



THE PORT  
OF LOS ANGELES

Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: APRIL 25, 2018**

**FROM: CONSTRUCTION AND MAINTENANCE**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - INCREASE CONTRACT  
AUTHORITY AMOUNT FOR ANNUAL PURCHASE ORDER NO. 39795-  
18 WITH HERC RENTALS INC.**

**SUMMARY:**

Staff requests that the Board of Harbor Commissioners approve an increase in the expenditure authority for Purchase Order No. 39795-18 with Herc Rentals Inc. (Herc) of Carson, California, currently set at the amount of \$150,000 per year, to \$455,000 in the current contract period and \$380,000 in the succeeding contract period. This annual contract, now in its second year and which will expire on September 30, 2018, provides for the rental of a variety of construction equipment and heavy duty trucks required for both maintenance and construction projects throughout the Port of Los Angeles (Port). The requested increase is necessary to complete current and planned capital and maintenance projects. The Harbor Department is responsible for the payment of expenses under this contract.

**RECOMMENDATION:**

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II, Section 2(f) of the Los Angeles City CEQA guidelines;
2. Approve Purchase Order Change No. 2 to Purchase Order No. 39795-18 with Herc Rentals Inc. to increase the annual expenditure authority from \$150,000 to \$455,000 for the current contract period and from \$150,000 to \$380,000 for the third and final contract period;
3. Authorize the Executive Director to execute and the Board Secretary to attest to said purchase order change; and
4. Adopt Resolution No. \_\_\_\_\_.

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**DISCUSSION:**

Background/Context - The Harbor Department executes annual procurement contracts to purchase required materials, supplies, and services to support its operations and projects. C&M currently utilizes more than one hundred varied annual procurement contracts in order to provide safe, reliable, efficient, and quality services to its customers as well as to maintain the Port's infrastructure. Most of these annual procurement contracts are less than \$150,000 per year and they are typically sufficient for C&M to perform both planned and responsive maintenance responsibilities. In addition, many of these contracts are contingency in nature, i.e. they are entered into without a specific project in mind but are exercised when needed to meet more immediate needs, allowing for a quick response to any given situation.

In the course of normal operations, C&M requests increases, as needed, in the spending authority level on annual procurement contracts to complete maintenance and capital improvement projects. These requests may be necessary due to an expanded scope of work, unforeseen needs, or extra time required to complete a project. Usually, there are sufficient funds available in the CIP, MIP, or C&M operating budgets to cover for these needs.

Contract Requiring Increased Funding – Purchase Order No. 39795 with Herc is a cooperative purchasing (“piggyback”) agreement based on City of Los Angeles (Department of General Services) Contract No. 59592. It went into effect on October 1, 2016 for a one year term with two one-year renewal options and an annual expenditure authority of \$150,000. The contract provides for the rental of a variety of equipment that may be needed for maintenance and construction work. Such equipment includes lifts and hoists, excavators, telehandlers, light plants, storage containers, and generators. Although C&M has an equipment inventory which includes such items, Herc is used to supplement the C&M inventory if equipment is not available because it is not in C&M's possession or if its equipment is out of service due to repairs. \$95,832 was spent through the Herc purchase order during the first contract period.

After the exercise of the first renewal option, effective October 1, 2017, there has been a significant increase in the need for rental equipment to carry out MIP and CIP deferred maintenance projects. These projects include the upgrade of the Banning's Landing HVAC system, building improvements at Berth 155A transit shed, exterior painting of the Berths 91-92 cruise ship passenger terminal, the painting and repair of the Wilmington Waterfront Park buffer wall, and Port sidewalk repairs. In addition, C&M needed to rent a street sweeper in December 2017 at a rate of \$10,000/month after its own street sweeper was incapacitated by a fire. The street sweeping operation needs to continue to keep pollutants out of the storm drain system and the rental is the most economical approach to take while this high value piece of equipment goes through an

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estimated six-eight month repair period. It is anticipated that during the current contract period an additional \$305,000 will be needed to supplement the expenditure authority of \$150,000 for a total expenditure authority of \$455,000 in order to maintain current project schedules and operations.

In addition, based on a review of current project schedules and anticipated project needs heading into Fiscal Year 2018-19, it is estimated that a total contract authority of \$380,000 will be needed for equipment rental during the final contract year. This figure also includes a contingency provision. An additional project to be undertaken in Fiscal Year 2018-19 where equipment rental is required is a major water leak repair in the patio of the POLA Administration Building, continuing and completing a phased approach to patio repair work initiated in 2014. Also, the painting of the Berths 179-181 transit shed at the Pasha terminal is planned and requires the rental lift equipment for several weeks.

Purchase Order Change No. 2 (Transmittal 1) has been prepared to reset the annual expenditure authority for the current and succeeding contract periods. Purchase Order No. 39795 is also attached for review (Transmittal 2).

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval of an increase in the expenditure authority for Purchase Order No. 39795-18 with Herc, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act under Article II, Section 2(f) of the Los Angeles City CEQA Guidelines.

**FINANCIAL IMPACT:**

Between 2012 and 2017, annual expenditures for equipment rental have ranged between \$27,000 and \$234,000. During the current contract year, the contract's first renewal option period, contract expenditures have reached the authorized total of \$150,000 and additional funds in the amount of \$305,000 are needed for a total contract authority of \$455,000. Further, it is anticipated that \$380,000 will be needed for the third and final year of the contract, assuming exercise of the contract's second renewal option. The total amount of expenditure authority for the second and third years of the contract will be \$835,000.

The funding for the requested increase in funds is to be distributed between the C&M operating budget, the CIP budget, and MIP budget. Funds are available for current year expenditures through these budget sources with the exception of the C&M operating budget. Account No. 59010 (Equipment Rental – Maintenance) in the C&M operating

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budget for Fiscal Year 2017-18, currently funded in the amount of \$250,000, will require additional funds to cover the operating budget portion of the requested purchase order increase. The Financial Management Division, however, has indicated that there are sufficient funds in the 59 accounts at the department operating budget level, which include equipment rental costs, and will work with C&M to provide the coverage needed for C&M's equipment rental use through the end of the current fiscal year. Future fiscal year expenditures will be sought through the annual budget process, subject to Board approval.

The total proposed \$835,000 contract authority increase will cover the current (second) and the final (third) year of the purchase order with the final year subject to exercise of a renewal option contained in the purchase order. Because the purchase order is effective in October, the coverage for the second and third years will span three fiscal years. The total proposed \$835,000 for these two contract years are estimated to be spent over the three fiscal years as follows:

Budget Source	FY 2017/2018	FY 2018/2019	FY 2019/2020	Totals
Capital Improvement Program	\$ 100,000	\$ 142,000	\$ 22,500	\$ 264,500
Maintenance Improvement Program	\$ 100,000	\$ 60,000	\$ 20,000	\$ 180,000
Operating Budget	\$ 172,000	\$ 181,000	\$ 37,500	\$ 390,500
Total Amounts	\$ 372,000	\$ 383,000	\$ 80,000	\$ 835,000

**CITY ATTORNEY:**

The Office of the City Attorney has reviewed the change order and approved it as to form and legality.

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TRANSMITTALS:

1. Purchase Order Change No. 2 to Purchase Order No. 39795-18
2. Purchase Order No. 39795-18

FIS Approval: MB

CA Approval: AS



TIM CLARK  
Director of Construction & Maintenance



ANTONIO V. GIOIELLO, P.E.  
Deputy Executive Director

APPROVED:

 FOR

EUGENE D. SEROKA  
Executive Director

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