

MEMORANDUM

October 20, 2017

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

FROM: Elaine Forbes
Executive Director

SUBJECT: Informational Item - The Port's Report on Contracting Activity for Fiscal Year 2016-17 (July 1, 2016 through June 30, 2017)

DIRECTOR'S RECOMMENDATION: Informational Presentation – No Action Required

EXECUTIVE SUMMARY

Port staff provides two reports per year regarding the Port's contracting activity. On March 14, 2017, staff updated the Port Commission regarding contracting activity for the first half of Fiscal Year (FY) 2016-17 (July 1, 2016 through December 31, 2016). This report provides an update on contract activity for the entire fiscal year (July 1, 2016 through June 30, 2017), including as-needed, professional services, and construction contracts.

A. **Total Value of New Contracts: \$15.0 million (10 contracts).** During FY 2016-17, the Port issued 10 new contracts including six construction and four professional services contracts for a cumulative value of \$14,951,807. In FY 2016-17, Port staff exceeded the Port Commission's informal policy to award a minimum of 20% of contract dollars to LBE firms. Nine out of the ten (90%) contracts were awarded to Local Business Enterprises ("LBE") with an aggregate value of \$8,176,228 (55%) awarded to LBE prime and subcontractors.

Five of the ten awards were to "formal" contracts governed by Administrative Code Section 14B ("LBE Ordinance"), which includes LBE subcontracting goals and local business preferences. Additionally, five contracts were awarded as micro-LBE set asides. These contracts are set aside for competition among Contract Monitoring Division ("CMD") certified micro-local businesses.

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- B. **Total Payments to Active and Open Port Contracts: \$11.0 million, including \$7.3 million (66%) to LBE primes and subcontractors.** During FY 2016-17, Port contract payments totaled \$11,047,105. Of that amount, \$7,273,912 (66%) was paid to LBEs, including \$4,456,057 (40%) to LBE primes and \$2,817,855 (26%) to LBE subcontractors.
- C. **The Port currently manages three projects subject to the Local Hire Ordinance. One of the three projects is currently meeting the 30% local hire requirement.**

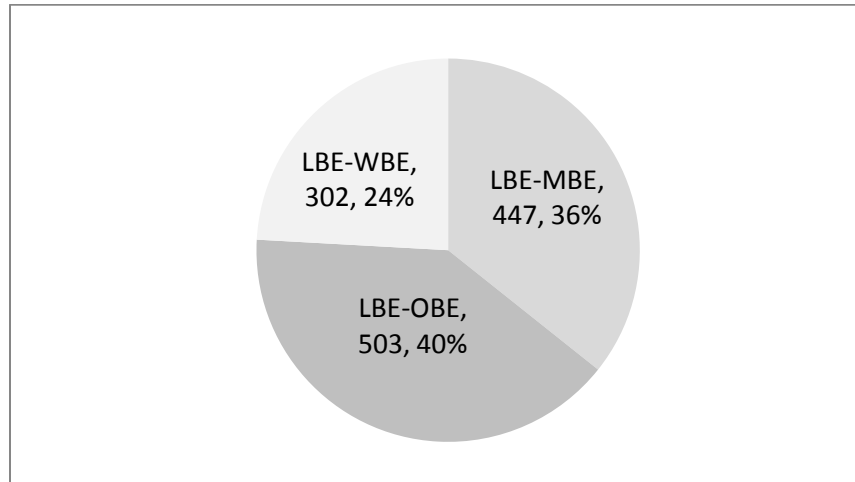
BACKGROUND

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 as-needed, professional services, and construction contracts.

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 executed 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 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 track which LBEs are awarded contracts. As summarized in Chart 1, there are currently 1,252 certified LBE firms, including 503 OBE, 447 MBE, and 302 WBE firms.

Chart 1: Certified LBEs as of July 1, 2017, 1,252 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 rating 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.

When soliciting bids and/or responses to requests for proposals/qualifications, Port staff engages a representative from CMD. The CMD representative reviews all of the circumstances and independently assigns a LBE subcontracting 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.

CONTRACT ACTIVITY UPDATE

During FY 2016-17, the Port awarded ten new contracts totaling \$14,951,807. LBE prime contractors were awarded nine of the ten (90%) contracts. The Port paid contractors over \$11,047,105 on active contracts during the reporting period with \$7,273,912 (66%) going to LBEs.

New Contracts: \$14.9 million (10 contracts)

As summarized in *Table 1* and detailed in *Attachment 1*, in FY 2016-17, the Port issued six new construction and four new professional services contracts for a cumulative value of \$14,951,807. Five contracts were awarded as micro-LBE set aside contracts, which are small contracts reserved for competition only among micro-local businesses.

Table 1: Contracts Awarded from July 1, 2016 – June 30, 2017

Type of Contract	Total Contract	Total Dollar Amount	LBE Award Amount (Prime & Subs)	Total % of LBE \$ Awarded
Construction	6	\$ 9,180,233	\$ 4,849,970	53%
Professional Services	4	\$ 5,771,574	\$ 3,326,258	58%
Grand Total	10	\$ 14,951,807	\$ 8,176,228	55%

1. Use of Delegated Authority (\$890,813; 5 contracts): Five contracts totaling \$890,813 were awarded in FY 2016-17 through the Executive Director's delegated authority. While all five contracts were exempt from LBE goals due to their small contract amounts, all five contracts were awarded as micro-LBE set asides to LBEs prime contractors and \$890,813 (100%) of the total was awarded to LBE prime and subcontractors.

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 \$40,000 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's South-East sector for employment opportunities with Port and Port contractors. Butler Enterprises will be self-performing 100% of the contract.

On January 9, 2017, Albert Electric, a LBE-OBE firm, was awarded a \$176,448 micro-LBE set aside contract to upgrade utility systems at Pier 19. Albert Electric will be self-performing 100% of the contract.

2. Port Commission Approved: \$14.1 million (5 contracts). The Port Commission approved five contracts awarded in 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 a \$4,521,000 contract to Shimmick Construction Company, a non-LBE firm, for the Crane Cove Park Surcharge and Site Preparation Project. 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 Port Commission awarded a \$3,981,369 contract to COWI/OLMM Joint Venture, a LBE-MBE joint venture partnership, for the Mission Bay Ferry Landing project. 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, Advant Consulting (2%), a LBE-MBE firm, and LCW Consulting (2%), a LBE-WBE firm.

On February 28, 2017, the Port Commission awarded a \$2,496,780 contract to Pioneer Contractors, a LBE-MBE firm, for the Pier 23 Roof Repair project. Pioneer Contractors will exceed the project's 10% LBE subcontracting requirement by utilizing D&S Leong Associates (13%), a LBE-MBE firm, and Western Gravel & Roofing Supply (9%), a LBE-MBE firm. Pioneer Contractors will self-perform approximately 46% of the contract work, resulting in 68% of the work performed going to certified LBE firms.

On May 24, 2017, the Port Commission awarded a \$1,695,205 contract to Civic Edge Consulting, a LBE-WBE firm, for public relations, communications, media services, and related professional services for the Seawall Resiliency Project. Civic Edge Consulting will meet the project's 21% LBE subcontracting requirement by utilizing Copymat (6%), a LBE-OBE firm, RDJ Enterprises (5%), a LBE-MBE firm, Interethnica, a LBE-WBE firm, JBR Partners (4%), a LBE-MBE firm, Lowercase Productions (8%), a LBE-OBE firm, and Slow Clap Productions, a LBE-OBE firm. Civic Edge Consulting will self-perform

approximately 35% of the contract work, resulting in 76% of the worked performed going to certified LBE firms.

On June 13, 2017, the Port Commission awarded a \$1,366,640 contract to Trinet Construction, a LBE-WBE firm, for the Pier 94-96 Storm Drain Repair Project. Trinet Construction proposes to exceed the project’s 25% LBE subcontracting requirement by utilizing P&J Utility Company (26%), a LBE-OBE firm. Trinet Construction will self-perform approximately 66% of the contract work, resulting in 69% of the worked performed going to certified LBE firms.

3. Summary of LBE Contract Participation in New Contract Awards. As discussed above, during FY 2016-17, the Port awarded six construction, and four professional services contracts for a cumulative value of \$14,951,807. Nine (90%) of the contracts with a total amount of \$8,176,228 (55%), were awarded to LBEs. This includes \$4,251,280 (28%) awarded to LBE primes and \$3,924,948 (27%) awarded to LBE subcontractors.

Actual Contract Payments

As shown in *Table 2* below, during FY 2016-17, Port contract payments totaled \$11,047,105. Of all payments, \$7,247,870 (66%) was paid to LBE firms, including \$4,430,015 to primes and \$2,817,855 to subcontractors. During this reporting period, the Port exceeded average CMD goals for construction and professional service contracts. While overall payments to LBEs is 39% for as needed services, contract spending fell below the average CMD subcontracting goal as result of newly awarded contracts with few payments to LBE subcontractors. Port staff expects contract payments to LBE subcontractors to increase and meet or exceed CMD set goals as these contracts move forward.

Table 2: Contract Payments and LBE Participation from July 1, 2016 – June 30, 2017

Contract Type	Total Payments	Local Business Enterprise					
		Prime Payments	Sub Payments	Total LBE Payments	Overall %	Sub %*	Avg. Goal %**
As-Needed	\$1,282,222	\$356,431	\$146,351	\$502,782	39%	11%	19%
Construction	\$7,688,201	\$3,635,191	\$2,361,449	\$5,996,640	78%	31%	12%
Professional Services	\$2,076,682	\$464,435	\$310,055	\$774,490	37%	20%	20%
Total	\$11,047,105	\$4,456,057	\$2,817,855	\$7,273,912	66%	26%	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 \$1,282,222 in payments in FY 2016-17. As detailed in *Attachment 2*, LBE prime and subcontractors contractors received 39% of all as-needed contract payments in FY 2016-17, representing \$502,782 in payments.

- *Engineering* – Overall LBE firms received 16% of payments made to the as-needed engineering contracts during the reporting period. Four new as-needed engineering contracts were awarded in late 2016. Payments made on the engineering contracts were below the 21% LBE subcontracting goal as initial contract service orders focused primarily on work performed by prime contractors. Though none of the four as-needed engineering contracts are currently meeting their CMD-set LBE goals, newly issued contract service orders in FY 2017-18 will increase the proportion of payments to LBE subcontractors.
- *Environmental Services* – Overall LBE firms received 70% of payments made to the as-needed environmental services contracts during the reporting period. Payments to LBE subcontractors exceeded the 22% LBE subcontracting goal with 29% LBE subcontractor participation. All three contracts in the environmental services pool are surpassing the CMD set LBE subcontracting goals over the life of the contracts.
- *Hazardous Waste Disposal* – Payments made on the two hazardous waste contracts fell below the 8% LBE subcontracting goal with 1% participation during the reporting period. In FY 2016-17 there were \$72,818 in payments made on the as-needed hazardous waste disposal contract with only \$2,000 paid to LBE subcontractors. One firm, Environmental Logistics is expected to exceed the 8% subcontracting goal. Port and CMD staff is currently working with Eagle Environmental to identify upcoming opportunities for LBE subcontractors.
- *Real Estate* – Overall LBE firms received 39% of payments made to the as-needed real estate contracts during the reporting period. Four new as-needed real estate economic and planning contracts were awarded during the reporting period. Similar to the as-needed engineering contracts the work issued under the new as-needed real estate contracts was allocated to prime contractors with few payments to LBE subcontractors. Port staff expects LBE subcontractor payments to increase through contract service orders issued in early FY 2017-18.

2. Construction Contracts. The Port currently manages nine construction projects that received \$7,668,201 in payments in FY 2016-17. As detailed in *Attachment 3*, LBE contractors received \$5,996,640 (78%) of total construction contract payments. LBE subcontractors received \$2,361,449 or 31% of payments made to construction contracts, exceeding the 20% average LBE subcontracting goal. Port and CMD staff monitor payments to LBEs to ensure that Port contractors honor their contract commitments. While some of the contracts underutilized LBE subcontractors within the reporting period, CMD measures LBE contracting compliance by payments over the term of the contract.

- *Pier 31 Roof Repair* – The Port awarded the \$5,765,000 Pier 31 Roof Repair Project to Roebuck Construction on January 12, 2016. The contract is 100% complete. Roebuck Construction attained a 37% LBE subcontracting goal exceeding the 24% LBE subcontracting set by CMD.

- *Pier 23 Roof Repair* – The Port awarded the \$2,496,780 Pier 23 Roof Repair contract to Pioneer Contractors on February 28, 2017. The project is 80% complete. Payments related to this contract were processed after July 1, 2017 and will be included in the following contracts report.
- *Crane Cove Park Site Preparation* – The \$4,521,000 Crane Cove contract is 60% complete. LBE subcontractor utilization during FY 2016-17 was 17%. Shimmick Construction, the project's non-LBE prime contractor is expected to meet the project's 24% LBE requirement by the end of the contract.
- *Pier 94-94 Storm Drain Repair* – The Port awarded the \$1,366,640 Pier 94-96 Storm Drain Repair contract to Trinet Construction, a LBE-WBE firm, on June 13, 2017. The project is 10% complete. No payments were made on this contract during the reporting period.
- *Micro-LBE Set Aside Construction Contracts* – In FY 2016-17, the Port managed five active micro-LBE set aside construction projects totaling \$1,505,191. Micro-LBE set aside contracts require LBE prime contractors to self-perform at least 25% of the project's work. All five contracts are 100% complete and all five met the compliance requirements for micro-LBE set aside contracts.

3. Professional Services Contracts. The Port currently manages 24 open and active professional services projects that received \$2,076,682 in total payments in FY 2016-17, including \$779,490 (37%) to LBE firms. As detailed in *Attachment 4*, there are four active formal professional service contracts that the LBE Ordinance governs. In FY 2016-17, payments to LBE subcontractors on LBE Ordinance governed professional service contracts totaled \$310,055 (20%) out of \$1,512,499 in total 14B contract payments.

- *Crane Cove Park Design* – The \$2,609,396 Crane Cove Park Design Project led by AECOM, a non-LBE firm, has a 19% LBE subcontracting goal. A total of 20% of payments went to LBE subcontractors during the reporting period. AECOM is currently exceeding its goal with 28% of all payments going to LBE subcontractors over the life of the contract.
- *Mission Bay Ferry Landing* – The \$3,981,369 Mission Bay Ferry Landing Design Project led by COWI/OLMM Joint Venture, a JV-MBE firm, has a 25% LBE subcontracting goal. To date only 9% of the contract payments have gone to LBE subcontractors. This project was initiated in early 2017 and Port staff expects LBE participation to increase as contract work begins to shift from structural engineering to geotechnical services.
- *Seawall Communications* – The \$1,695,205 Seawall Resiliency Project Public Relations and Media Services contract was awarded to Civic Edge Consulting, a LBE-WBE firm, on May 23, 2017. The contract has a LBE subcontracting goal of 22%. No payments were made on this contract during the reporting period.

- *Financial Advisors* – The \$420,000 Municipal Financial Advisory contract with Public Financial Management, a non-LBE firm, has an overall LBE subcontracting goal of 20%. During the reporting period the contract received \$131,615 in payments of which \$46,050 (35%) went to LBE subcontractors. The prime contractor is currently attaining an 18% LBE subcontracting goal over the life of the project. Port staff is working with the prime contractor to include strong LBE participation for the remainder of the contract.
- *Micro-LBE Set Aside Professional Service Contracts* – In FY 2016-17, the Port managed three active micro-LBE set aside professional service contracts totaling \$191,000. Micro-LBE set aside contracts require LBE prime contractors to self-perform at least 25% of the project's work. All three contracts are meeting the compliance requirements for micro-LBE set aside contracts.

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 CMD granted waivers. While these contracts are exempt from the LBE Ordinance, the Port paid LBE contractors \$338,156 (37%) out of \$470,076 in payments made to these 17 contracts.

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 disadvantaged San Francisco residents perform 30% of apprentice hours per trade. The Office of Economic and Workforce Development (OEWD) manages the program. The Port currently maintains three open construction contracts subject to the requirements of the Local Hire Ordinance. OEWD staff advises that one project is currently compliant, as summarized in *Table 3*. OEWD staff are working with Pioneer Contractors the prime contractor on the Pier 23 Roof Repair Project to use off-site credits to bring the contract into compliance. Due to changes in work scope, Shimmick Construction, the prime contractor on the Crane Cove Park Surcharging Project, has fallen out of compliance with the provisions of the Local Hire Ordinance. OEWD is working with Shimmick Construction to remedy the situation through off-site credits or the assessment of penalties.

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.

Table 3: Local Hire Projection, 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%
Crane Cove Park Surcharging	13,669	1,510	11%	973	208	21%
Pier 23 Roof Repair*	6,661	1,316	20%	1,726	81	5%

**OWED granted a conditional waiver or exemption that permits contractors to perform below the Local Hire requirement.*

Since its inception ordinance, 16 Port projects have been subject to the Local Hire ordinance’s provisions. While all of the projects have 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.

FY 2016-17 ACCOMPLISHMENTS & UPCOMING OPPORTUNITIES

While FY 2016-17 saw fewer than average contracts awarded, Port staff completed several contract solicitations for award in early FY 2017-18. These include contracts for as-needed public relations, as-needed environmental services, and planning, engineering, and environmental services for the Seawall Resiliency Project. In addition to formal administration of Port contracts, during FY 2016-17 Port staff engaged in a number of activities to increase opportunities for small local businesses.

- *Contracts Open House* - On March 1, 2017, the Port hosted the first-ever Contract Opportunities Open House to provide a networking opportunity for large and small businesses to meet, collaborate, and learn about upcoming contracting opportunities. Over 180 individuals attended the event.
- *Pier 70 LBE Plan* - In FY 2016-17, Port staff and CMD negotiated the Pier 70 Special Use District Project which includes a 30% local hiring commitment and 17% LBE utilization requirement. The plan also includes up to \$1 million in funding to support expansion of CityBuild and TechSF training for residents of Supervisor District 10. The project and plan were adopted by the Port Commission on September 26, 2017. Port and CMD staff are negotiating a similar plan with the San Francisco Giants for the Mission Rock Development.
- *Transition to PeopleSoft* - On July 1, 2017, the City and Port transitioned from its 1980s mainframe financial system to a new financial and procurement technology developed by PeopleSoft. The new system allows vendors to view

and bid on upcoming contracting opportunities, submit invoices, and get paid online. In addition, the new system allows contractors to submit LBE certification electronically and create real time LBE participation reports.

In the coming fiscal year the Port has several upcoming opportunities for small local businesses.

- *Pier 33 & Pier 40 Restaurants* – On October 12, 2017, the Port issued RFPs for restaurant opportunities at Pier 33 and Pier 40. Port staff hosted a restaurant opportunities open house to invite proposals and to serve as a networking event to encourage partnerships between local businesses. Each solicitation requires respondents to develop a local business implementation plan to stimulate local business participation.
- *Pier Backlands Improvement* – In January 2018, the Port will solicit bids for paving, grading, earthwork, and utility coordination for Piers 94 and 96. The estimate contract amount is \$8.5 million. Port staff expects a LBE subcontracting goal over 20% for work performed on this project.
- *Amador Street Roadway Repair* – In March 2018, the Port will solicit bids for the first phase of the Amador Street Sewer Main & Roadway Repair Project. The contract will include repair of the existing pump station, roadway repair, and sewer system repair. The project is valued at \$2.8 million dollars. Port staff expects a LBE subcontracting goal over 20% for work performed on this project.

CONCLUSION

In FY 2016-17, the Port awarded 10 new contracts totaling \$14,951,807, of which 90 % of the contracts and 55% of the total dollar amount, or \$8,176,228, was awarded to LBEs. The Port made \$11,047,105 in contract payments, of which \$7,273,912 or 66% 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 FY 2016-17, the Port anticipates a significant increase in contracting activity in FY 2017-18.

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Appendix A: General Contract Terms & Port Thresholds
Attachment 1: Contracts Awarded Fiscal Year 2016-17
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.