

TRANSMITTAL

0150-09545-0001

TO
Marcie L. Edwards, General Manager
Department of Water and Power

DATE
DEC 28 2015

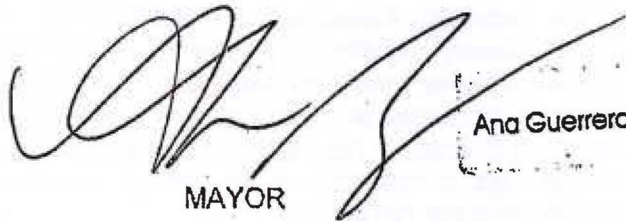
COUNCIL FILE NO
11-1090

FROM
The Mayor

COUNCIL DISTRICT

AMENDMENT 1 TO AGREEMENT 47005 WITH OPEX CORPORATION

Approved and transmitted for further processing including Council consideration.
See the City Administrative Officer report attached.



ANA GUERRERO
MAYOR


REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: December 24, 2015

CAO File No. 0150-09545-0001
Council File No. 11-1090
Council District:

To: The Mayor

From: Miguel A. Santana, City Administrative Officer 

Reference: Communication from the Department of Water and Power dated November 16, 2015; referred by the Mayor for report on November 25, 2015

Subject: **AMENDMENT 1 TO AGREEMENT 47005 WITH OPEX CORPORATION**

SUMMARY

The Department of Water and Power (DWP; Department) requests approval of a proposed resolution authorizing the continuation of a sole-source Agreement 47005 (Agreement) with OPEX Corporation (OPEX) to allow service maintenance for new and existing remittance processing equipment in addition to the purchase of new equipment. OPEX is the sole provider of equipment, parts, and service for the remittance processing equipment which is utilized by DWP.

The Department of Water and Power (DWP) receives approximately 12,000 envelopes containing ratepayer payments daily at the remittance processing center. The Remittance Processing System (RPS), which includes equipment and software from OPEX, is critical to the DWP for ensuring payments are forwarded to the bank and posted on the same day they are received. DWP states that the revenue collected at the RPC can reach approximately \$20 million per day.

Approval of the proposed Agreement will:

- (i) Extend the existing five year term by an additional five years for a total duration of 10 years expiring September 12, 2021; and
- (ii) Increase the current \$0.6 million expenditure authority by an additional \$2.7 million for a total amount not to exceed \$3.3 million.

DWP states that approval of the proposed Agreement is necessary for providing service maintenance coverage for both the primary remittance processing center located in the John Ferraro Building (JFB) and at the new disaster readiness processing center located in Van Nuys. The Amendment will also allow for the purchase and expansion of processing equipment to be utilized at JFB and in Van Nuys which includes a high speed envelope extractor and its related equipment. The following table provides a summary of the service maintenance costs and equipment purchase costs associated with this Agreement:

Cost Summary for Agreement 47005 with OPEX

Year	Service Maintenance	Equipment	TOTAL
Existing Agreement (2011 - 2016)	\$0.6	-	\$0.6
Proposed Amendment 1 (2016 - 2021)	\$1.7	\$1.0	\$2.7
TOTAL	\$2.3	\$1.0	\$3.3

An original five-year contract with OPEX commenced in December 1999 with an expenditure limit of approximately \$0.6 million. Several subsequent amendments extended the effective term approximately 12 years expiring September 12, 2011, and increased the total expenditure limit to approximately \$1.4 million.

On July 27, 2011, the existing agreement for service maintenance was approved by City Council (CF 11-1090) with an expenditure authority not to exceed approximately \$0.6 million and a five year term, expiring September 12, 2016. DWP states that OPEX has performed in an acceptable manner on all previous Agreements.

CONTRACTING COMPLIANCE

The Department made a Charter Section 1022 determination that concluded these services can more feasibly be performed by an outside contractor because DWP neither owns nor can modify the proprietary equipment and software.

City Council approval is required for contracts that exceed three years, pursuant to Charter Section 373. The City Attorney has approved the resolution and Agreement as to form and legality.

RECOMMENDATIONS

That the Mayor:

1. Approve the proposed resolution authorizing the First Amendment to Agreement 47005 with OPEX Corporation that will (i) extend the existing five year term by an additional five years for a total duration of 10 years expiring September 12, 2021, and (ii) increase the current \$0.6 million expenditure authority by an additional \$2.7 million for a total amount not to exceed \$3.3 million; and,
2. Return the proposed Agreement to the Department for further processing, including Council consideration.

FISCAL IMPACT STATEMENT

Approval of the proposed Agreement will authorize a total expenditure authority up to \$3.3 million from the Water and Power Revenue Funds. There is no impact to the City General Fund. The proposed Agreement complies with the Department's adopted Financial Policies.

TIME LIMIT FOR COUNCIL ACTION

Pursuant to Charter Section 373, "Long Term Contracts Approved by Council," and the Los Angeles Administrative Code Section 10.5, "Limitation and Power to Make Contracts," unless the Council takes action disapproving a contract that is longer than three years within 60 days after submission to Council, the contract shall be deemed approved.

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