



ANTONIO R. VILLARAIGOSA  
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RONALD O. NICHOLS  
*General Manager*

April 19, 2013

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

Honorable Members:

Subject: Authorizes Execution of Proposed Amendment to Section 10.1.1 of the Los Angeles  
Administrative Code

Pursuant to Charter Section 240, enclosed for approval by your Honorable Body is Resolution No. 013 253, adopted by the Board of Water and Power Commissioners on April 16, 2013, approved as to form and legality by the City Attorney, which authorizes execution of Proposed Amendment to Section 10.1.1 of the Los Angeles Administrative Code – Los Angeles Department of Water and Power General Manager's Contracting Authority. As directed by the Board, transmitted to you are supporting documents.

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

Sincerely,

Barbara E. Moschos  
Board Secretary

BEM:oja  
Enclosures: LADWP Resolution  
Board Letter

(Ordinance to be transmitted under separate cover)

**Water and Power Conservation ... a way of life**

111 North Hope Street, Los Angeles, California 90012-2607 Mailing address: Box 51111, Los Angeles 90051-5700  
Telephone: (213) 367-4211 Cable address: DEWAPOLA



c/enc: Mayor Antonio Villaraigosa  
Councilmember Jose Huizar, 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**, 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.

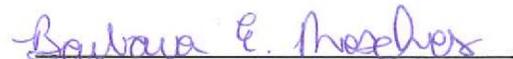
“The Los Angeles Department of Water and Power shall submit a report quarterly to the Board of Commissioners for the Los Angeles Department of Water and Power identifying all contracts, including the dollar value involved in each contract, authorized by the General Manager of the Los Angeles Department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

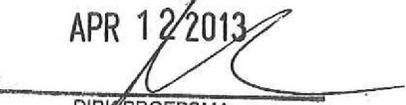
**BE IT FURTHER RESOLVED** that the Board hereby delegates authority to the General Manager to enter into contract for a period not to exceed 3 years in duration and \$150,000 annually in total expenditures for the purchases of goods, equipment and non-personal services, subject to City Council approval 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 APR 16 2013.

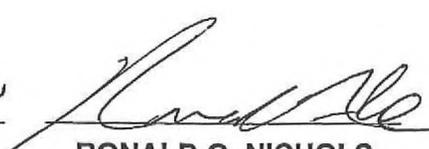
  
Secretary

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

APR 12 2013

BY   
DIRK BROERSMA  
DEPUTY CITY ATTORNEY

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

<b>TO: BOARD OF WATER AND POWER COMMISSIONERS</b>	<b>DATE: April 16, 2013</b>
  <p><b>GARY WONG</b> Assistant General Manager – Systems Support Division</p> <p><b>RONALD O. NICHOLS</b> General Manager</p>	<p><b>SUBJECT:</b></p> <p align="center"><b>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</b></p> <hr/> <p><b>FOR COMMISSION OFFICE USE:</b></p> <p align="center">RESOLUTION NO. _____</p>
<p><b>CITY COUNCIL APPROVAL REQUIRED: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></b></p>	<p><b>IF YES, BY WHICH CITY CHARTER SECTION: 240</b></p>

**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)."

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,

- 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 