



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: SEPTEMBER 13, 2022

FROM: INFORMATION TECHNOLOGY

SUBJECT: RESOLUTION NO. _____ - AWARD OF PURCHASE ORDER CONTRACT TO ZONES, LLC FOR INFORMATION TECHNOLOGY EQUIPMENT, SUPPLIES AND RELATED SERVICES

SUMMARY:

Staff requests approval of a purchase order contract with Zones, LLC (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 (but not limited to) desktops, laptops, tablets, monitors, servers, keyboards, printers, routers, switches, peripherals, and related software, supplies and various IT-related services. This is to support on-going operations, new projects, and future growth. The proposed contract is for a not-to-exceed amount of \$5,400,000 and a term of three years.

The recommendation to select Zones 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-1137. Zones is headquartered in Auburn, Washington, with a local office in Cerritos, California.

The Harbor Department will be financially responsible for payment of expenses incurred under the proposed contract.

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 administratively 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-1137;

SUBJECT: PURCHASE ORDER CONTRACT WITH ZONES, LLC

3. Approve the contract with Zones for the purchase of IT equipment, supplies, and related services for a not-to-exceed compensation amount of \$5,400,000 and a term of three (3) 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 to the said Contract for and on behalf of the Board; and
6. Adopt Resolution No. _____.

DISCUSSION:

Background – 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 this proposed contract and at its meeting on April 26, 2017, the Board approved Contract No. 39811 with Zones for a not-to-exceed amount of \$2,250,000 and a term of three years. Subsequently, the Board approved Purchase Order Change (POC) No. 1 to increase the not-to-exceed amount to \$6,900,000. POC No. 2 did not change the authorized amount or duration of Contract 39811 as funds were requested to be redistributed during FY 2018/19 among existing line items. POC No. 3 was approved by the Board on July 25, 2019, and subsequently by the City Council, and it increased the not-to-exceed amount to \$11,500,000 and extended the contract to May 8, 2022. The total amount spent was approximately \$10,395,638, or \$2.08 million per year, on average, over the five-year term of the prior contract.

Proposed Contract – The proposed contract is for the purchase of IT equipment, supplies and related services in a similar way to the previous Zones contract. Examples of equipment purchased include, but are not limited to, computer-based desktop computers, laptops, tablets, monitors, servers, keyboards, printers, routers, switches, peripherals, and related software, supplies and various IT related 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

SUBJECT: PURCHASE ORDER CONTRACT WITH ZONES, LLC

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.

The proposed contract is for a not-to-exceed amount of \$5,400,000 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 \$5,400,000 over the term of this contract. However, the Harbor Department is not committed to spending this entire amount.

The proposed Contract is the best way for the Harbor Department to procure IT equipment, supplies, and related IT services to support on-going operations, new projects, and future growth. In addition to reduced administrative burden, public entities save on IT products and services that have been pre-scoped, negotiated, and bid.

Selection Process – On May 25, 2022, the Harbor Department conducted a Request for Bid (RFB) process for IT Equipment, Supplies, and Related Services (Bid Number F-1137). Three firms responded to the RFB and submitted proposals. One of the three was deemed unresponsive due to administrative requirements. The other proposal was incomplete, and the firm is not an authorized reseller for NetApp, which is an item required for the Harbor Department's infrastructure and deemed critical.

The recommendation to select Zones is based on the competitive bid process performed by the Contracts and Purchasing Division for Bid Number F-1137 (Transmittal 1). With the proposed contract, the Harbor Department will pay a mark-up percentage of 2% to 5% over authorized reseller's landed unit cost, which is much lower than the Manufacturer's suggested retail price (MSRP) from specified IT equipment manufacturers. Without this contract, the Harbor Department has to establish multiple contracts with different manufacturers and may not receive the lower pricing if purchasing IT equipment with individual purchase requisitions. Moreover, some manufacturers such as NetApp and Cisco only sell their products and services through their authorized resellers.

Zones' bid was the most responsive, thorough, and complete. It was the only submission out of the three that was deemed in compliance with ITD specifications. In addition, Zones' bid is the lowest bid based on net unit price for most of the essential IT equipment that the Harbor Department will purchase.

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.

SUBJECT: PURCHASE ORDER CONTRACT WITH ZONES, LLC

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of a purchase order with Zones for as-needed IT equipment, supplies and related services, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with 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, supplies, and related IT services from Zones for a not-to-exceed amount of \$5,400,000 over its three-year term. There is not expected to be any change in incremental annual maintenance costs if the proposed contract is approved because the existing equipment replacement cycle will be maintained.

Funds for Fiscal Year 2022/2023 in the amount of \$1,550,000 are available from multiple divisions in Accounts 13150 (Capital Equipment Over \$5K), 54120 (Hardware Computer Maintenance Services) and 55160 (Office Equipment), 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.

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 (Capital Equipment Over \$5K)	54120 & 55160 (Hardware Computer Maintenance Services & Office Equipment)	
2022/23	\$240,000	\$1,310,000	\$1,550,000
2023/24	\$240,000	\$1,560,000	\$1,800,000
2024/25	\$240,000	\$1,560,000	\$1,800,000
2025/26	\$ 60,000	\$ 190,000	\$ 250,000
Total Not-To-Exceed Amount:			\$5,400,000

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 \$5,400,000.

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

DATE: SEPTEMBER 13, 2022

PAGE 5 OF 5

SUBJECT: PURCHASE ORDER CONTRACT WITH ZONES, LLC

CITY ATTORNEY:

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

TRANSMITTAL:

1. Harbor Department Bid No. F-1137

Hoa Nguyen

dc=pola, dc=lahd, ou=HQ,
ou=ITD, ou=USERS,
ou=EMP, cn=Hoa Nguyen,
email=HNguyen@portla.or
g
2022.09.13 10:54:22
-07'00'

HOA NGUYEN
Information Systems Manager II

FIS Approval: MB
CA Approval: SO



Digitally signed
by Thomas E.
Gazsi
Date: 2022.09.13
12:31:29 -07'00'

THOMAS E. GAZSI
Chief of Public Safety and
Emergency Management

APPROVED:

Marla Bleairms For

EUGENE D. SEROKA
Executive Director

HN/MH