

File No. 100333

Committee Item No. 5

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Land Use and Economic Development Date April 19, 2010

Board of Supervisors Meeting

Date _____

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Completed by: Alisa Somera Date April 16, 2010

Completed by: _____ Date _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages.
The complete document can be found in the file.

1 [Bid Discount for Small and Micro-Local Business Enterprises that Joint Venture to Bid on
2 Construction Contracts]

3 **Ordinance amending Administrative Code Section 14B.7(F) to grant bid discounts to**
4 **Small and Micro-Local Business Enterprises that joint venture with other firms to bid**
5 **on construction contracts.**

6 NOTE: Additions are *single-underline italics Times New Roman*;
7 deletions are ~~*strike through italics Times New Roman*~~.
8 Board amendment additions are double-underlined;
9 Board amendment deletions are ~~strikethrough normal~~.

10 Be it ordained by the People of the City and County of San Francisco:

11 Section 1. The San Francisco Administrative Code is hereby amended by amending
12 Section 14B.2, to read as follows:

13 **SECTION 14B.2. DEFINITIONS.**

14 "Architect/Engineering Contract" means an agreement for architectural, engineering, or
15 other professional design, consulting or construction management services for a public
16 work/construction project.

17 "Back contracting" shall mean any agreement or other arrangement between a prime
18 contractor and its subcontractor that requires the prime contractor to perform or to secure the
19 performance of the subcontract in such a fashion and/or under such terms and conditions that
20 the prime contractor enjoys the financial benefits of the subcontract. Such agreements or
21 other arrangements include, but are not limited to, situations in which either a prime contractor
22 or subcontractor agrees that any term, condition or obligation imposed upon the subcontractor
23 by the subcontract shall be performed by or be the responsibility of the prime contractor.

24 "Bid" means a quotation, proposal, solicitation or offer by a bidder or contractor to
25 perform or provide labor, materials, equipment, supplies or services to the City for a price.

1 "City" means the City and County of San Francisco.

2 "Commercially useful function" shall mean that the business is directly responsible for
3 providing the materials, equipment, supplies or services to the City as required by the
4 solicitation or request for quotes, bids or proposals. Businesses that engage in the business of
5 providing brokerage, referral or temporary employment services shall not be deemed to
6 perform a "commercially useful function" unless the brokerage, referral or temporary
7 employment services are those required and sought by the City. When the City requires and
8 seeks specialty products made to order for the City or otherwise seeks products which, by
9 industry practice, are not regularly stocked in warehouse inventory but instead are purchased
10 directly from the manufacturer, no more than five percent of the cost of the product shall be
11 credited towards LBE participation goals. When the City requires and seeks products which
12 are, by industry practice, stocked in warehouse inventory and are in fact, regularly stocked by
13 the listed supplier or distributor, no more than sixty percent of the cost of the product shall be
14 credited towards LBE participation goals. If the listed supplier or distributor does not regularly
15 stock the required product, no more than five percent of the cost of the product shall be
16 credited towards LBE participation goals.

17 "Commission" means the Human Rights Commission.

18 "Commodity contract" means an agreement to purchase any product, including
19 materials, equipment and supplies.

20 "Contract" means any agreement between the City and a person to provide or procure
21 labor, materials, equipment, supplies, or services to, for, or on behalf of the City for a price to
22 be paid out of monies deposited in the City Treasury or out of trust monies under the control
23 of or collected by the City. A "contract" includes an agreement between a non-profit or public
24 entity and a contractor for the performance of construction or construction-related services,
25 where the contract is funded by the City. A "contract" does not include: (1) grants, whether

1 funded by the City or by Federal or State grant funds, to a nonprofit entity to provide services
2 to the community; (2) sales of the City's personal or real property; (3) loan transactions,
3 whether the City is a debtor or creditor; (4) lease, franchise, or concession agreements; (5)
4 agreements to use City real property; (6) gifts of materials, equipment, supplies or services to
5 the City; or (7) agreements with a public agency except for contracts or other agreements
6 between the City and persons or entities, public or private, in which such persons or entities
7 receive money from or through the City for the purpose of contracting with businesses to
8 perform public improvements. Without limitation of the foregoing, "contract" includes any
9 agreement between the City and a person to provide or procure labor, materials, equipment,
10 supplies, or services to, for, or on behalf of the City for PUC Regional Projects.

11 "Contract awarding authority" means any City officer, department, commission,
12 employee or board authorized to enter into contracts on behalf of the City. A non-profit or
13 public entity that receives funds from the City to pay for construction or construction related
14 services is a "contract awarding authority" for the purposes of contracting for the performance
15 of those services.

16 "Contractor" means any person who enters into a contract with the City.

17 "Control" means an individual possesses the legal authority to manage business
18 assets, good will and the daily operations of a business, and actively and continuously
19 exercises such authority.

20 "Director" means the Director of the Human Rights Commission, or his or her designee.

21 "Discount" means a downward adjustment in price or upward adjustment in rating of a
22 proposal, whichever applies, that is made under Section 14B.7.

23 "General Manager" means the General Manager of the San Francisco Public Utilities
24 Commission, or his or her designee.

1 "General services contract" means an agreement for those services that are not
2 professional services. Examples of "general services" include: janitorial, security guard, pest
3 control and landscaping services.

4 "Joint venture" shall mean an association of two or more professional services, ~~or~~
5 architecture/engineering, or construction contracting businesses acting as a contractor and
6 performing or providing services on a professional services, ~~or~~ architecture/engineering
7 contract, or public works/construction contract in which each joint venture partner combines
8 property, capital, efforts, skill, and/or knowledge and each joint venture partner shares in the
9 ownership, control, management responsibilities, risks and profits of the joint venture in
10 proportion to its claimed level of participation.

11 "Local Business Enterprise (LBE)" means a business that is certified as an LBE under
12 Section 14B.3. LBEs are either Small-LBEs, ~~or~~ Micro-LBEs, or SBA-LBEs, and are also either
13 MBEs, WBEs, or OBEs.

14 "Minimum competitive amount" means for professional services, general services,
15 architect/engineering and commodities contracts, the "minimum competitive amount" as
16 defined in Section 6.40(A) of the Administrative Code.

17 "Minority Business Enterprise (MBE)" means a business that is certified as an MBE
18 under Section 14B.4(B)

19 "Other Business Enterprise (OBE)" means a business that is certified as an OBE under
20 Section 14B.4(D).

21 "Owns" or "Ownership" means an individual: (a) possesses a record ownership
22 interest, such as partnership interest or stock interest, of at least 51 percent of the business;
23 (b) possesses incidents of ownership, including an interest in profit and loss, equal to at least
24 the required record ownership interest; (c) contributes capital to the business equal to at least
25 the required record ownership percentage (unsecured promissory notes or notes secured by

1 the business or business assets are not sufficient to constitute capital contributions); and (d)
2 contributes expertise relevant to the business "commercially useful function" proportionate to
3 the stated ownership interest.

4 "Person" means any individual or group of individuals, including but not limited to
5 partnerships, associations, and corporations.

6 "Professional services contract" means an agreement for services that require
7 extended analysis, the exercise of discretion and independent judgment, or the application of
8 an advanced, specialized type of knowledge, expertise, or training customarily acquired either
9 by a prolonged course of study or equivalent experience in the field. Examples of professional
10 service providers include licensed professionals such as accountants, and non-licensed
11 professionals such as parking lot management, software developers and financial consultants.
12 For the purpose of this Ordinance, a contract for architectural, engineering, or other
13 professional design, consulting or construction management services for a public work project
14 shall be considered an architect/engineering contract and not a professional services contract.

15 "PUC" or "Public Utilities Commission" means the San Francisco Public Utilities
16 Commission, the City Department that provides water, wastewater, and municipal power
17 services to San Francisco and, under contractual agreement with 29 wholesale water
18 agencies, also supplies water to 1.6 million additional customers within three Bay Area
19 counties.

20 "Public works/construction contract" means a contract for the erection, construction,
21 renovation, alteration, improvement, demolition, excavation, installation, or repair of any public
22 building, structure, infrastructure, bridge, road, street, park, dam, tunnel, utility or similar public
23 facility that is performed by or for the City, and the cost of which is to be paid wholly or
24 partially out of moneys deposited in the City Treasury or out of trust monies under the control
25 of or collected by the City. For purposes of this Ordinance only, "public works/construction

1 contract" includes contracts between a person, including a non-profit entity or public agency,
2 and a contractor for construction or construction-related services, where the contract is funded
3 by the City.

4 "PUC Regional Projects" means the projects to be performed outside of the geographic
5 limits of San Francisco that are identified as regional projects and included in the formally
6 approved Capital Improvement Program of the San Francisco Public Utilities Commission's
7 approximately \$4.3 billion project to seismically reinforce and otherwise enhance the Hetch
8 Hetchy water supply system, as it may be amended from time to time, and shall also include
9 Repair and Replacement work ("R&R") only where such work is to be performed in
10 association with a regional Capital Improvement Program project.

11 "Subcontractor" means any person providing goods or services to a contractor or
12 subcontractor in fulfillment of the contractor or subcontractor's obligations arising from a
13 contract with the City.

14 "Threshold amount" means, for public works/construction projects, the "threshold
15 amount" as defined in Chapter 6.1 (M) of the Administrative Code.

16 "Woman Business Enterprise (WBE)" means a business that is certified as a WBE
17 under Section 14B.4(C).

18
19 Section 2. The San Francisco Administrative Code is hereby amended by amending
20 Section 14B.7, to read as follows:

21 **SECTION 14B.7. PRIME CONTRACTS**

22 A) Good Faith Efforts to Obtain LBE Bids on Contracts Subject to this Ordinance.
23 Contract awarding authorities shall use good-faith efforts for all contracts subject to the
24 discount provisions of this Ordinance to solicit and to obtain bids from the broadest possible
25

1 range of LBEs and to ensure that neither MBEs nor WBEs nor OBEs are arbitrarily excluded
2 from participation. Good faith efforts shall include the following.

3 (1) Arranging contracts by size and type of work to maximize the opportunities for
4 LBEs to participate. This includes dividing projects into smaller parts.

5 (a) As soon as practical before soliciting bids or proposals, contract awarding
6 authorities shall submit large contract proposals to the Director for review. The Director shall
7 determine whether the proposed contract can be divided into smaller contracts so as to
8 enhance the opportunity for participation by LBEs. For purposes of this paragraph, "large
9 project" means any public works/construction contract estimated to cost more than
10 \$5,000,000, any professional services contract estimated to cost more than \$100,000, and
11 any multiple year commodities contract with a term greater than one year, including any
12 options to renew or extend.

13 (b) If the Director determines, after consulting with the contract awarding authority,
14 that the contract can be divided into smaller contracts, then the Director and the contract
15 awarding authority shall confer regarding all of the costs and benefits of soliciting the contract
16 as a single contract or dividing it into smaller contracts, including but not limited to the
17 potential for enhanced opportunities for LBE participation as prime contractors, the potential
18 for LBE participation as subcontractors, relative costs, administrative issues, and any other
19 matters relevant to the accomplishment of the purpose of the subject contract or contracts. If,
20 after exchanging information and conferring regarding these issues, the contract awarding
21 authority and the Director are unable to agree on whether or how the contract divided into
22 smaller contracts, or on the size and number of contracts, the Mayor or the Mayor's designee
23 shall resolve the matter.

24 (2) Encouraging LBEs to attend prebid meetings that are held to inform potential
25 bidders of contracting opportunities.

1 (3) Advertising in general circulation media, trade association publications and local
2 business media, and posting the contracting opportunity on the Department's website or other
3 centralized City website.

4 (4) Notifying LBEs that are certified to perform the work contemplated in a contract
5 and soliciting their interest in the contract.

6 (5) Providing LBEs with adequate information about the plans, specifications and
7 requirements of the contract.

8 (6) When allowed by local laws governing City contracting, negotiating with LBEs in
9 good faith.

10 (7) Using the services of community and contractors' groups to assist in the
11 recruitment of LBEs.

12 (8) For professional services, general services, architectural/engineering and
13 commodities contracts, the estimated cost of which exceeds \$10,000 but is less than the
14 minimum competitive amount or for public works/construction contracts, the estimated cost of
15 which exceeds \$10,000 but is less than the threshold amount, contract awarding authorities
16 are not required to undertake the good faith efforts steps set forth in Sections 14B.7(A)(3)
17 when it is impracticable to do so.

18 (B) Best Efforts on Contracts Not Otherwise Subject to this Ordinance. In the award of
19 leases, franchises, concessions, and other contracts not subject to the discount provisions of
20 this Ordinance, contract awarding authorities shall utilize the good faith efforts steps unless
21 impracticable to do so. At a minimum, contract awarding authorities should notify LBEs that
22 are certified to perform the work contemplated in a contract and solicit their interest in the
23 contract.

24 (C) Non-Discrimination in Prime Contracting. Contract awarding authorities shall
25 ensure that all aspects of the contracting process are free from discrimination against any

1 person on any basis prohibited by law, and ensure broad contracting opportunities for all
2 categories of LBEs. Contract awarding authorities shall maintain such documentation of their
3 selection process as required by the Director to monitor and ensure compliance with this
4 provision.

5 (D) Contracts Subject to Prime Bidding Discounts. Unless otherwise provided in this
6 Ordinance, contract awarding authorities shall apply discounts to all contracts the estimated
7 cost of which exceeds \$10,000.

8 (E) Amount of Discount. Unless otherwise provided in this Ordinance, contract
9 awarding authorities shall apply a 10% discount to any bid from a Small - LBE or Micro - LBE.
10 Contract awarding authorities shall apply these discounts to each stage of the selection
11 process, including qualifications, proposals and interviews.

12 If after the application of the discounts provided for in this Subsection 14B.7(E) or
13 Subsection 14B.7 (F) to any bid or proposal from a Small or Micro-LBE, the apparent low
14 bidder or highest ranking proposer is not a Small or Micro-LBE, contract awarding authorities
15 shall apply a 2% bid discount to any bid or proposal from an SBA-LBE. Contract awarding
16 authorities shall apply this 2% discount to each stage of the selection process, including
17 qualifications, proposals and interviews, except that the 2% discount for SBA-LBEs shall not
18 be applied at any stage if it would adversely affect a Small or Micro-LBE. For contracts
19 estimated by the contract awarding authority to cost in excess of \$10,000,000 but less than
20 \$20,000,000, contract awarding authorities shall apply a 2% discount to any bid or proposal
21 from an SBA-LBE.

22 (F) Joint Ventures For Professional Services, ~~and~~ Architecture/Engineering and Public
23 Works/Construction Contracts. Unless otherwise provided in this Ordinance, contract awarding
24 authorities shall extend the following bid/rating discount to all bids, proposals and contracts
25 from Small and Micro-LBEs on professional services, ~~and~~ architecture/engineering and public

1 works/construction prime contracts: (1) five percent to a joint venture with Small and/or Micro-
2 LBE prime contractor participation that equals or exceeds 35 percent but is under 40 percent;
3 (2) seven and one-half percent to a joint venture with Small and/or Micro-LBE prime
4 contractor participation that equals or exceeds 40 percent; (3) ten percent to a Small and/or
5 Micro-LBE prime contractor or a joint venture among Small and/or Micro-LBEs prime
6 contractors. Contract awarding authorities shall apply the bid/rating discount to each stage of
7 the selection process, including qualifications, proposals and interviews.

8 The contract awarding authority shall apply the joint venture bid/ratings discount only to
9 professional services, ~~and~~ architecture/engineering contracts and public works/construction
10 contracts, and only to a joint venture (1) that meets the requirements contained in this
11 Ordinance, and (2) when the Small and/or Micro-LBE is an active partner in the joint venture,
12 performs work, manages the job and takes financial risks in proportion to the required level of
13 participation stated in the bid documents, is responsible for a clearly defined portion of the
14 work to be performed, and shares proportionately in the ownership, control, management
15 responsibilities, risks, and profits of the joint venture. The portion of the Small and/or Micro-
16 LBE joint venture's partner's work shall be set forth in detail separately from the work to be
17 performed by the non-LBE joint venture partner. The Small and/or Micro-LBE joint venture's
18 partner's portion of the contract must be assigned a commercially reasonable dollar value.

19 (G) Affidavit. Each bidder, proposer and contractor shall be required to sign an
20 affidavit declaring under penalty of perjury its intention to comply fully with the provisions of
21 this Ordinance and attesting to the truth and accuracy of all information provided regarding
22 such compliance.

23 (H) Additional Requirements and Required Contract Terms. Contract awarding
24 authorities shall include in all contracts with their contractors, and all contractors shall include
25 in their contracts with subcontractors the following requirements, in addition to other

1 requirements set forth in the Municipal Code. For the purposes of this Section, "contractor"
2 includes all subcontractors.

3 (1) Each contract shall incorporate this Ordinance by reference, shall require
4 contractors to comply with its provisions in awarding and administering such contracts, and
5 shall provide that the willful failure of any bidder or contractor to comply with the requirements
6 of this Ordinance or rules and regulations implementing this Ordinance shall be deemed a
7 material breach of contract.

8 (2) Contracts shall provide that in the event that the Director finds that any bidder,
9 subcontractor or contractor willfully fails to comply with any of the provisions of this Ordinance,
10 rules and regulations implementing the Ordinance, or contract provisions pertaining to LBE,
11 MBE, WBE, OBE or Micro-LBE participation, outreach, or non-discrimination, the bidder,
12 subcontractor or contractor shall be liable for liquidated damages for each contract in an
13 amount equal to the bidder's or contractor's net profit on the contract, 10 percent of the total
14 amount of the contract or \$1,000, whichever is greatest, as determined by the Director. All
15 contracts shall also contain a provision in which the bidder, subcontractor or contractor
16 acknowledges and agrees that the liquidated damages assessed shall be payable to the City
17 upon demand and may be set off against any monies due to the bidder, subcontractor or
18 contractor from any contract with the City.

19 (3) Contracts shall require all contractors to maintain records, including such
20 information requested by the Director or Commission, necessary for monitoring their
21 compliance with this Ordinance. Contracts shall require prime contractors to include in any
22 subcontract with a LBE a provision requiring the subcontractor to maintain the same records.
23 Contracts shall require contractors and subcontractors to maintain such records for three
24 years following completion of the project and shall permit the Director, Commission and
25 Controller to inspect and audit such records.

1 (4) Contracts shall require prime contractors, during the term of the contract, to fulfill
2 the LBE participation commitments submitted with their bids. Willful failure to comply with the
3 level of LBE subcontractor participation specified in the contract shall be deemed a material
4 breach of contract.

5 (5) Contracts shall require, and shall require prime contractors to include in any
6 subcontract with a LBE a provision requiring, the prime contractor to compensate any LBE
7 subcontractor for damages for breach of contract or liquidated damages equal to 5% of the
8 subcontract amount, whichever is greater, if the prime contractor willfully fails to comply with
9 its commitment to use the LBE subcontractor as specified in the bid/proposal unless the
10 Director and the contract awarding authority both give advance approval to the prime
11 contractor to substitute subcontractors or otherwise modify the commitments in the
12 bid/proposal documents. This provision shall also state that it is enforceable in a court of
13 competent jurisdiction.

14 (6) Contracts shall require prime contractors, whenever amendments, modifications,
15 supplements, or change orders cumulatively increase the total dollar value of the contract by
16 more than 10 percent, to comply with those provisions of this Ordinance that applied to the
17 original contract with respect to the amendment, modification, supplement or change order.

18 (7) Contracts shall require prime contractors to submit to the Director for approval all
19 contract amendments, modifications, supplements, and change orders that cumulatively
20 increase by more than 20 percent the total dollar value of all contracts originally valued at
21 \$50,000 or more. The Director shall review the proposed amendment, modification,
22 supplement or change order to correct any contracting practices that exclude any category of
23 LBEs from new contracting opportunities.

24 (8) Contracts in which subcontracting is used shall prohibit back contracting to the
25 prime contractor or lower-tier subcontracting for any purpose inconsistent with the provisions

1 of this Ordinance, rules and regulations adopted pursuant to this Ordinance, or contract
2 provisions pertaining to LBE utilization.

3 (9) Contracts in which subcontracting is used shall require the prime contractor to pay
4 its subcontractors within three working days after receiving payment from the City unless the
5 prime contractor notifies the Director in writing within 10 working days prior to receiving
6 payment from the City that there is a bona fide dispute between the prime contractor and the
7 subcontractor, in which case the prime contractor may withhold the disputed amount but shall
8 pay the undisputed amount. The Director may, upon making a determination that a bona fide
9 dispute exists between the prime contractor and subcontractor, waive this three-day payment
10 requirement. In making the determination as to whether a bona fide dispute exists, the
11 Director shall not consider the merits of the dispute. Contracts in which subcontracting is used
12 shall also require the contractor, within 10 working days following receipt of payment from the
13 City, to file an affidavit, under penalty of perjury, that he or she has paid all subcontractors.
14 The affidavit shall provide the names and address of all subcontractors and the amount paid
15 to each.

16 (l) Exceptions.

17 (1) The bid discount provisions of this Ordinance for Small and Micro-LBEs are not
18 applicable to any contract estimated by the contract awarding authority to cost in excess of
19 \$10,000,000, and the bid discount provisions of this Ordinance for SBA-LBEs are not
20 applicable to any contract estimated by the contract awarding authority to cost less than
21 \$400,000 and in excess of \$20,000,000.

22 (2) Notwithstanding any other provision of this Section, contract awarding authorities
23 shall not apply a discount where to do so would result in a contract being awarded to a
24 business without the capacity to perform it. The Commission may adopt rules and regulations
25

1 setting standards for determining that an LBE has sufficient skill, experience, and financial
2 capacity to perform the contract.

3 (J) Waivers. The Director shall waive the LBE bid discounts, and report the waiver to
4 the Commission, if:

5 (1) The Director finds, with the advice of the contract awarding authority and the
6 Office of Contract Administration, that needed goods or services are available from a sole
7 source that is qualified to do business with the City;

8 (2) The contract awarding authority certifies in writing to the Director, prior to the
9 Controller's contract certification, that the contract is being awarded under the emergency
10 provisions of Administrative Code Section 6.60 or Administrative Code Section 21.15 and that
11 there is either (i) no time to apply bid discounts or establish subcontracting goals, or (ii) no
12 immediately available LBEs that are capable of performing the emergency work; or

13 (3) For contracts in excess of \$5,000,000, a contract awarding authority establishes
14 that sufficient qualified LBEs capable of providing the needed goods and services required by
15 the contract are not available, or the application of the LBE discount will result in significant
16 additional costs to the City if the waiver of the bid discount is not granted.

17 (K) Micro-LBE Set-Aside Program.

18 (1) Each fiscal year, the contract awarding departments in consultation with the
19 Director shall set aside for award to Micro - LBEs not less than 50% of the public
20 work/construction contracts where the estimated contract amount is equal to or less than
21 \$400,000.

22 In order to satisfy the requirement to set aside not less than 50% of the contracts that
23 fall within this category, contract awarding departments may count Job Order Contracts,
24 without limitation as to dollar value, that the department has set aside for Micro - LBEs under
25 Administrative Code Section 6.62(C).

1 (2) Other contracts. Each fiscal year, the contract awarding departments in
2 consultation with the Director shall set aside for competitive award to Micro - LBEs contracts
3 other than public work/construction contracts where the estimated contract amount is equal to
4 or less than \$100,000. The contract awarding departments shall have a goal of setting aside
5 in each fiscal year 25% of all contracts that fall within this category, but 120 days from the
6 effective date of this Subsection, the 25% goal shall become a requirement.

7 (3) The competitive award requirements of the Municipal Code shall otherwise apply to
8 contracts in the set-aside program, except that if (a) fewer than two Micro - LBEs submit bids,
9 or (b) the contract awarding authority determines that the contract would not be awarded at a
10 fair market price, then the contract awarding authority may reject all bids and remove the
11 contract from the set-aside program.

12 (4) In the year 2010, contract awarding departments must make the following
13 disclosures to the Board of Supervisors each quarter. Thereafter, beginning in 2011, contract
14 awarding departments must make the following disclosures to the Board of Supervisors every
15 year when the contract awarding department makes its annual budget submission to the
16 Board of Supervisors. These disclosures shall include: (1) the number of contracts and the
17 amount of each contract awarded under the Micro – LBE set-aside program; and (2) all public
18 work/construction contracts equaling \$400,000 or less not awarded under this program, and
19 all other contracts equaling \$100,000 or less not awarded under this program, accompanied
20 by an explanation as to why the contract was not set-aside for award under this program, or, if
21 set aside, whether it was subsequently not awarded or awarded under any other procedure.

22 (5) Contracts that are set-aside for award to Micro - LBEs shall not be subject to
23 subcontracting goals under Section 14B.8. Micro - LBEs that subcontract any portion of a set-
24 aside contract should subcontract to businesses certified as Micro - LBEs, to the maximum
25 extent possible. Micro - LBEs that subcontract any portion of a set-aside contract must serve

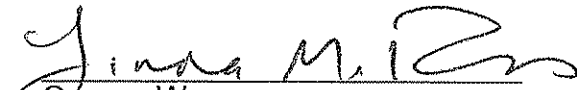
1 a commercially useful function based on the contract's scope of work, and must perform at
2 least 25% of the contract work.

3 (L) Prompt payment. The City shall pay LBEs within 30 days of the date on which the
4 City receives an invoice for work performed for and accepted by the City. The Controller shall
5 work with the Director and contract awarding authorities to implement this Citywide prompt-
6 payment policy. The City shall consult with affected community members and relevant City
7 officials, including the Director, the Controller, and contract awarding authorities, to design
8 and implement a prompt payment program within six (6) months of the effective date of this
9 Ordinance. Such program shall include procedures for the payment of late penalties where
10 prompt payment does not occur.

11 (M) Application of Chapter 14B. Within 60 days of the effective date of this
12 Subsection, contract awarding departments shall report to the Board of Supervisors on their
13 implementation, and recommendations for any amendment, of the requirement in Sections
14 14B.7(E) and (F) that contract awarding authorities shall apply the discounts authorized by
15 those sections "to each stage of the selection process, including qualifications, proposals and
16 interviews."

17
18
19
20 APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

21
22 By:


George Wong
Deputy City Attorney

23
24
25
Supervisor Maxwell
BOARD OF SUPERVISORS

LEGISLATIVE DIGEST

[Bid Discounts For Small and Micro-LBEs That Joint Venture To Bid On Construction Contracts.]

Ordinance amending Administrative Code Section 14B.7(F) to grant bid discounts to Small and Micro-LBEs that joint venture with other firms to bid on construction contracts.

Existing Law

Section 14B.7 of the Administrative Code requires the application of certain prime bidding discounts to bids and proposals submitted by HRC-certified LBEs.

Section 14B.7(F) requires the application of joint venture bid/ratings discounts to proposals submitted by Small and Micro-LBEs for professional services and architecture/engineering contracts with estimated costs in excess of \$10,000 and less than or equal to \$10,000,000. The joint venture bid/ratings discounts are as follows: (i) five percent for a joint venture with Small and/or Micro-LBE prime contractor participation that equals or exceeds 35 percent but is under 40 percent; (ii) seven and one-half percent for a joint venture with Small and/or Micro-LBE prime contractor participation that equals or exceeds 40 percent; and (iii) ten percent for a Small and/or Micro-LBE prime contractor or a joint venture among Small and/or Micro-LBE prime contractors.

Amendments to Current Law

The ordinance amends Section 14B.7(F) by requiring the application of the existing joint venture bid/ratings discount to bids submitted by Small and Micro-LBEs for construction contracts. Under the amended Section 14B.7(F), the joint venture bid/ratings discounts will apply to bids and proposals from Small and Micro-LBEs for professional services, architecture/engineering, and construction contracts.

Background Information

Expanding the joint venture bid/ratings discounts to construction contracts should increase the utilization of Small and Micro-LBEs on City construction projects.