



**DATE: JULY 9, 2019**

**FROM: INFORMATION TECHNOLOGY**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - PURCHASE ORDER  
CHANGE NO. 3 TO CONTRACT NO. 39811 WITH ZONES, INC. FOR  
INFORMATION TECHNOLOGY EQUIPMENT, SUPPLIES AND  
RELATED SERVICES**

**SUMMARY:**

Staff requests approval of Purchase Order Change (POC) Number 3 to Contract Number 39811 with Zones, Inc. (Zones) for information technology (IT) equipment, supplies and related services. Contract No. 39811 is used on an as-needed basis to purchase computer-based hardware, including desktops, laptops, tablets, monitors, printers, servers, routers, switches, peripherals, supplies and related services. These purchases are required to support on-going IT operations.

The proposed POC No. 3 will increase the not-to-exceed amount by \$4,600,000, to a total not-to-exceed amount of \$11,500,000, and extend the contract duration by two additional years, to a total of five years. The POC will not change any other terms of the contract.

Contract No. 39811 was awarded to Zones based on the competitive bid process performed by the Contracts and Purchasing Division 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 POC No. 3 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 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;

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2. Find that the competitive contracting requirement is met using the responses from the Harbor Department's Bid Number F-969;
3. Approve POC No. 3 with Zones, Inc. for the purchase of IT equipment, supplies, and related services for an amount not-to-exceed \$11,500,000 and a duration of five years;
4. Direct the Board Secretary to transmit said contract to the Los Angeles City Council for approval pursuant to Section 373 of the Charter of the City of Los Angeles and Section 10.5 of the Los Angeles Administrative Code;
5. Authorize the Executive Director to make non-technical corrections or clarifications, within the authorized contract amount, to effectuate the intent of the contract;
6. Authorize the Executive Director to execute and the Board Secretary to attest; and
7. 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 IT operations. 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.

At its meeting on April 26, 2017, the Board approved Contract No. 39811 with Zones for an amount of \$2,250,000 for a term of three years. Zones was selected based on the competitive bid process performed by the Contracts and Purchasing Division for Bid Number F-969.

At its meeting on January 11, 2018, the Board approved POC No. 1 to increase the not-to-exceed amount of Contract No. 39811 by \$4,650,000, for a total not-to-exceed amount of \$6,900,000. This increase was to procure budgeted networking equipment and to consolidate separate purchase orders for budgeted hardware maintenance fees. Staff evaluated procurement options at that time, including other City of Los Angeles contracts, and determined that the most cost-effective approach was to procure these items through the existing Contract No. 39811.

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POC No. 2 was for the purpose of an internal tracking procedure and did not change the authorized amount, duration or any other terms of Contract No. 39811. Therefore, POC No. 2 did not require Board approval.

Proposed POC No. 3 – The proposed POC No. 3 (Transmittal 1) will increase the not-to-exceed amount by \$4,600,000, to a total not-to-exceed amount of \$11,500,000, and extend the contract duration by two additional years, to a total duration of five years. POC No. 3 will not change any other terms of the contract. POC No. 3 will also not change the approved Harbor Department budget, but will provide the means to procure IT equipment, supplies and related services within the approved budget.

With the proposed POC No. 3, Contract No. 39811 will continue to be used to support efficient and productive Harbor Department operations. All Divisions at the Harbor Department will use Contract No. 39811 to procure IT equipment used for their essential functions including, but are not limited to, desktop applications, financial systems, engineering systems, navigation systems, email, communications systems and cyber security.

Most purchases will be to 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, Contract No. 39811 will be used to pay for annual hardware maintenance fees, which are required for security updates and telephone support. The proposed increase of \$4,600,000 over two additional years, or \$2,300,000 per year, is equal to the current average annual amount of the existing contract's \$6,900,000 not-to-exceed amount over three years.

The original recommendation to select Zones was based on the competitive bid process performed by the Harbor Department's Contracts and Purchasing Division for Bid Number F-969 (Transmittal 2). The Harbor Department pays a mark-up percentage of 0.5% to 1.5% over the published IT equipment reseller prices. In addition, if a lower price is offered to a California 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 will have greater administrative burden and may not receive the lower pricing if purchasing IT equipment with individual purchase requisitions.

When considering procurement options for the proposed extension, staff also evaluated other current City of Los Angeles (City) and large public agency contracts. However, staff decided to propose POC No.3 because Contract No. 39811 has more favorable pricing and terms based on what the Harbor Department purchases. For example, most of the Harbor Department purchases will be for replacement equipment which will be

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charged a mark-up of 1.0%, whereas the same purchases on the other City contract would be charged a mark-up of 1.25%. Staff will not request another extension of Contract No. 39811 in the future beyond the proposed five-year term, which is a common duration for City computer hardware contracts.

Expenditures based on actual needs will be incurred only when the Harbor Department authorizes an order. Total expenditures will not exceed \$11,500,000 over the five-year term of this contract. However, the Harbor Department is not committed to spending this entire amount.

Zones is headquartered in Auburn, Washington, with a local office in Cerritos, California.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval of a proposed POC No. 3 with Zones, Inc. for the purchase of IT equipment, supplies, and related services for an amount not-to-exceed \$11,500,000 and a duration of five years, 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 Class 2(f) of the Los Angeles City of CEQA Guidelines.

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**FINANCIAL IMPACT:**

Approval of the proposed POC No. 3 authorizes ITD to increase the Harbor Department's purchases of IT equipment, services and supplies from Zones by an additional \$4,600,000, to a total not-to-exceed amount of \$11,500,000, and extend the contract by two additional years, to a term of five years. The annual maintenance cost of the purchased equipment is anticipated to be the same as the current level because this contract is primarily used for replacement equipment.

Contract No. 39811 is used to purchase IT equipment for all Harbor Department Divisions. 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. Funds for the contract amount for Fiscal Year 2019/2020, in the total amount of \$1,100,000, are available from multiple Divisions in Accounts 13150, 54120 and 55160, Program 000.

Historical spending as well as future expected spending under Contract No. 39811 have been provided within the table below. Future Fiscal Year funds will be requested as part of the annual budgeting process, subject to Board approval.

Fiscal Year	Program 000, Budget Accounts			Total
	13150 (Equipment Over \$5,000)	54120 (Hardware Maintenance)	55160 (Office Equipment)	
2017/18				\$4,312,496
2018/19				\$2,487,504
2019/20	\$100,000	\$350,000	\$650,000	\$1,100,000
2020/21	\$800,000	\$350,000	\$650,000	\$1,800,000
2021/22	\$800,000	\$350,000	\$650,000	\$1,800,000
Total Not-to-Exceed Amount:				\$11,500,000

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 contract will not exceed \$11,500,000.

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 contract.

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**CITY ATTORNEY:**

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

**TRANSMITTAL:**

1. Purchase Order Change No. 3
2. Harbor Department Bid No. F-969

FIS Approval:   
CA Approval: \_\_\_\_\_




LANCE KANESHIRO  
Chief Information Officer



THOMAS E. GAZSI  
Chief of Public Safety and  
Emergency Management

APPROVED:



EUGENE D. SEROKA  
Executive Director

LK:lk