



4
Item Number
here

Report to the BOARD OF AIRPORT COMMISSIONERS

Approver: 
Samantha Bricker (Nov 9, 2022 14:53 PST)
Samantha Bricker
Chief Sustainability and Revenue Management Officer

Meeting Date
11/17/2022

Needs Council Approval: Y

Reviewer: 
Brian C. Ostler, City Attorney *LTO*

Reviewed for/by	Date	Approval Status	By
Finance	11/3/2022	<input checked="" type="checkbox"/> Y <input type="checkbox"/> NA	JS
CEQA	11/2/2022	<input checked="" type="checkbox"/> Y	JO
Procurement	11/1/2022	<input checked="" type="checkbox"/> Y <input type="checkbox"/> Cond	BG
Guest Experience	11/3/2022	<input checked="" type="checkbox"/> Y	TB
Strategic Planning	11/1/2022	<input checked="" type="checkbox"/> Y	BNZ


Justin Erbacci (Nov 9, 2022 16:21 PST)
Justin Erbacci, Chief Executive Officer

SUBJECT

Request for approval to ask the City Council to amend the Los Angeles Administrative Code to increase the Chief Executive Officer's/General Manager's authority to award contracts for a not-to-exceed term of three years for i) professional, scientific, expert, or technical services; ii) goods, materials, supplies, or equipment; and iii) non-professional services, in an amount not to exceed \$500,000 annually, up to three years; and to allow Los Angeles World Airports to utilize the Competitive Sealed Proposal Selection Process to deliver capital improvements and other construction related projects.

RECOMMENDATIONS

Management RECOMMENDS that the Board of Airport Commissioners:

- ADOPT the Staff Report.
- DETERMINE that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article II, Section 2.f of the Los Angeles City CEQA Guidelines.
- FURTHER ADOPT a Resolution requesting the Los Angeles City Council to consider amending Subsection (c) of Section 10.1.1 of the Los Angeles Administrative Code, allowing the Board of Airport Commissioners to authorize its Chief Executive Officer (CEO)/General Manager (GM) to contract on behalf of the Los Angeles World Airports for i) professional, scientific, expert, or technical services; ii) goods, materials, supplies, or equipment; and iii) non-professional services, in an amount not to exceed \$500,000 per year, up to three years,

for a total contract amount of \$1.5 million. If City Council agrees to amend Subsection (c), City Council also should consider amending Subsection (a) so that there is consistency between Sections (a) and (c) as to the dollar limit and term limit of contracts that can be approved by LAWA's CEO/GM.

4. FURTHER ADOPT a Resolution requesting the Los Angeles City Council to consider amending Subsection (f) of Section 10.15 of the Los Angeles Administrative Code, allowing the Board of Airport Commissioners to authorize the use of the Competitive Sealed Proposal Selection Process (CSPSP) to deliver capital improvements or other construction projects at Los Angeles World Airport

DISCUSSION

1. Purpose

Los Angeles World Airports management requests to increase the Chief Executive Officer's/General Manager's contract authority under Subsection(c) of Section 10.1.1 of the Los Angeles Administrative Code, to allow Los Angeles World Airports (LAWA, Department) to procure professional services, goods, equipment, and non-professional services more efficiently; and to amend Subsection (f) of Section 10.15 to allow the use of CSPSP on capital improvements or other construction projects at LAWA. These changes in policy will allow the Department to continue operations without work interruptions or slow-downs and redirect staff to work on the more complex, multi-faceted, multi-year contracts.

2. Prior Related Actions/History of Board Actions

- **December 17, 2007 – Resolution No. 23477**

The Board of Airport Commissioners (Board) approved an increase to LAWA's Executive Director's contracting authority from \$100,00 to \$150,000 in accordance with Ordinance No. 173186 enacted by the Los Angeles City Council on April 11, 2000.

- **December 6, 2010 – Resolution No. 24316**

The Board recommended to the Los Angeles City Council to amend the Los Angeles Administrative Code Section 10.1.1 subsection (a) by ordinance such that the Board may authorize its Executive Director to contract on behalf of the Department where the contract does not obligate the City for a longer period of time than three years and the contract does not involve consideration reasonably valued in excess of \$150,000 annually.

- **January 23, 2012 – Resolution No. 24697**

The Board approved a recommendation to amend Resolution No. 23477 to delegate multi-year contracting authority to the Executive Director under the following conditions: (1) the contract is not for personal services; (2) the contract does not obligate the City of Los Angeles for a term longer than three years, including all extensions, renewals, and amendments; and (3) the contract does not involve consideration reasonably valued in excess of \$150,000 annually.

3. Background

The current contract authorization to purchase goods for the Chief Executive Officer (CEO)/General Manager (GM) of LAWA is described in Subsection (c) of Section 10.1.1 of the Los Angeles Administrative Code and enacted by Ordinance No.181967, as adopted by the Los Angeles City Council on December 16, 2011, and approved by the Board of Airport Commissioners by Resolution No. 24697 as discussed above. Subsection (c) applies to the Harbor Department (Port of Los Angeles), and the Airport Department (LAWA), but not the Department of Water and Power (LADWP).

In 2018, the Los Angeles City Council approved Ordinance No.185471, which amended Subsection (d) of Section 10.1.1 of the Administrative Code for the Department of Water and Power (LADWP Board) to increase the contracting authority of the General Manager for certain non-professional service contracts from \$150,000 to \$5,000,000 annually, for up to three years.

The Ordinance also added Sections (e) and (f) to Section 10.5 of the Administrative Code and amended Subsection (f) of Section 10.15. These changes allow LADWP's Board to approve contracts for up to five years, under a Charter Section 245 process, or up to ten years if the item is highly specialized equipment or sole source software; and to utilize the CSPSP for highly specialized equipment. Currently LAWA's Board can only approve contracts up to three years under a Charter Section 245 process, and LAWA can only utilize a CSPSP process for non-professional services through the approval of an Ordinance.

4. Current Action/Rationale

Current Procurement Environment

Management requests the Board approve a recommendation to request the City Council increase the CEO/GM's contract authority from \$150,000 per year to \$500,000 per year for professional services, goods, equipment, and non-professional services; and to allow LAWA to utilize the CSPSP to deliver capital improvements or other construction projects at Los Angeles World Airports.

As discussed above, the current contract authority for LAWA's CEO/GM has been stagnant since 2012. The request to expand the CEO's contract authority is based on the large number of contracts awarded each year, the number of Board items undertaken by staff leading to longer procurement completion times, as well as the difficulty in getting timely City Council approval. In addition, given the rise in the Consumer Price Index over the last ten years, the actual buying power with \$150,000 is far less today than it was in 2012.

From FY2018 to FY2022, the Board approved an average of 61 contracts annually. Of those, approximately 23 contracts were valued at under \$1 million. More specifically, many of the contracts within the proposed threshold, \$500,000 per year for up to three years or \$1.5 million, are approved by the Board on consent. In 2021, 18 such contracts went to the Board with 15 being approved on consent. So far in 2022, 12 of the 19 contracts meeting this threshold have been approved on consent. Increasing the CEO's contract authority to \$500,000 annually, would mean approximately 15 - 20 contracts would be approved at the CEO's level, thereby reducing the amount of time writing, scheduling, and going through the Board approval process.

The CSPSP allows LAWA to consider other factors in addition to price when making a contract award. Those factors may include items such as relevant experience, key personnel, approach to the project scope, and other pertinent details required to best assess the quality and fitness of

the proposer to deliver the project. Due to the complex nature of projects related to LAWA's Capital Improvements, LAWA has procured 10 of its last 14 construction projects using the CSPSP. This method has allowed LAWA to select the most qualified and experienced proposers to deliver its projects. The CSPSP often is utilized at LAWA with Alternative Delivery Methods (Construction Manager-at-Risk, Design/Build, Public-Private-Partnership, etc.) on construction projects. As LAWA has moved to almost exclusively delivering its capital improvements utilizing these methods, it is of critical importance that Staff be able to consider the aspects cited above, in addition to price, when determining a Proposer's ability to successfully complete a project, especially under an alternate delivery approach. Amending the Administrative Code to allow LAWA to select Contractors based on the CSPSP will create significant time savings and will allow LAWA to realize the full benefits of engaging alternate delivery approaches. The ordinance process currently required for LAWA's uses of the CSPSP adds significant time to the process. In the most recent example, an ordinance to allow CSPSP on the Airfield and Terminal Modernization Projects, the Board approved the action in December 2021, however, the ordinance was not official until June 2022 because it had to be approved by the City Council. During this period LAWA could not award a contract using the CSPSP. LAWA has seen a steady rise in its requests for ordinances to utilize CSPSP on capital projects. From 2008 to 2012, LAWA requested 1 ordinance. From 2012 to 2015, it requested 2 ordinances, and from 2015 to 2021 LAWA requested 6 ordinances, doubling its combined requests from the previous years. Considering the time each of these ordinances adds to a program this change can hand significant time back to LAWA staff and the projects.

Currently, the procurement process, even for smaller contracts, normally takes at least six months and the Board approval process adds at least 30 to 45 days to the procurement cycle. Staffing shortages throughout the Department have contributed to further delays in the procurement and approval process. Increasing the CEO's contract authority would substantially reduce both procurement and approval times, allowing staff to focus on larger contracts and enable LAWA to manage its staffing resources more efficiently and effectively. Providing the CEO/GM with increased contract authority will improve the contract approval process by increasing the speed at which smaller, routine, and/or sole-source contracts (government-fees for example) get approved and implemented, and by reducing the number of workdays needed to bring a contract to the Board, thereby allowing the Department to continue operations more efficiently without work interruptions or slow-downs.

As stated, the approval process to establish an ordinance to utilize CSPSP can take as long as six months. This added time negatively impacts LAWA's timeframes for delivering its capital improvements, and largely eliminates the time savings sought by LAWA's use of alternate construction methods. Amending the Administrative Code to allow LAWA to utilize the CSPSP in relation to Capital Improvements or other construction related projects provides significant time savings and remains in line with how LAWA has delivered these projects in recent history.

As noted above, another proprietary department, LADWP, already has received approval to expand the General Manager's contract authority threshold for certain goods, technical systems, and specialized sole-source items to \$5 million a year; and to allow for the use of CSPSP for highly specialized equipment. Increasing the CEO's/GM's contract authority and allowing for the use of CSPSP would follow best practices established by other proprietary departments in the City and industry standards for the delivery of capital programs.

Accountability Measures

Los Angeles World Airports currently is required by Ordinance No. 181967 to submit a quarterly report to the Board identifying all contracts, including the dollar value involved in each contract

authorized by the CEO/GM, and to make each report available to the public. This requirement would remain in place if the CEO's/GM's contract authority were increased.

LAWA is evaluating current internal controls to ensure the CEO/GM-approved contracts are fully documented, are recorded systematically, and have the same oversight as Board-approved reports and contracts.

Recommended Action

Management recommends increasing the CEO's/GM's contract authority under Section 10.1.1, and amending Section 10.15 of the Administrative Code to include:

- Contracts for i) professional, scientific, expert, or technical services; ii) goods, materials, supplies, or equipment; and iii) non-professional services, from \$150,000 to \$500,000 per year, up to three years, for a total value of \$1,500,000. If City Council agrees to amend Subsection (c), City Council also should consider amending Subsection (a) so that there is consistency between Subsections (a) and (c) as to the dollar limit and term limit of contracts that can be approved by LAWA's CEO/GM.
- The use of the CSPSP to select contractors to deliver construction projects related to capital projects and other improvements at LAWA.

Raising the dollar threshold and term for contracts awarded under the CEO's authority, would allow LAWA to process certain contracts faster and more efficiently. This would allow LAWA greater flexibility in utilizing the services of experts to assist in various strategic objectives of the Department. It also would enable LAWA's management to expedite the processing of routine contracts to meet the day-to-day maintenance and operational needs of Los Angeles International and Van Nuys Airports. Examples of such contracts include airfield lighting and repair parts, airfield traffic marking paint, plumbing supplies, as well as services such as tree trimming, Heating/Ventilation/Air Conditioning repair, telecommunications equipment, and government services and fees.

Allowing for CSPSP provides LAWA with an ability to take advantage of the full benefits of alternate methods of construction for its capital projects, namely the inherent time savings involved. This also will allow LAWA to consider more factors in its selection of a contractor to deliver construction projects at LAWA. The complexity of the projects and the impact that they have on the community and the traveling public require LAWA to be prudent in selecting the most experienced and qualified contractor, providing the best value to the City in delivering projects.

How This Action Advances a Specific Strategic Plan Goal and Objective

This action advances this strategic goal and objective: *Innovate to Enhance Security, Efficiency & Effectiveness: Reinvent processes to improve focus and increase speed.* The proposed policy change will allow the Department to process contracts faster and implement policies more efficiently.

5. Fiscal Impact

Adopting this recommendation will save time in the award of contracts and will result in staff efficiencies throughout the Department. Reducing the number of contracts that go to the Board will save approximately 30-45 workdays per contract, while increasing the speed at which smaller, sole-source, and/or routine contracts move to the execution stage. LAWA will also be in a position to enter into bridge contracts for shorter time frames, which will allow staff to

concentrate on preparing larger-valued procurements. Additional focus on the larger value procurements will benefit LAWA and the bidding public and put LAWA in a better position when bringing those contracts forward for Board and Council approval.

6. Alternatives Considered

- **Take No Action**

If the Board does not request the recommended change to the Administrative Code to expand the CEO's contract authority, the processing of contracts needed to meet LAWA administrative, maintenance, and operational requirements will continue to be affected by slow-downs and exposed to stop-gap situations, thereby creating uncertainty among vendors and increased workloads for a reduced staff.

APPROPRIATIONS

No appropriation of funds is required for this action.

STANDARD PROVISIONS

1. This action, as a continuing administrative activity, is exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article II, Section 2.f of the Los Angeles City CEQA Guidelines.
2. The City Attorney has reviewed this item.
3. Actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of Los Angeles City Charter Section 373.
4. This action is not subject to the provisions of the Living Wage/Service Contractor Worker Retention Ordinances.
5. This action is not subject to the provisions of the Business Enterprise (BE) Programs.
6. This action is not subject to the provisions of the Affirmative Action Program.
7. This action does not require a Business Tax Registration Certificate number.
8. This action is not subject to the provisions of the Child Support Obligations Ordinance.
9. This action is not subject to the insurance requirements of the Los Angeles World Airports.
10. This action is not subject to the provisions of Charter Section 1022 (Use of Independent Contractors).
11. This action is not subject to the provisions of the Contractor Responsibility Program.
12. This action is not subject to the provisions of the Equal Benefits Ordinance.
13. This action is not subject to the provisions of the First Source Hiring Program.

14. This action is not subject to the provisions of Bidder Contributions CEC Form 55.
15. This action is not subject to the provisions of MLO Bidder Contributions CEC Form 50.
16. This action is not subject to the provisions of the Iran Contracting Act.