



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the

Board of Harbor Commissioners

DATE: JANUARY 21, 2015

FROM: INFORMATION TECHNOLOGY

**SUBJECT: RESOLUTION NO. _____ – CONTRACT NUMBER 39715
WITH COMPUCOM SYSTEMS FOR COMPUTER SOFTWARE AND
RELATED SUPPORT SERVICES**

SUMMARY:

The Information Technology (IT) Division is requesting approval to award Contract No. 39715 to CompuCom Systems (CompuCom) for the purchase of computer software, computer software maintenance renewals, and related software maintenance support services for the City of Los Angeles Harbor Department (Harbor Department). The recommendation to select CompuCom is based on the competitive Request for Bid (RFB) 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 \$5,280,000 and a term of three years from the date of the last signature on Contract No. 39715. CompuCom is headquartered in Dallas, Texas, and has a Southern California office in Rancho Santa Margarita, California. Expenses for the proposed Contract No. 39715 are the financial responsibility of the Harbor Department.

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 RFB, which resulted in the City awarding its current Contract ID 58636;
2. Approve Contract Number 39715 with CompuCom for the purchase of computer software and related support services for an amount not-to-exceed \$5,280,000 with a term of three years;
3. Adopt Resolution No. _____.

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DISCUSSION:

Background/Context – The IT Division provides computer and communications services to the approximately one thousand Harbor Department employees and on-site consultants. On-site consultants that require a connection to the Harbor Department network to perform their work are provided with Harbor Department equipment to use to ensure a secure computing environment. This may include the use of desktop computers, desk telephones, local and remote network access, log-in accounts for software support and data storage. The Harbor Department uses more than a hundred different types of software licenses for computers, enterprise systems, databases, operating systems, tools, and other IT needs.

Software expenditures include the initial software license purchase and the on-going annual software maintenance fees. Software maintenance is required to be able to continue to use the software and receive updates to address security vulnerabilities, bug fixes and enhancements. Software maintenance support services include problem resolution assistance, where the Harbor Department staff can contact the vendor for assistance via telephone, email, web portal or other remote access. The cost of the software maintenance support services are included in the price of the annual software maintenance and do not overlap with other IT services agreements. Harbor Department staff cannot perform the software maintenance support services because it requires specialized and proprietary knowledge of the software.

Prior to 2009, computer software licenses, software maintenance and related maintenance support 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.

Since 2009, the Harbor Department has used the City's General Services Department Contract ID 58636 with CompuCom to improve the procurement of software. 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 because the Harbor Department's prices are based on the City's purchase volume, which is much larger than the Harbor Department's alone.

The Board has previously authorized two Harbor Department contracts based on the City's Contract ID 58636 with CompuCom. In August 2009, the Board approved Harbor Department Contract No. 39477 for an amount not-to-exceed \$3,000,000 over its three year term, of which approximately \$2,900,000 was spent. In August 2012, the Board approved Contract No. 39643 for an amount not-to-exceed \$3,375,000 that expires in April 2015, of which approximately \$3,200,000 has been spent to date.

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Proposed Contract – The proposed Contract No. 39715 (Transmittal 1) with CompuCom is for the purchase of computer software, computer software maintenance renewals, and related maintenance support services. It is for software purchases for all Divisions at the Harbor Department.

If approved, the proposed Contract No. 39715 will be the third contract awarded to CompuCom because they are all based on the City's Contract ID 58636 (Transmittal 2), which was the current City software contract at the time of the previous two awards and continues to be the current City software contract at this time.

The proposed Contract No. 39715 amount is for an amount not-to-exceed \$5,280,000 and for a term of three years from the date of the last signature on Contract No. 39715. The reasons for the increase from the previous contract amount are due to the cost of on-going maintenance fees for existing software plus estimated vendor price increases, software to meet new business requirements and IT trends, software to address evolving cybersecurity risks, and software to comply with Citywide standards and initiatives.

- Approximately \$4,280,000 over the three-year term is for on-going annual software maintenance costs for existing software. This is based on the actual expenditures of \$1,274,818 in calendar year 2014 plus annual software vendor price increases of approximately 5% per year on average for the term of the proposed Contract. The annual price increase is determined by each software vendor, and not based only on inflation. Examples of existing software include front-end software such as enterprise business applications, desktop software, and email, and back-end software such as databases, operating systems, disaster recovery, IT troubleshooting, technology management, cyber security and network software tools.
- Approximately \$450,000 over the three-year term, or \$150,000 per year, is for software related expenses for new business and technology requirements, including new licensing models as the industry moves towards cloud and mobile computing solutions. While these technology trends typically result in greater overall efficiencies for staff and reduced infrastructure, these trends often incur greater software licensing costs due to more devices (e.g. – software licenses required for both desktop computer and mobile devices), different licensing models (e.g. – software-as-a-service licensing for cloud-based solutions), and the need for supporting technology management and security software tools to implement these trends.
- Approximately \$450,000 over the three-year term, or \$150,000 per year, is for new cyber security software tools required to address the rapidly growing and evolving cybersecurity risks. The tools that exist today may not be appropriate for future cyber risks. Over the three year term of the proposed Contract, the Harbor Department is expected to need new software tools to address the changing cyber risks to protect its information and systems.

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- Approximately \$100,000 over the three-year term is for software expenses related to Citywide standards and initiatives, including the Mayor's Executive Directives and other initiatives. The Harbor Department may be required to purchase software licenses for its use to comply with the Citywide efforts.

Expenditures based on actual needs will be incurred only when the Harbor Department authorizes an order. Total expenditures will not exceed \$5,280,000 over the term of the proposed Contract. However, the Harbor Department is not committed to spending this entire amount. Transmittal 3 includes a matrix of current and estimated future software expenditures.

The requested amount does not include software purchased directly from the software vendor. The requested amount also does not include expenses for possible 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 Division may request additional authorization from the Board when grant funds are approved.

Under the proposed Contract No. 39715, the total cost for most software expected to be purchased by the Harbor Department is CompuCom's actual cost plus 4% markup. However, the proposed Contract provides a 3% discount if payment is made within 26 days. Therefore, 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 (LAWA) also piggybacked off of City Contract ID 58636 for its software purchases. The types and usage of the proposed CompuCom contract is consistent with LAWA because both City Departments use many of the same software systems.

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. A copy of the City's Contract ID 58636 is attached. 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. 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-

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year renewal options. The City has exercised the most recent option to extend the City's Contract ID 58636 until April 30, 2015. The proposed Harbor Department Contract includes a survivability clause, which allows the proposed Contract term to be for a full three years even though the City's Contract ID 58636 ends on April 30, 2015.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval to award Contract No. 39715 to CompuCom for computer software, maintenance renewals and related 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 62 direct and 50 secondary one-year equivalent jobs for the five-county region.

FINANCIAL IMPACT:

Approval of the proposed Contract No. 39715 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 2014/15 are budgeted in the IT Division in the amount of \$380,000 for the remainder of this fiscal year. For Fiscal Years 2015/16, 2016/17 and 2017/18, 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 for software maintenance fees and approved capital funds for new license purchases, as follows.

<u>Fiscal Year</u>	<u>Not-to-Exceed Amount</u>
2014/15	\$380,000
2015/16	\$1,400,000
2016/17	\$1,700,000
<u>2017/18</u>	<u>\$1,800,000</u>
Total	\$5,280,000

The above annual totals are not-to-exceed amounts. 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 \$5,280,000 over three years, the not-to-exceed amount of Contract No. 39715.

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The proposed Contract No. 39715 will not require office space for consultants.

A funding out clause has been included in the proposed Contract No. 39715.

CITY ATTORNEY:

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

TRANSMITTALS:

1. Harbor Department Contract No. 39715
2. City of Los Angeles Contract ID 58636
3. Current and Future Software Expenditures

FIS Approval: MB (initials)
CA Approval: CRB (initials)



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