

Los Angeles



Department of Water & Power

ERIC GARCETTI
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MARCIE L. EDWARDS
General Manager

March 7, 2014

The Honorable City Council
City of Los Angeles
Room 395, City Hall
Los Angeles, California 90012

Honorable Members:

Subject: Revised Amendment No. 4 to Agreement No. 47969 with Sodexo America, LLC

Pursuant to Charter Section 373, enclosed for approval by your Honorable Body is Resolution No. 014 161, adopted by the Board of Water and Power Commissioners on March 6, 2014, approved as to form and legality by the City Attorney, which authorizes execution of Agreement No. 47969 (Amendment No. 4 Revised) with the Sodexo America, LLC. The amendment will extend the contract term by 18 months and increase the contract amount by \$504,975. As directed by the Board, transmitted to you are supporting documents.

If there are any questions regarding this item, please contact Ms. Winifred Yancy, Director of Intergovernmental Affairs and Community Relations, at (213) 367-0025.

Sincerely,

A handwritten signature in cursive script that reads 'Barbara E. Moschos'.

Barbara E. Moschos
Board Secretary

BEM:oja

Enclosures: LADWP Resolution
Board Letter
Revised Amendment No. 4 to Agreement No. 47969

Los Angeles Aqueduct Centennial Celebrating 100 Years of Water 1913-2013

111 N. Hope Street, Los Angeles, California 90012-2607 Mailing address: Box 51111, Los Angeles, CA 90051-5700
Telephone: (213) 367-4211 www.LADWP.com

c/enc: Mayor Eric Garcetti
Councilmember Felipe Fuentes, Chair, Energy and the Environment Committee
Gerry F. Miller, Chief Legislative Analyst
Miguel A. Santana, City Administrative Officer
Rafael Prieto, Legislative Analyst, CLA
William R. Koenig, Chief Administrative Analyst
Winifred Yancy

WHEREAS, Sodexo America, LLC (Sodexo) was awarded Agreement No. 47969 by the Los Angeles Department of Water and Power (LADWP) Board of Commissioners on August 3, 2010, to operate the John Ferraro Building (JFB) Food Services including the cafeteria, convenience store, catering, and vending machines; and

WHEREAS, the agreement was awarded for a term of thirty-six (36) months for an amount not to exceed \$750,000; and

WHEREAS, on September 12, 2011, Amendment No. 1 was approved by the LADWP Board of Commissioners to extend the Sodexo termination date by an additional 30 days and eliminated the \$2,000 monthly rent contract provision effective August 1, 2011, and eliminated the 2% commission contract provision effective January 1, 2011; and

WHEREAS, on September 20, 2011, Amendment No. 2 was approved by the LADWP Board of Commissioners expanding the scope of its emergency services, establishing a minimum purchase of \$42,000 monthly, and increasing the contract limit by \$95,000 for a new contract value of \$845,000; and

WHEREAS, on June 4, 2013, Amendment No. 3 was approved by the LADWP Board of Commissioners extending the term from thirty-six (36) months up to forty-two (42) months and increasing the contract limit by \$137,319 for a new contract value of \$982,319; and

WHEREAS, on December 17, 2013, Amendment No. 4, Resolution No. 014 124 was approved by the LADWP Board of Commissioners to reduce the minimum monthly purchase limit to \$33,250, extend the term fifteen (15) months, and increase the not-to-exceed amount by \$561,750 for a new not-to-exceed contract amount of \$1,544,069, and Amendment No. 4 was subsequently rejected by the Los Angeles City Council on February 18, 2014; and

WHEREAS, LADWP's Joint System recommends that Amendment No. 4, Resolution No. 014 124 be revoked; and

WHEREAS, LADWP's Joint System recommends approval of Amendment No. 4 (Revised) to Agreement No. 47969 to reduce the minimum monthly purchase limit to \$29,865, extend the term eighteen (18) months, increase the not-to-exceed amount by \$504,975 for a new not-to-exceed contract amount of \$1,487,294 and revise the invoicing process to quarterly invoicing, with all other terms and conditions remaining unchanged; and

WHEREAS, LADWP has determined that it is necessary to increase the contract term by eighteen (18) months making the revised term four (4) years and forty-nine (49) months which exceeds the total contract time period set by ordinance, in accordance with the City Charter Section 373, City Council approval is required.

NOW, THEREFORE BE IT RESOLVED that Amendment No. 4 (Revised) to Agreement No. 47969, is approved as to form and legality by the City Attorney and on file with the Secretary of the Board is hereby approved.

BE IT FURTHER RESOLVED that the Chief Accounting Employee of the LADWP, upon proper certification, is authorized and directed to draw demands on the Water and Power Revenue Funds in accordance with the terms of this amendment to Agreement No. 47969 and this resolution.

BE IT FURTHER RESOLVED that the President or Vice President, or the General Manager, or such person as the General Manager shall designate in writing, and the Secretary, Assistant Secretary, or the Acting Secretary of the Board are hereby authorized and directed to execute said amendment for and on behalf of LADWP upon approval by the City Council pursuant to City Charter Section 373.

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 **MAR 06 2014**


Secretary

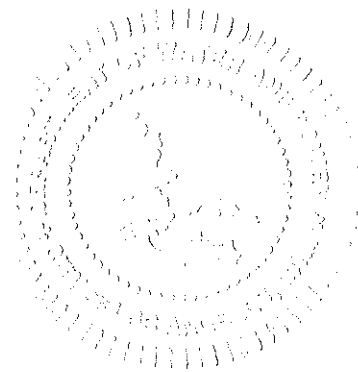
APPROVED AS TO FORM AND LEGALITY
MICHAEL N. FEUER, CITY ATTORNEY

FEB 28 2014

BY


TIMOTHY J. CHUNG
DEPUTY CITY ATTORNEY

For Sr. Asst. City Atty. Linda Angeles

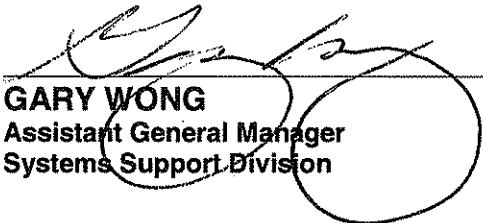




Los Angeles
Department of
Water & Power

RESOLUTION NO. 014 161
MAR 06 2014

BOARD LETTER APPROVAL


GARY WONG
Assistant General Manager
Systems Support Division


JAMES B. MCDANIEL
Interim General Manager

DATE: February 28, 2014

SUBJECT: Amendment No. 4 (Revised) To Agreement No. 47969 for John Ferraro Building Food Services

SUMMARY

The purpose of this proposed Amendment No. 4 (Revised) to Agreement No. 47969 with Sodexo America, LLC is to resume food services for the John Ferraro Building (JFB). These services include:

- Operation of the JFB cafeteria, vending machines, and catering services for LADWP sponsored functions.
- Emergency food service (in the event of a disaster or declared emergency) at the JFB, outlying critical facilities, and the Mobile Command Center as needed.

City Council approval is required according to Charter Section 373.

RECOMMENDATION

It is requested that the Board of Water and Power Commissioners adopt the attached Resolution recommending City Council's ratification and approval of Amendment No. 4 (Revised) to Agreement No. 47969 with Sodexo America, LLC per Charter Section 373.

ALTERNATIVES CONSIDERED

The Agreement expired on January 16, 2014, and consequently cafeteria and catering services from Sodexo ended.

- LADWP has been scheduling food trucks pending a new award. Even with 3 food trucks and the dining establishments in the immediate area, this option does not provide the peak capacity to serve LADWP employees and functions and should not be considered as a long term solution.
- Eliminating a single contractor for cafeteria and catering food service for LADWP employees and Department sponsored functions, compounds the challenges

experienced with the use of food trucks on an interim basis. In addition, contracting for catering for LADWP-sponsored functions on an individual basis results in the processing of multiple purchasing authorizations. The processing of authorizations on an individual basis for the same service increases the workload and is inefficient for administrative staff and Supply Chain Services staff.

FINANCIAL INFORMATION

	<u>Maximum Expenditures</u>
Original Contract Period (2 years 49 weeks)	\$ 750,000
Amendment No. 1 (No Additional Time)	\$ 0
Amendment No. 2 (No Additional Time)	\$ 95,000
Amendment No. 3 (6 Months)	\$ 137,319
Amendment No. 4 (Revised) (18 Months)	<u>\$ 504,975</u>
	\$1,487,294

Amendment No. 4 (Revised) provides LADWP with food service including catering for LADWP sponsored functions. In return, LADWP commits to a minimum monthly purchase of \$29,865 per month for emergency food service and LADWP catering, which is a reduction of nearly 30 percent from the current payment of \$42,000 per month. These minimum monthly charges will continue to be offset by external catering events that are contracted directly with Sodexo produced at the JFB cafeteria facility. Any shortfall of the \$29,865 per month will be discounted by 20 percent with the net amount paid to Sodexo. The potential monthly charges total \$447,975 of the proposed increase. The remaining balance of \$57,000 will be applied to expenses incurred prior to January 27, 2014, the last date that Sodexo was in operation.

BACKGROUND

On August 3, 2010, the Board of Water and Power Commissioners awarded Sodexo Agreement No. 47969 for the JFB food services as the result of an advertised competitive process. On May 17, 2011, Sodexo notified the LADWP that under the terms of the Contract, it was providing its 120-day notice of termination, effective September 16, 2011. In the 19 months prior to the notification of termination, Sodexo incurred losses totaling \$298,843.

The factors that have impacted JFB food service operations include:

- Suspension of the public’s access to the JFB cafeteria (August 13, 2010 through May 14, 2012). Prior to the closing, the JFB food service operations did not require a minimum and provided revenue to LADWP. Revenue from non-LADWP customers accounted for a significant share of the total revenue.
- A reduction in LADWP staffing and consequently JFB occupancy.
- A reduction in catering for both LADWP and external organizations that contracted with Sodexo prior to the recent economic downturn.

- With the revitalization of downtown Los Angeles, the number of lunch options in the immediate area accessible by walking or public transportation has increased significantly resulting in competition to the JFB cafeteria, although not sufficient capacity to support the volume of employees in the JFB.

These factors led to the prior amendments which are summarized below:

Amendment No. 1

- Eliminated the monthly rent of \$2,000 per month and payment of 2 percent of the total gross sales payable to LADWP.
- Extended Sodexo's termination date by 30 days to enable the LADWP to further negotiate contract revisions. On September 12, 2011, the Board approved Amendment No. 1.

Amendment No. 2

- Required Sodexo to pay LADWP 10 percent commission on catering net sales greater than \$504,000 per year.
- Established a minimum purchase of \$42,000 per month for emergency food service requirements and catering for LADWP events, offset by catering contracted directly with Sodexo and prepared at the JFB Food Service Facility.
- Increased the contract amount by \$95,000 from \$750,000 to \$845,000.

Amendment No. 3

- Increased the contract amount by \$137,319 and the contract period up to six months no later than January 16, 2014.

Amendment No. 4

- Increased the contract amount by \$561,750 and the contract period by fifteen months to April 16, 2015.
- Established a revised minimum purchase of \$33,250 per month for emergency food service requirements and catering for LADWP events, offset by catering contracted directly with Sodexo and prepared at the JFB Food Service Facility.
- Amendment No. 4 was approved by the Board on December 17, 2013, but rejected by the City Council on February 18, 2014.

Request for Proposal (RFP) No. 90116 was advertised on May 13, 2013, as the replacement contract for Agreement No. 47969. While there has been significant interest in providing food service at the JFB, there were only three proposals received for this Agreement No. 47969 and only two proposals received for RFP 90116.

As a result of the two RFPs, staff determined it was in LADWP's best interest to research, revise, and reissue an RFP for JFB food service utilizing a different business model to:

- Increase revenue.
- Eliminate any minimum payment.
- Increase the number of proposers.

- Provide for capital improvements (the kitchen is all-electric).

Amendment No. 4 (Revised) provides for:

- Adequate time to research, revise, and reissue a new RFP. An RFP is currently being prepared to select a vendor who can provide expertise on food service operations. The new RFP will be structured to eliminate any commitment by LADWP to purchase a minimum.
- Closure of the convenience store.
- Opportunity for LADWP to eliminate or reduce the minimum whereby:
 - To the extent practical, all LADWP catering service in the Los Angeles Basin for LADWP sponsored functions will be required to be performed under this contract. This will ensure that monies previously spent outside of the contract will be consolidated to meet the minimum guarantee.
 - Introduces quarterly billing to provide LADWP with the flexibility to better schedule approved events in reducing the minimum.

ENVIRONMENTAL DETERMINATION

In accordance with the California Environmental Quality Act (CEQA), it has been determined that awarding a contract extension for the provision of food services is exempt pursuant to the General Exemption described in CEQA Guidelines Section 15061(b)(3). General Exemptions apply in situations where it can be seen with reasonable certainty that there is no possibility that the activity in question may have a significant effect on the environment.

CITY ATTORNEY

The Office of the City Attorney reviewed and approved the Amendment and Resolution as to form and legality.

ATTACHMENTS

- Resolution
- Amendment

**AMENDMENT NO. 4 (REVISED) TO AGREEMENT NO. 47969
BETWEEN
THE LOS ANGELES DEPARTMENT OF WATER AND POWER
AND
SODEXO AMERICA, LLC**

THIS AMENDMENT NO. 4 (REVISED) to Agreement No. 47969 is made and entered into by and between the City of Los Angeles, a municipal corporation acting by and through the Los Angeles Department of Water and Power, (hereinafter referred to as the "LADWP") and Sodexo America, LLC (hereinafter referred to as "Sodexo").

WHEREAS, LADWP and Sodexo entered into Agreement No. 47969 wherein Sodexo agreed to provide John Ferraro Building (JFB) Food Services effective August 3, 2010, which together with all amendments and supplements thereto hereinafter shall be referred to as the "Agreement"; and

NOW, THEREFORE, BE IT RESOLVED Amendment No. 4 (REVISED) to Agreement No. 47969 is as follows:

1. Article I, Section 201, Term of the Agreement is amended to increase the contract term by eighteen (18) months to read as follows:

The term of this Agreement shall commence, upon execution of this Agreement by all Parties hereto and shall terminate four (4) years and forty-nine (49) weeks thereafter, subject to the termination provisions herein. Performance shall not begin until the Contractor has obtained Department approval of insurance required herein.

2. Section 301, Compensation is amended as follows:

	Required Rate
Percentage of total gross sales – cafeteria	Effective August 1, 2011, Monthly Rent of \$2,000 is eliminated and Effective January 1, 2011, Commission of 2% is eliminated
Percentage of total gross sales – vending	5%
Percentage of total gross sales – convenience store	Not Applicable Convenience store closed
Contractor Investment	Waived

LADWP commits to a minimum purchase of \$42,000 per Accounting Period (calendar month) for emergency food service requirements and catering for LADWP events, offset by external catering, contracted directly with Sodexo, but which is produced at the JFB Food Service Facility. Any shortfall of the minimum purchase will be discounted by 20 percent with the net amount being paid to Sodexo within 30 days following the end of the year as defined below. The \$42,000 minimum purchase commitment is effective October 28th,

2011, however for the 2 weeks from October 14, 2011 to October 27, 2011 the minimum purchase commitment will be \$21,000. In addition, for the period of January 1, 2014 through January 16, 2014, the minimum purchase commitment will be prorated. The minimum purchase rate of \$42,000 per Accounting Period will expire on January 16, 2014 and effective January 17, 2014 the rate will change to \$29,865 per accounting period. Effective January 17, 2014, the Accounting Period will change from a calendar month to a four or five week quarter. In addition, for the period of April 7, 2015 through April 16, 2015, the minimum purchase commitment will be prorated.

Effective October 14, 2011, LADWP will deposit \$42,000 with Sodexo in a revolving account to meet any payables consistent with the terms of the contract.

Sodexo will pay LADWP 10% commission on Catering Net Sales in excess of \$504,000 per year. Effective April 7, 2014 the annual Catering Net Sales threshold will change to \$358,380 per year. The first year will start on October 28, 2011 and end on November 1, 2012. The second "year" will start on November 2, 2012 and end on November 1, 2013. The third year will start on November 2, 2013 and end on November 1, 2014. The fourth "year" will start on November 2, 2014 and end on July 16, 2015 when the current contract terminates.

Effective January 17, 2014 for the months the café resumes operation:

Prior to the beginning of the Accounting Quarter, Sodexo will invoice LADWP a "Minimum Quarterly Amount" of \$89,595 for emergency food requirements and catering for LADWP events. Any shortfall to the Minimum Quarterly Amount will be discounted by 20% (twenty percent) with the net amount being credited to LADWP on the invoice for the following quarter.

For any period of operation less than a full Accounting Quarter, the minimum quarterly amount would be prorated. Any shortfall to the Minimum Quarterly Amount will be discounted by 20% (twenty percent) with the net amount being paid to Sodexo within 30 days following the end of the Accounting Quarter as defined below.

If the actual Catering Sales exceed the Minimum Quarterly Amount ("Overage"), such Overage shall be retained by Sodexo. Reconciliation and payment of amounts owed to Sodexo under this Section shall be made within thirty (30) days after the Accounting quarter.

An Accounting Period is defined as Sodexo's accounting calendar, which ordinarily contains one five week and two four week Accounting Periods in each quarter of a year.

Accounting Quarter would be defined as a period of one five week and two four week Accounting Periods, using the following schedule:

April-June 2014
July-September 2014
October – December 2014
January – March 2015
April – June 2015

Reconciliation of all financial obligations under the contract will be performed on a quarterly basis. If the contract is terminated by either side before the end of the year in question, then reconciliation will occur within 30 days of the contract termination date, and the annual Catering Net Sales threshold will be prorated.

If the contract is terminated by either side before the end of the calendar month, the minimum purchase financial obligation will be prorated based upon the termination effective date.

3. Article I, Section 301.1, Not-to-Exceed Amount is amended to increase the contract not-to-exceed amount by \$504,975 to read as follows:

The total compensation that may be paid to the Contractor by the Department for complete and satisfactory performance of services under this Agreement shall not exceed One Million Four Hundred Eighty-Seven Thousand Two Hundred Ninety Four Dollars (\$1,487,294) for catering services.

Except as amended herein and as previously amended, all terms and conditions of Agreement No. 47969 shall remain the same and are incorporated herein as if fully set forth.

4. This Amendment No. 4 (Revised) is executed in two (2) duplicate originals, each of which is deemed to be an original. This Amendment No. 4 (Revised) consists of two (2) pages.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 4 (Revised) to Agreement 47969 to be executed by their authorized representatives on the day and year written below.

DEPARTMENT OF WATER AND POWER
OF THE CITY OF LOS ANGELES
BY
BOARD OF WATER AND POWER
COMMISSIONERS
OF THE CITY OF LOS ANGELES

Dated: _____ By: _____
MARCIE L. EDWARDS
Title: _____
General Manager

AND:

Dated: _____ By: _____
BARBARA E. MOSCHOS
Title: _____
Board Secretary

SODEXO AMERICA, LLC

Dated: _____ By: _____
Title: _____
Senior Vice President

AUTHORIZED BY RES. 014 16
MAR 06 2014