CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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January 26, 2024

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: January 31, 2024 Budget and Finance Committee Meeting

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Item 3 File 23-1249 *(Continued from 1/31/24 meeting)*	**Departments:** Office of Contract Administration (OCA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution authorizes OCA to enter into a third contract modification with Alameda Electrical Distributors, Inc. for the purchase of electrical supplies, materials, and fixtures for City departments. The resolution increases the contract amount by $600,000 for a total not to exceed amount of $10,500,000. There is no change to the contract term, which is approximately six years from May 1, 2018 through April 30, 2024.

Key Points

- In December 2017, the Office of Contract Administration (OCA) issued a low bid solicitation for electrical supplies, materials and fixtures for the Airport. OCA determined that Maltby Electric Supply Company (which was acquired by Alameda Electrical Distributors, Inc.) provided the lowest cost bid and was awarded an $8.5 million contract with a three-year term from May 1, 2018, through April 30, 2021, with the option to extend the contract for an additional three years, through April 30, 2024. The subsequent two modifications extended the term through April 2024 and increased the contract amount to $9.9 million.
- Specific products provided include electrical hardware, electrical cables, tape and wires, electrical connectors and conduits, and other electrical products. The contract allows for all City departments to purchase electrical supplies and fixtures although the contract was originally intended for use by the Airport. The contract provides discounts that range from 5 percent to more than 98 percent from catalog prices, depending on the product type and manufacturer/brand.
- OCA plans to issue a new solicitation in early 2024 with awarded contracts by April 2024.

Fiscal Impact

- The proposed $600,000 increase in the not to exceed amount is intended to cover contract purchases through the remainder of the contract term.
- Contract funding sources vary depending on the department making the purchase. Spending date indicates that 73.7 percent has been funded by the Airport.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of $10 million or more, or (3) requires a modification of more than $500,000 is subject to Board of Supervisors approval.

BACKGROUND

In December 2017, the Office of Contract Administration (OCA) issued a low bid solicitation for electrical supplies, materials and fixtures for the Airport for a contract period of three years from February 1, 2018 through January 31, 2021, with the possibility of extension for up to six years. Three bids were received, and in February 2018, OCA determined that Maltby Electric Supply Company (which was acquired by Alameda Electrical Distributors, Inc.) provided the lowest cost bid and was awarded an $8.5 million contract with a three-year term from May 1, 2018, through April 30, 2021, with the option to extend the contract for an additional three years, through April 30, 2024. The original contract and subsequent two modifications, which extended the term through April 2024 and increased the contract amount to $9.9 million, did not require Board of Supervisors approval because the term did not exceed 10 years and the total not to exceed amount was less than $10 million.[1] According to OCA, the contract was initially intended for use by the Airport as the primary buyer but could also be utilized citywide by all City departments to purchase electrical materials and supplies.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution authorizes OCA to enter into a third contract modification with Alameda Electrical Distributors, Inc. for the purchase of electrical supplies, materials, and fixtures for City departments. The resolution increases the contract amount by $600,000 for a total not to exceed amount of $10,500,000. There is no change to the contract term, which is approximately six years from May 1, 2018 through April 30, 2024.

Under the contract, specific products provided include electrical hardware, electrical cables, tape and wires, electrical connectors and conduits, and other electrical products. The contract allows for all City departments to purchase electrical supplies and fixtures. The contract provides discounts that range from 5 percent to more than 98 percent from catalog prices, depending on the product type and manufacturer/brand.

According to OCA, the proposed modification is needed due to a delay in completing a new solicitation caused by staffing shortages at OCA and challenges in accessing and analyzing usage

[1] The first modification (March 9, 2021) extended the contract term date to April 30, 2021. A novation agreement (October 1, 2021) transferred the contract from Maltby Electrical Supply Company to Alameda Electrical Distributors, Inc. A novation agreement is used when a company merges with another entity that assumes the contractual obligations. In this case, Alameda Electrical Distributors purchased all assets of Maltby under a purchase agreement. The second modification (October 17, 2022) extended the contract term date to April 30, 2024 and increased the total contract amount to $9,900,000.

data of City departments, which is maintained by the vendor and needs to be transformed for analysis. OCA plans to issue a new solicitation in early 2024 with awarded contracts by April 2024.

Performance Monitoring

While the contract does not include specific performance measures, it includes several contract terms and conditions to hold the vendor accountable for product availability, delivery timeframes, the condition of products, and the inspection of products.

According to OCA staff, ordering departments will notify OCA if the vendor does not meet delivery requirements or other required contract specifications. In addition, OCA staff meet with the vendor quarterly to discuss any contract matters. OCA states that the new solicitation will include improved performance measures and outcomes to be tracked, including establishing timelines for the vendor to reply to the City's requests for quotes and to deliver goods.

Department Encumbrances

OCA staff report spending $8,528,449 of the total current contract amount of $9,900,000, as shown in Exhibit 1 below.

Exhibit 1: Department Spending for Alameda Electrical Distributors, Inc. Contract

Department	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24*	Total
ADM		$1,089					$1,089
AIR	$2,025,302	$666,929	$390,043	$969,743	$973,744	$1,255,653	$6,281,414
DPH	$9,420	$43,799	$11,995		$48,630	$23,217	$137,061
DPW				$404,795		$262	$405,057
TIS	$92,166	$5,350				$12,219	$109,735
HOM		$325			$792	$7,365	$8,482
HSA	$3,274						$3,274
LIB		$7,838	$8,856	$5,943	$9,206	$9,205	$41,048
MTA		$6,593	$35,635	$8,664	$95,143	$73,372	$219,407
PRT		$109,545	$65,516	$9,324	$18,668	$9,813	$212,866
PUC		$9,408	$91,112	$443,532	$200,586	$321,471	$1,066,109
REC			$18,431	$24,476			$42,907
Total Amount	**$2,130,162**	**$850,876**	**$621,588**	**$1,866,477**	**$1,346,769**	**$1,712,577**	**$8,528,449**

Source: OCA

*FY 2023-24 shows spending and purchase orders open as of November 12, 2023.

The majority of total contract funds encumbered to date—73.7 percent, or approximately $6.3 million—has been made by the Airport, as shown above. According to OCA, items most frequently purchased under this contract include electrical hardware, wire, batteries, and electrical connectors.

FISCAL IMPACT

Not to Exceed Amount

The proposed third amendment increases the not to exceed amount of the contract with the vendor by $600,000 to a total of $10,500,000. Although the current contract term ends on April 30, 2024, OCA reports that the current $9,900,000 contract amount mostly spent or encumbered

in mid-November 2023. OCA has also requested departments to close out old purchase orders on the contract so unencumbered funds can be reallocated.

Projected spending is shown in Exhibit 2 below.

Exhibit 2: Projected Spending

Spending through December 2023	$9,742,733
Projected Remaining Spending	$719,919
Contingency (15%)	$107,988
Projected Spending	$10,570,640
Proposed Not-to-Exceed (Rounded Down)	**$10,500,000**

Source: OCA

Funding Sources

Contract funding sources vary depending on the department making the purchase. As noted above, 73.7 percent of spending has been funded by the Airport.

RECOMMENDATION

Approve the proposed resolution.