

MEMORANDUM

March 3, 2016

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 2015-16 (July 1, 2015 through December 31, 2015)

I. EXECUTIVE SUMMARY

This report provides the Port Commission with information on contracting activity for the first and second quarters of Fiscal Year (FY) 2015-16 (July 1, 2015 through December 31, 2015). 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: \$556,018 (6 contracts).** During the first half of FY 2015-16, the Port issued 6 new contracts including one construction and five professional services contracts for a cumulative value of \$556,018. Three out of the six (50%) contracts were awarded to Local Business Enterprises ("LBE") with an aggregate value of \$420,618 (76%) awarded to LBE prime and subcontractors. The total number of contracts awarded during the reporting period was significantly lower than previous reporting periods. Port staff anticipates a significant increase in contract awards in the second half of FY 2015-16.

All of the contracts awarded during the reporting period were "informal" contracts because their contract value was less than the LBE Ordinance threshold. Port staff awarded three of the six 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.

- B. **Total Payments to Active and Open Port Contracts: \$4.2 million, including \$2.1 million (51%) to LBE primes and subcontractors.** During FY 2015-16, Port contract payments totaled \$4.2 million. Of that amount, \$2.1 million (51%) was paid to LBEs, including \$1.1 million (27%) to LBE primes and \$1.0 million (24%) to LBE subcontractors.
- C. **All of the Port's projects subject to the Local Hire Ordinance are meeting or have met the requirements of providing work hours to San Francisco residents, including disadvantaged workers, and are providing apprentice opportunities.**

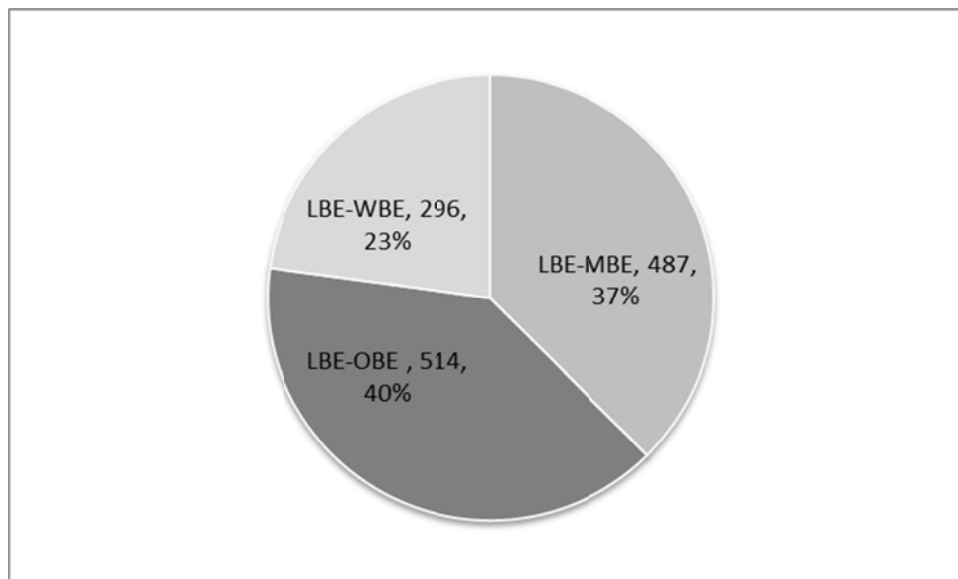
II. BACKGROUND

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.

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 Contract Monitoring Division (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 1,297 certified LBE firms.

Chart 1: Certified LBEs as of January 1, 2016, 1,297 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. The CMD representative reviews all of the circumstances and independently assigns 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 2015-16, the Port awarded 6 new contracts totaling \$556,018. LBE prime contractors were awarded three of the six (50%) contracts. The Port paid contractors over \$4.1 million on active contracts during the reporting period with \$2.1 million (50%) going to LBEs.

A. New Contracts (\$556,018; 6 contracts): As summarized in *Table 1* and detailed in *Attachment 1*, in the first half FY 2015-16, the Port issued one new construction and five new professional service contracts for a cumulative value of \$556,018. None of the newly award contracts were governed by the LBE Ordinance because they fell below the LBE Ordinance threshold amount. Three 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, 2015 – December 31, 2015

Type of Contract	Total Contract	Total Dollar Amount	LBE Award Amount (Prime & Subs)	Average LBE Goal	Actual LBE Amount Awarded
Construction*	1	\$266,218	\$260,218	N/A	98%
Professional Services*	5	\$289,800	\$160,400	N/A	55%
Total 14B Exempt Contracts	6	\$556,018	\$420,618		76%
Grand Total	6	\$556,018	\$420,618	N/A	76%

* Delegated Authority

1. Use of Delegated Authority (\$556,018; 6 contracts): Six contracts totaling \$556,018 were awarded in the first half FY 2015-16 through the Executive Director's delegated authority. While all six contracts were exempt from LBE goals, three contracts, totaling \$460,218 (83%), were awarded to LBE firms.

On July 2, 2015, Next Steps Marketing, a LBE-WBE firm, was awarded a \$98,000 micro-set aside contract to provide digital newsletter production services. Next Steps Marketing will be self-performing 65% of the contract and subcontracting 35% of the work to a non-LBE design firm.

On October 14, 2015, Mariposa Leadership, a non-LBE firm, was awarded a \$24,800 contract to provide strategic planning services. Mariposa Leadership will be self-performing 100% of the contract work.

On October 21, 2015, Angotti and Reilly, a LBE-OBE firm, was awarded a \$266,218 construction contract to install mast head lighting at Pier 94. Angotti and Reilly will be self-performing 30% of the contract work and subcontracting 68% to Barri Electric, a LBE-MBE firm, a non-LBE will perform the remaining 2% of the project. This contract

was awarded as a micro-LBE set aside. LBEs will be performing 98% of the contract work.

On November 20, 2015, The Thier Group, a LBE-WBE firm, was awarded a \$98,000 micro-LBE set aside contract to provide construction contract outreach services. The Their Group will be self-performing 100% of the contract work.

On November 25, 2015, Ralph Andersen and Associates, a non-LBE firm, was awarded a \$46,000 contract to provide executive recruitment services. Ralph Anderson & Associates will self-perform 100% of the work.

On December 12, 2015, Roger L. Peters, a non-LBE firm, was awarded a \$25,000 contract for foreign trade zone consulting services. There are currently no certified LBEs that provide foreign trade zone consulting services. 100% of the contract work will be self-performed by the non-LBE prime contractor.

2. Summary of LBE Contract Participation in New Contract Awards. As discussed above, during the first half of FY 2015-16, the Port awarded one construction and five professional services contracts for a cumulative value of \$556,018. Three (50%) of the contracts with a total amount of \$420,618 (76%), were awarded to LBEs. This includes over \$239,000 (43%) awarded to LBE primes and over \$181,000 (33%) awarded to LBE subcontractors. There were no Port Commission approved contracts during the first half of FY 2015-16.

B. Actual Contract Payments: As shown in *Table 2* below, during the first half of FY 2015-16, Port contract payments totaled \$4.2 million. Of all payments, \$2.2 million (51%) was paid to LBE firms, including \$1.1 million to primes and \$1.0 million to subcontractors. During this reporting period the Port exceeded average CMD goals for construction and as-needed contracts. Professional service contracts fell below the average CMD subcontracting goal as result of large payments made to non-LBEs for financial advisory services.

Table 2: Contract Payments and LBE Participation from July 1, 2015 – December 31, 2015

Contract Type	Total Payments	Local Business Enterprise					
		Prime Payments	Sub Payments	Total LBE Payments	Overall %	Sub %	Avg. Goal %*
As-Needed	\$490,119	\$52,964	\$124,774	\$177,738	36%	25%	22%
Construction	\$3,118,498	\$929,605	\$852,280	\$1,781,885	57%	27%	10%
Professional Services	\$630,874	\$142,563	\$47,199	\$189,762	30%	7%	12%
Total	\$4,239,491	\$1,125,132	\$1,024,253	\$2,149,385	51%	24%	14%

*CMD Subcontracting Goal

1. As-Needed Contracts. The Port currently manages 12 open and active as-needed contracts that received \$490,119 in payments in the first half of FY 2015-16. As detailed in *Attachment 2*, LBE contractors received 36% of all as-needed contract payments in the first half of FY 2015-16, representing \$177,468 in payments. The real estate economics consulting related work (56% LBE contractor payments) performed well

while the engineering (26%) and environmental (60%) as-needed contracts maintained strong LBE percentages at or above the CMD set LBE subcontracting goals. The new hazardous waste disposal contract awarded a small contract service order (“CSO”) to a non-LBE firms.

- *Engineering* – Payments made on the three engineering contracts during the reporting period were small, with 26% of total payments made to LBE firms. While two of the contracts in the as-needed engineering pool are meeting or exceeding their LBE subcontracting goal, one firm, PB/Structus JV, has fallen below its LBE subcontracting commitment. Port and CMD staff are working with the contractor to identify LBE subcontracting opportunities on upcoming scopes of work.
- *Environmental Services* – Payments made on the environmental services contracts exceeded the 22% LBE subcontracting goal during the reporting period. In the first half of FY 2015-16, 60% 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 the contracts.
- *Real Estate* – On average, the four real estate contracts are meeting or exceeding the overall CMD set LBE subcontracting goal. One firm, Seifel Consulting, had previously fallen below the 22% LBE subcontracting goal, however, Port staff expect the contractor to close above the CMD requirement due to strong LBE numbers during the reporting period.
- *Hazardous Waste Disposal* – There were \$43,939 in payments made on the new hazardous waste disposal contract. The work completed was highly specialized and performed by the non-LBE prime contractor. Work associated with the contracts LBE subcontractors is expected to increase during the second half of FY 15-16.

2. *Construction Contracts*. The Port currently manages seven construction projects that received \$3.1 million in payments in the first half FY 2015-16. As detailed in *Attachment 3*, LBE contractors received \$1.8 million (57%) of total construction contract payments. LBE subcontractors received \$0.8 million or 27% of payments made to construction contracts, far exceeding the 10% average LBE subcontracting goal. Port and CMD staffs monitor payments to LBEs to ensure that Port contractors honor their contract commitments. While several of the contracts underutilized LBE subcontractors within the reporting period, as previously noted, CMD measures LBE contracting compliance by payments over the term of the contract.

- *Pier 35 Roof Repair* – The Pier 35 Roof Repair contract is 100% complete and closed on November 12, 2015. While LBE subcontracting utilization during the first half of FY 2015-16 was only 9%, over the term of the contract Roebuck Construction attained 38% LBE subcontracting utilization exceeded the 19% goal set by CMD.
- *Bayview Gateway* – The Bayview Gateway contract is 100% complete and closed on November 12, 2015. While LBE subcontracting utilization during the first half of FY 2015-16 was 0%, over the term of the contract Bauman Landscape, the project’s

LBE-OBE prime contractor, attained a 13% LBE subcontracting utilization, exceeding the 12% goal set by CMD.

- *Blue Greenway Signage* – The Blue Greenway Signage contract is 100% complete and awaiting formal close out. While there was no LBE subcontracting utilization during the first half of FY 2015-16, over the term of the contract Cal State Constructors attained a 20% LBE subcontracting utilization, exceeding the 8% goal set by CMD.
- *Beltline Building Restroom* – The Pier 27 Beltline Building Restroom Renovation is 100% complete and closed on November 30, 2015. 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. Hoi's Construction, a LBE-MBE firm, performed 76% of the project work.
- *Pier 49 Wharf Under Pier Sewer Restoration* – The Pier 49 Under Pier Sewer Restoration is 100% complete and closed on December 24, 2015. The prime contractor, Schembri Construction, a LBE-OBE firm exceeded the 25% LBE subcontracting goal set by CMD with 73% LBE subcontracting utilization.
- *Maintenance Dredging* – While most construction contracts have exceeded their individual LBE goals, the Maintenance Dredging contract is short of its 3% percent LBE subcontracting goal. As reported in prior contracting reports, the 3% LBE subcontracting goal was based on the estimated need to transport contaminated dredge spoils for landfill disposal. However, little of the Port dredging work has required landfill disposal of dredged spoils. Based on the locations of the planned dredging work, the Port expects that dredge spoils will not need to be trucked and thus the contractor will not have the opportunity to meet the 3% goal over the life of the contract, which expires on December 31, 2015. A new maintenance dredging contract will be issued in the second half of FY 2015-16; CMD has waived the LBE subcontracting goal on the new contract.

3. Professional Services Contracts. The Port currently manages 21 open and active professional services projects that received \$630,874 in total payments in the first half of FY 2015-16, including \$189,762 (30%) to LBE firms. As detailed in *Attachment 4*, there are three active professional service contracts governed by the LBE Ordinance. In the first half of FY 2015-16, payments to LBE subcontractors on LBE Ordinance governed professional service contracts totaled \$47,199 (15%) out of \$309,172 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. While only 10% 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 term of the contract.

- *Earthquake Vulnerability Study* – The Earthquake Vulnerability Study of the Northern Waterfront managed by GHD-GTC, a LBE-MBE joint venture, has a 25% LBE subcontracting goal. GHD/GTC JV, exceeded the LBE goal in the first half of FY 2015-16 (30%) and over the current duration of the contract (25%).
- *Financial Advisors* – The Municipal Financial Advisory contract led by Public Financial Management, a non-LBE, has a 20% LBE subcontracting goal. To date 100% of the \$108,950 in contract payments have stayed with the non-LBE prime contractor. Port staff has notified the prime contractor of their LBE obligations and will work to ensure that future payments include strong LBE subcontractor participation.

The Port has an additional 18 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 the LBE Ordinance, the Port paid LBE contractors \$104,923 (33%) out of \$321,702 in payments made to these 14 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 three open construction contracts subject to the requirements of the Local Hire Ordinance. OEWD staff advises that all three projects are compliant, as summarized in *Table 3*.

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, First Half of FY 2015-16

Project	TOTAL WORK HOURS			APPRENTICE HOURS		
	Total	Local Hire	Local Hire %	Total	Local Apprentice	Local Hire %
30% Requirement						
Bayview Gateway Park	13,334	4,996	37%	2,306	3,103	91%
Blue Greenway Signage *	1,289	239	19%	86	74	86%
Pier 35 Roof Repair	7,798	4,459	56%	2,118	1106	52%

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

Since the inception of the ordinance, 14 Port projects have been subject to the 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.

IV. UPCOMING OPPORTUNITIES

While the first half of FY 2015-16 saw an uncharacteristically small amount of new contract awards, the second half of the fiscal year has a large number of upcoming opportunities for small local contractors.

Lease of Northern Waterfront Parking Lots – In March, Port staff will present a recommendation to the Port Commission for the award of a lease for various surface parking lots on the Northern Waterfront. This unique opportunity requires prime contractors to partner with small local firms to manage and operate the parking lots. Port staff received four qualified responses from prime proposers with qualified LBE partners.

As-Needed Engineering & Related Services – In March, Port staff will issue a RFQ for as-needed engineering and related services. Port staff anticipates awarding up to four contracts for a not to exceed amount of \$6 million. The LBE subcontracting goal for these contracts is 21%. Following proposal evaluation and scoring, Port staff will return to the Port Commission for authorization to award the contracts in May.

As-Needed Real Estate Economics – In late March, Port staff will advertise a RFQ for as-needed real estate economics and land use planning services. Port staff anticipates awarding up to six contracts for a not to exceed amount of \$3 million. The LBE subcontracting goal for the as-needed real estate economics contracts will be 20%.

Following proposal evaluation and scoring, Port staff will return to the Port Commission for authorization to award the contracts in May.

Pier 33 New Fire Standpipe – In early March, bids will be due for the installation of a new fire standpipe system at Pier 33. The contract was advertised as a micro-LBE aside, which means that only micro-LBE firms will be eligible for contract award. Port staff will award the fire standpipe contract in April under the Executive Director’s delegated authority.

Port Modular Restrooms - In late spring, Port staff will advertise a \$1 million construction contract for the installation of modular restrooms at various locations on Port property. The LBE subcontracting goal has not been determined, however, Port staff expect LBE opportunities for both prime and subcontractors. Port staff will request Port Commission authorization to advertise the modular restrooms project for competitive bids in May.

V. CONCLUSION

In the first half FY 2015-16, the Port awarded six new contracts totaling \$556,018, of which \$420,618 million, or 76%, was awarded to LBEs. The Port made \$4.2 million in contract payments, of which \$2.2 million or 51% 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 low in the first half of the fiscal year, there will be a number of new upcoming contract opportunities for small local contractors in the second half of FY 2015-16.

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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 |

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.

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