



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

Board of Supervisors
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Second District

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Third District

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Fourth District

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Fifth District

August 11, 2009

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

CONTRACT EXTENSIONS/COST REDUCTIONS STATUS REPORT

On June 16, 2009, your Board directed the Chief Executive Officer (CEO), working with the Internal Services Department, County Counsel, Auditor-Controller, and other departments, as needed, to develop the parameters for a contract cost savings initiative for existing contractors. Your Board also directed the Chief Executive Officer to provide all departments with a "model" letter to send to contractors by early July, requesting that contractors reduce their rates in exchange for term extensions without competitive bidding, and provide a status report by August 7, 2009.

On June 25, 2009, this Office provided instructions to departments, establishing the criteria pertaining to these contracts and a timeline for reporting back on those contracts recommended for extension/cost reduction. Departments subsequently canvassed their contracts and solicited offers from contractors which met the appropriate criteria, requesting price reductions in exchange for one-year or two-year extensions.

Departments continue to work with contractors to achieve at least a 5 percent cost savings. To date, 19 County departments have received 326 price reduction offers. The potential cost savings/revenue from these contract extensions is estimated at over \$7 million in total savings (including \$1.6 million in net County cost savings) for 2009-10. Similar cost savings are anticipated for 2010-11. The CEO had directed departments to continue their efforts to reach out to additional contractors to increase these savings.

Beginning in September, this Office will present for your Board's approval a series of contract amendments seeking delegated authority for department heads to execute the specific amendment provisions approved by your Board. The correspondence will include the background, details, justification, and fiscal impact of each proposed contract amendment.

"To Enrich Lives Through Effective And Caring Service"

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Each Supervisor
August 11, 2009
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Should you have questions regarding this memorandum, please let me know, or your staff may contact James Hazlett at (213) 974-1148 or jhazlett@ceo.lacounty.gov.

WTF:ES:MKZ
FC:JH:pg

c: All Department Heads

2009-08 - 08-11-09 Contract Extensions/Cost Reductions Status Report