

MIKE FEUER
CITY ATTORNEY

REPORT NO. R 1 3 - 0 1 9 9

JUL 18 2013

REPORT RE:

**DRAFT ORDINANCE AMENDING SECTION 10.1.1 OF THE LOS ANGELES
ADMINISTRATIVE CODE AUTHORIZING THE GENERAL MANAGER OF THE
DEPARTMENT OF WATER AND POWER TO ENTER INTO MULTI-YEAR
CONTRACTS THAT WOULD OTHERWISE REQUIRE APPROVAL BY THE BOARD
OF COMMISSIONERS OF THE DEPARTMENT OF WATER AND POWER**

The Honorable Los Angeles City Council
of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, California 90012

Honorable Members:

This Office has prepared and now transmits for your consideration the enclosed draft ordinance, approved as to form and legality, allowing the Department of Water and Power Commissioners to authorize the General Manager of the Department to enter into certain contracts that would otherwise require approval by the Board. The types of contracts the General Manager would be authorized to approve would be limited to contracts: (1) other than for personal services; (2) for a cumulative term of three years or less; and (3) that do not involve consideration in excess of \$150,000.00 annually.

The Board of Commissioners of the Department of Water and Power has approved a resolution requesting that the City Council adopt such an ordinance.


Council Rule 38 Referral

This draft ordinance has been approved by the Board of Water and Power Commissioners pursuant to Council Rule 38.

If you have any questions regarding this matter, please contact Deputy City Attorney Dirk P. Broersma at (213) 367-4545. He or another member of this Office will be present when you consider this matter to answer any questions you may have.

Very truly yours,

MICHAEL N. FEUER, City Attorney

By 
PEDRO B. ECHEVERRIA
Chief Assistant City Attorney

PBE:DPB:pj
Transmittal

ORDINANCE NO. _____

An ordinance amending Subsection (c) of Section 10.1.1 of the Los Angeles Administrative Code to extend the contracting authority of the General Manager of the Department of Water and Power from one to three years for contracts not involving consideration reasonably valued in excess of One Hundred Fifty Thousand dollars (\$150,000.00) annually.

**THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:**

Section 1. Subsection (c) of Section 10.1.1 of the Los Angeles Administrative Code is amended to read as follows:

(c) Notwithstanding the provisions of Subsection (a) of this section, the Boards of the Los Angeles Department of Water and Power Commissioners and the Department of Airports Commissioners may authorize their respective General Managers to enter into contracts on behalf of the Department that satisfy all of the following:

- (1) The contract is not for personal services; and
- (2) The contract does not obligate the City for a term of longer than three (3) years including all extensions, renewals and amendments; and
- (3) The contract does not involve consideration reasonably valued in excess of One Hundred Fifty Thousand Dollars (\$150,000.00) annually.

Each Department to which this Subsection applies shall submit a report quarterly to the respective Board of Commissioners identifying all contracts, including the dollar value involved in each contract, authorized by the General Manager of Water and Power pursuant to the provisions of this Subsection.

Three years after effective date of this Subsection as to each Department, each Department to which this Subsection applies shall submit a report to the Mayor and the City Council evaluating the effects and benefits of the authority granted by the provisions of this Subsection, and include a recommendation regarding whether to continue the provisions of this Subsection.

Sec. 2. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located in the Main Street lobby to the City Hall; one copy on the bulletin board located at the ground level at the Los Angeles Street entrance to the Los Angeles Police Department; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, at its meeting of _____.

JUNE LAGMAY, City Clerk

By _____
Deputy

Approved _____

Mayor

Approved as to Form and Legality

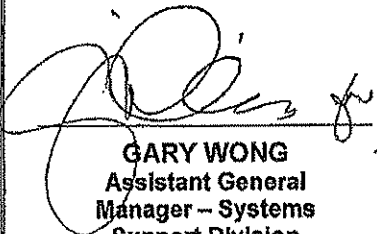
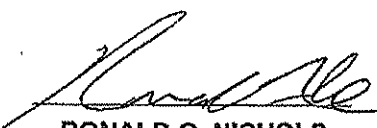
MICHAEL N. FEUER, City Attorney

By Joseph Brajevich (JBE)
JOSEPH BRAJEVICH
Assistant City Attorney

Date July 18, 2013

File No. _____

LOS ANGELES DEPARTMENT OF WATER AND POWER (LADWP) BOARD APPROVAL LETTER

TO: BOARD OF WATER AND POWER COMMISSIONERS		DATE: April 16, 2013
 GARY WONG Assistant General Manager – Systems Support Division		SUBJECT: Proposed Amendment to Section 10.1.1 of the Los Angeles Administrative Code re: Los Angeles Department of Water and Power General Manager’s Contracting Authority
 RONALD O. NICHOLS General Manager		FOR COMMISSION OFFICE USE: RESOLUTION NO. _____
_____ _____		
CITY COUNCIL APPROVAL REQUIRED: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	IF YES, BY WHICH CITY CHARTER SECTION: 240	

PURPOSE

Transmitted herewith for your consideration and approval is a Resolution, approved as to form and legality by the City Attorney, to amend the Los Angeles Administrative Code (LAAC) to allow the Board of Commissioners to authorize the General Manager to contract on behalf of the Los Angeles Department of Water and Power (LADWP) where (1) the contract does not obligate the City for a period longer than three (3) years, and (2) the contracts are not for personal services, and (3) the contract does not involve consideration reasonably valued in excess of \$150,000 per year. Similar amendments have been recently approved by Board of Commissioners at the Airport and Harbor.

The Resolution provides an amendment to the Los Angeles Administrative Code (LAAC) Division 10, Chapter 1, Article 1 – Contract Requirements, Section 10.1.1 Department’s Authorization of Contracts to add a subsection to read as follows:

“Notwithstanding the provisions of Subsection (a) of this section, the Board of the Los Angeles Department of Water and Power Commissioners may authorize the General Manager of the Department to enter into contracts on behalf of the Department that satisfy all of the following:

- (1) The contract is not for personal services; and

- (2) The Contract does not obligate the City for a term of longer than three years including all extensions, renewals and amendments; and
- (3) The contract does not involve consideration reasonably valued in excess of One Hundred Fifty Thousand Dollars (\$150,000) annually.

"The Los Angeles Department of Water and Power shall submit a report quarterly to the Board of Commissioners for the Los Angeles Department of Water and Power identifying all contracts, including the dollar value involved in each contract, authorized by the General Manager of the Los Angeles Department of Water and Power pursuant to the provisions of this Subsection.

"Three years after effective date of this Subsection, the Los Angeles Department of Water and Power shall submit a report to the Mayor and the City Council evaluating the effects and benefits of the authority granted by the provisions of this subsection, and include a recommendation regarding whether to continue the provisions of this Subsection."

BACKGROUND

On December 13, 2011 the Los Angeles City Council enacted Ordinance NO. 181967, effective January 22, 2012, amending Section 10.1.1 to the LAAC to authorize the General Manager of the Department of Airports to enter into multi-year contracts that would otherwise require approval by the Board. The Port of Los Angeles requested a change to the LAAC to mirror the authorization granted to the Department of Airports and is currently awaiting Council approval.

The LAAC Division 10, Chapter 1, Article 1 – Contract Requirements, Section 10.1.1 subsection (a) currently states: "Any action by any of the departments named in Sections 500 and 600 of the Charter approving contracts which obligate the City for longer period of time than one year or which involves consideration reasonably valued in excess of Twenty Thousand Dollars (\$20,000) shall be taken by the head of the department by order or resolution. However, the Board of Commissioners of the Department of Airports, Harbor and Water and Power may each authorize its General Manager to contract on behalf of its department where the contract does not involve consideration reasonably valued in excess of One-Hundred-Fifty Thousand Dollars (\$150,000)."

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As currently written, the General Manager (GM) is restricted to the issuance of one-year contracts. This one-year restriction requires annual rebidding of purchases which are routinely used and results in increased procurement costs for the Department. The average number of GM awarded "annual" contracts processed by the Supply Chain Services division staff amounts to approximately 475 contracts per year. These contracts are for goods and equipment needed to support the Water and Power infrastructure and operations and for services that are not personal or professional in nature. All of these contracts are procured by competitive bid or through cooperative agreements on contracts established by other government organizations. Price is the only factor considered in the award of these contracts if the bidders meet the mandatory responsiveness and responsibility requirements and conform to the commercial terms and specifications. Bidding these routine items every three years instead of once a year would significantly reduce the administrative costs incurred in the processing of these contracts.

Efforts to examine changes that would result procurement efficiencies have been on-going for a number of years. In 1995, Deloitte and Touche delivered a detailed report entitled "Re-engineering the City's Procurement and Materials Management Process" which recommended reducing the time and expense involved in obtaining routine goods and services. In March of 2007 and again in August 2010, Scott Madden, Inc., a nationally recognized management consulting firm specializing in utility business management including supply chain management, was retained by LADWP to perform a comprehensive assessment of its Supply Chain Services (SCS) organization and processes.

One of the key recommendations from the Scott Madden study included increasing the General Manager's approval of contracts duration period from one to three years.

Further benefits cited by Scott Madden, Inc. from this amendment to Section 10.1.1 of LAAC include the following:

- A significant reduction of both cost and time to process contracts due to reduced transaction volumes
- An improvement in purchasing cycle time while maintaining appropriate controls,
- An ability to reallocate SCS staff time from routine transaction processing to a greater focus on higher value activities such as strategic sourcing and inventory optimization. More time spent on these activities will result in greater cost savings due to improved market pricing and lower inventory levels,

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- A potential reduction in material and service acquisition costs associated the ability to offer suppliers longer contract periods,
- Improvements in material available (reduced stock-outs) due to a reduction in the number of contract lapses of many routinely purchased items and services, and
- An improvement in customer service and responsiveness to the operational requirements of the Water, Power and Joint Systems.

On December 13, 2011 the Los Angeles City Council enacted Ordinance NO. 181967, effective January 22, 2012, amending Section 10.1.1 to the LAAC to authorize the General Manager of the Department of Airports to enter into multi-year contracts that would otherwise require approval by the Board. The Port of Los Angeles requested a change to the LAAC to mirror the authorization granted to the Department of Airports and is currently awaiting Council approval.

Concurrence of the Los Angeles City Council and the Mayor by Ordinance is required to make this action effective.

COST AND DURATION

Not applicable.

FISCAL IMPACT STATEMENT

There will be no impact on the City's General Fund. Approval of the recommended action will result in administrative efficiencies.

LOS ANGELES CITY COUNCIL APPROVAL

Per Charter Section 240, Los Angeles City Council approval is required. LADWP has been granted a wavier for the Executive Directive 4 process by the City Administrative Officer.

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RECOMMENDATION

It is requested that your Honorable Board adopt the attached Resolution recommending approval of an Ordinance amending the LAAC to increase the LADWP General Manager's authority to contract for up to three years in duration and \$150,000 annually.

GWW:vb

Attachments

e-c/att: Ronald O. Nichols


Richard M. Brown

Aram Benyamin

James B. McDaniel

Philip Leiber

Gary Wong

Gwendolyn W. Williams 

RESOLUTION NO. _____

WHEREAS, Division 10, Section 10.1.1 of the City of Los Angeles Administrative Code currently limits the contracting authority of the general manager of the Los Angeles Department of Water and Power (LADWP) to one year and \$150,000; and

WHEREAS, the LADWP is committed to providing timely, efficient and cost-effective contracting services for LADWP operations; and

WHEREAS, an extension of contracting authority of the general manager will reduce the cost and time required to process routine contracts for the purchases of goods, equipment and non-personal services; and

WHEREAS, the board of commissioners of the Los Angeles World Airport and the Port of Los Angeles recently approved an extension of contracting authority for their respective general managers.

NOW THEREFORE BE IT RESOLVED that an amendment by ordinance to Section 10.1.1 of the administrative code be submitted to the Los Angeles City council for approval, with said ordinance stating as follows:

"Notwithstanding the provisions of Subsection (a) of this section, the Board of the Los Angeles Department of Water and Power Commissioners may authorize the General Manager of the Department to enter into contracts on behalf of the Department that satisfy all of the following:

- (4) The contract is not for personal services; and
- (5) The Contract does not obligate the City for a term of longer than three years including all extensions, renewals and amendments; and
- (6) The contract does not involve consideration reasonably valued in excess of One Hundred Fifty Thousand Dollars (\$150,000) annually.

"The Los Angeles Department of Water and Power shall submit a report quarterly to the Board of Commissioners for the Los Angeles Department of Water and Power identifying all contracts, including the dollar value involved in each contract, authorized by the General Manager of the Los Angeles Department of Water and Power pursuant to the provisions of this Subsection.

"Three years after effective date of this Subsection, the Los Angeles Department of Water and Power shall submit a report to the Mayor and the City Council evaluating the effects and benefits of the

authority granted by the provisions of this subsection, and include a recommendation regarding whether to continue the provisions of this Subsection."

BE IT FURTHER RESOLVED that the Board hereby delegates authority to the General Manager to enter into contract for a period not to exceed 3 years in duration and \$150,000 annually in total expenditures for the purchases of goods, equipment and non-personal services, subject to City Council approval of said ordinance amending Section 10.1.1 of the Los Angeles Administrative Code.

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of a resolution adopted by the Board of Water and Power Commissioners of the City of Los Angeles at its meeting held _____.

Secretary

APPROVED AS TO FORM AND LEGALITY
CARMEN A. TRUTANICH, CITY ATTORNEY

APR 12 2013

BY _____

DIRK BROERSMA
DEPUTY CITY ATTORNEY

ORDINANCE NO. _____

An ordinance adding a subsection to Section 10.1.1 of the City of Los Angeles Administrative Code, to extend the contracting authority of the General Manager of the Department of Water and Power from one to three years and does not involve consideration reasonably valued in excess of One Hundred Fifty Thousand (\$150,000) annually.

**THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:**

(d) Notwithstanding the provisions of Subsection (a) of this section, the Board of the Los Angeles Department of Water and Power Commissioners may authorize the General Manager of the Department to enter into contracts on behalf of the Department that satisfy all of the following:

- (1) The contract is not for personal services; and
- (2) The Contract does not obligate the City for a term of longer than three years including all extensions, renewals and amendments; and
- (3) The contract does not involve consideration reasonably valued in excess of One Hundred Fifty Thousand Dollars (\$150,000) annually.

The Los Angeles Department of Water and Power shall submit a report quarterly to the Board of Commissioners for the Los Angeles Department of Water and Power identifying all contracts, including the dollar value involved in each contract, authorized by the General Manager of the Los Angeles Department of Water and Power pursuant to the provisions of this Subsection.

Three years after effective date of this Subsection, the Los Angeles Department of Water and Power shall submit a report to the Mayor and the City Council evaluating the effects and benefits of the authority granted by the provisions of this subsection, and include a recommendation regarding whether to continue the provisions of this Subsection.

Section 2. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located in the Main Street lobby to the City Hall; one copy on the bulletin board located at the ground level at the Los Angeles Street entrance to the Los Angeles Police Department; and one copy on the

bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, at its meeting of _____.

JUNE LAGMAY, City Clerk

By _____
Deputy

Approved _____

Mayor

Approved as to Form and Legality

Carmen A. Trutanich, City Attorney

By _____
JOSEPH BRAJEVICH
Assistant City Attorney

Date _____

File No. _____