



Executive Director's

Report to the

Board of Harbor Commissioners

DATE: MAY 8, 2012

FROM: CONTRACTS AND PURCHASING

SUBJECT: RESOLUTION NO. _____ - RENEWAL OF ANNUAL PROCUREMENT CONTRACTS FOR MATERIALS, SUPPLIES AND SERVICES

SUMMARY:

The City of Los Angeles Harbor Department (Harbor Department) executes annual procurement contracts to purchase business required materials, supplies and services to support Harbor Department operations. These annual procurement contracts are generally awarded for one year, plus two one-year renewal options. Execution of the renewal options extends the contracts past one-year; therefore, Board of Harbor Commissioners (Board) approval is required. To minimize staff impact, these small dollar contracts were bundled into one annual Board action requesting authorization for the Executive Director to execute the renewal options.

In Fiscal Year (FY) 2011/2012, the Executive Director, as authorized by Article 1, Section 10.1.1 (a) of the Los Angeles Administrative Code, executed fifty-three new annual procurement contracts with two, one-year renewal options. Board approval is required to authorize the Executive Director to exercise the renewal option(s) inasmuch as the total contract term will exceed one year. Recognizing that Board approval is required, the Contracts and Purchasing Division (CPD) is requesting authority to authorize the Executive Director to renew the fifty-three annual procurement contracts executed during FY 2011/2012 at an aggregate amount of \$1,980,723.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Find that the fifty-three annual procurement contracts listed in Transmittal 1 adhered to City of Los Angeles competitive selection process;
2. Authorize the Executive Director or designee, at his/her discretion, to execute the renewal options for the annual procurement contracts listed in Transmittal 1, contingent upon funding availability to pay for the materials, supplies, and/or services;
3. Authorize the Executive Director or designee, at his/her discretion, to make technical changes to the annual procurement contracts listed in Transmittal 1, and increase the compensation authority to an amount not-to-exceed \$150,000 per year/contract; and
4. Adopt Resolution No. _____.

DATE: MAY 8, 2012

PAGE 2 OF 4

SUBJECT: RENEWAL OF ANNUAL PROCUREMENT CONTRACTS

DISCUSSION:

Background - Each fiscal year, CPD receives requests from various Harbor Department Divisions to establish annual procurement contracts. These contracts enable Harbor Department staff to purchase commodities and supplies, including, but not limited to, tires, batteries, paint, electrical supplies, and fuel, and to obtain various repair services. As CPD receives requests to establish contracts, CPD determines the lowest price through a competitive bid process, or through cooperative agreements based on contracts established by a City, County, State or other municipality.

A listing of the annual procurement contracts awarded in FY 2011/12, by commodity, is attached as Transmittal 1. Recognizing that these annual procurement contracts are typically under \$100,000 each, it is more cost-effective to award them for multi-year periods, which results in considerable savings in staff administrative hours. Funding for these contracts is budgeted by requesting Harbor Department Divisions during the annual budget process. Each contract is for a term of one year, with two one-year renewal options. Approval of these annual procurement contracts will enable CPD to purchase materials, supplies and repair services on an as-needed and timely basis to ensure that Harbor Department operational needs are met. CPD is requesting authorization to renew fifty-three annual procurement contracts at an aggregate amount of \$1,980,723 for FY 2012/2013. Should the Board provide the authority to the Executive Director to exercise the second and last one-year renewal option for all these contracts, \$1,980,723 would need to be budgeted in FY 2013/2014. It should be noted that although the contracts total is \$1,980,723, the Harbor Department may not expend all the funds authorized for each contract. For example, it is estimated that only \$1,272,413 will be expended in FY 2011/12 inasmuch as these contracts were awarded at different times throughout the year.

With Board approval of the recommendations in this report, the subject contracts will now be considered Board approved contracts; therefore, any amendments, including minor changes to these contracts, will require Board approval. CPD is requesting that the Executive Director be given the authority to make as-needed technical changes to these annual procurement contracts, and increase the compensation authority to an amount not-to-exceed \$150,000 per year/contract. As an example, Contract # 31493-12 for heating, ventilation and air conditioning belts on Transmittal 1 is limited to \$2,500 per year. Should the Harbor Department need to increase this contract by \$100, staff would need to seek Board approval. This action will provide the Harbor Department with the flexibility to adjust the terms and amounts of these contracts at an amount not-to-exceed \$150,000 based on project demands or unforeseen needs, without requiring Board action for each annual procurement contract, and remain in compliance with the Los Angeles Administrative Code. In addition, this action will allow staff to make technical changes which include minor changes to specifications aligned with the scope of work without material deviations, and the addition or deletion of items consistent with the intent of the original contract, and other immaterial modifications such as address, work order, or account changes.

SUBJECT: RENEWAL OF ANNUAL PROCUREMENT CONTRACTS

Examples of technical changes include:

- Change in quantities increase/decrease
- Replacement or substitution for current model or part number
- Additional labor to complete work
- California Occupational Safety and Health Administration or other mandated requirements that may affect the material and/or work specified in the contract.

Compliance - Pursuant to Article 1, Section 10.1.1 (a) of the Los Angeles Administrative Code, the Executive Director of the Harbor Department has the authority to enter into annual procurement contracts and professional service agreements that do not exceed one year and/or \$150,000. Historically, the Executive Director would enter into annual procurement contracts for a term of one year, with two, one-year renewal options. The renewal options were considered to be a new contract or agreement and not an extension of the existing authority; therefore, the Executive Director was continuing to enter into these annual procurement contracts under the authority of Article 1, Section 10.1.1 (a) of the Los Angeles Administrative Code. In 2009, the City Attorney opined that any contract or agreement with the same vendor, for a period of more than one year, which did not undergo a new competitive bid process, must be approved by the Board. As a result, the Executive Director executes these contracts when awarded; however, upon expiration of the initial term, Board approval is required to exercise the renewal options. Due to the number of annual procurement contracts, small dollar values associated with each contract, and the various expiration dates, these annual procurement contracts are presented in aggregate for approval.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of renewal of fifty-three annual procurement contracts. 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 IMPACT:

Spending under these annual procurement contracts will result in approximately 16 direct and 13 secondary (indirect and induced) one-year equivalent job impacts in the five-county region.

FINANCIAL IMPACT:

The proposed Board action requests authorization for the Executive Director to exercise renewal options for fifty-three annual procurement contracts. The maximum cost to the Harbor Department for these contracts listed in Transmittal 1 is an aggregate amount of \$1,980,723 for FY 2012/13. Based on the current year expenditures under these fifty-three contracts, annual expenses have averaged \$1,272,413 per year. Should the Executive Director exercise the second and last, one-year renewal option for these

DATE: MAY 8, 2012

PAGE 4 OF 4

SUBJECT: RENEWAL OF ANNUAL PROCUREMENT CONTRACTS

contracts, \$1,980,723 would need to be budgeted in FY 2013/2014 as part of the annual budget adoption process, subject to Board approval.

The proposed Board action also requests authorization for the Executive Director to make as-needed technical changes to the annual procurement contracts, and increase the compensation authority to an amount not-to-exceed \$150,000 per year/contract. In the event that the Executive Director increased the authority amount of each of these contracts to \$150,000, an additional annual appropriation of \$5,969,277 would be required, subject to the availability of funds in the Harbor Department's approved budget. A funding out clause is included in each of the fifty-three contracts.

CITY ATTORNEY:

The Office of the City Attorney has reviewed this Board report and has determined that this item raise no legal issues at this time.

TRANSMITTAL:

1. List of Annual Procurement Contracts

FIS Approval: KR (initials)
CA Approval: grc (initials)


GLENN R. ROBISON
Director of Contracts & Purchasing


for MOLLY CAMPBELL
Deputy Executive Director

APPROVED:


GERALDINE KNATZ, Ph.D.
Executive Director

GR/tc
Author: TCarey