

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: May 29, 2013

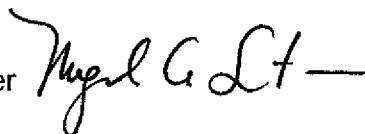
CAO File No. 0320-00168-0000

Council File No.

Council District:

To: The Mayor
The City Council

From: Miguel A. Santana, City Administrative Officer



Reference: Transmittal from the Department of Water and Power dated April 19, 2013

Subject: **PROPOSED AMENDMENT TO THE LOS ANGELES ADMINISTRATIVE CODE SECTION NO. 10.1.1 TO INCREASE THE CONTRACTING AUTHORITY OF THE DWP GENERAL MANAGER FOR MULTI-YEAR CONTRACTS PURSUANT TO CHARTER SECTION 240**

SUMMARY

The Department of Water and Power (DWP; Department) Board of Commissioners (Board) requests consideration of Resolution No. 013-253, which approves by ordinance, an amendment to Los Angeles Administrative Code (LAAC) Section No. 10.1.1 to allow the DWP Board to authorize the DWP General Manager to contract on its behalf where the contract (1) is not for personal services, (2) does not obligate the City for a longer period of time than three years, and (3) does not involve consideration reasonably valued in excess of \$150,000 annually. Currently, the contracting authority of the DWP General Manager is restricted to contracts not to exceed \$150,000 annually with a term restricted to no longer than one-year.

Furthermore, pursuant to the proposed Resolution, to ensure transparency in the contract procurement process, the DWP has agreed to submit a quarterly report to the Board identifying the total number and dollar value of the contracts executed by the General Manager. In addition, three years after the effective date for the consideration and approval of this amendment to the LAAC, the DWP agrees to submit a report to the Mayor and City Council evaluating the effects and benefits of the expanded contracting authority.

Pursuant to Charter Section 240 – Legislative Powers, City Council approval is required. The City Attorney has approved the proposed Resolution as to form and legality. A waiver of the Mayor's Executive Directive 4 was granted and the DWP Board approved Resolution No. 013-253 on April 16, 2013.

BACKGROUND

In 2000, the Mayor and Council approved Ordinances related to the three proprietary departments of Airport, Harbor, and Water and Power (DWP), which allowed their respective

Board of Commissioners (Board) to authorize their Executive Directors (General Managers), to execute contracts for one year on behalf of their departments, without Board approval. At a minimum, there are two Administrative Code sections that prescribed the limits of an Executive Director's contracting authority: Section 10.1.1 and Section 10.5. Under Administrative Code Section 10.1.1(a), the Boards for Airports, Harbor, and DWP may each authorize its respective Executive Directors to contract on behalf of its department where the agreement does not involve consideration valued in excess of \$150,000 and the time period does not exceed one year.

LAAC Section 10.5(a) provides that Council approval must be obtained for all contracts exceeding three years in length (See Charter Section 373, also). As a result, the contracting authority of the Executive Directors is established by the Administrative Code for both expenditures (up to \$150,000 and one year without Board approval) and cumulative time of performance (up to three years without Council approval). Board approval is required to exercise contract renewal options.

DWP asserts that approximately 475 contracts annually are awarded by the General Manager with a one-year term. These contracts are awarded on a competitive bid basis or through a cooperative purchase agreement established through other government entities for routine goods and equipment needed to support DWP operations and which are not personal or professional in nature. Qualifying bidders are evaluated and selected based on price only. Department officials state that bidding these contracts once every three years instead of annually would significantly reduce the administrative costs related to contract administration; although, cost savings data has not been provided to support this assertion.

Several independent studies have been conducted, initially in 1995 and most recently in 2010, to improve procurement operations and efficiencies. Key recommendations from these studies consist of (i) reducing the time and expense involved with obtaining routine goods and services; and, (ii) increasing the General Manager's authority to approve contracts with a term up to three years in duration. The benefits of implementing these recommendations, as cited by the most recent 2010 procurement study, include reduced costs and time to process contracts due to fewer transactions, increased ability for staff to focus on higher value activities such as strategic sourcing and inventory optimization, reduced acquisition costs associated with longer contract terms, improved availability of materials due to reduction in any contract lapses, and improved customer service to the operational requirements of the Water, Power, and Joint Systems.

Requests for a similar amendment to the LAAC have been submitted by both the Los Angeles World Airport (LAWA) and the Port of Los Angeles (POLA). In January 2011, the Mayor and Council approved the requested amendment to authorize the LAWA Executive Director to approve contracts for up to \$150,000 per year for a period not-to-exceed three years and an amount not-to-exceed \$450,000 (C.F.11-0026). POLA's request for a similar amendment was submitted to the Mayor for consideration in December 2012 and is currently pending further consideration by the Trade, Commerce, and Tourism Council Committee.

CONCLUSION

The DWP is requesting to pursue an amendment to the LAAC in order to reduce administrative costs and achieve administrative efficiencies. There appears to be definite and tangible efficiencies that could be gained by expanding the DWP General Manager's authority to approve contracts for routine goods and equipment up to a maximum of \$150,000 annually with a term not to exceed three years. It could be reasoned that a certain degree of transparency may be lost if such authority were granted to the General Manager. However, balancing the benefits against the drawbacks, it appears that the DWP's proposal is practical and beneficial in terms of staff efficiencies and anticipated savings for the procurement of goods and services.

RECOMMENDATION

That the Council approve, subject to concurrence by the Mayor, Resolution No. 013-253, which authorizes by ordinance, amending Section 10.1.1 of the Los Angeles Administrative Code to authorize the Board of Water and Power Commissioners to authorize its General Manager to contract on its behalf where the contract (1) is not for personal services, (2) does not obligate the City for a longer period of time than three years, and (3) does not involve consideration reasonably valued in excess of \$150,000 annually; and

FISCAL IMPACT STATEMENT

Approval of the proposed resolution is expected to reduce expenditure amounts from the Water and Power Revenue Funds for the procurement of goods and services; although, the Department has not provided an estimate of the cost savings. The proposed amendment complies with the Department's adopted Financial Policies. There is no fiscal impact to the City's General Fund.

Time Limit for Council Action

The City Attorney has advised that there is no time limitation on this action due to the ordinance approval requirement.