

MEMORANDUM

March 9, 2017

TO: MEMBERS, PORT COMMISSION
Hon. Willie Adams, President
Hon. Kimberly Brandon, Vice President
Hon. Leslie Katz
Hon. Eleni Kounalakis
Hon. Doreen Woo Ho

FROM: Elaine Forbes
Interim Executive Director

SUBJECT: Informational Item - The Port's Report on Contracting Activity for the First and Second Quarters of Fiscal Year 2016-17 (July 1, 2016 through December 31, 2016)

I. EXECUTIVE SUMMARY

This report provides the Port Commission with information on contracting activity for the first and second quarters of Fiscal Year (FY) 2016-17 (July 1, 2016 through December 31, 2016). It focuses on contracting activities for both professional services and construction contracts and provides information on upcoming contracting opportunities.

A. **Total Value of New Contracts: \$9.2 million (6 contracts).** During the first half of FY 2016-17, the Port issued 6 new contracts including three construction and three professional services contracts for a cumulative value of \$9,216,734. Five out of the six (83%) contracts were awarded to Local Business Enterprises ("LBE") with an aggregate value of \$3,740,499 (41%) awarded to LBE prime and subcontractors. Port staff anticipates significant contract awards in the second half of FY 2016-17.

Two of the six contracts awarded during the reporting period were formal contracts because their contract value was above the LBE Ordinance threshold. Port staff awarded four of the six (67%) contracts as micro-LBE set asides. These contracts are set aside for competition among Contract Monitoring Division ("CMD") certified micro-local businesses. Port staff exceeded the Port Commission's informal policy to award a minimum of 20% of contract dollars to LBE firms (41% Awarded).

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- B. **Total Payments to Active and Open Port Contracts: \$6.2 million, including \$1.9 million (31%) to LBE primes and subcontractors.** During the first half FY 2016-17, Port contract payments totaled \$6,242,606. Of that amount, \$1,922,619 (31%) was paid to LBEs, including \$1,019,491 (17%) to LBE primes and \$903,128 million (14%) to LBE subcontractors.
- C. **The Port's sole project currently subject to the Local Hire Ordinance exceeds the requirements of providing work hours to San Francisco residents, including disadvantaged workers, and apprentice opportunities.**

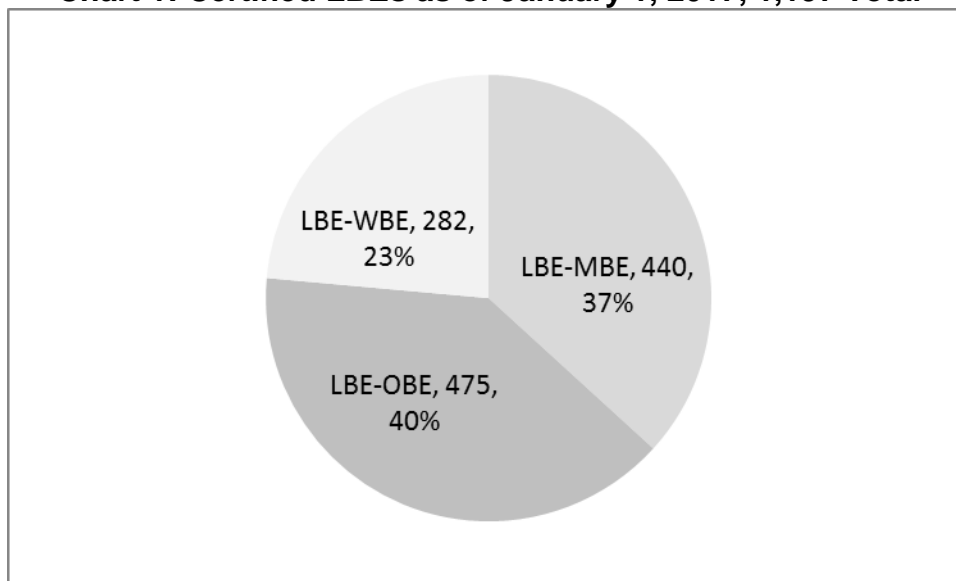
II. BACKGROUND

The Port engages in a variety of contractual transactions that include: leases, developer agreements, construction contracts, general services contracts, and professional services contracts. This report specifically addresses the Port's use of professional services and construction contracts that are solicited by the Port.

The Port must comply with federal, state, and local laws concerning nondiscrimination in contracting. Construction contracts, general services contracts, and professional services contracts are subject to the San Francisco Administrative Code Chapter 14B LBE subcontracting participation requirements. The LBE program applies only to City and County of San Francisco ("City") contracts which include Port contracts.

The LBE program was established to expand City contracting opportunities for small San Francisco based firms, which are defined based on gross receipts by type of industry. Adherence to Administrative Code Chapter 14B is overseen by the CMD, a division of the City Administrator's office. CMD accepts and reviews applications and certifies qualifying local firms as LBEs. Once a business is certified as a LBE, it is also classified as a Minority Owned Enterprise ("LBE-MBE"), Woman Owned Enterprise ("LBE-WBE"), Other Business Enterprise ("LBE-OBE") or Non-Profit Enterprise ("LBE-NPE"). CMD further classifies LBE-MBE firms by ethnicity to monitor and track which LBEs are awarded contracts. As summarized in Chart 1, there are currently 1,197 certified LBE firms.

Chart 1: Certified LBEs as of January 1, 2017, 1,197 Total



When participating as a prime contractor or as part of a Joint Venture, LBE firms receive bid discounts in the case of construction bids and bonuses in the case of professional service Requests for Proposals (RFP) and Requests for Qualifications (RFQ). For contract agreements that fall within Administrative Code Chapter 14B requirements, CMD also reviews the scope of the project and the nature of the work compared to available City-certified LBEs to set a required LBE subcontracting goal. CMD determines compliance with subcontracting goals at the time the contract is closed-out.¹

City contracts are exempt from the LBE program if 1) the contract value is less than an established threshold amounts of \$55,000 for professional contracts and \$300,000 for construction contracts, 2) Federal law, as in the case of grant funds, prohibits the use of local preference, or 3) if a waiver is obtained from CMD, such as in the case of an emergency or sole source contract.

In soliciting bids and/or responses to requests for proposals/qualifications, Port staff engages a representative from CMD to review the availability of LBE firms to provide services and independently assign a LBE sub-contracting goal, or waiver thereof. Port staff then uses best efforts to adhere to the CMD goal. If Port staff is unable to adhere to the goal, Port staff refers the problem to the CMD representative for assistance and a solution.

¹ LBE subcontracting goals are calculated on the base contract amount. Following CMD policy, contract allowances, alternates or contingencies are not factored into calculating final LBE participation rates. CMD reviews on a case-by-case basis, contract amendments that result in a cumulative increase in the total contract amount of 20 percent or more. CMD may apply LBE subcontracting goals to these contract amendments based on a review of the additional work.

III. CONTRACT ACTIVITY UPDATE

During the first half of FY 2016-17, the Port awarded 6 new contracts totaling \$9,216,734. LBE prime contractors were awarded five of the six (83%) contracts. The Port paid contractors \$6,242,606 million on active contracts during the reporting period with \$1,922,619 (31%) going to LBEs.

A. New Contracts (\$9,216,734; 6 contracts): As summarized in *Table 1* and detailed in *Attachment 1*, in the first half of FY 2016-17, the Port issued three new construction and three new professional service contracts for a cumulative value of \$9,216,734. Two of the newly award contracts are formal contracts governed by the LBE Ordinance. Four of the six contracts were awarded as micro-LBE set aside contracts, which are small contracts set aside for competition only among micro-local businesses.

Table 1: Contracts Awarded from July 1, 2016 – December 31, 2016

Type of Contract	Total Contract	Total Dollar Amount	LBE Award Amount (Prime & Subs)	Total LBE % Awarded
Construction	3	\$ 5,140,365	\$ 1,702,596	33%
Professional Services	3	\$ 4,076,369	\$ 2,037,903	50%
Grand Total	6	\$ 9,216,734	\$ 3,740,499	41%

1. *Use of Delegated Authority (\$714,365; 4 contracts)*: Four contracts totaling \$714,365 were awarded in the first half of FY 2016-17 through the Executive Director's delegated authority. While all four contracts were exempt from LBE subcontracting goals, all four contracts, totaling \$714,365 (100%), were awarded to LBE firms as micro-LBE set aside contracts.

On September 12, 2016, Value Fire Protection was awarded a \$498,465 contract to install a new fire standpipe system at Pier 28. Value Fire Protection, a LBE-MBE firm, will be self-performing 100% of the contract work.

On November 28, 2016, Ranis Construction and Electric, a LBE-MBE firm, was awarded a \$120,900 micro-LBE set aside contract to install a new electric system for light poles at Seawall Lot 321. Ranis Construction and Electric will be self-performing 100% of the contract.

On December 15, 2016, RDJ Enterprises, a LBE-MBE firm, was awarded a \$45,000 micro-LBE set aside professional services contract to provide workforce development recruitment services for Pasha Automotive Services at the Vehicle Processing Marine Terminal located at Pier 80. RDJ Enterprises will be self-performing 100% of the contract.

On December 15, 2016, Butler Enterprises Group, a LBE-MBE firm, was awarded a \$55,000 micro-LBE set aside contract to provide workforce recruitment services to promote the hiring of individuals from the City South-East sector for employment

opportunities with Port and Port contractors. Butler Enterprises will be self-performing 100% of the contract.

2. Port Commission Approved (\$8.5 million; 2 contracts): The Port Commission awarded two contracts valued at \$8,502,369 in the first half of FY 2016-17. These contracts were issued through formal contracting guidelines under Administrative Code Chapters 6, 21, and 14B.

On September 13, 2016, the Port Commission awarded the Crane Cove Park Surcharge and Site Preparation Project to Shimmick Construction Company, a non-LBE firm. Shimmick will meet the contract's 24% LBE subcontracting requirement by subcontracting to Cal-Con Pumping (0.3%), a LBE-WBE firm, DLD Lumber (0.9%), a LBE-MBE, Team North (5.5%), a LBE-WBE firm, Hernandez Engineering (0.5%), a LBE-MBE firm, and Alta Engineering (16.8%), a LBE-WBE firm.

On November 15, 2016, the Mission Bay Ferry Landing contract was awarded to COWI/OLMM Joint Venture, a LBE-MBE joint venture partnership. COWI/OLMM Joint Venture proposes to exceed the project's 20% LBE subcontracting requirement utilizing Robin Chiang & Company (5%), a LBE-MBE firm, Geotechnical Consultants (4%), a LBE-MBE firm, HRA Consulting Engineers (3%), a LBE-MBE firm, MHC Engineers (0.4%), a LBE-MBE firm, RES Engineers (1%), a LBE-MBE firm, M. Lee Corporation (2.3%), a LBE-MBE firm, Boudreau Associates (3.1%), a LBE-WBE firm, Orion Environmental Associates (4.1%), a LBE-MBE firm, Adavant Consulting (2%), a LBE-MBE firm, and LCW Consulting (2%), a LBE-WBE firm.

3. Summary of LBE Contract Participation in New Contract Awards. As discussed above, during the first half of FY 2016-17, the Port awarded three construction and three professional services contracts for a cumulative value of \$9,216,734. Five (83%) of the contracts with a total amount of \$3,740,499 (41%), were awarded to LBEs. This includes \$1,431,011 (16%) awarded to LBE primes and \$2,309,488 (25%) awarded to LBE subcontractors. Four of the six (67%) contracts awarded were micro-LBE set-asides.

B. Actual Contract Payments: As shown in *Table 2* below, during the first half of FY 2016-17, Port contract payments totaled \$6,242,606. Of all payments, \$1,922,619 (31%) was paid to LBE firms, including \$1,019,491 to primes and \$903,128 to subcontractors. During the reporting period the Port exceeded average CMD goals for construction contracts. Professional service contracts met the average CMD subcontracting goal while as-needed contracts fell below the average goal due to large payments made to non-LBE firms on the as-needed engineering contracts.

Table 2: Contract Payments and LBE Participation from July 1, 2016 – December 31, 2016

Contract Type	Total Payments	Local Business Enterprise					
		Prime Payments	Sub Payments	Total LBE Payments	Overall %	Sub %*	Avg. Goal %**
As-Needed	\$861,879	\$177,785	\$145,284	\$323,069	37%	17%	19%
Construction	\$4,588,243	\$693,952	\$640,168	\$1,334,120	29%	14%	12%
Professional Services	\$792,484	\$147,754	\$117,676	\$265,430	33%	20%	20%
Total	\$6,242,606	\$1,019,491	\$903,128	\$1,922,619	31%	14%	17%

*Includes LBE Governed Contracts

**CMD Subcontracting Goal

1. *As-Needed Contracts.* The Port currently manages 13 open and active as-needed contracts that received \$861,879 in payments in the first half of FY 2016-17. As detailed in *Attachment 2*, LBE contractors received 37% of all as-needed contract payments. The real estate economics consulting as-needed contracts had minimal payments during the reporting period as a new series of contracts were recently executed. The engineering as-needed contracts performed well with 39% of contract dollars going to LBE contractors. The as-needed environmental services and hazardous waste disposal contracts met their CMD subcontracting requirements during the reporting period.

- *Engineering* – Payments made on the three active engineering as-needed contracts during the reporting period were lower than previous reports; however, 39% of total payments were made to LBE firms. In FY 2016-17, Port staff negotiated three new as-needed engineering contracts. Consulting work provided during the first half of FY 2016-17 invoiced on the new engineering contracts will be reported in the second half of the FY 2016-17. Two of the three existing as-needed engineering contracts have exceeded their CMD set subcontracting goal. One firm, PB/Structus JV will not meet its LBE goal due to the nature of the specialized work performed on their contract.
- *Environmental Services* – Payments made on the environmental services contracts met the 22% LBE subcontracting goal. In the first half of FY 2016-17, 42% of payments were made to LBE firms. All three contracts in the environmental services pool are surpassing the CMD set LBE subcontracting goals over the life of their contracts.
- *Real Estate* – The Port executed four new real estate as-needed contracts during the last quarter of the reporting period. Consulting work provided during the first half of FY 2016-17 invoiced on the new real estate as-needed contracts will be reported in the second half of FY 2016-17. Preliminary review of the four previous real estate as-needed contracts suggests that each met or exceeded its LBE subcontracting goal.
- *Hazardous Waste Disposal* – Payments made on the hazardous waste disposal contracts exceeded the 8% LBE subcontracting goal overall; however one firm, Eagle Environmental, has fallen below its LBE subcontracting commitment. Port staff expect the contractor will meet the goal in the second half of FY 2016-17 based on a contract service order currently under negotiation.

2. *Construction Contracts*. In the first half of FY 2016-17, the Port managed four construction projects that received \$4,588,243 in payments. As detailed in *Attachment 3*, LBE contractors received \$1,334,120 (29%) of total construction contract payments. LBE subcontractors received \$640,168 (14%) of payments made to construction contracts, exceeding the 12% average LBE subcontracting goal. Port and CMD staffs monitor payments to LBEs to ensure that Port contractors honor their contract commitments.

- *Pier 31 Roof Repair* – The Pier 31 Roof Repair contract is 95% complete. To date, Roebuck Construction, the project’s LBE-OBE prime contractor has attained 50% LBE subcontracting utilization exceeding the 20% goal set by CMD.
- *Pier 94 High Mast Lighting*– The Pier 94 High Mast Lighting contract is 100% complete and closed on November 19, 2016. Because the contract was awarded as a micro-LBE set aside, there are no LBE subcontracting goals; however, prime contractors must self-perform at least 25% of the project work. Angotti & Reilly, a LBE-OBE firm, performed 28% of the project work.
- *Pier 33 Standpipe* – The Pier 33 Standpipe project is 100% complete and closed on February 3, 2017. Because the contract was awarded as a micro-LBE set aside, there are no LBE subcontracting goals; however, prime contractors must self-perform at least 25% of the project work. Value Fire Protection, a LBE-MBE firm, performed 97% of the project work.
- *Maintenance Dredging* – The Port’s new five year maintenance dredging contract was initiated during the first half of FY 2016-17. The contract awarded to Dutra Group, a non-LBE firm, has a five year term with a \$25,875,000 budget. CMD staff reviewed the project scope and determined that there are no subcontracting opportunities for LBEs as part of the proposed contract. Port staff obtained a LBE subcontracting goal waiver based on CMD’s determination that there are no LBE subcontracting opportunities on this project. Dutra Group received \$3,098,244 in contract payments during the reporting period.

3. *Professional Services Contracts*. The Port currently manages 19 open and active professional services projects that received \$792,484 in total payments in the first half of FY 2016-17, including \$265,430 (33%) to LBE firms. As detailed in *Attachment 4*, there are two active professional service contracts governed by the LBE Ordinance. In the first half of FY 2016-17, payments to LBE subcontractors on LBE Ordinance governed professional service contracts totaled \$110,716 (26%) out of \$421,577 in total 14B contract payments.

- *Crane Cove Park Design* – The Crane Cove Park Design Project led by AECOM, a non-LBE firm, has a 19% LBE subcontracting goal. During the reporting period 50% of contract payments went to LBE subcontractors. AECOM is currently exceeding its goal with 28% of all payments going to LBE subcontractors over the term of the contract.

- *Financial Advisors* – The Municipal Financial Advisory contract led by Public Financial Management, a non-LBE firm, has a 20% LBE subcontracting goal. To date 7% of the \$17,850 in contract payments has been paid to the LBE subcontractor. Port staff has been working with the prime contractor to ensure that future payments include strong LBE subcontractor participation.

The Port has an additional 17 active professional service contracts that are exempt from the provisions of the LBE Ordinance due to their small contract size, funding source requirements, or LBE subcontracting waivers granted by CMD. While these contracts are exempt from LBE subcontracting goal, the Port paid LBE contractors \$154,714 (42%) out of \$370,907 in payments made to these 17 contracts.

D. Compliance with Local Hire Requirements: The San Francisco Local Hire Policy for Construction applies to construction projects advertised for bid after March 25, 2011 that pertain to public works or improvements that are City funded with an engineer’s estimate above \$1,000,000. The Local Hire Ordinance (Section 6.22.G.4 of the San Francisco Administrative Code) requires contractors and their subcontractors to attain a minimum of 30% total work hours by trade per project using San Francisco residents.² The Ordinance also requires that 30% of apprentice hours per trade be performed by disadvantaged San Francisco residents. The program is managed by the Office of Economic and Workforce Development (OEWD). The Port currently maintains one open construction contract subject to the requirements of the Local Hire Ordinance. OEWD staff advises that the project is compliant, as summarized in *Table 3*.

Table 3: Active Local Hire Governed Contracts, First Half of FY 2016-17

Project	TOTAL WORK HOURS			APPRENTICE HOURS		
	Total	Local Hire	Local Hire %	Total	Local Apprentice	Local Hire %
30% Requirement						
Pier 31 Roof Repair	18,465	7,477	40%	5,802	2,959	51%

Since the inception of the ordinance, 15 Port projects have been subject to the ordinance’s provisions. While each project has performed well, in some instances Local Hire estimates have been below the requirements due to conditional waivers and exemptions that OEWD reviewed and approved. In those cases, the prime contractors for each of the projects have requested conditional waivers and exemptions, including exemptions for marine related pile driving and operating engineering work, which are specialized trades that are excluded from the City’s Local Hire Policy.

² Local Hire requirements increase from 20% to 25% on applicable contracts solicited after March 2012, and to 30% for contracts solicited after March 2013.

During the first half of FY 2016-17, through the Executive Director's delegated authority the Port awarded contracts to Butler Enterprise Group and RDJ Enterprises, both LBE-MBE firms, to outreach, recruit, and promote the hiring of residents from San Francisco's Supervisorial District 10 for employment opportunities with the Port, Port tenants, Port contractors, and Port developers. Port staff will continue to work with OEWD, our contractors, and community stakeholders to ensure success in meeting Local Hire goals and maximizing employment opportunities for San Francisco residents.

IV. UPCOMING OPPORTUNITIES

While the first half of FY 2016-17 saw a smaller amount of new contract awards, the second half of the fiscal year has several upcoming opportunities for small local contractors.

As-Needed Public Relations, Communications, Media Services - In early March 2017, Port staff will advertise a RFQ for as-needed public relations, communications, and media services. Port staff anticipates awarding up to four contracts valued with a combined value of \$900,000, one of which will be a micro-LBE firm. Port staff will return to the Port Commission for authorization to award the contracts in May.

Seawall Resiliency Project Program Management / Engineering Consultant – In March 2017, Port staff will request authorization from the Port Commission to issue a RFP for a consultant to lead the Seawall Resiliency Project. It is anticipated the contract will last 10 years with a budget estimate of \$30 million. The project's LBE subcontracting goal is 15%. Following proposal evaluation and scoring, Port staff will return to the Port Commission for authorization to award the contracts in May.

As-Needed Environmental Services – In late March, Port staff will issue a RFQ for as-needed environmental consulting services. Port staff anticipates awarding up to three contracts for a not to exceed amount of \$3 million. The LBE subcontracting goal for these contracts is 22%. Following proposal evaluation and scoring, Port staff will return to the Port Commission for authorization to award the contracts in May.

Crane Cove Park – In early April, Port staff will advertise competitive bids for construction of Crane Cove Park. Construction documents and engineer's cost estimates are being finalized. The value of the contract is expected to exceed \$20 million. The LBE goal is being evaluated by HRC. Port staff expects to return to the Port Commission for authorization to award the contract in May.

V. CONCLUSION

In the first half FY 2016-17, the Port awarded six new contracts totaling \$9,216,734, of which \$3,704,499 million, or 41%, was awarded to LBEs. The Port made \$6,242,606 in contract payments, of which \$1,922,619 or 31% was paid to LBEs. Most contracts are meeting or exceeding their contractually obligated CMD goals based on overall contract spending to date.

While overall contracting activity was lower in the first half of the fiscal year, there will be several upcoming contract opportunities for small local contractors in the second half of FY 2016-17.

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cc: Contract Monitoring Division, Finbarr Jewell

Appendix A: General Contract Terms & Port Thresholds
Attachment 1: Contracts Awarded in First Half of Fiscal Year 2015-16
Attachment 2: As-Needed Contract Service Order (CSO) Payments
Attachment 3: Construction Contract Payments
Attachment 4: Professional Services Contract Payments

APPENDIX A General Contract Terms and Port Thresholds

A. Use of Professional Services Contracts: Professional Services are those services which require the exercise of discretion and independent judgment in their performance, and/or the application of an advanced, specialized type of knowledge, expertise, or training. Examples of professional service providers include architects, engineers, and software developers. The City's Civil Service Commission must review all Professional Services contracts to determine whether City employees could perform the requested services and, if so, whether the Department can justifiably contract out the services. The Port contracts for professional services only when Port employees or other City employees cannot perform the work because of the limited nature of the work, peak workload obligations, lack of specific expertise, or other unusual circumstances such as mitigation of financial risk, funding or other legal requirements.

B. As-Needed Contracts: As-Needed contracts are Professional Services contracts which the Port uses for services that recur but are not consistent or predictable enough to justify full time staff. Currently the Port maintains as-needed services contracts for architecture and design services, economic analysis, environmental services, and hazardous materials disposal. Master Agreements for as-needed services are negotiated upon Contractor pre-qualification through formal, competitive RFQ processes. These agreements usually have a three-year term.

As-needed services are typically construction related professional services, such as engineering services. Following the requirements of Administrative Code Chapter 6.64, the Port tasks contractors with individual projects through the issuance of Contract Service Orders (CSO) that are not to exceed \$400,000 per public works project.³ Any CSOs exceeding \$400,000 per public works project require written justification by the department head to CMD establishing the urgency to perform the work under as-needed contracts rather than through a new formal competitive procurement. LBE subcontracting goals may apply to each Master Agreement or for each CSO. The Port's practice is to have an overall goal for the as-needed contracts and to manage individual CSOs to ensure overall compliance.

C. Delegated Authority: To streamline the Port's contract approval process and to be consistent with the San Francisco Administrative Code and the practice of other City departments, the Port Commission has delegated the following authority to the Executive Director (Resolution Nos. 09-29, 09-37 and 10-60):

- | | |
|-----------------------------------|-----------|
| • Contract Service Orders | \$500,000 |
| • Construction contracts | \$600,000 |
| • Professional services contracts | \$100,000 |

³ Chapter 6 of the Administrative Code governs construction and construction related services.

Delegated authority allows the Port's Executive Director to execute and award public works and improvement and professional services CSOs and contracts at or under the threshold limits without Port Commission review and approval.