



DATE: AUGUST 29, 2012

FROM: INFORMATION TECHNOLOGY

SUBJECT: RESOLUTION NO. _____ – CONTRACT WITH COMPUCOM SYSTEMS FOR COMPUTER SOFTWARE AND RELATED SUPPORT SERVICES

SUMMARY:

The Information Technology (IT) Division is requesting approval to award a Contract to CompuCom Systems (CompuCom) for the purchase of computer software, computer software maintenance renewals, and related support services. The recommendation to select CompuCom is based on the competitive bid process performed by the City of Los Angeles (City) General Services Department for its Contract ID 58636.

The proposed Contract is for an amount not-to-exceed \$3,375,000 and a term of up to April 30, 2015. The initial term shall be from the proposed Contract's execution date until April 30, 2013. The Executive Director may exercise up to two options to extend the proposed Contract for an additional year each, in coordination with extensions of the City's Contract ID 58636. The proposed Contract shall be active only if the City's Contract ID 58636 is active.

CompuCom is headquartered in Dallas, Texas, and has a Southern California office in Rancho Santa Margarita, California.

RECOMMENDATION:

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

1. Find that in accordance with Los Angeles Administrative Code, Division 10, Chapter 1, Article 2, the competitive contracting requirement is met using the responses from the City's Request for Bids (RFB), which resulted in the City awarding its current Contract ID 58636;
2. Approve the Contract with CompuCom for the purchase of computer software and related support services for an amount not-to-exceed \$3,375,000 with a term inclusive of renewal options, of up to April 30, 2015;

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3. Authorize the Executive Director or designee to execute the Contract and two renewal options; and
4. Adopt Resolution No. _____.

DISCUSSION:

Background – The IT Division provides direct computer and communications systems support services to approximately 1,000 City of Los Angeles Harbor Department (Harbor Department) employees and on-site consultants. The Harbor Department uses more than a hundred different types of software for computers, enterprise systems, databases, and other IT needs. Software expenditures include the initial software purchase and annual software maintenance fees to be able to use the software.

Prior to 2009, computer software and services were purchased with separate purchase requisitions. The IT Division would initiate a purchase requisition each time a purchase was required to pay for new software, additional user licenses or annual software maintenance fees. This method was labor intensive for both the Harbor Department and the vendors.

In August 2009, the Board approved Contract No. 39477 with CompuCom to purchase computer software and related support services. Contract No. 39477 was based on the City's General Services Department contract. Authorized software resellers, such as CompuCom, are used to more efficiently purchase software from multiple vendors when needed. Utilizing a software reseller reduces the administrative burden of establishing hundreds of individual purchase requisitions, improves the management of software license compliance records, and reduces the time to acquire software. Another potential benefit is volume discounts via scale economies. Contract No. 39477 was for an amount not-to-exceed \$3,000,000 and a term of three years. Approximately \$2.9 million was spent on Contract 39477, which expired on August 12, 2012.

Proposed Contract – The proposed Contract (Transmittal 1) with CompuCom is for the purchase of computer software, computer software maintenance renewals, and related support services. The requested not-to-exceed amount of \$3,375,000 over three years is approximately the amount that the Harbor Department has historically spent for computer software plus the anticipated annual price increases of six to eight percent. In Fiscal Year 11/12, the total expenditures for computer software and computer software renewals are approximately \$1.04 million. The annual price increase is determined by each software vendor, and not based only on inflation. The requested amount does not include software that is contracted directly with the vendor, such as the contract with Infor Global Solutions that the Board approved at its August 16, 2012 meeting. The requested amount also does not include software expenses for new grant-funded projects that may require additional computer software purchases. If additional software is required for grant-funded projects over the term of the proposed Contract, then the IT

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Division may request additional authorization from the Board when grant funds are approved.

Under the proposed Contract, the total cost for most software expected to be purchased by the Harbor Department is CompuCom's actual cost plus 4% markup. In addition, the Contract provides a 3% discount if payment is made within 26 days. The effective pricing could potentially be cost plus 1%. The Finance Division's current and anticipated future invoice payment processes can meet this 26-day requirement to realize the discount. This markup is cost effective for the Harbor Department because the proposed Contract consolidates software license and annual maintenance purchases for more than one hundred different types of software, which reduces the internal administrative burden when compared to processing the purchases individually. Further, CompuCom has industry status as a Large Account Reseller (LAR), which entitles it to the lowest cost offered by software manufacturers at the time of purchase. The Los Angeles World Airport also piggybacked off of City Contract ID 58636 for its software purchases.

Expenditures based on actual needs, will be incurred only when the Harbor Department authorizes an order. Approximately ninety percent of the proposed amount is anticipated to be for annual software maintenance renewal fees. Software maintenance is required to be able to continue to use the software, receive updates, and/or access problem resolution support. The cost of these related support services are included in the price of the annual maintenance and do not overlap with other IT services agreements. Harbor Department staff cannot perform these software vendor support services because it requires specialized and proprietary knowledge of the software. The remaining amount of the proposed Contract may be used to purchase new software licenses when needed and authorized. Total expenditures will not exceed \$3,375,000 over the term of the proposed Contract. However, the Harbor Department is not committed to spending this entire amount.

Selection Process – CompuCom was selected based on a competitive bid process conducted by the City's General Services Department in 2006. The term of the City's Contract ID 58636 is ten years, if all extension options are exercised. A copy of the City's Contract ID 58636 is attached (Transmittal 2). CompuCom is based in Dallas, Texas, and has a Southern California office in Rancho Santa Margarita, California.

Six (6) vendors responded to the City's bid: EnPointe, CompuCom, Software House International, PC Mall GOV, Technology Integration Group (TIG), and ASAP Software Express. Both Software House International and PC Mall GOV failed the good faith efforts compliance, and were disqualified from the bid. The lowest responsive bidder was determined to be CompuCom. Subsequently, the City awarded Contract ID 58636 to CompuCom for \$100,000,000 for an initial term of five years, plus an additional five one-year renewal options. The City has currently exercised the most recent option to extend the City's Contract ID 58636 until April 30, 2013.

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The term of the proposed Harbor Department Contract with renewal options is up to April 30, 2015, or as long as the City's Contract ID 58636 is active, whichever is less. To synchronize the proposed Harbor Department Contract's beginning and ending dates with the City's Contract ID 58636, the initial term shall be from the proposed Harbor Department Contract's execution date until April 30, 2013. If the City continues to exercise its renewal options, then the Executive Director may exercise up to two options to extend the proposed Harbor Department Contract. The first option shall extend the proposed Harbor Department Contract from May 1, 2013 through April 30, 2014. The second option shall extend the proposed Harbor Department Contract from May 1, 2014 until three years from the Contract's execution date. If the City does not exercise its future renewal options, then the proposed Harbor Department's Contract will terminate on the end date of the City's Contract ID 58636.

ENVIRONMENTAL ASSESSMENT:

The proposed action award of a Contract to CompuCom for computer software purchases, maintenance renewals, and other support 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) in accordance with Article II, Section 2(f) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

Approval of the proposed Contract will support 17 direct and 19 secondary one-year equivalent jobs for the five-county region.

FINANCIAL IMPACT:

Approval of the proposed Contract for a term of up to three years with CompuCom would authorize the purchase of computer software and related support services in support of on-going operations. Funds for Fiscal Year 2012/13 are budgeted in the amount of \$1,060,000. For Fiscal Years 2013/14 and 2014/15, an appropriation is required as part of the annual budget process in each respective fiscal year. Funds are expected to be expended from Account 54110, Center 0640, Program 000, as follows.

<u>Fiscal Year</u>	<u>Not-to-Exceed Amount</u>
2012/13	\$1,060,000
2013/14	\$1,124,000
<u>2014/15</u>	<u>\$1,191,000</u>
Total	\$3,375,000

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The above annual totals are not-to-exceed amounts based on historical expenditures and expected annual vendor price increases. The annual amounts may change between fiscal years up to the available budget in that fiscal year. However, the total aggregate amount will not exceed \$3,375,000 over three years, the not-to-exceed contract amount.

The proposed Contract will not require office space for consultants.

A funding out clause has been included in the proposed Contract.

CITY ATTORNEY:

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

TRANSMITTALS:

- 1. Harbor Department Contract
- 2. City of Los Angeles Contract ID 58636

FIS Approval: KL (initials)
 CA Approval: IR (initials)


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APPROVED:



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