

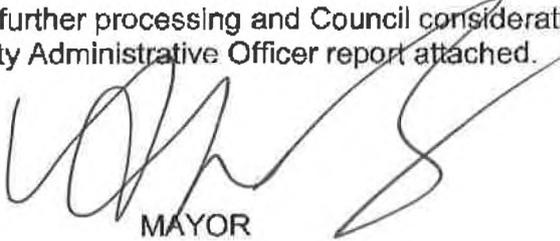
0150-10429-0000

**TRANSMITTAL**

<b>TO</b> Eugene D. Seroka, Executive Director Harbor Department	<b>DATE</b> JUN 16 2015	<b>COUNCIL FILE NO.</b>
<b>FROM</b> The Mayor	<b>COUNCIL DISTRICT</b> 15	

**PROPOSED AGREEMENT BETWEEN THE HARBOR DEPARTMENT AND  
 KLEIN SYSTEMS GROUP LTD., FOR BILLING AND PORT PILOT SYSTEMS  
 SOFTWARE LICENSES, MAINTENANCE AND SUPPORT SERVICES**

Transmitted for further processing and Council consideration.  
 See the City Administrative Officer report attached.

  
 MAYOR

MAS:ABN:101500991

**REPORT FROM**

**OFFICE OF THE CITY ADMINISTRATIVE OFFICER**

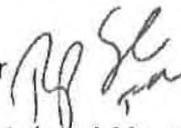
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Date: June 16, 2015

CAO File No. 0150-10429-0000  
Council File No.  
Council District: 15

To: The Mayor

From: Miguel A. Santana, City Administrative Officer



Reference: Correspondence from the Harbor Department dated May 26, 2015; referred by the Mayor for report dated May 28, 2015

Subject: **PROPOSED AGREEMENT BETWEEN THE HARBOR DEPARTMENT AND KLEIN SYSTEMS GROUP LTD., FOR BILLING AND PORT PILOT SYSTEMS SOFTWARE LICENSES, MAINTENANCE AND SUPPORT SERVICES**

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**SUMMARY**

The Harbor Department (Port) Board of Harbor Commissioners (Board) request approval of Resolution No. 15-7805 authorizing a proposed sole-source Agreement with the Klein Systems Group Ltd (Klein) to provide software licenses, maintenance and professional technical support services for the Port's billing and Port Pilot's systems. According to the Port, these services are needed to use Klein's proprietary software systems and technical support services to handle the Port of Los Angeles' (POLA) financial responsibilities and improve its departmental capabilities, including improving current and future billing requirements and streamlining and improving Port Pilot operations. The proposed Agreement is for a total of five years and a maximum expenditure amount of \$3,000,000. In accordance with Charter Section 373, and the Los Angeles Administrative Code (LAAC) Section 10.5, Council approval is required for a contract with a term that exceeds three years.

**BACKGROUND**

Klein is an international software and technical support services company based in British Columbia, Canada, and specializing in enterprise software solutions for maritime ports and pilotages (fees for piloting vessels). In March 2012, the Port approved a contract with Klein for professional, business, software and technical support services. The contract included similar services to those being requested in the proposed Agreement. These services included implementing electronic data exchanges for shipping industry standards, receipts for rail and truck cargo billings, and upgrading the Port Pilot systems. The Port approved the previous contract for three years in the amount of \$975,000 or \$325,000 per year for professional services. In the 2014-15 fiscal year, in addition to professional services, the contract included separate costs for software maintenance fees for the Billing System of approximately \$147,000 and for the Port Pilot System of approximately \$64,000. According to the Port, the total three-year contract cost for Klein was approximately \$536,000.

**DISCUSSION**

The proposed sole source Agreement with Klein is for professional services, software license and maintenance fees to support the POLA's Billing and Port Pilot Systems and assist the Port's informational technology staff. The Port states that it has full-time and part-time staff to provide technical support to the Billing and Port Pilot systems.

The Port states that the Billing System is critical to the overall financial operations and revenue collections of the POLA and generates invoices for approximately 36,000 transactions, 4,000 vessel calls and more than \$400 million in revenue each year. The Billing System includes the following activities: provides revenue for tariff charges for wharfage (use of wharves), dockage, pilotage and other charges for POLA customers, as specified in the Agreement; supports Port staff in processing data for forecasting, bond issuance and renewal activities; and, supports and processes past economic recovery programs. The Port Pilot System supports the safe, reliable and efficient operations for pilotage and marine services. According to the Port, the System provides pilot dispatching solutions and tracks ship berthing activity, which is subsequently sent to the Billing System to produce pilotage invoices. The Port states that the Port Pilots have safely completed more than 52,000 vessel movements.

The proposed \$3,000,000 in expenditure over the five-year term of the Agreement will be used to support, develop and implement software licenses and maintenance and professional services for the following scope of work categories and services to be performed:

Scope of Work Categories	Estimated Cost (over five-year term)	Services to be Performed
Software enhancements	\$600,000	Software used to assist Port staff and improve services to POLA customers by developing an interface to share information across other Port systems on financial and statistical reports, invoices, charges, and vessel movements
Software License and Maintenance Fees	\$1,600,000	Software License and fees are required to continue use of existing and newly patented and proprietary software by Klein, including for software modules, updates, security patches, bug fixes and technical support
Future requirements	\$800,000	Future billing and Port Pilot requirements will be used to provide software changes in Port tariff fees, customer services agreements special billing programs and various electronic interface reports.
<b>Total</b>	<b>\$3,000,000</b>	

The Port states that without approval of the proposed Agreement and services of Klein, the POLA would not be able to properly use Klein's proprietary software and technical support services. Klein is the sole source provider of the proprietary software and technical support and maintenance services. As a result, Klein was selected for a sole source agreement because of its exclusive knowledge and tools to perform and maintain the work load. The Port states that Klein has provided timely and satisfactory technical support and maintenance services. The Klein software systems are meeting the Port's billing and Port Pilot requirements and the Port believes that keeping their services would be in the best interest of the POLA. The Port states that if the proposed Agreement is not approved, it could result in greater operational inefficiencies, a lessening of staff productivity and disruption in the technological work processes currently in place. The Port states that the proposed Agreement with Klein qualifies for a sole-source awards based on its proprietary "performance of professional, scientific, expert, technical and special services..." pursuant to Charter Section 371 (e)(10) and LAAC Section 10.15 (a)(10).

#### **CITY CONTRACTING COMPLIANCE**

The City Attorney has reviewed and approved the proposed Agreement as to form. The proposed Agreement is in compliance with all applicable provisions of City Ordinances and contracting requirements. The proposed Agreement is subject to Living Wage, Services Workers Retention, Equal Benefits, Insurance requirements, and Affirmative Action requirements. Pursuant to Charter Section 1022, the Port has determined that the work in the Agreement can be performed more economically and feasibly by independent Contractors than City employees because of the proprietary software and technical support. Subcontracting opportunities are not available in this Agreement. However, if Klein employs subcontractors in the future, they will need to notify the Port and list subcontractor monitoring reports listing MBE/WBE participation for the services. The Port states that it will not be bound by the terms of the proposed Agreement in any fiscal year in which the Board does not approve an appropriation of funds. According to the Port, Klein will comply with the provisions of all applicable contracting requirements.

The Port Director of Environmental Management has determined that this an administrative activity and is therefore 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.

#### **RECOMMENDATION**

That the Mayor approve Harbor Department (Port) Resolution No. 15-7805 authorizing a proposed sole-source Agreement with the Klein Systems Group Ltd (Klein) to provide software licenses, maintenance and professional technical support services for the Port's Billing and Port Pilot Systems for an amount not to exceed \$3,000,000 and a contract term of five years, and return the document to the Port for further processing, including Council consideration.

## **FISCAL IMPACT STATEMENT**

The proposed Agreement between the Harbor Department (Port) and Klein Systems Group Ltd, will be in an amount not to exceed \$3,000,000 for five years. The Port is not committed to spend the entire amount and future expenditures will be based on actual needs and used only when the Port authorizes the use and performances of services as designated in the proposed Agreement. Annual funding appropriations will be required by the Board of Harbor Commissioners as part of the annual budget adoption process. There is no impact to the City General Fund and applicable funding will be provided by the Harbor Revenue Fund.

## **TIME LIMIT FOR COUNCIL ACTION**

Pursuant to Charter Section 373, "Long Term Contracts Approved by Council," and the Los Angeles Administrative Code Section 10.5, "Limitation and Power to Make Contracts," unless the Council takes action disapproving a contract that is longer than three years within 60 days after submission to Council, the contract shall be deemed approved.

*MAS:ABN:1015099*