



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: DECEMBER 17, 2014

FROM: CONSTRUCTION AND MAINTENANCE

**SUBJECT: RESOLUTION NO. _____ - APPROVAL OF FIRST
AMENDMENT TO PERSONAL SERVICES AGREEMENT NO. 12-3045
WITH WET ENTERPRISES, INC. TO PROVIDE MAINTENANCE
SERVICES FOR THE HARBOR BOULEVARD WATER FEATURES**

SUMMARY:

The Construction and Maintenance Division (C&M) is responsible for the maintenance of the Gateway Plaza Fanfare Fountains, Reflection Pool and Interactive Fountain along Harbor Boulevard in San Pedro. The fountain equipment, both software and hardware, is owned by the City of Los Angeles Harbor Department (Harbor Department) but is proprietary to WET Enterprises, Inc. (WET) of Sun Valley, California. On February 2, 2012, the Board of Harbor Commissioners (Board) approved personal services Agreement 12-3045 with WET for a term of one year with two, one-year renewal options at a maximum amount of \$1,153,920 over three years. C&M requests the approval of a First Amendment to Agreement 12-3045 with WET for a one-year term extension with four additional one-year options, and a maximum additional amount of \$2,014,762 for regular maintenance of these water features. All other terms and conditions of Agreement 12-3045 will remain the same. This action will ensure that these unique water features will continue to perform at optimal levels for visitors to the Port of Los Angeles (Port). This amendment is the financial responsibility of the Harbor Department.

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 First Amendment to Agreement 12-3045 with WET Enterprises, Inc. can be performed more feasibly by an independent contractor than by City employees;
2. Approve the First Amendment to Agreement 12-3045 with WET Enterprises, Inc. to increase the agreement amount by \$2,014,762 for the total not-to-exceed amount of \$3,168,682, and increase the agreement term by one year with four additional one-year renewal options (up to five years) for a maximum agreement total of eight years;
3. Authorize the Executive Director to execute and the Board Secretary to attest to the First Amendment to Agreement 12-3045 with WET Enterprises, Inc. for and on behalf of the Board;

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4. Authorize the Board Secretary to forward the approval of the First Amendment to Agreement 12-3045 to the City of Los Angeles City Council for its approval pursuant to Section 373 of the City Charter; and
5. Adopt Resolution No. _____.

DISCUSSION:

Background/Context – Construction of the Gateway Plaza Fanfare Fountains, Reflection Pool and Interactive Fountain along Harbor Boulevard in San Pedro at the World Cruise Center and near the intersection of First Street was completed under the oversight of the Engineering Division in 2008 by Sully-Miller, using the plans and designs of WET Design, a subsidiary of WET (Transmittal 1). In 2009, after a one-year warranty period, C&M assumed responsibility for the maintenance of the water features. Since the operational software and key mechanical elements of the systems were proprietary to WET Design, staff determined that a maintenance agreement with WET would be the most cost effective way to continue to maintain the water features. The current agreement has a maximum annual expenditure of \$1,153,920 over three years, or an average of \$384,640 per year.

On February 2, 2012, the Board of Harbor Commissioners (Board) approved personal services Agreement 12-3045 with WET for a term of one year with two, one-year renewal options at a maximum amount of \$1,153,920 over three years (Transmittal 2).

Personal Services Agreement 12-3045 with WET is broken into 4 modules:

Module 1: Gateway Fountain Equipment/Mechanical Maintenance

Module 2: Gateway Fountain Water Quality Maintenance

Module 3: Interactive Fountain Equipment/Mechanical Maintenance and Water Quality Maintenance

Module 4: Reflection Pool Equipment and Water Quality Maintenance

Each water feature includes proprietary software and hardware designed by WET. They are under a patent without expiration. This precludes entities other than WET from maintaining the fountain equipment. An alternative to solely utilizing WET is the replacement of the proprietary equipment and transitioning, if possible, to different software. Discussions with the Harbor Department Engineering Division have resulted in a determination to not move ahead with new equipment, primarily due to the significant costs required (approximately \$2.3 million including removal of existing equipment, purchase and installation of new equipment) and in light of the other major capital

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project priorities for the Harbor Department. Annual maintenance costs are not expected to decrease with new equipment.

The WET proposal for a fourth contract year, along with four additional one-year options, includes cost increases totaling approximately 5.5% over the maximum five year period covered by the proposed amendment, or an average of 1.1% per year (Transmittal 3).

It should be noted that this agreement does not include any modification of the 27 songs played at the Gateway Fountains for special events and ceremonies. The song licenses are covered under a separate agreement with the Public Relations Division. In addition, all four fountains use recirculating water and are re-filled only after evaporation, spills over the side, or when they are occasionally drained for maintenance.

ENVIRONMENTAL IMPACT:

The proposed action is approval of a First Amendment to Agreement 12-3045 with WET to extend the term of the agreement and the agreement amount for maintenance of existing water features. 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 BENEFITS:

Approval of the proposed Amendment will support 8 direct and 8 secondary one-year equivalent jobs for the five-county region.

FINANCIAL IMPACT:

C&M is currently spending \$32,480 per month, or \$389,760 per year, for maintenance of the Harbor Boulevard fountains under the existing WET agreement due to expire February 25, 2015. The agreement includes:

Agreement Year*	Fiscal Years	Maximum Amount	Percent Increase
1 (complete)	2011-12/2012-13	\$382,080	N/A
2 (complete)	2012-13/2013-14	\$382,080	0%
3 (current)	2013-14/2014-15	\$389,760	2%
Total		\$1,153,920	

* Agreement year runs from February 25 – February 24

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Approval of the proposed first amendment will increase the maximum agreement authority in the following manner:

Agreement Year*	Fiscal Years	Maximum Amount	Percent Increase
4 (proposed)	2014-15/2015-16	\$397,556	2%
5 (option)	2015-16/2016-17	\$397,556	0%
6 (option)	2016-17/2017-18	\$404,268	1.7%
7 (option)	2017-18/2018-19	\$404,268	0%
8 (option)	2018-19/2019-20	\$411,114	1.7%
Total		\$2,014,762	

* Agreement year runs from February 25 – February 24

Staff performed a cost-benefit analysis comparing the benefit of the proposed WET amendment against the alternative of replacing the existing fountains with non-proprietary fixtures at a cost of \$2.3 million, with associated maintenance costs accruing subsequent to installation of the new equipment. Based on this analysis, even if annual maintenance costs were ten percent lower than WET, over a 20 year period total fountain costs (including the replacement of equipment) would be 13 percent lower with WET. In an alternative scenario over the same period, with annual maintenance costs 20 percent lower than WET, fountain costs would still be five percent lower with WET. In both of these scenarios the cost savings resulting from the WET maintenance agreement compared to the alternatives evaluated is a result of not having to spend an additional \$2.3 million for new fountain fixtures.

Funding in the amount of \$392,356 has been budgeted in Account 54020 (Maintenance Services - Grounds), Center No. 0510 (Construction and Maintenance Division), Program No. 000 to cover this agreement's costs for Fiscal Year 2014-15. This amount is different from the Year 4 amount from the chart above because it includes a portion of two agreement years. Funding for future fiscal years will be requested as part of the annual budget process upon Board approval.

The Harbor Department's financial obligations after the current fiscal year are contingent upon the Board's appropriation of funds. If any subsequent fiscal year funds are not appropriated by the Board for the work required by the agreement, the agreement shall be terminated. However, such termination shall not relieve the parties of liability for any obligations previously incurred. A funding out clause is included in the agreement.

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CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the First Amendment as to form and legality.

TRANSMITTALS:

1. Map and Site Plan of Harbor Boulevard Water Features
2. Original Scope of Work
3. First Amendment to Agreement 12-3045 with WET Enterprises, Inc.

FIS Approval: ef (Initials)

CA Approval: CPB (Initials)



TIM CLARK
Acting Director of Port Construction and Maintenance



MOLLY CAMPBELL
Deputy Executive Director

APPROVED:



for EUGENE D. SEROKA
Executive Director

Author: D. Young

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