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Angela Calvillo
Clerk of the Board
San Francisco Board of Supervisors
1 Dr. Carlton B. Goodlett Place, room 250
San Francisco, CA 94102

Re: Report on implementation of ordinance 94-16 *Best value public works procurement*

Dear Ms. Calvillo:

Chapter 6.26 of the Administrative Code was revised and became effective July 2016. The revised ordinance requires departments authorized to contract for public works ("Chapter 6 departments") to document, evaluate, and report the performance of construction contractors. Further, Chapter 6.26(d) requires an update on implementation to the Board of Supervisors one year from the effective date. This letter summarizes the progress we have made in implementing the ordinance.

Background: Public Works has been coordinating the efforts of Chapter 6 departments to better evaluate contractor performance, and to use past performance in future contract award decisions. The Controller and the Department of Technology have provided essential facilitation and technical guidance.

The public relies on private contractors for most of the City's construction projects. The pool of contractors is highly skilled and, most of the time, works with City partners to deliver high-quality projects. Still, too often there are recurring problems, including project delays, inconsistent project staffing, unnecessary change orders and construction that does not adhere to contract specifications.

The evaluation system the City is developing is based on two simple ideas. First, as the City invests more than \$32 billion in capital expenditures, there should be tracking of some standard performance metrics across all projects. Second, when past performance is relevant, it should have an impact on future contract awards. Evaluations will track basic job information, impressions of staff and contractors, and, only when performance is particularly poor or unsafe, should it disqualify the contractor from getting future work.

The current evaluations used by departments, if any, have no bearing on future contract award decisions. The new system will be online, standard across construction departments, and document the input of contractors. Evaluations will collect basic, objective information about projects and performance, as well as the impressions of project staff and contractors. When contractor performance is below a certain standard, departments will be able to decline to award a project, finding a contractor non-responsible.

Below is a summary of our major accomplishments to date:

An award-winning audit prepared by the Controller City Services Auditor has guided our work. Our work plan, as well as the ordinance passed by the Board of Supervisors, is guided by the May 2014 audit report, *Adopting Leading Practices Could Improve the City's Construction Bid Pool*. The audit won national recognition from the Association of Local Government Auditors, honoring the audit with the Knighton Award, which recognizes the best audits of the year. The audit found that the City can do a better job of evaluating the performance of contractors, and taking past performance into account when awarding construction contracts. The audit had 12 recommendations, all of which Chapter 6 department heads agreed to implement. Our continued work on this evaluation program is guided by those audit recommendations. Among the recommendations were making evaluation of construction projects mandatory (accomplished by passage of the ordinance) and developing a standard evaluation process that takes contractor impressions into account.

The practices of other jurisdictions informed our work plan. The Controller's 2014 audit identified numerous other jurisdictions that evaluate contractor performance and use performance history in award decisions. We have examined the written policies and evaluations of other jurisdictions, including the federal government, Los Angeles County, Seattle, New York City and San Diego. The evaluation programs of those jurisdictions provided a starting point for research into best practices and have informed the workings of the evaluation system. In addition to written procedures, we have met or spoken with contract administration officials from Seattle, Los Angeles, San Diego and other entities to learn about their efforts to evaluate contractors.

The hopes of contractors and City employees are reflected in the evaluation questions and process. We have developed a standard contractor performance evaluation that asks multiple City staff about safety, management, quality, timely performance and labor standards. These standard metrics will apply to all evaluated projects across departments, providing a standard measure for comparing projects. Several members of the City's project management team will be responsible for evaluating performance, ensuring that the final evaluation reflects the opinions of numerous people, protecting contractors from outlier opinions.

The evaluation process promotes fairness and balance. To further insure fairness and accuracy, we have developed a process that pairs City evaluations with contractor comment, as well as feedback from contractors to the City related to our project management performance. Contractors also will have the opportunity to be heard should a negative evaluation be used in a contract award decision. These multiple opportunities for input have several purposes: They provide an opportunity for contractors to balance the record, they quantify and collect insight into the City's management procedures and they document performance for the benefit of management, the public and oversight bodies.

DT has begun building the technology that will manage the evaluation process. In partnership with the City Performance Unit of the Controller, and the Department of Technology, we are building internet-based software that will store evaluations. The City Performance Unit and the Department of Technology managed a competitive process that resulted in award of a contract to Robert Half Technology. The firm is responsible for designing and building the database that will store evaluations. The contract began in June 2017 and work should be substantially complete by January 2018.

Input from stakeholders has been essential to shaping the evaluation content and process. Implementation can be challenging because of the diversity of City projects, determining how to use completed evaluations and making sure the process is consistent with San Francisco policies that support growth of small and local businesses. In designing the evaluation process, the City has relied on input from professional contractor associations, the City's Contract Monitoring Division, the Local Business Enterprise (LBE) Advisory Committee

and individual contractors who have volunteered their opinions about the program. Beginning in January 2015 and continuing through now, they have participated through committees and subcommittees, formal discussions at the LBE Advisory Committee, and numerous smaller meetings. Their identification of potential problems, and some proposed solutions, has resulted in specific improvements to how the evaluation process will work.

Next steps and implementation. In the short term, our goals are to finish building the evaluation database, refine procedures and continue to reach out to stakeholders, including our own staff and contractors. We anticipate that the database build will be complete by February 2018. When it is, departments will roll out the evaluation system on a pilot basis, applying it to a small number of projects. In the interim, our focus is on training our staff and contractors on how the evaluation process will work. The results of the pilot program will give us valuable insight into how we can further refine evaluation content and process, training and procedures that ensure fairness and balance, while still encouraging accountability. We will continue to work together to evaluate construction of projects in a fair manner that serves and informs the public.

Best regards,



Mohammed Nuru
Director, San Francisco Public Works

cc: Naomi Kelly, City Administrator
Tonia Lediju, Director of Audits
Phil Ginsburg, General Manager, RPD
Ed Reiskin, Director, SFMTA

Ben Rosenfield, Controller
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