting requirement is met using the responses from the City's Request for Qualifications (RFQ) Number EV0000260, which resulted in the City awarding it contract 59268;
2. Approve the contract with Key Information Systems for the purchase of IBM midrange hardware, software, and software maintenance for an amount not-to-exceed \$2,500,000 with an expiration date of April 30, 2014;
3. Authorize the Executive Director to execute the contract; and
4. Adopt Resolution No. _____.

DISCUSSION:

Background – The Information Technology Division (ITD) provides computer and communications systems support to over 800 computer users at the Harbor Department. This includes responsibility for the computer hardware, such as the 127 enterprise servers and 125 terabytes of storage currently in use. The Harbor Department's current standard technology platform for servers and storage is IBM.

The Harbor Department currently purchases IBM midrange hardware, software, and software maintenance with separate purchase requisitions. When new and/or replacement equipment is required, ITD initiates a requisition to procure the required items. The individual bid process is very labor intensive and costly for both the Harbor Department and the vendors. Another concern with separate requisitions is that equipment cannot be procured in a timely manner. It typically takes from a few weeks to several months from the time a requisition is initiated to the time the equipment is received. This reduces the productivity of staff waiting for their equipment.

Proposed Contract – The proposed contract is to purchase IBM midrange hardware, software and software maintenance. The requested not-to-exceed amount is \$2,500,000 over three years. Of this amount, \$1,166,667 is fully reimbursable; \$875,000 from a Round 8 Department of Homeland Security grant and \$291,667 from a State of California Governor's Office Proposition 1B grant.

SUBJECT: RESOLUTION NO. _____ AWARD OF CONTRACT TO KEY INFORMATION SYSTEMS

The contract will be used to purchase servers and storage for the following efforts:

- Relocate the Data Center to the PPHQ (\$1,166,667):

The total grant amount available for the PPHQ Data Center is \$2,666,667. This total is divided between \$1,500,000 for network and IT security equipment, and \$1,166,667 for servers and storage equipment. On April 7, 2011, the Board of Harbor Commissioners approved the purchase of \$1,500,000 in network and IT security equipment from EnPointe Technologies for this effort. At that time, the Board was informed that a second contract for the remaining \$1,166,667 would be requested in the future to purchase the servers and storage equipment for this same effort. This proposed contract with KIS is that second contract.

With this contract with KIS, the grant-reimbursable amount of \$1,166,667 will be used to purchase servers and storage to relocate the Data Center. The Data Center is the central IT facility where the critical enterprise computer servers and network equipment are located. As part of this Data Center effort, the new equipment purchased with this contract will replace existing older or obsolete equipment. The new equipment will be installed directly into the new Port Police Headquarters, then the software applications and data will be migrated by Harbor Department staff. The replaced equipment will be assessed and either salvaged through the City of LA's salvage process or used for test equipment. The Data Center relocation will provide benefits such as improved physical security of the IT infrastructure, improved IT security, and reduced disruption to operations.

- On-Going Operations (Not-to-exceed \$1,333,333):

The remaining \$1,333,333 will be used to purchase servers and storage to support on-going operations, including equipment replacement, new projects, and growth. Expenditures based on actual needs, will be incurred only when the Harbor Department authorizes an order. This contract is a much more efficient way of purchasing these items for on-going operations, compared to the previous way of initiating a bid each time equipment is needed. The Harbor Department is not committed to spending this entire amount. The descriptions and estimated amounts for on-going operations are:

- Equipment Replacement: The typical replacement age for servers and storage is four to seven years. Beyond this age, the equipment may not be supported by the vendor, be incompatible with other technologies, have performance issues, and/or be costly to repair. The historical expenditures have been approximately \$1,850,000 over the last three to four years. Of this amount, \$1,320,000 was purchased three to four years ago and will be due for replacement during the term of this contract. However, because most of

SUBJECT: RESOLUTION NO. _____ AWARD OF CONTRACT TO KEY INFORMATION SYSTEMS

this equipment will be replaced with the PPHQ Data Center effort, the amount to replace the remaining equipment is anticipated to be \$300,000 over the next three years.

- New Projects: Additional servers and storage will need to be purchased for new projects, as well as enhancements to existing information system. This includes projects such as developing the internet infrastructure to improve efficiency by providing greater remote access, desktop virtualization to improve performance and reduce support costs, and enhancements to existing systems such as billing, Sharepoint, and other server-based systems. The anticipated amount is \$400,000 over the next three years.
- Growth: The ITD anticipates the need to purchase additional equipment to support the increasing amount of electronic data, documents and other media. This growth will require additional server and storage capacity. The anticipated amount for growth is \$633,333 over the next three years.

Selection Process – The recommendation to select KIS is based on the competitive bid process performed by the City of Los Angeles, General Services Department (GSD) for its contract 59268. The proposed “piggy-back” contract is a more cost-effective approach, rather than the Harbor Department conducting its own bid, because the GSD contract is based on a value up to \$15,000,000. GSD’s much larger contract amount benefits the Harbor Department because vendors typically provide lower mark-ups because of the higher volume sales. KIS is based in Woodland Hills, California.

ENVIRONMENTAL ASSESSMENT

The proposed action is the approval of a contract with Key Information Systems for the purchase of IBM midrange hardware, software, and software maintenance to replace existing older or obsolete equipment. As an administrative action, 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.

ECONOMIC BENEFITS:

Spending under this contract will support approximately 18 direct plus 13 secondary (indirect and induced) one-year equivalent jobs in the five-county region.

SUBJECT: RESOLUTION NO. _____ AWARD OF CONTRACT TO KEY INFORMATION SYSTEMS

FINANCIAL IMPACT:

Approval of the proposed not-to-exceed \$2,500,000 three-year contract with Key Information Systems authorizes the Information Technology Division to purchase IBM midrange hardware, software, and software maintenance. Round 8 Homeland Security Grant and State Proposition 1B Grant Program funds are available to reimburse \$1,166,667 of the total not-to-exceed \$2,500,000 amount. As a reimbursement grant, the Harbor Department must first front-fund the capital appropriation amount of \$1,166,667 before requesting reimbursement. Subsequent to project completion it is expected that annual operating and maintenance costs will be approximately \$100,000 per year above the current level because of hardware maintenance for the new equipment purchased.

The anticipated amount for equipment replacement is approximately \$400,000 less than the original price paid for the equipment that will be replaced. The anticipated amount for new projects and growth of existing systems is based on staff estimates. Funds for FY 2011/2012 in the amount of \$1,500,000 are available in Account 13240, Center 0640, Program 000. Upon Board approval, future fiscal year funds, as shown in the table below, will be requested to be budgeted as part of the annual budget adoption process:

Fiscal Year	Anticipated Amount
2011/2012	\$ 1,500,000
2012/2013	\$ 500,000
2013/2014	\$ 500,000
Total Not-to-Exceed Amount	\$ 2,500,000

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

CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the proposed purchase order contract with Key Information Systems as to form and legality.

DATE: MAY 19, 2011

PAGE 6 OF 6

SUBJECT: RESOLUTION NO. _____ AWARD OF CONTRACT TO KEY INFORMATION SYSTEMS

TRANSMITTALS:

1. Harbor Department Bid No. F-748
2. General Services Department Contract No. 59268

FIS Approval: ef (initials)
City Attorney Approval: TR (initials)



LANCE KANESHIRO
Chief Information Officer



MOLLY CAMPBELL
Deputy Executive Director

APPROVED:



for GERALDINE KNATZ, Ph.D.
Executive Director

GK:MC:LK