



JAMES K. HAHN
MAYOR

EXECUTIVE DIRECTIVE NO. MO-4

Subject: CONTRACTING REFORM, PROPRIETARY DEPARTMENTS

In light of the critical importance of assuring full contracting integrity and transparency, the City must continually look for ways to improve its contracting practices. Toward this end, it is appropriate that the City's proprietary departments which represent a significant portion of the large and/or long-term contracting conducted by the City, immediately adopt a series of reforms based on the recommendations of my Blue Ribbon Commission on Contracting as set forth below, to improve their operations.

Your Commissions and Departments are requested to implement the following measures immediately, and return the first status report of your progress to me by March 1, 2005 and biannually in June and January of each year thereafter:

I. Proprietary Boards and Commissions

1. Adopt a statement which sets forth the following role of your Commission as that of a policy setting body, consistent with City Charter Section 600 which states that the proprietary departments are under the control and management of its Commission which is the head of the department, and consistent with Charter Section 509 which delegates the administration of the department to the General Manager. In addition, as set forth in the Blue Ribbon Commission on Contracting, the statement shall set forth that Commissioners for the proprietary departments are responsible for the management of the departments and are responsible for setting policies for operation of the departments, overseeing the operation of the departments, and approving contracts, purchases, and leases which have been prepared and negotiated by the departments, as required by City law. Commissioners shall act at all times in the best interest of the City of Los Angeles.

2. Commissions shall abide by a Code of Ethics which shall include provisions adopted by the City Council that address prohibited fundraising activities such as prohibiting fundraising on behalf of any City official or candidate; prohibiting soliciting funds for any purpose from anyone who has, or may have, a contract with the Department that the Commission oversees including any fundraising for candidates, ballot initiatives, ballot committees, non-profit agencies or any other organization, and recusal provisions.

In addition, the Code of Ethics shall include a policy to require mandatory training of Commissioners in ethics laws conducted by the City Ethics Commission and the City Attorney's Office. Such attendance shall be mandatory for new Commissioners, and further trainings may be coordinated periodically as ethics laws are updated. Moreover, Commissions shall be required to place on their agendas at least four times a year, a Special Discussion Item for ethics issues for the purpose of receiving updates on ethics laws, reviewing existing laws, and discussing any pending ethics-related issues. Commissions shall review and update the Code of Ethics and add additional provisions as appropriate.

3. Each Commissioner shall be required to sign a statement wherein they agree to adhere to all applicable law, including this Executive Directive.
4. Commissions shall fully participate in all relevant existing and enhanced relevant City training provided by the Mayor's Office, the Personnel Department, the City Clerk's Office, or any individual department.
5. Commissions shall explore whether to establish a position of an "Executive Director of the Commission" such as that for the Police Commission, which would aid in the performance of the Commissioners' tasks especially with regard to approving contracts and leases.

II. Contracting Procedures for the Proprietary Departments

1. Consistent with the City Charter, all work required by the Departments should be performed by City employees unless outside contracting is warranted. Inter-departmental contracting is encouraged. Departments should continue to forward contract requests to the Mayor's Office for review and approval.

2. Departments shall develop transparent explanations on why and how contract and lease decisions are made and retain written documentation.
3. Departments shall develop, promulgate, and maintain written procedures that will be used as criteria in awarding contracts and leases and in making loans and issuing grants.
4. Departments shall clearly communicate solicitations for contracts and the expected processes for evaluating bids.
5. Departments shall require that competitive bidding practices shall be meticulously followed. Sole-source contract requests should continue to be brought to the attention of the Mayor's Office for approval.
6. Departments shall make contracting decisions based on best value, efficiency, prior performance, if applicable, and good faith outreach to women - and minority-based enterprise businesses and small businesses.
7. Departments shall make available, upon the request of any Commissioner, independent and unbiased evaluations of prospective contracts and contractors, to the extent permitted by law.
8. Departments shall make available, upon the request of any Commissioner, expert assistance such as from engineers, inspectors, financial or business analysts, as is available from within their Department or from other departments in the City.
9. Departments shall develop and promulgate criteria for evaluating post-service performance of contractors.
10. Departments shall measure and document the post-service performance of contractors.
11. Departments shall make post-service performance records available to Commissioners and Commissioners shall consider these performance records in future contract decisions, whether the contract was in its own or another City department.
12. Departments shall establish or reinforce existing Department Audit Committees which shall meet on a regular basis and not less than four times a year, and which will follow best practices standards for audits.

13. Departments shall develop and update long-term strategic contract planning to maximize benefit and minimize costs for contracting, purchasing, and leasing.

Finally, I am requesting the Commissions and Departments to utilize the resources of the Office of the City Attorney to develop criteria, standards and requirements for the planning, negotiation and drafting of contracts and leases, especially those which are high-risk, high in cost and/or long term. I am separately requesting the Office of the City Attorney to provide assistance in this regard.

Executed on this *4th* day of *February* 2005


JAMES K. HAHN
Mayor

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