



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

Board of Harbor Commissioners

DATE: JUNE 7, 2016

FROM: CONTRACTS AND PURCHASING

SUBJECT: RESOLUTION NO. _____ - REPLACEMENT OF THE HARBOR DEPARTMENT SALVAGE POLICY PURSUANT TO LOS ANGELES CITY CHARTER AND ADMINISTRATIVE CODE

SUMMARY:

Staff requests that the Board of Harbor Commissioners (Board) authorize a new process of approvals for the salvage of City personal property. The new process will start with a request from the division requesting an item to be salvaged, include approval by a Deputy Director and the Director of Contracts and Purchasing (also known as the Purchasing Agent), salvage of the item, and reconciliation by Accounting. This action replaces a salvage policy originally approved in 1977 (Resolution 4237).

Los Angeles City Charter Sections 385, 602 and 651(a) and Administrative Code Chapter 2, Article 1, Sections 7.70 et seq. grants City Departments the ability to salvage personal property belonging to the City of Los Angeles. Section 7.71(b) specifically grants the Board the authority to salvage City property under the control of the Harbor Department. The most common items for salvage include cars, trucks, small boats, radios, computer equipment and pieces of scrap metal that are no longer suitable for use by the Harbor Department due to age, condition, or lack of use.

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 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;
2. Rescind Resolution 4237 which authorizes a Salvage Committee to determine whether City property is no longer required, and either sell the property or request the Department of General Services to sell the property; and
3. Adopt Resolution No. _____.

DISCUSSION:

Background/Context - The Harbor Department Salvage Policy from 1977 identifies a Salvage Committee created to determine what City property under the control of the Harbor Department is to be salvaged and how to salvage it. The Committee included the Purchasing Agent and a representative from Accounting and what is now known as Construction and Maintenance (C&M).

SUBJECT: SALVAGE POLICY REPLACEMENT

The proposed salvage policy (Transmittal 1) reflects a more streamlined way of determining what property is to be salvaged and how to salvage it. It also reflects changes to the City Charter as well as the Harbor Department since the policy went into effect in 1977. The policy would delegate to the Harbor Department's Purchasing Agent the ability to salvage any item worth less than one million (\$1,000,000) dollars. The salvage of any item estimated to exceed that amount would require Board approval. This amount is the same threshold for City Council action when General Funded City departments salvage items.

In the proposed policy, a Harbor Department Division that possesses City personal property it no longer requires sends written correspondence to the Purchasing Agent requesting that the property needs to be salvaged. This includes items as small as a lamp or radio, and as large as a vessel or crane. Each division evaluates if an item no longer serves a useful purpose or has reached the end of its effective life cycle. For example, C&M reviews the condition, age, and mileage of all Harbor Department vehicles and construction equipment every year as part of the annual budget process. They evaluate if a maintenance truck has reached the standard life cycle of ten years or 100,000 miles of usage, its maintenance history, and overall condition. Based on these criteria, they determine if the vehicle can be used effectively for one more year or if it should be salvaged and a new truck purchased to replace it. All determinations that result in the need to salvage a vehicle or other property are transmitted to the Purchasing Agent once approved by the Division Head and a Deputy Director.

The Purchasing Agent reviews each request and makes a determination in writing to approve items for salvage. If the Purchasing Agent approves the request for salvage, the Purchasing Agent coordinates with C&M to move the items to be salvaged from the requesting Division to a central location adjacent to or in the Berth 161 Warehouse. The Purchasing Agent then sends a request to the General Services Department (GSD) to salvage the property. GSD has staff and contractors specializing in the salvage of City property. The Purchasing Agent also has the option to salvage the property directly. Any salvage or auction of City personal property conducted by the Contracts and Purchasing Division (CPD) will need to be justified in writing by the Purchasing Agent.

CPD or C&M staff, depending on the size and volume of the property, will then transport the items to GSD for salvage. If an item is too large, it remains on Harbor Department property for salvage. GSD coordinates the salvage of the property through an auction company under contract with GSD. Once the items are sold, the Purchasing Agent then notifies the Director of Accounting of the items to be salvaged to ensure that full depreciation of the items is noted, or that an operating loss is included in the Harbor Department's financial statement for property not fully depreciated (assuming the property is sold for an amount below its book value). The Accounting Division tracks and receives the revenue returned to the Harbor Revenue Fund from any salvaged item and the property is removed from the General Ledger (Transmittal 2).

Apart from directly salvaging items that are in reusable condition, the Purchasing Agent will also post that item on CitiMAX, an exchange intranet site available to City employees used to share City assets or other valuable items. City departments can identify and list items they need, as well as items they want to discard on this site. A recent audit by the City Controller recommended that City departments share information about available items before they are salvaged and the Harbor Department will be a part of that process.

SUBJECT: SALVAGE POLICY REPLACEMENT

On an annual basis (or at the request of the Board), the Purchasing Agent will prepare a report to the Board on all salvaged items including what items were salvaged and the amount received by the Harbor Department for that item.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a resolution to replace the Harbor Department Salvage Policy. 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.

FINANCIAL IMPACT:

The proposed action recommends that the Board replace the Harbor Department Salvage Policy. This update will not affect the revenue received from City property sold either by the Harbor Department or GSD on behalf of the Harbor Department. Future revenue from the sale of City property is dependent upon the quality and volume of items requested for salvage and the potential market of buyers for those items.

CITY ATTORNEY:

The Office of the City Attorney has prepared and approved the Resolution as to form and legality.

TRANSMITTAL(S):

- 1. New Salvage Policy: Resolution No. _____
- 2. Salvage Approval Process

FIS Approval: MB (initials)
 CA Approval: CS (initials)


 TRICIA CAREY
 Director of Contracts & Purchasing


 MARLA BLEAVINS
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APPROVED:

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 Executive Director