



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

Board of Harbor Commissioners

DATE: NOVEMBER 19, 2012

FROM: CONTRACTS AND PURCHASING

SUBJECT: RESOLUTION NO. _____ - PROPOSED AMENDMENT TO LOS ANGELES ADMINISTRATIVE CODE SECTION 10.1.1 TO INCREASE THE CONTRACTING AUTHORITY OF THE EXECUTIVE DIRECTOR

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 typically under \$100,000 each and are awarded for a term of 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 execute the renewal options.

In order to administer these smaller procurement contracts more efficiently, the Contracts and Purchasing Division (CPD) is recommending that the Board request the Office of the City Attorney to draft an ordinance to amend Section 10.1.1 subsection (a) of the Los Angeles Administrative Code (LAAC) to increase the contracting authority of the Executive Director for procurement contracts. Currently, the Executive Director has the authority to execute contracts or agreements that do not exceed \$150,000 and have a term of one-year or less. The proposed amendment to the LAAC would give the Executive Director the authority to execute procurement contracts that do not exceed \$150,000 annually, and are for a term of three years or less. It should be noted that in December 2011, the City Council approved an Ordinance which increased the contracting authority of the Executive Director of the Los Angeles World Airports (LAWA) in a similar manner. Consistent with LAWA's contracting authority, it is recommended that the Harbor Department pursue a similar amendment to the LAAC.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Request the Office of the City Attorney to prepare a draft Ordinance to amend Los Angeles Administrative Code Section 10.1.1 subsection (a); and
2. Authorize and direct the Board Secretary to forward the Resolution requesting an amendment to Los Angeles Administrative Code Section 10.1.1 subsection (a) to the City Council for consideration; and
3. Adopt Resolution No. _____.

SUBJECT: AMENDMENT TO LOS ANGELES ADMINISTRATIVE CODE**DISCUSSION:**

Background and Context - 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.

These annual procurement contracts are typically under \$100,000 each and are awarded for a term of one year, plus two, one-year renewal options. Due to the small dollar value of these contracts, it is more cost-effective to award them for multi-year periods, which results in considerable savings in staff administrative hours.

Compliance - Pursuant to Article 1, Section 10.1.1 (a) of the LAAC, 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 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 LAAC. In 2009, the Office of 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 (approximately 180), small dollar values associated with each contract, and the various expiration dates, CPD submits these annual procurement contracts in aggregate to the Board for approval each fiscal year. In 2012, the Office of the City Attorney opined that it was inappropriate for CPD to submit an annual report to the Board requesting approval to execute the renewal options for several contracts. For example, in May 2012, CPD transmitted one report to the Board requesting approval to execute the renewal options for 53 annual procurement contracts. According to the City Attorney, each annual procurement contract should be transmitted to the Board in a separate report requesting authorization to execute the renewal options. For Fiscal Year (FY) 2012/13, there are 43 annual procurement contracts which will need to be transmitted to the Board as separate items to request approval to execute the renewal options. CPD does not have the administrative resources to prepare and process 43 Board reports requesting approval to execute the renewal options. As an alternative to exercising the renewal options, CPD could rebid the contracts for a one-year term; however, CPD does not have sufficient procurement staff to annually rebid these contracts for a term of one-year only.

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Conclusion – In December 2011, the City Council approved an Ordinance amending Section 10.1.1 (a) of the LAAC which increased the contracting authority of LAWA's Executive Director. As a result of the amendment, LAWA's Executive Director now has the authority to execute annual procurement contracts for up to \$150,000 per year, for a period not-to-exceed three years, and an amount not-to-exceed \$450,000.

CPD is recommending that the Harbor Department pursue a similar amendment to the LAAC in order to reduce administrative costs and achieve administrative efficiencies. Specifically, CPD recommends that the Office of the City Attorney be requested to draft an Ordinance to amend the LAAC, and that the Ordinance be forwarded to the City Council for consideration. The proposed Ordinance would amend Section 10.1.1 (a) of the LAAC to authorize the Executive Director of the Harbor Department to enter into procurement contracts for up to \$150,000 per year for a period not-to-exceed three years. The Ordinance would only be applicable to annual procurement contracts which are awarded on a low-bid basis, and would not be applicable to professional service agreements. CPD staff will submit an annual report to the Board each FY identifying all contracts that were executed by the Executive Director under the provisions of the Ordinance. Three years after the effective date of the proposed Ordinance, the Harbor Department will submit a report to the Mayor and the City Council evaluating the effects and benefits of the increased contracting authority of the Executive Director.

Given the current economic environment, where staff reductions are being implemented throughout the City of Los Angeles, it is essential to focus staff resources on the highest priority tasks and/or those with the greatest return on investment in terms of time and benefit to the Harbor Department. Over the prior three FYs and the current FY, CPD processed approximately 200 annual procurement contracts. On average, CPD will be required to prepare and process approximately 50 Board reports each FY which will require administrative review at various levels and Divisions throughout the Harbor Department, including the Office of the City Attorney. Inasmuch as these contracts are used to procure routine commodities and supplies, and are of low-dollar amounts, the administrative costs associated with either rebidding each contract annually or transmitting these items separately to the Board far exceeds the value of the items procured. Rather than hire additional staff to administratively process these annual procurement contracts, this amendment to the LAAC would allow CPD staff to focus their efforts on the solicitation and award of these contracts, business development, and supplier outreach and diversity.

ENVIRONMENTAL ASSESSMENT:

The proposed action requests that the Office of the City Attorney draft an Ordinance to amend Section 10.1.1 (a) of the LAAC to increase the contracting authority of the Executive Director for procurement contracts. As an activity involving the drafting of an Ordinance that does not result in impacts on the physical environment, the Director of Environmental Management has determined that the proposed action is exempt for the California Environmental Quality Act (CEQA) in accordance with Article II Section 2 (m) of the Los Angeles City CEQA Guidelines.

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ECONOMIC IMPACT:

This Board action will have no direct employment effect.

FINANCIAL IMPACT:

The proposed Board action recommends, subsequent to Board approval, that the Harbor Department request the Office of the City Attorney to prepare a draft Ordinance to amend Section 10.1.1 (a) of the LAAC. Approval of the recommendations, and subsequent approval by the City Council, will result in administrative efficiencies for CPD staff.

Should the recommendations not be approved, there will be a negative financial impact on the Harbor Department inasmuch as CPD will require additional staff to administratively process these annual procurement contracts, per the Office of the City Attorney. On average, CPD will be required to prepare and process approximately 50 Board reports each FY. It is anticipated that CPD would require two (2) Procurement Analysts and one (1) Management Analyst to absorb the increased workload at an annual cost of approximately \$356,964 for salaries and benefits.

CITY ATTORNEY:

The Office of the City Attorney will need to prepare and approve as to form and legality, the form of Ordinance prior to presentation to the City Council for approval.

FIS Approval: WR (initials)
CA Approval: JMC (initials)


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APPROVED: 
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GR/tc
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