



DATE: MARCH 9, 2011

FROM: CONSTRUCTION AND MAINTENANCE DIVISION

**SUBJECT: RESOLUTION NO. _____ - INCREASE CONTRACT
AUTHORITY AMOUNTS FOR 13 CONSTRUCTION & MAINTENANCE
PROCUREMENT CONTRACTS**

SUMMARY:

The Construction and Maintenance Division (C&M) requests the approval to increase contract authority amounts on 13 existing annual procurement contracts listed in Transmittal No. 1 by an amount not to exceed \$3,946,000 per year. While contract authority levels may change, actual expenditures will not exceed the budget levels authorized in the C&M operating budget, the Capital Improvement Program (CIP) budget, and the Maintenance Improvement Program (MIP) budget. These contracts are used to purchase plumbing and air conditioning parts, materials, tools and equipment, electrical parts and materials, fire-life safety material, installation and monitoring, as well as fencing installation and the rental of scaffolding and construction equipment. The primary reason for these increases is the current and planned work by C&M on capital projects throughout the Port as a means of continuing our efforts to reduce outside contracts.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Find that in accordance with Los Angeles City Charter Section 1022, work under the subject service contracts can be performed more feasibly by independent contractors than by City employees; and
2. Approve the Purchase Order Changes increasing expenditure authority for the procurement contracts listed in Transmittal No. 1 effective from the date of Board approval through a period not to exceed three years, including renewal options for each contract (if applicable); and
3. Authorize the Executive Director or designee to execute the Purchase Order Changes for each contract for a period not to exceed three years per contract (if applicable); and
4. Adopt Resolution No. _____ .

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DISCUSSION:

Background - The Construction and Maintenance Division (C&M) currently utilizes more than one hundred procurement contracts in order to provide safe, reliable, efficient, and quality C&M services to its customers. A wide range of vendors provide materials and services that allow C&M employees to efficiently maintain the Port's infrastructure. Most of these contracts are for amounts less than \$150,000 per year, can be approved by the Executive Director or her designee, and are typically sufficient for C&M to perform its planned maintenance responsibilities.

Beginning in Fiscal Year 2010-11, \$5 million is being budgeted in the CIP and MIP to address major maintenance or replacement of major facilities and equipment. This follows major increases in work performed by C&M on other capital projects including the new Harbor Administration Building lobby and fifth floor, 300 Water Street construction, and the Berth 93 Disney project, among others.

Additional projects scheduled to occur or commence in the current fiscal year include:

- Re-roofing and roof upgrades of key structures to accommodate the installation of solar panels at the Harbor Administration Building (HAB), Liberty Hill Plaza (LHP), and the Reefer Wash and Receiving Canopy structures at Berth 225;
- Roof restoration at two locations at Berth 91-92, and the replacement of roofs at Berths 54-55 and Berths 154-155;
- Air conditioning replacement at Berth 161, Test Lab, and LHP, as well as heating, ventilation, and air conditioning (HVAC) upgrades and retrofits at HAB and Berth 54-55;
- New emergency generators for Berth 161 and Test Lab;
- Retrofit and upgrades of the elevators at HAB and Warehouse 1;
- Replacement of the siding at the Berth 161 Warehouse;
- Complete upgrades and legal compliance of all backflow valves throughout the Port; and
- Fire alarm system and sprinkler head replacement and installation at Berth 93, Berth 121-131, Berth 174-181, Pier 400, and the Archives Building.

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Some of these projects may be shifted to Fiscal Year 2011-12 depending on the cost and time required, while in some cases these projects may be replaced with higher priority projects. Planning and action on most of these projects has already begun.

Contract Authority Increases – In order to keep projects and regular operations on track, C&M benefits from the use of annual procurement contracts. In the course of normal operations, C&M regularly requests an increase in the spending authority level of a contract. This may be due to extra work needed on a capital project or simply as a result of changing needs in C&M operations (i.e. a terminal needs more replacement electrical parts than usual after normal preventive maintenance is performed).

Changing a contract's maximum spending authority does not mean that all funds will be spent up to that amount. In many circumstances, the funds actually spent fall below the contract amount authorized, even after a POC is approved. Many contracts have contingency amounts that only incur full expenditures in rare situations.

However, several procurement contracts under the jurisdiction of C&M do not have sufficient maximum authority levels to meet the demand of the new projects, and the requested maximum authority levels exceed \$150,000 per year. For this reason, the Board is requested to increase the maximum amounts that can be spent on the contracts listed in Transmittal No. 1.

The various contracts give C&M the flexibility needed to procure key materials and services for the maintenance capital projects. The amount of the contract authority increases reflected in Transmittal No. 1 are estimates for expenditures and are based on what is known today for these projects. Expenditures may fall far short of the recommended increased amount due to changes in a project. Or if additional increases are required, then subsequent Board action will be required to further increase contract authority levels. **It should be clearly noted, however, that while contract authority levels may change, actual expenditures will not exceed the budget levels authorized in the C&M operating budget, the CIP budget, and the MIP budget.**

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval to increase contract authority amounts for 13 procurement contracts. As an administrative action, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

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ECONOMIC BENEFITS:

Spending under the original Purchase Order would have supported 9 direct plus 10 secondary one-year equivalent jobs in the five county region. Spending under the proposed Purchase Order Changes will **have approximately 28 direct and 33 secondary one-year equivalent job** impacts in the region.

FINANCIAL IMPACT:

These Purchase Order Changes modify the maximum spending authority on 13 procurement contracts. No additional costs are scheduled to be incurred beyond the \$5 million amount budgeted in the current Fiscal Year for deferred maintenance projects in the CIP and MIP.

The Harbor Department can choose not to approve the Purchase Order Changes. However, in order to spend the funds necessary to complete the projects discussed above, one-time purchase orders will be required. If any of those orders exceed \$150,000, then Board action will be required, possibly delaying action due to the long time requirements for any Board approval, including a two week wait for possible City Council action.

If the Purchase Order Changes are not approved, there will be no fiscal impact as project funding is already authorized for expenditure. However, the lack of approval may delay the ability of C&M to spend funds on the deferred maintenance and other capital projects, resulting in additional CIP and MIP funds unspent at the end of the Fiscal Year.

\$4.5 million in funding for the deferred maintenance projects is in the Capital Improvement Plan budget and \$500,000 is in the Maintenance Improvement Plan budget. In addition, funding for the capital projects C&M supports is in the CIP and MIP budgets. Funding for FY 2011-12 will be requested as part of the annual budget process upon Board approval.

CITY ATTORNEY:

The City Attorney's Office has reviewed this Board Report and it raises no legal issues at this time, provided that any amendment increasing the contract authority in excess of \$100,000 must be approved as to form by the City Attorney before such amendment may become effective.

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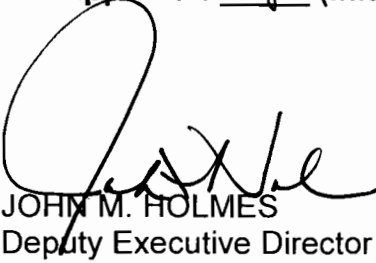
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TRANSMITTALS:

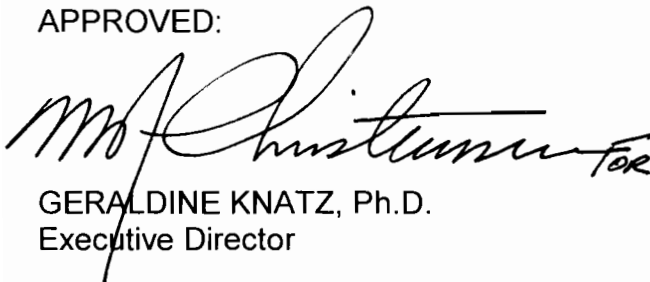
1. Procurement Contracts with Requested Contract Authority Increase

FIS Approval: JK (Initials)


JIM MORGAN
Director of Port Construction and Maintenance


JOHN M. HOLMES
Deputy Executive Director

APPROVED:


GERALDINE KNATZ, Ph.D.
Executive Director

S:/Share/Clerical Documents/Board Items/2010-09-13 – Contract Increases 030311

File No. MGT-3-3
HAR-9-1