



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

Board of Harbor Commissioners

**DATE: OCTOBER 16, 2013**

**FROM: CONTRACTS AND PURCHASING**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - INCREASE THE CONTRACTING  
AUTHORITY OF THE EXECUTIVE DIRECTOR PURSUANT TO LOS  
ANGELES ADMINISTRATIVE CODE SECTION 10.1.1**

**SUMMARY:**

Los Angeles City Charter Sections 506(c) and 604(c) empowers the Board of Harbor Commissioners (Board) to authorize the general manager to contract on behalf of the City of Los Angeles Harbor Department (Harbor Department) where the contract does not involve payment or receipt of money or consideration reasonably valued in excess of a monetary limit and a time limit provided by ordinance. That ordinance is codified in Los Angeles Administrative Code (LAAC) Section 10.1.1.

The 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 approval is required to execute the renewal options.

In order to administer these smaller procurement contracts more efficiently, the Board previously requested that the Office of the City Attorney draft an ordinance to amend Section 10.1.1 subsection (a) of the LAAC to increase the contracting authority of the Executive Director for procurement contracts. The amendment to the LAAC gives 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. On July 10, 2013, the City Council approved Ordinance 182594 which authorized the Board to increase the contracting authority of the Executive Director. Although the Board previously requested that this Ordinance be prepared and approved by the City Council, this subsequent Board action is required to effectuate the increase in contracting authority of the Executive Director.

**RECOMMENDATION:**

It is recommended that the Board of Harbor Commissioners:

1. Rescind Resolution 5983 which authorizes the Executive Director to execute (a) contracts or agreements that do not exceed \$150,000 and have a term of one-year or less; and (b) construction contract change orders which do not cumulatively exceed twenty-five percent (25%) of the contract amount so long as no individual change order exceeds \$150,000;

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2. Rescind all prior Resolutions defining the Executive Director's contracting authority;
3. Authorize the Executive Director, or designee, to execute personal service agreements that do not exceed \$150,000 for any one project and have a term of one-year or less, including all amendments, without further Board approval;
4. Authorize the Executive Director, or designee, to execute procurement contracts that do not exceed \$150,000 annually, and are for a term of three years or less, pursuant to Los Angeles Administrative Code Section 10.1.1 subsection (a);
5. Authorize the Executive Director, or designee, to enter into construction contract change orders which do not cumulatively exceed twenty-five percent (25%) of the contract amount, or a lesser percentage specified in the construction contract, so long as no individual change order exceeds \$150,000, and provided the underlying construction contract was awarded by the Board prior to or after the adoption of this resolution, unless the contract specifically provides otherwise; and
6. Adopt Resolution No. \_\_\_\_\_.

**DISCUSSION:**

Background/Context - Currently, the contracting authority of the Executive Director is defined by Resolution No. 5983 adopted by the Board of Harbor Commissioners on April 25, 2001 (Transmittal 1). Resolution 5983 authorizes the Executive Director to execute (a) contracts or agreements that do not exceed \$150,000 and have a term of one-year or less; and (b) construction contract change orders which do not cumulatively exceed twenty-five percent (25%) of the contract amount so long as no individual change order exceeds \$150,000. Resolution 5983 does not distinguish between personal service contracts and procurement or purchasing contracts.

Each fiscal year, the Contracts and Purchasing Division (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 - Historically, the Executive Director would enter into annual procurement contracts for a term of one year, with two, one-year renewal options. The renewal

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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. 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.

In December 2011, the City Council approved an Ordinance which increased the contracting authority of the Executive Director of the Los Angeles World Airports. Rather than hire additional staff to administratively process these annual procurement contracts, CPD recommended that the Harbor Department pursue a similar amendment to the LAAC. At the December 6, 2012, Board meeting, the Board approved Resolution 12-7419 which requested the Office of the City Attorney to draft an Ordinance to amend the LAAC to increase the contracting authority of the Executive Director. On May 14, 2013, the recommendation was forwarded to the City Council for consideration. On July 9, 2013, the City Council approved Ordinance 182594 which amends Section 10.1.1 (a) of the LAAC to authorize the Executive Director of the Harbor Department to enter into procurement contracts that are \$150,000 per year for a period not-to-exceed three years (Transmittal 2). The Ordinance became effective on July 29, 2013. Pursuant to the Ordinance, Board action is now required to effectuate the increase in contracting authority of the Executive Director.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of a resolution to increase the contracting authority of the Executive Director for 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 in accordance with Article II Section 2 (f) of the Los Angeles City CEQA Guidelines.

**ECONOMIC IMPACT:**

This Board action will have no direct employment effect, but will improve the efficiency of CPD operations by reducing the workload required to administratively process annual procurement contracts.

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**FINANCIAL IMPACT:**

The proposed Board action recommends that the contracting authority of the Executive Director be increased, pursuant to Ordinance 182594 which amended Section 10.1.1 (a) of the LAAC. Approval of the recommendations will result in administrative efficiencies for CPD staff. Authority to expend funds will be subject to each fiscal year's Board adopted budget.

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 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 fiscal year. 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:**

Assistant City Attorney Christopher B. Bobo has reviewed this resolution and approved it as to form and legality.

**TRANSMITTAL(S):**

- 1. Resolution 5983
- 2. Ordinance 182594

FIS Approval: CB (initials)  
 CA Approval: CB (initials)

  
 GLENN R. ROBISON  
 Director of Contracts & Purchasing

  
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 Deputy Executive Director

APPROVED:

  
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GR/tc  
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