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March 19, 2019

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF REVISED
BOARD POLICY NUMBER 5.100 – SOLE SOURCE CONTRACTS
(ALL DISTRICTS - 3 VOTES)**

SUBJECT

Recommendation to approve the revised Board of Supervisors Policy Number 5.100, Sole Source Contracts, that provides guidelines for sole source Board approved contracts.

IT IS RECOMMENDED THAT THE BOARD:

Approve the attached Board of Supervisors Policy Number 5.100, Sole Source Contracts (Policy), revised to clarify sole source criteria and modify the current contracting process prior to a County department seeking approval of a sole source contract.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The recommended revised Policy was approved by your Audit Committee on February 20, 2019, and language was modified to accomplish the following:

- Clarify categories for sole source contracts: 1) new sole source contracts, and 2) amendments to existing contracts when departments do not have delegated authority.
- Expand criteria for sole source contracts selected without a competitive solicitation performed by the County to include contracts solicited by outside entities, such as other municipalities, public agencies, State/federal government or non-profit organizations.

- Clarify when departments are required to place sole source notifications on cluster agendas.
- Include the Chief Information Office as a responsible department.

Implementation of Strategic Plan Goals

Board approval of the recommended action supports the County's Strategic Plan, Strategy III.3, Pursue Operational Effectiveness, Fiscal Responsibility, and Accountability by maximizing the effectiveness of processes, structure, and operation to support timely delivery of customer-oriented and efficient public services. The Board's adoption of the revised Policy is consistent with this goal.

FISCAL IMPACT/FINANCING

No fiscal impact.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The Policy revisions are a result of your Board's direction to review the County's sole source policy and report back with recommendations.

The Policy was revised by the Internal Services Department (ISD), in conjunction with the Chief Executive Office, Chief Information Office and County Counsel and approved by the Audit Committee on February 20, 2019. The changes will be effective upon your Board's approval.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the revised Policy will enhance transparency and ensure sole source contract award recommendations are thoroughly vetted.

CONCLUSION

It is requested that the Executive Office, Board of Supervisors return two stamped copies of the approved Board letter to the Director of ISD.

Respectfully submitted,

A handwritten signature in blue ink that reads "Scott Minnix". The signature is written in a cursive, flowing style.

SCOTT MINNIX
Director

SM:SH:MO:CC:ym

Enclosures

c: Executive Office, Board of Supervisors
Chief Executive Officer
Chief Information Officer
County Counsel



Los Angeles County BOARD OF SUPERVISORS POLICY MANUAL

Policy #:	Title:	Effective Date:
5.100	Sole Source Contracts	03/02/99

PURPOSE

Establishes guidelines for sole source services contracts approved by the Board of Supervisors (Board). It is the policy of the Board that County departments solicit the maximum number of bids/proposals for a service from the largest relevant market and select contractors on a competitive basis.

Certain acquisitions are determined to be in the best interest of the County based on regulatory, qualified, measurable or quantifiable criteria and may be obtained from a sole source. In these instances, County departments must provide sufficient detail to justify the basis for deviating from the competitive procurement process.

There are two broad categories of sole source contracts:

1. New sole source contracts with vendors selected without a competitive solicitation performed by the County; including if:
 - a. The contractor was selected through a competitive solicitation process conducted by an outside entity (e.g. other municipalities, public agencies, State/federal government or non-profit organizations).
2. Amendments to existing contracts when departments do not have delegated authority to:
 - a. Extend the term of the current contract beyond its original term;
 - b. Extend the term of the current contract beyond its original term pending solicitation of a replacement system and/or services;
 - c. Extend the term of the current contract beyond its original term, with zero cost;
 - d. Change or increase the scope of services of the current contract; and/or
 - e. Increase the maximum amount of the current contract.

REFERENCE

February 23, 1999 [Administrative Memo](#) from Board Order, Synopsis 15

March 2, 1999 Chief Administrative Office memo, "[Sole Source Contracts](#)"

February 6, 2008 [Board Order 13](#)

March 25, 2014, [Board Order 15](#)

January 27, 2015 [Board Order 17](#)

August 4, 2015 [Board Order 23](#)

[Sole Source Checklist](#)

POLICY

Board Notification

County departments that intend to negotiate a new sole source services contract or an amendment to an existing contract for Board approval must:

- Provide advance written notice and justification to the Board at least four weeks prior to commencing contract negotiations for new sole source contracts or amendments to existing contracts. The advance written notice for amendments to existing contracts must be provided at least six months prior to the expiration of the contract.
- Provide the Board with information and timeframes for completion of any related solicitations for replacement services. This information shall reflect the department's efforts to safeguard against last minute recommendations seeking Board approval of extensions of expiring contracts, where no further pre-authorized extensions are available to the department.
- Copy the Chief Executive Officer (CEO) on the written notification, and;

If requested by a Board Office, the CEO or the Chief Information Officer, departments should also place the item on the appropriate cluster agendas.

Board Approval Process

Departments requesting Board approval of a new sole source contract or a sole source amendment to an existing contract (regardless of how the initial contract was procured) must include a completed sole source checklist approved by the CEO with their Board letter. The checklist must include a detailed justification for the sole source request. While there may be circumstances or emergency situations that would require a sole source outside of the timeframes listed above, departments are advised that failure to adequately plan for their operational needs does not constitute a justifiable sole source.

Consideration for sole source approval may include:

- Only one bona fide source (monopoly) for the service exists; performance and price competition are not available. A monopoly is an *"Exclusive control of the supply of any service in a given market. If more than one source in a given market exists, a monopoly does not exist."*
- Compliance with applicable statutory and/or regulatory provisions.
- Compliance with State and/or federal programmatic requirements.
- Services provided by other public or County-related entities.
- Services are needed to address an emergent or related time-sensitive need.
- The service provider(s) is required under the provisions of a grant or regulatory requirement.
- Additional services are needed to complete an ongoing task and it would be prohibitively costly in time and money to seek a new service provider.
- Services are needed during the time period required to complete a solicitation for replacement services; provided services are needed for no more than 12 months from the expiration of an existing contract which has no available option periods.

- Maintenance and support services are needed for an existing solution/system during the time to complete a solicitation for a new replacement solution/system; provided the services are needed for no more than 24 months from the expiration of an existing maintenance and support contract which has no available option periods.
- Maintenance service agreements exist on equipment, which must be serviced by the original equipment manufacturer or an authorized service representative.
- It is more cost-effective to obtain services by exercising an option under an existing contract. The contractor was selected through a competitive solicitation process conducted by an outside entity (e.g. other municipalities, public agencies, State/federal government or non-profit organizations).
- It is in the best economic interest of the County (e.g., significant costs to replace an existing system or infrastructure, administrative cost savings and excessive learning curve for a new service provider, etc.). In such cases, departments must demonstrate due diligence in quantifying the cost-savings or cost-avoidance associated with the best economic interest of the County.

For the purposes of this Policy, a federal, State or other government cooperative contract for which a department is seeking Board approval to access is not considered a sole source procurement if the contracting agency established the contract through a competitive solicitation process.

Reporting Requirements

Each County Department Head is also required to report to the Internal Services Department (ISD) by July 15th of each year those new sole source service contracts and sole source amendments approved by the Board that were executed by/for their department for the fiscal year ending on June 30th. ISD will prepare a report and submit it to the Board.

RESPONSIBLE DEPARTMENT

Internal Services Department

Chief Executive Office

Chief Information Office

County Counsel

DATE ISSUED/SUNSET DATE

Issue Date: February 23, 1999	Sunset Review Date: January 16, 2003
Reissue Date: January 16, 2003	Sunset Review Date: January 16, 2007
Revised Date: February 6, 2008	Sunset Review Date: February 6, 2012
Revised Date: January 19, 2012	Sunset Review Date: February 6, 2016
Revised Date: August 4, 2015	Sunset Review Date: February 6, 2018
Revised Date: January 17, 2018	Sunset Review Date: February 6, 2022
Revised Date: February 13, 2019	Sunset Review Date: February 6, 2022

SOLE SOURCE CHECKLIST

Department Name: _____

- New Sole Source Contract
- Sole Source Amendment to Existing Contract
- Date Existing Contract First Approved: _____

Check (✓)	JUSTIFICATION FOR SOLE SOURCE CONTRACTS Identify applicable justification and provide documentation for each checked item.
	➤ Only one bona fide source (monopoly) for the service exists; performance and price competition are not available. A monopoly is an “ <i>Exclusive control of the supply of any service in a given market. If more than one source in a given market exists, a monopoly does not exist.</i> ”
	➤ Compliance with applicable statutory and/or regulatory provisions.
	➤ Compliance with State and/or federal programmatic requirements.
	➤ Services provided by other public or County-related entities.
	➤ Services are needed to address an emergent or related time-sensitive need.
	➤ The service provider(s) is required under the provisions of a grant or regulatory requirement.
	➤ Additional services are needed to complete an ongoing task and it would be prohibitively costly in time and money to seek a new service provider.
	➤ Services are needed during the time period required to complete a solicitation for replacement services; provided services are needed for no more than 12 months from the expiration of an existing contract which has no available option periods.
	➤ Maintenance and support services are needed for an existing solution/system during the time to complete a solicitation for a new replacement solution/ system; provided the services are needed for no more than 24 months from the expiration of an existing maintenance and support contract which has no available option periods.
	➤ Maintenance service agreements exist on equipment which must be serviced by the original equipment manufacturer or an authorized service representative.
	➤ It is more cost-effective to obtain services by exercising an option under an existing contract.
	➤ The contractor was selected through a competitive solicitation process conducted by an outside entity (e.g. other municipalities, public agencies, State/federal government or non-profit organizations).
	➤ It is in the best economic interest of the County (e.g., significant costs to replace an existing system or infrastructure, administrative cost savings and excessive learning curve for a new service provider, etc.). In such cases, departments must demonstrate due diligence in qualifying the cost-savings or cost-avoidance associated with the best economic interest of the County.

Chief Executive Office

Date