

Los Angeles  Department of Water & Power

ERIC GARCETTI
Mayor

Commission
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MICHAEL F. FLEMING
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BARBARA E. MOSCHOS, *Secretary*

MARCIE L. EDWARDS
General Manager

February 4, 2015

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

Honorable Members:

Subject: Approval of Scattergood Unit 3 Demolition Project Design-Build Ordinance

Pursuant to Charter Section 371(b), enclosed for approval by your Honorable Body is Resolution No. 015 141, adopted by the Board of Water and Power Commissioners on February 3, 2015, approved as to form and legality by the City Attorney, which approves Scattergood Unit 3 Demolition Project Design-Build Ordinance adoption by the Los Angeles City Council Pursuant to Section 371(b) of the City Charter.

If additional information is required, 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
CAO Report
Ordinance

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

Sharon Tso, Chief Legislative Analyst

Miguel A. Santana, City Administrative Officer

Rafael Prieto, Legislative Analyst, CLA

David Hirano, Chief Administrative Analyst

Winifred Yancy

WHEREAS, the settlement agreement between South Coast Air Quality Management District and the City of Los Angeles Department of Water and Power (LADWP) requires the repowering of the current Scattergood Generating Station (SGS) Unit 3 which was originally commissioned in 1974; and

WHEREAS, the California State Water Resource Board (SWRB) has mandated coastal power generation plants to eliminate once-through cooling (OTC); and

WHEREAS, LADWP has developed and approved the Integrated Resource Plan (IRP), which calls for multiple major power projects including the repowering of SGS Units; and

WHEREAS, per the California Environmental Quality Act, the final Environmental Impact Report for the Project was certified and adopted by the Department of Water and Power Board on September 18, 2012, under the SGS Unit 3 Repowering Project; and

WHEREAS, the primary goals of the SGS Unit 3 Demolition Project are to provide a footprint for the repowering of SGS Units and to comply with the SWRB mandate; and

WHEREAS, LADWP intends to oversee the decommissioning, disablement, decoupling, demolition, and all associated financing costs of the SGS Unit 3 Demolition Project; and

WHEREAS, the SGS Unit 3 Demolition Project includes decommissioning Unit 3 in place by removal of sections of the fuel gas pipeline that will permanently isolate the units from their fuel gas supply and LADWP will surrender the operating permits for the unit; and

WHEREAS, LADWP desires to minimize the use of ocean OTC and the retirement of SGS Units will eliminate the use of once-through ocean cooling associated with the Units; and

WHEREAS, LADWP desires to advertise one Request for Proposal using the competitive sealed proposal method that permits negotiations after proposals have been submitted to allow clarifications and changes to the proposal; and

WHEREAS, A Local Bid Preference is applied in accordance with §371(a) of the City of Los Angeles Charter for businesses within Los Angeles County. The criteria as established by the proposed Ordinance will grant local businesses up to an additional five percent weighting factor; and

WHEREAS, §371(b) of the City of Los Angeles Charter (Charter) provides that as an alternative to an award pursuant to open and competitive bidding, a contract may be let pursuant to a competitive sealed proposal method, in accordance with criteria adopted by a two-thirds vote of the Council. The competitive sealed proposal method may permit negotiations in accordance with criteria as established by the Ordinance authorizing the use of such alternative method.

NOW, THEREFORE, BE IT RESOLVED that the Board of Water and Power Commissioners finds that adherence to the rule that the contract award be made to the lowest responsive and responsible bidder is not practical or advantageous, and the competitive sealed bid proposal method is in the best interests of the City due to the complexity of the project and the large number of exceptions and clarifications that can reasonably be anticipated for this type of project.


BE IT FURTHER RESOLVED that pursuant to Charter §1022, the services advertised for in this Request for Proposal are for expert services which require knowledge and skills that are not available within LADWP, and can therefore be performed more economically and feasibly by independent contractors than by City employees.

BE IT FURTHER RESOLVED that the Board of Water and Power Commissioners approves and recommends to the Los Angeles City Council adoption by Ordinance of the proposed criteria to be used in the selection of the contractors for the proposed SGS Unit 3 Demolition Project pursuant to §371(b) of the Charter and that the Board of Water and Power Commissioners be permitted to award the contract(s) for said equipment and construction for a term not to exceed five years without further approval by the Los Angeles City Council pursuant to §§371 and 674 of the Charter.

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 FEB 03 2015


Secretary

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

OCT 29 2014
BY 
ERIC ROSENBLATT
DEPUTY CITY ATTORNEY



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RESOLUTION NO. 015 141
FEB 03 2015

BOARD LETTER APPROVAL

A handwritten signature in black ink, appearing to read 'Randy S. Howard', is written over a horizontal line.

RANDY S. HOWARD
Senior Assistant General Manager
Power System

A handwritten signature in black ink, appearing to read 'Marcie L. Edwards', is written over a horizontal line.

MARCIE L. EDWARDS
General Manager

DATE: January 27, 2015

SUBJECT: Scattergood Unit 3 Demolition Project Design-Build Ordinance Adoption by the Los Angeles City Council Pursuant to Section 371(b) of the City Charter

SUMMARY

Transmitted for your consideration is a Resolution recommending to the Los Angeles City Council approval of an Ordinance granting the City of Los Angeles Board of Water and Power Commissioners the authority to issue the design-build criteria for the Scattergood Generating Station (SGS) Unit 3 Demolition Project (Project). Approval of this request for a design-build Ordinance is not an approval of a specific contract and has no monetary expenditure. The Board request to approve a contract will come later after an open solicitation occurs.

The Ordinance will authorize LADWP to issue a design-build contract pursuant to a competitive sealed proposal method permitting negotiations relating to the engineering, procurement, and construction of the Project based on the criteria established by the Ordinance. The Ordinance will authorize a term not to exceed five years for the contract.

Pursuant to a competitive sealed proposal method, design-build criteria adopted by the Ordinance will permit an award to a bidder specialized in the decommissioning, decoupling, disablement, and demolition of power generation stations. The sealed proposal method, per Charter §371(b), permits negotiations after proposals have been opened to allow clarifications and changes to the proposal. Per Charter §371(a) and Los Angeles Administrative Code §10.47, the Local Business Preference Program will apply.

The approach will be to advertise one Request for Proposal with one Agreement which will be awarded in whole at LADWP's discretion. The contract will be for the decommissioning, disablement, decoupling, and demolition of the SGS Unit 3.

The Contractor will provide Civil and Structural Engineering required for the complete segregation of Unit 3 from Units 1 and 2 and demolition of Unit 3 to prepare the site for repowering. The Contractor will procure demolition equipment, provide onsite safety monitoring, abate hazardous material, classify debris, transport and dispose of waste.

RECOMMENDATION

It is requested that your Honorable Board adopt the attached Resolution recommending the Los Angeles City Council's approval by Ordinance to allow the use of competitive sealed bid proposal method in accordance with §371(b), to allow a contract term not to exceed five years, and to grant the Board the power to issue a contract for a project transmitting electric energy in accordance with §674 of the Los Angeles City Charter for the Project.

ALTERNATIVES CONSIDERED

There are no alternatives to replacing the decommissioned generating units at the same location. The existing generating station has the required environmental permitting and power transmission infrastructure which cannot be replaced in this developed urban environment.

FINANCIAL INFORMATION

The total estimated cost for the Agreement to demolish SGS Unit 3 will be approximately \$34 million. The duration of the proposed contract will not exceed five years.

BACKGROUND

LADWP is currently constructing new generating units that will replace SGS Unit 3. Once the current construction project is complete SGS Unit 3 will be decommissioned and demolished to provide the area required for the next construction project which will replace SGS Units 1 and 2. The SGS Units 1 and 2 Repowering Project is necessary to facilitate compliance with the recent United States Supreme Court ruling confirming the legality of the California State Water Resource Board mandate to eliminate the use of once-through cooling. The SGS Units 1 and 2 Repowering Project cannot proceed until after the SGS Unit 3 Demolition Project is successfully completed.

Today's action is a recommendation to the City Council to approve LADWP's use of the competitive sealed bid proposal method in accordance with §371(b) of the Los Angeles City Charter for the SGS Unit 3 Demolition Project. The actual Agreement for the Demolition of SGS Unit 3 in addition to the request for the City Council to approve LADWP's use of the competitive sealed bid proposal method for the SGS Units 1 and 2 Repowering Project will come before the Board and City Council at a later date.

The CAO report, 0150-10314-000, recommending approval of the Resolution was received January 7, 2015.

ENVIRONMENTAL DETERMINATION

The Board of Water and Power Commissioners certified the Environmental Impact Report and LADWP will act as the lead agency in adopting mitigation measures.

CITY ATTORNEY

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

ATTACHMENTS

- A. Resolution
- B. Ordinance
- C. CAO Report

PED

POWER SYSTEM

JAN 07 2015

EXECUTIVE OFFICE

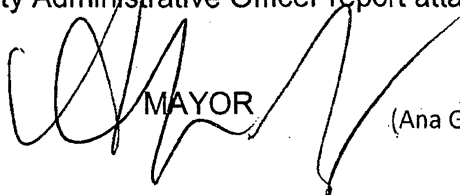
0150-10314-0000

TRANSMITTAL

TO Marcie L. Edwards, General Manager Department of Water and Power	DATE JAN 05 2014	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 11	

RESOLUTION FOR THE SCATTERGOOD GENERATING STATION UNIT 3 DEMOLITION PROJECT AUTHORIZING DESIGN-BUILD CRITERIA FOR A CONTRACT TO BE LET USING A COMPETITIVE SEALED BID PROPOSAL METHOD.

Approved and transmitted for further processing including Council consideration.
See the City Administrative Officer report attached.


MAYOR (Ana Guerrero)

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: December 30, 2014

CAO File No.: 0150-10314-0000

Council File No.:

Council District: 11

To: The Mayor

From: Miguel A. Santana, City Administrative Officer *MAS*

Reference: Transmittal from the Department of Water and Power dated October 24, 2014; referred by the Mayor for report on November 14, 2014

Subject: **RESOLUTION FOR THE SCATTERGOOD GENERATING STATION UNIT 3 DEMOLITION PROJECT AUTHORIZING DESIGN-BUILD CRITERIA FOR A CONTRACT TO BE LET USING A COMPETITIVE SEALED BID PROPOSAL METHOD.**

SUMMARY

The Department of Water and Power (DWP; Department) requests approval of a proposed resolution authorizing the criteria of one Design-Build contract for the Scattergood Generating Station (Scattergood; SGS) Unit 3 Demolition Project (Project) that the DWP intends to let using a competitive sealed bid proposal method permitting negotiations and changes to the proposals. Upon completion of the bid evaluation process, the proposed resolution also authorizes DWP to award one Design-Build contract for engineering, procurement, and construction, with a five year contractual term, to a bidder with the lowest ultimate cost, as determined by DWP.

The proposed Project calls for the demolition and removal of the SGS Unit 3 to provide an open site sufficient for the construction and repowering of SGS Units 1 and 2. DWP estimates the cost for the SGS Unit 3 Demolition Project is \$34 million.

Pursuant to Charter Section 371(b), for competitive sealed proposals, a vote of two-thirds the City Council approving the contract selection criteria is required to let a contract using a competitive sealed proposal method. The City Attorney has approved the proposed resolution and ordinance as to form and legality.

BACKGROUND

The Scattergood Generating Station is a natural gas-fired generating facility located in the southwestern portion of the City of Los Angeles near the City of El Segundo. SGS currently operates three conventional steam turbine units (Units 1, 2, and 3) with a combined generating capacity of 830 MW. The facility occupies approximately 56 acres of an industrial site adjacent to the City of Los Angeles Hyperion Wastewater Treatment Plant and Dockweiler State Beach.

Scattergood Unit 3 is a boiler steam turbine generating unit with an output of 445 megawatts (MW). It was put in service in 1974 with a cost of approximately \$50 million and an expected life of 30 years. Consistent with the 2007 DWP Integrated Resource Plan (IRP), the DWP Board of Commissions (Board) approved in 2012 the SGS Unit 3 Repowering Project to decommission and replace the existing Unit 3, pursuant to Ordinance 182292. Furthermore, the SGS Unit 3 Repowering is necessary to comply with a settlement agreement with South Coast Air Quality Management District (SCAQMD). The SCAQMD settlement agreement, as amended by the California State Water Board on July 19, 2011, requires the elimination of ocean water cooling (Once-Through Cooling; OTC) for Unit 3 by December 31, 2015 and Units 1 and 2 by December 31, 2020. The Repowering of Unit 3 is anticipated to be completed within the compliance date of December 31, 2015 with an estimated cost of \$903 million.

As the availability of intermittent renewable energy sources increases, the DWP has a greater need for power generating units that can be turned on quickly, operated at peak levels, and started and shut down up to six times per day. The SGS Unit 3 Repowering Project involves replacing the 445 MW Unit 3 with four generating units resulting in a net capacity of 524 MW while utilizing a third less fuel. DWP estimates the operating efficiency of Unit 3 is in the low 30th percentile.

The new gas powered units will be quick starting and consist of a combined cycle gas and steam turbine unit (CCGT) and two simple cycle combustion turbines (SCCT). The CCGT units are identified as Units 4 and 5. The SCCT are identified as Units 6 and 7. Including both technologies at SGS is expected by the Power System to result in operating efficiencies and flexibility while accommodating the intermittent nature of renewable energy (e.g. wind and solar).

The new CCGT unit includes a quick start gas turbine used to operate a generator (Unit 4) along with a heat recovery steam generator (HRSG; Unit 5) that will use the waste heat from the gas turbine to make steam that will power the associated steam turbine. DWP states that the CCGT units will generate 209 MW with gas power and 109 MW with steam power resulting in a total generating capacity of 318 MW. The turbine manufacturer specifications indicate a combined operating efficiency of 59 percent.

The new SCCT Units 6 and 7 each consist of quick start gas turbine used to operate a generator. DWP states that the SCCT units will have a power output of up to 103 megawatts totaling 206 MW. The turbine manufacturer specifications indicate an operating efficiency of approximately 44 percent.

DWP states the SGS repowering will (i) support the varying load requirements of the Power System; (ii) support generation requirements of the current and future renewable resources; and, (iii) utilize dry cooling systems that eliminate the use of OTC and any associated environmental impacts.

PROPOSAL

The Scattergood Unit 3 Demolition Project is essential for the next repowering project at SGS, the SGS Units 1 and 2 Repowering Project. DWP will utilize the space created by removal of Unit 3 to

construct CCGT Units 8 and 9 (replacing Units 1 and 2). Construction of Units 8 and 9 is estimated by DWP to cost \$630 million (based on similar scope projects) and is scheduled to begin in January 2016 following the demolition of Unit 3. A separate proposal regarding the SGS Units 1 and 2 Repowering Project is anticipated to be submitted by the DWP in 2015 for City Council approval.

The Design-Build criteria proposed for approval will permit an award to a bidder specialized in the decommissioning, decoupling, disablement, and demolition of power generation stations. The hazardous material abatement and major equipment demolition activities to be performed require specialized equipment and expertise to complete the work safely and to minimize any impact to the environment. DWP states that it does not have the equipment, expertise in demolition, or sufficient hazardous material abatement personnel to complete the Project in the timeframe necessary to allow for repowering Units 1 and 2 while also complying with the State of California Once-Through Cooling Policy that prohibits the current use of OTC in Units 1 and 2 after December 31, 2020.

DWP personnel will be involved in the initial isolation of the existing Unit 3 equipment and the decoupling activities associated with mechanically and electrically separating Unit 3 from Units 1 and 2. The decoupling activities will include development of the engineering work packages and field labor in preparation for the demolition work. Department personnel will also administer the contract and manage the demolition project throughout the duration of the process. It is estimated by the Department that approximately 10,000 staff-hours of engineers from various fields including electrical, mechanical, and civil will be needed for the Project. The demolition Project for Unit 3 is anticipated to commence in January 2016 with a duration of 2 years.

The Department states that a competitive sealed proposal with negotiations is necessary to allow DWP to obtain the best value for the Project. The technical details and complexity of the Project make it not practical or feasible to write detailed specifications, advertise, open bids publicly, and award a contract without any clarifications, changes, or negotiations for this highly complex project. Consistent with Charter Section 371(b) competitive bidding requirements, Design-Build or other appropriate project delivery method may be used when justified by the type of project and approved by the contracting authority. A benefit of the Design-Build contracting method (compared to the traditional Design-Bid-Build method) is the ability to overlap certain design and construction tasks and processes which offer a potentially reduced overall project duration.

RECOMMENDATIONS

That the Mayor:

1. Approve the proposed resolution authorizing the criteria for a Design-Build contract for the Scattergood Generating Station Unit 3 Demolition Project that the DWP intends to let using a competitive sealed bid proposal method, pursuant to Charter Section 371, and authorizes a five year contractual term; and,
2. Return the proposed resolution to the Department for further processing, including Council consideration.

FISCAL IMPACT STATEMENT

Approval of the proposed resolution will not have a fiscal impact. However, the ensuing contract will result in a total expenditure estimated to be approximately \$34 million which is included in the Multi-Year Expenditure Plan of the DWP Power System Capital Budget for fiscal years 2015-16 through 2017-18. The proposed resolution complies with the Department's adopted Financial Policies. There is no impact to the City 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.

MAS:RPR:06150058

Attachments

ORDINANCE NO. _____

An ordinance authorizing the Board of Water and Power Commissioners to award an agreement pursuant to a competitive sealed proposal method, to permit negotiations relating to the demolition of Unit 3 of the Scattergood Generating Station (SGS) Unit 3 Demolition Project (Project).

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

Section 1. The Los Angeles Department of Water and Power (LADWP) may enter into one contract on a competitive sealed proposal basis, as provided herein, for the Scattergood Unit 3 Demolition Project.

Sec. 2. Contract negotiations may be engaged in by LADWP after proposals have been opened to allow clarification and changes in the proposal. LADWP shall take adequate precautions to treat each proposer fairly.

Sec. 3. Any decision by LADWP to use the competitive sealed proposal method permitting negotiations for contracts shall be supported by a written finding, supported by a written statement of facts, that adherence to the rule that the contract award be made to the lowest responsive and responsible bidder is not practical or advantageous. No award may be made utilizing this method to a proposer whose final proposal is higher as to the ultimate cost to the City than any other responsive proposal submitted.

Sec. 4. Proposals shall be solicited by the issuance of a Request for Proposal (RFP) to obtain bids from qualified firms or from firms at large. The RFP shall be published in the same manner as notices for public works contracts performed by LADWP. The RFP shall state the time and place at which the proposals will be received by LADWP. Proposals received after the time and date specified shall be returned and shall not be considered. LADWP retains the right to reject all proposals.

Sec. 5. Pursuant to Sections 371(a) and (b) of the Charter of the City of Los Angeles, the following demolition criteria and Local Bid Preference, approved by the Board of Water and Power Commissioners, Resolution No. _____, is hereby approved.

Sec. 6. Agreement for the decommissioning, disablement, demolition and removal of Unit 3. The criteria for this contract award shall be as follows:

- (a) Qualifications – Bidder's proposal shall contain at a minimum the following:
 - (i) Experience in decommissioning, disablement, decoupling, demolition, scheduling, managing, and removal of comparable projects.
 - (ii) Experience in safety implementation and having good safety record for comparable projects related to bidder's business and profession work history.
 - (iii) Financial, labor, material procurement and equipment resources available for the Project.
 - (iv) Bidder's organizational and management approach in planning and achieving project objectives.

- (b) Bidder's proposal shall provide proposed contract terms and conditions, and commercial factors for the SGS Unit 3 Demolition Project (Project) including:
- (i) Evaluated cost, proposal prices, estimated lump sum cost, schedule of payments, and the time value of money.
 - (ii) Capability and resources available to meet schedule requirements.
 - (iii) Quality assurance/control plan and program to ensure the quality of salvaged equipment and demolition work.
 - (iv) Insurance, performance and labor and material bond requirements to manage the risk.
 - (v) Liquidated damages to critical items such as the milestone schedule and guarantees.
 - (vi) Warranties and guarantees to make corrections due to damage of adjacent facilities and equipment.
 - (vii) Selection plan for subcontractors, including a list of prospective Minority/Women/Other Business Enterprises for use on the Project and to ensure that fair practices are used in such selection.
 - (viii) Safety program (Injury and Illness Prevention Plan) to meet federal, state, local and LADWP safety requirements.
 - (ix) Authorized auditors to audit contractor, contractor's subcontractors, and suppliers.
 - (x) Authorized inspectors to perform examinations, inspections and tests of equipment, material, and workmanship.
- (c) Bidder's proposal shall provide proposed technical factors including:
- (i) Scope of Work for the Project.
 - (ii) Schedule for the Project.
 - (iii) Quality assurance/control plan and program to ensure the quality of the demolition and applicable construction work.
 - (iv) Methods to demonstrate that the proposed equipment and materials, and resources meet all contractual requirements.
 - (v) Demolition plan to include qualified personnel and construction equipment for the Project.
 - (vi) Regulatory compliance to meet all local, state, and federal requirements.
 - (vii) Demonstrations of ability to decommission, disable, demolish, and remove similar equipment.
 - (viii) Implementation of demolition, hazardous material, and construction monitoring programs during all phases of the Project.
 - (ix) Methods to incorporate design modifications and field changes and to provide accurate and timely as-built drawings.
 - (x) Preparation and implementation of Storm Water Pollution Prevention Plan base on a template plan provided by LADWP.
- (d) Bidder shall submit the following:
- (i) A sealed cost proposal.
 - (ii) A proposal security in the form of a cash deposit or proposal bond not less than 10 percent of the bid amount of the contract, as established by

- each proposal. Said deposit or bond shall be forfeited if a proposal is accepted but the responder fails to execute the contract.
- (iii) Other relevant information.
- (e) Bidder's proposals submitted for this effort will be evaluated against the following criteria ranked in order of relative importance, and pass or fail criteria:
- Pass/Fail- Compliance with Minimum Requirements
 Pass/Fail - Compliance with Mandatory Requirements
 Pass/Fail - Safety and Training Programs
 Pass/Fail - QA/QC Programs
 Pass/Fail - Financial Stability
 Pass/Fail - SBE/DVBE Program Requirements
1. Qualification of Firm
 2. Project Schedule
 3. Environmental Compliance and Approach
 4. Technical Compliance and Approach
 5. Project Cost
 6. Commercial Compliance
 7. Qualification of Personnel
 8. Project Management Approach
 9. Project Payment and Cancelation Schedule
 10. Local Bid Preference (additional to final score)
- (f) Procedures applicable to discussions and negotiations with bidders shall be adhered to, including safeguards to preserve confidential and proprietary information supplied by bidders, and other appropriate precautions to treat each bidder fairly. Bidder's sealed cost proposal shall not be considered confidential nor proprietary information.
- (g) Procedures for acting on and indemnifying and holding harmless the City of Los Angeles acting by and through its Department of Water and Power "LADWP" with respect to protests relating to solicitation, negotiation, or award of the Contract.
- (h) LADWP's other standard contract terms and conditions, including, but not limited to, the right to reject all bids, shall apply.

Sec. 7. For the agreement described in section 6, a Local Business Preference shall be applied. A proposer qualified as a Local Business shall be awarded additional points to the proposer's final score such that the score awarded to the proposer is increased by eight percent of the total possible evaluation points. To be qualified as a Local Business, a proposer must satisfy all of the following criteria, as certified by the Designated Administrative Agency, the Los Angeles Department of Public Works, Bureau of Contract Administration:

- (a) The business must occupy space within the County of Los Angeles. The business must submit proof of occupancy to the City by supplying evidence of a

lease, deed or other sufficient evidence demonstrating that the business is located within the County.

- (b) The business must submit proof to the LADWP demonstrating that the business is in compliance with all applicable laws relating to licensing and is not delinquent on any Los Angeles City or Los Angeles County taxes.
- (c) The business must submit proof to the LADWP demonstrating one of the following:
 - (i) That at least 50 of full-time employees of the business perform work within the boundaries of the County at least 60 percent of their total, regular hours worked on an annual basis.
 - (ii) That at least half of the full-time employees of the business work within the boundaries of the County at minimum of 60 percent of their total, regular hours worked on an annual basis.
 - (iii) That the business is headquartered in the County. For purposes of the Local Business Preference, the term "headquartered" shall mean that the business physically conducts and manages all of its operations from a location in Los Angeles County.

A business that has not yet established operations in Los Angeles and therefore is unable to qualify as a Local Business may, as an alternative, qualify as a Local Business on a provisional basis if the proposer satisfies all of the following criteria, as certified by the Designated Administrative Agency:

- (a) The proposed Contract between the proposer and the LADWP involves consideration valued at no less than \$1,000,000 and has a term of no less than three years.
- (b) The proposer can demonstrate that the proposer is a party to an enforceable, contractual right to occupy commercial space within the County and its occupancy will commence no later than 60 days after the date on which the Contract with the LADWP is executed. The proposer must demonstrate proof of occupancy or an enforceable right to occupancy in the County of Los Angeles by submitting to the LADWP a lease, deed or other sufficient evidence.
- (c) The proposer can demonstrate that, before the proposer is scheduled to begin performance under the Contract with the LADWP, the proposer qualifies as a Local Business, by submitting proof to the LADWP that it meets the criteria of Subsection C of Section 10.47.2 of the Los Angeles Administrative Code. The proposer must demonstrate proof of ability to satisfy the requirements of Section 10.47.2(C) by submitting to the LADWP a business plan or other evidence deemed sufficient by the Designated Administrative Agency.

A business that does not qualify as a Local Business, but that identifies a qualifying Local Subcontractor to perform work under the Contract, shall be awarded a preference of up to five percent, provided the Local Subcontractor satisfies the criteria enumerated in Sections 10.47.2 and 10.47.7 of the Los Angeles Administrative Code.

The score awarded to a proposer will be increased by one percent for every ten percent of the total cost of the proposed work under the Contract to be performed by a Local Subcontractor; provided that each Local Subcontractor, the work of the Local Subcontractor, and the cost of the work of the Local Subcontractor are specified clearly in the proposal. The maximum preference possible is five percent.

The preferences authorized under the Local Business Preference Program shall be subject to the following additional requirements:

- (a) Preferences awarded for services shall be applied only if the services are provided directly by the Local Business or Local Subcontractor using employees whose exclusive, primary working location is in Los Angeles County.
- (b) Preferences awarded for equipment, goods or materials shall be applied only if the Local Business or Local Subcontractor substantially acts as the supplier or dealer, or substantially designs, manufactures or assembles the equipment, goods or materials, at a business location in Los Angeles County. As used in this Section, "substantially" means not less than two thirds of the work performed under the Contract must be performed, respectively, by the Local Business or Local Subcontractor.
- (c) The maximum bid or proposal preference shall not exceed \$1,000,000 for any bid or proposal.
- (d) Preferences applied pursuant to the Local Business Preference Program shall be utilized solely for the purpose of evaluating and selecting the Contractor to be awarded the corresponding Contract. Except as provided in Los Angeles Administrative Code Section 10.47.9, the preference points shall in no way lower or alter the Contract price, which shall in the case of a proposal reflect the amount proposed by the Local Business in the proposal before the application of preference points.
- (e) This Section neither creates a right to receive a proposal preference, nor the duty to grant a proposal preference.
- (f) The LADWP may, at any time before the award of a contract, determine that it is not in the LADWP's best interest to grant a proposal preference and award the contract to the proposer eligible for the award without consideration of the provisions of this Section.
- (g) This Section applies only to contracts that involve the expenditure of funds entirely within the City's control and shall not apply to contracts that involve the expenditure of funds that are not entirely within the City's control, such as state and federal grant funds, that due to legal restrictions prohibit its application.

Should a Local Business fail to maintain its Local Business status:

- (a) If for any reason the Contractor fails to qualify as a Local Business for more than 60 days during the entire term of the Contract, the LADWP shall be entitled

to withhold or recover funds from the Contractor in an amount that represents the value of the Proposal Preference.

- (b) If for any reason the Local Subcontractor, providing the basis for a Local Subcontractor Preference, is unable to, or does not, perform the work under the Contract, the Contractor shall, within 60 days, replace that Local Subcontractor with another Local Subcontractor. If the Contractor is unable to replace the Local Subcontractor specified in the Contract with another Local Subcontractor within 60 days, the LADWP shall be entitled to withhold or recover funds from the Contractor in an amount that represents the value of the Proposal Preference.
- (c) For purposes of determining the value of the Proposal Preference in Subsections (a) and (b), above, the LADWP may withhold or recover the difference in proposal price between the Contractor's proposal and the proposal of the next most competitive proposer that did not receive the award of the Contract by the LADWP. In addition, the LADWP may withhold or recover any other additional cost or detriment to the City from the Contractor's failure to maintain the Contractor's Local Business status for more than 60 days during the term of the Contract.
- (d) If a Contractor fails to maintain the Contractor's Local Business status for more than 60 days during the term of the Contract, as specified in Subsections (a) and (b), above, the failure is subject to the recording and reporting requirements of Articles 13 and 14, Chapter 1, Division 10 of the Los Angeles Administrative Code.
- (e) The remedies available to the LADWP under this Section are cumulative to all other rights and remedies available to the LADWP.

Sec. 8. The Local Business preference applied pursuant to this ordinance shall be utilized solely for the purpose of evaluating and awarding the corresponding contract and shall not change in any way the price to be paid by LADWP for goods and services under the contract.

Sec. 9. Pursuant to Charter Section 1022, the services advertised for in this RFP are for expert services which require knowledge and skills that are not available within LADWP and can therefore be performed more economically and feasibly by independent contractors than by City employees.

Sec. 10. Notwithstanding any other ordinance, rule, or law of the City of Los Angeles to the contrary, the Board of Water and Power Commissioners may award contracts using the aforementioned criteria pursuant to sections 371(a), 371(b), 373 and 674 of the Charter of the City of Los Angeles as to the equipment and services described in sections 1 and 6 for a term not to exceed 5 years without further approval by the Los Angeles City Council.

Sec. 11. 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 it for ten days in three public places in the City of Los Angeles as follows: one copy on the bulletin board located in the Main Street lobby at City Hall; one copy on the bulletin board located at the Main Street entrance to City Hall East; 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 a two-thirds vote of the Council of the City of Los Angeles, at its meeting of _____.

HOLLY L. WOLCOTT, City Clerk

By _____ Deputy

Approved _____

Mayor

Approved as to Form and Legality

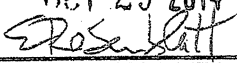
MICHAEL N. FEUER, City Attorney

By _____
ERIC ROSENBLATT
Deputy City Attorney

Date _____

File No. _____

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

OCT 29 2014
BY 
ERIC ROSENBLATT
DEPUTY CITY ATTORNEY