



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

Board of Harbor Commissioners

DATE: JULY 25, 2011

FROM: CONTRACTS AND PURCHASING DIVISION

**SUBJECT: RESOLUTION NO. _____ - RENEWAL OF ANNUAL PROCUREMENT
CONTRACTS FOR MATERIALS, SUPPLIES AND SERVICES**

SUMMARY:

The City of Los Angeles Harbor Department (Harbor Department) executes annual procurement contracts to purchase business required materials, supplies and services to support Harbor Department operations. These annual procurement contracts are generally awarded for one year, plus two one-year renewal options. Execution of the renewal options extends the contracts past one-year; therefore, Board of Harbor Commissioners (Board) approval is required. To minimize staff impact, these small dollar contracts were bundled into one annual Board action requesting authorization for the Executive Director to execute the renewal options.

In Fiscal Year 2010/2011, the Executive Director, as authorized by Article 1, Section 10.1.1 (a) of the Los Angeles Administrative Code, executed eighty-two new annual procurement contracts, with two, one-year renewal options. Board approval is required to authorize the Executive Director to exercise the renewal option(s) inasmuch as the total contract term will exceed one year. Recognizing that Board approval is required, the Contracts and Purchasing Division (CPD) is requesting authority to allow the Executive Director to renew the eighty-two annual procurement contracts executed during Fiscal Year 2010/2011 at an aggregate amount of \$2,959,370.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Find that the eighty-two annual procurement contracts listed in Transmittal 1 adhered to City of Los Angeles competitive selection process;
2. Authorize the Executive Director or designee, at his/her discretion, to execute each of the two, one-year renewal options, for the annual procurement contracts listed in Transmittal 1, contingent upon funding availability to pay for the materials, supplies, and/or services;
3. Authorize the Executive Director or designee, at his/her discretion, to make technical changes to the annual procurement contracts listed in Transmittal 1, and increase the compensation authority to an amount not-to-exceed \$150,000 per year/contract; and
4. Adopt Resolution No. _____

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DISCUSSION:

Background - Each fiscal year, 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.

A listing of the annual procurement contracts awarded in FY 2010/11, by commodity, is attached as Transmittal 1. Recognizing that these annual procurement contracts are typically under \$100,000 each, it is more cost-effective to award them for multi-year periods, which results in considerable savings in staff administrative hours. Funding for these contracts is budgeted by requesting Harbor Department Divisions during the annual budget process. Each contract is for a term of one year, with two one-year renewal options. Approval of these annual procurement contracts will enable CPD to purchase materials, supplies and repair services on an as-needed and timely basis to ensure that Harbor Department operational needs are met. CPD is requesting authorization to renew eighty-two annual procurement contracts at an aggregate amount of \$2,959,370 for FY 2011/2012. Should the Board provide the authority to the Executive Director to exercise the second and last one-year renewal option for all these contracts, \$2,959,370 would need to be budgeted in FY 2012/2013. It should be noted that although the contracts total \$2,959,370, the Harbor Department may not expend all the funds authorized for each contract. For example, only \$1,231,012 was expended in Fiscal Year 2010/11 inasmuch as these contracts were awarded at different times throughout the year.

With Board approval of the recommendations in this report, the subject contracts will now be considered Board approved contracts; therefore, any amendments, including minor changes to these contracts, will require for Board approval. CPD is requesting that the Executive Director be given the authority to make as-needed technical changes to these annual procurement contracts, and increase the compensation authority to an amount not-to-exceed \$150,000 per year/contract. As an example, Contract # 31386-11 for batteries on Transmittal 1 is limited to \$7,500 per year. Should the Harbor Department need to increase this contract by \$1,000, staff would need to seek Board approval. This action will provide the Harbor Department with the flexibility to adjust the terms and amounts of these contracts at an amount not-to-exceed \$150,000 based on project demands or unforeseen needs, without requiring Board action for each annual procurement contract, and remain in compliance with the Los Angeles Administrative Code.

Compliance - Pursuant to Article 1, Section 10.1.1 (a) of the Los Angeles Administrative Code, the Executive Director of the Harbor Department has the authority to enter into annual procurement contracts that do not exceed one year and/or \$150,000. Historically, the Executive Director would enter into annual procurement contracts for a

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term of one year, with two, one-year renewal options. The renewal options were considered to be a new contract or agreement 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 Los Angeles Administrative Code. In 2009, 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 the annual 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, small dollar values associated with each contract, and the various expiration dates, these annual procurement contracts are presented in aggregate for approval.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of annual procurement contracts to purchase business required materials, supplies and services. As an administrative activity, the Director of Environmental Management has determined that the proposed action is exempt from the California Environmental Quality Act (CEQA) under Article II, Section 2 (f) of the Los Angeles City CEQA Guidelines.

ECONOMIC IMPACT:

Spending under the proposed annual procurement contracts will support approximately 17 direct plus 17 secondary one-year equivalent jobs in the five-county region.

FINANCIAL IMPACT:

The proposed Board action requests authorization for the Executive Director to exercise the two, one-year renewal options for the existing eighty-two contracts. The cost to the Harbor Department for these contracts listed in Transmittal 1 is an aggregate amount of \$2,959,370 for FY 2011/2012. Should the Executive Director exercise the second and last, one-year renewal option for all these contracts subsequent to the expiration of the first renewal option, \$2,959,370 would need to be budgeted for FY 2012/2013 as part of the annual budget adoption process, upon Board approval.

The proposed Board action also requests authorization for the Executive Director to make as-needed technical changes to these annual procurement contracts, and increase the compensation authority to an amount not-to-exceed \$150,000 per year/contract. In the event that the Executive Director increased the authority amount of each of these contracts to \$150,000, an additional appropriation of \$9,340,630 would be required, subject to the availability of funds in the Harbor Department's approved budget.

The FY 2011/12 funding for each annual procurement contract is budgeted in the requesting Harbor Department Division's operating budget as outlined in Transmittal 1.

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Should the final renewal option be exercised in the future, funds will be requested to be budgeted as part of the annual budget adoption process, upon Board approval.


CITY ATTORNEY:

The City Attorney's office has reviewed this Board report and has determined that this item raises no legal issues at this time.

TRANSMITTAL:

1. List of Annual Procurement Contracts

FIS Approval: WR (initials)
CA Approval: WR (initials)


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APPROVED:


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