



**THE PORT  
OF LOS ANGELES**  
Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE:           OCTOBER 12, 2011**

**FROM:           PLANNING & ECONOMIC DEVELOPMENT**

**SUBJECT:       RESOLUTION NO. \_\_\_\_\_ – PROPOSED SECOND AMENDMENT TO  
AGREEMENT NO. E6532 BETWEEN THE CITY OF LOS ANGELES  
HARBOR DEPARTMENT AND INNOVATIVE PARTNERS, INC.**

**SUMMARY:**

The City of Los Angeles Harbor Department (Harbor Department) entered into Agreement No. E6532 with Innovative Partners, Inc. of Westfield, New Jersey on November 6, 2009, for Jeff Milanette of Innovative Partners, Inc. to become the Executive Director of Port Tech Los Angeles (PortTechLA). On October 26, 2010, the Los Angeles Board of Harbor Commissioners (Board) approved the First Amendment to Agreement No. E6532 to extend the length of the agreement by 12 months.

The proposed Second Amendment to Agreement No. E6532 would extend the length of the current 24-month agreement, which expires on November 5, 2011, by an additional 12 months. The effective date will be November 6, 2011, and the new expiration date will be November 5, 2012. The proposed Second Amendment would also increase the total contract amount from \$300,000 to \$450,000 and amend Exhibit A to include performance metrics for the Executive Director of PortTechLA. Since the proposed amendment would extend the term of the agreement for an additional one year and the contract would be increased by an additional \$150,000, Board approval is required.

**RECOMMENDATION:**

It is recommended that the Board of Harbor Commissioners:

1. Approve the Second Amendment to Agreement No. E6532 to extend the contract term by 12 months, for a total term of 36 months, increase the contract amount by \$150,000 from \$300,000 to \$450,000, and amend Exhibit A of Agreement No. E6532 to include performance metrics for the Executive Director of PortTechLA;
2. Authorize the Executive Director and Board Secretary to execute and attest to the Second Amendment for and on behalf of the Board; and
3. Adopt Resolution No. \_\_\_\_\_.

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**DISCUSSION:**

Background – The Port of Los Angeles and the San Pedro and Wilmington Chambers of Commerce, founded PortTechLA, a non-profit port technology business incubator and commercialization center. Its mission is to find and attract companies with innovative technologies that will offer the maritime industry solutions to environmental, clean energy, security, and transportation challenges. It is also part of Clean Tech Los Angeles, Mayor Villaraigosa's initiative to establish Los Angeles as the global leader in research, commercialization, and deployment of clean technologies.

A nationwide recruitment effort was conducted by Bob Murray and Associates for the Harbor Department to fill the Executive Director position for PortTechLA. The most qualified candidates were interviewed by a panel that included representatives from the Harbor Department, the Mayor's Office, and a PortTechLA Board member. Jeff Milanette was selected and the Harbor Department entered into a one-year agreement (Agreement No. E6532) with Jeff Milanette's firm, Innovative Partners, Inc. on November 6, 2009 (Transmittal 1). Innovative Partners, Inc. is a corporation and the agreement was executed with his firm as it had the necessary insurance and documentation in place. Exhibit A of the agreement, specifies that, "unless agreed upon in writing by the Executive Director, in his or her sole discretion, all services under this Agreement shall be personally performed by Jeff Milanette."

Jeff Milanette was employed to perform the duties and responsibilities of the Executive Director of PortTechLA which includes identifying and securing technology companies as clients of PortTechLA, mentoring and assisting those companies in commercializing their technologies, pursuing funding sources for the operation of PortTechLA, establishing a long term facility plan for PortTechLA, developing and implementing outreach and marketing plans, developing internal management control systems for PortTechLA, and collaborating with the Board of Directors of PortTechLA.

The First Amendment to Agreement No. E6532 (Transmittal 2), which extended the length of the agreement by 12 months and included \$150,000 in compensation, was approved by the Board on October 26, 2010.

To date, under the leadership of Jeff Milanette of Innovative Partners, Inc., PortTechLA has screened more than thirty start-up companies as potential clients with six being accepted as clients of PortTechLA. Two additional companies are currently being evaluated. Jeff Milanette has organized two PortTechLA Expos that have been successful in raising the profile of the program and attracting as many as 300 attendees. Sixteen PortTechLA Enterprise Forums have also been organized which provide an opportunity for entrepreneurs, service providers, and capital providers to

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network while learning about working with the Port of Los Angeles. Community Development Block Grant (CDBG) funds in the amount of \$1.5 million were also secured which will be used to purchase or lease facilities for PortTechLA as well as \$694,000 in operational funding, which includes \$250,000 from the U.S. Small Business Administration.

The proposed Second Amendment to Agreement No. E6532 (Transmittal 3) would extend the term by 12 months with the compensation remaining the same at \$150,000 annually. In addition, the proposed Second Amendment includes performance metrics for the Executive Director. The Executive Director of PortTechLA will be subject to these performance metrics, developed with input from the PortTechLA Board of Directors, of which the Harbor Department has two members. These performance metrics include the following:

- Develop and implement a fundraising strategy that includes grant opportunities and private and public sector donations with a goal of raising \$250,000;
- Secure an additional five companies, as clients of PortTechLA, either as residents at PortTechLA or through PortTechLA's virtual incubator program;
- Hire staff to fill the positions of Director of Client Services and Administrative Assistant;
- Hire a contract employee to identify and prepare grant funding proposals;
- Assist the Board in filling the current four vacant PortTechLA Board positions, of which two represent academic institutions with a strong entrepreneurial development program;
- Develop an enhanced communications strategy between the Executive Director and the PortTechLA Board of Directors;
- Develop a financial plan with milestones that identifies PortTechLA being financially self-sustainable and transfers the Executive Director funding obligation from the Harbor Department; and
- Complete a real property acquisition strategy to accommodate additional client companies.

Due to the current economic conditions, public and private sector funding for PortTechLA has been impacted. Additionally, the current leased location of PortTechLA cannot physically accommodate any additional client companies which limits PortTechLA's revenue generation through rental incomes. As a result, it is necessary for the Harbor Department to continue its financial support of PortTechLA through the funding of the Executive Director position for another 12 months. The maximum payable under the new agreement would be \$450,000. Board approval was required for

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the First Amendment because it increased the term of the agreement beyond one year and \$150,000. Board approval is also required for this Second Amendment because it extends the agreement for an additional year, increases the contract for an additional \$150,000 and adds performance metrics for the PortTechLA Executive Director. Should the Board approve the Second Amendment of Agreement No. E6532, this will mark the beginning of the third year of the contract with Innovative Partners, Inc.

For the past two years, the Harbor Department has agreed to financially support PortTechLA through funding of the Executive Director position (\$300,000) and facility rent (\$50,000) and tenant improvements of a new facility site (\$350,000) included in the current fiscal year. Should the agreement be extended an additional year, the Harbor Department will evaluate future financial support of PortTechLA. Criteria to be considered would be consistent with the performance metrics of the PortTechLA Executive Director and would include; the number of client companies being incubated and mentored, the number of companies graduated from PortTechLA and locating their operations and generating jobs in the harbor area, the forecasted revenues for PortTechLA (client rent, grant sources, and public and private sector donations), and forecasted operational expenses. Staff would also examine funding options, including continuing to directly fund the Executive Director position, providing more flexible funding that could be applied to a number of pre-determined expenses, reimbursing PortTechLA for expenses already incurred, providing in-kind contributions or ceasing financial support. A new competitive Request For Proposal process will be initiated if the Harbor Department commits to fund the Executive Director position after the expiration of the Second Amendment to Agreement No. E6532.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of a Second Amendment to Agreement No. E6532 with Innovative Partners, Inc. to extend the contract terms for the position as Executive Director of PortTechLA by 12 months. As an administrative activity, the Director of Environmental Management has determined that the proposed action is exempt from the California Environmental Quality Act (CEQA) in accordance with Article II, Section 2(f) of the Los Angeles City CEQA Guidelines.

**ECONOMIC BENEFITS:**

Spending under the proposed amendment will support one direct job in the five-county region.

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**FINANCIAL IMPACT:**

To date, through the First Amendment of the \$300,000 authorized, \$262,500 has been spent. Approval of the proposed Second Amendment will extend the term of the existing 24-month contract by an additional 12 months and will add \$150,000 to the current contract amount of \$300,000, bringing the contract total to \$450,000. When Agreement No. E6532 was approved by the Board on October 26, 2010, the Board found that in accordance with Charter Section 1022, the work proposed to be contracted could be more feasibly performed by a contractor than by a City employee. Since this proposed amendment does not add a new labor component or significantly increase an existing labor component and the original 1022 determination elements are still accurate, a new 1022 determination is not required.

Thus, extending the existing length of the contract with Jeff Milanette as the Executive Director is more cost effective than seeking a new consultant to continue with the work. Planning and Economic Development staff does not have expertise in mentoring and incubating start-up, clean technology companies nor in the commercialization of clean technology products. It is recommended that the Harbor Department move forward with this project as part of the City's initiatives of job creation and workforce development. If the Board approves the recommended actions, funds in the amount of \$150,000 for FY 11/12 are available from Planning and Economic Development Division budget, Account Number 54290, Center Number 0428, and Program Number 000. Funds for future fiscal years will be requested to be budgeted as part of the annual budget adoption process, upon Board approval. A Termination for Non-Appropriation of Funds is included in the proposed Second Amendment.

**CITY ATTORNEY:**

The City Attorney's Office has prepared and approved the proposed Second Amendment to Agreement No. E6532 as to form and legality.

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INNOVATIVE PARTNERS, INC.

TRANSMITTALS:

1. Agreement No. E6532
2. First Amendment to Agreement No. E6532
3. Second Amendment to Agreement No. E6532

FIS Approval: gld (initials)  
CA Approval: gld (initials)



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