



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the
Board of Harbor Commissioners

DATE: AUGUST 8, 2011

FROM: INFORMATION TECHNOLOGY DIVISION

SUBJECT: RESOLUTION NO. _____ - AWARD OF CONTRACT TO EN POINTE TECHNOLOGIES, INC. FOR COMPUTER HARDWARE, NETWORK EQUIPMENT, AND OTHER RELATED EQUIPMENT, SOFTWARE, SUPPLIES AND SERVICES

SUMMARY:

The Information Technology Division (ITD) is requesting approval to award a purchase order contract to En Pointe Technologies, Inc. (En Pointe), located in Gardena, California, for an amount not-to-exceed \$1,800,000 for the purchase of computer hardware, network equipment, and other related equipment, software, supplies, and services. The expiration date of this contract shall be December 31, 2013.

This contract will be used to purchase computer-based hardware to support on-going operations, including as-needed purchases for obsolete equipment replacement, new projects, and future growth. This includes purchasing desktop computers, monitors, keyboards, printers, laptops, routers, switches, and peripherals.

This recommendation is based on the competitive bid process performed by the City and County of San Francisco (San Francisco) for its contract PSC 4056-08/09. The City of Los Angeles Harbor Department (Harbor Department) first considered using contracts from other City of Los Angeles and County of Los Angeles departments. However, the San Francisco En Pointe contract best met the Harbor Department's requirements, including providing the benefits of volume discounted pricing and reduced administrative burden.

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 and County of San Francisco's Request for Proposals (RFP), which resulted in the City and County of San Francisco awarding its contract PSC 4056-08/09;

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2. Approve the contract with En Pointe Technologies, Inc. for the purchase of computer hardware, network equipment, and other related equipment, software, supplies, and services for an amount not-to-exceed \$1,800,000 with an expiration date of December 31, 2013;
3. Authorize the Executive Director or designee 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 purchase, installation, maintenance, and replacement of computer-based hardware for all Harbor Department Divisions.

The ITD currently purchases computer-based hardware through a contract with En Pointe. The Board approved Contract No. 39478 with En Pointe on April 16, 2009 for a not-to-exceed amount of \$1,500,000 and an expiration date of August 31, 2011. The existing contract has significantly improved the procurement of computer-based hardware by reducing the hardware cost, reducing the procurement time, and increasing standardization. The amount of \$1,500,000 over the term of the existing contract was approximately 50 percent less than the rate of hardware expenditures compared to before 2009.

Prior to the existing contract, the Harbor Department purchased computer-based hardware with separate purchase requisitions. When new and/or replacement equipment was required, ITD initiated a requisition to procure the required items. The individual bid process was very labor intensive and costly for both the Harbor Department and the vendors. Typically, vendors offer greater discounts on long-term contracts that provide an opportunity for high-volume sales. For example, purchases made with individual requisitions may receive no discount.

Another concern with the prior process of using separate requisitions was that equipment was not procured in a timely manner. It typically took from one month to several months from the time a requisition was initiated to the time the equipment was received. The waiting for equipment reduces the productivity of staff.

Separate equipment purchases also previously contributed to a non-standardized IT infrastructure, which was more costly to maintain and support.

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Procurement Options – Harbor Department staff evaluated the following options to procure IT related equipment and supplies:

- **Join Another Governmental Contract** – The Harbor Department considered joining computer-based hardware contracts used by the City of Los Angeles, County of Los Angeles, and the Western States Contract Alliance (WSCA). However, the available contracts require separate contracts with each manufacturer. While this may be feasible for very large organizations that purchase large quantities from each manufacturer, the Harbor Department procures smaller volumes of computer-based hardware from a range of manufacturers and would be required to administer five or more contracts to obtain the same benefits offered under the proposed contract request. Multiple manufacturer contracts require a great amount of staff time and resources.

The Los Angeles World Airports (LAWA) informed the Harbor Department that it intends to use the San Francisco En Pointe contract, which provides volume discounted pricing and allows purchases from multiple hardware manufacturers. The contract also requires that prices be the lower of the guaranteed contract discount price or the price offered for any government, educational, or other special pricing programs (e.g. – WSCA).

- **Opt Not to Contract** – If the Harbor Department opted not to establish a contract for IT related equipment, it would need to procure equipment with individual requisitions as it did previously. The individual procurement practice is more costly and less productive.
- **The Harbor Department Prepares Its Own Request for Bids** – It is unlikely that the Harbor Department would obtain lower prices due to its smaller purchase volume. For example, the San Francisco contract is for up to \$12,000,000 over three years. Combined with a lower purchasing leverage and the length of time to release a Request for Bids, this option is likely to result in more cost and time, making it a less desirable option.

Proposed Contract – The proposed contract is to purchase computer hardware, network equipment, and other related equipment, software, supplies and services. The ITD will administer the proposed contract for computer-based hardware purchases for all Harbor Department Divisions. Examples of hardware that will be purchased include:

- **Computers:** Desktop computers, laptops, and data processing equipment;
- **Network Equipment:** Network routers, switches, firewalls, wireless equipment, IT security equipment, and remote access equipment;
- **Related Equipment:** Monitors, keyboards, printers, drives, scanners, and other equipment connected to the computer and network; and
- **Supplies:** Cables, wires, and adapters.

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Most purchases will replace existing computer-based hardware 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 equipment may not be supported by the vendor, be incompatible with other technologies, have performance issues, and/or be costly to repair. In addition, the ITD anticipates the need for hardware purchases to accommodate new projects and growth.

The requested not-to-exceed amount is \$1,800,000. This amount is based on:

- Expenditure rate from the existing computer-based hardware contract – The entire \$1,500,000 amount of the existing contract is expected to be spent before it expires on August 31, 2011. As previously mentioned, this is approximately 50 percent less than the expenditure rate prior to 2009. This same amount of \$1,500,000 is anticipated for replacement equipment purchases under the proposed contract.

The Harbor Department's existing hardware inventory includes approximately 800 desktop computers, 80 laptop computers, 600 printers, and 80 network switches and routers. Over the approximately 29-month term of the proposed contract, an estimated 500 desktop computers, 60 laptop computers, 300 printers, 20 servers, 20 network switches and routers, and related peripheral equipment are expected to be replaced. In addition, the proposed contract is anticipated to be used to replace other existing computer-based equipment, such as the monitor displays and related equipment, in the renovated lobby, cruise terminal, training facilities, teleconference and meeting rooms, and other Harbor Department buildings.

- Anticipated growth and future projects – The remaining \$300,000 of the proposed contract is to meet the anticipated requirements from growth and future projects. The technology infrastructure continues to grow as the Harbor Department expands the use of computer-based systems. For example, the growing requirements for IT security will result in the need for additional IT security and network equipment. The ITD also supports projects led by other divisions, including facility construction and building renovation projects, which are incorporating greater requirements for network and computer-based equipment.

Expenditures based on actual needs, will be incurred only when the Harbor Department authorizes an order. Total expenditures will not exceed \$1,800,000 over the term of this contract. However, the Harbor Department is not committed to spending this entire amount.

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Selection Process – The recommendation to select En Pointe is based on the competitive bid process performed by the City and County of San Francisco’s Request for Proposals for its contract number PSC 4056-08/09 (Transmittal 2). The proposed “piggy-back” contract is a more cost-effective approach, rather than the Harbor Department conducting its own bid, because the San Francisco contract is based on a value up to \$12,000,000. San Francisco’s much larger contract amount benefits the Harbor Department because vendors provide greater discounts and lower mark-ups because of the higher volume sales.

With the proposed En Pointe contract, the Harbor Department will be guaranteed minimum discounts that range from 11% to 33.5% for equipment from specified manufacturers (Dell, Hewlett-Packard, Cisco, and IBM) and a cap on percentage of markup of a range from 6.5% to 10% for equipment from non-specified manufacturers. In addition to these guaranteed minimum discounts, if a lower price is offered to any 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 a discount if purchasing computer-based hardware with individual purchase requisitions.

The Harbor Department’s small business program requirement does not apply to procurement contracts as a separate city ordinance governs this activity. En Pointe is based in Gardena, California. This will be En Pointe’s second contract with the Harbor Department.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval to award a purchase order contract to En Pointe for the purchase various computer equipment and services. As an administrative activity, the Director of Environmental Management has determined the proposed action is exempt from the California Environmental Quality Act (CEQA) in accordance with Article II, Section 2(f) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

This Board action will have no direct employment impact in the five-county region.

FINANCIAL IMPACT:

Approval of the proposed not-to-exceed \$1,800,000 contract ending on December 31, 2013 with En Pointe authorizes the Information Technology Division to purchase computer hardware, network equipment, and other related equipment, software, and

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supplies. Subsequent to contract completion, it is expected that annual operating and maintenance costs will be approximately \$15,000 more than the current level. This is attributed to the cost of maintenance and repairs that are not covered under warranties for the \$300,000 in new equipment to support future projects and growth. The equipment purchased with the remaining \$1,500,000 of this contract will be used to replace existing hardware; the annual maintenance cost of the equipment replacing existing hardware is expected to be the same as the current level because the replaced hardware will be taken out of service.

Funds for fiscal year 2011/2012 in the amount of \$750,000 are available in Accounts 13240 and 55160, Program 000. Each Division has budgeted funds for their anticipated computer hardware needs. When a Division requests computer-based hardware, software, and supplies, the requesting Division will transfer the budget to the Information Technology Division.

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	Center No. 0640, Program 000		Anticipated Amount
	Accounts		
	13240	55160	
	Capital Acquisition (hardware)	Office Equipment (PC, laptop, printer, monitor, etc.)	
2011/2012	\$100,000	\$650,000	\$750,000
2012/2013	\$100,000	\$650,000	\$750,000
2013/2014	\$50,000	\$250,000	\$300,000
Total Not-to-Exceed Amount			\$1,800,000

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 the subject contract and has approved it as to form and legality.

TRANSMITTALS:

1. Harbor Department Bid No. F-763
2. City and County of San Francisco Contract Number PSC 4056-08/09

FIS Approval: RP (initials)
City Attorney Approval: CFB (initials)



LANCE KANESHIRO
Chief Information Officer



MOLLY CAMPBELL
Deputy Executive Director

APPROVED:



GERALDINE KNATZ, Ph.D.
Executive Director

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