



Memorandum

TO: COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE

FROM: Matt Cano

**SUBJECT: COUNCIL PRIORITY #5:
CITYWIDE CONTRACTING
PROGRAM UPDATE**

DATE: January 14, 2019

Approved

Date

RECOMMENDATION

Accept this staff report which describes the outreach and engagement action plan performed by Public Works on Citywide Public Works Contracting Program to implement the City of San Jose Department of Public Works strategy of "Building our City together with our Community".

BACKGROUND

At the June 23, 2015, City Council Priority Setting Session, staff was directed to return to the Community and Economic Development Committee (CED) with a strategy to implement a Disadvantaged Business Enterprise (DBE) Program. At the May 23, 2017, City Council meeting, Council approved Master Agreements with Silvy Group and Keen Independent Research LLC and Milagro Marketing LLC, for consulting services for the Citywide Public Works Contracting Program. The Citywide Public Works Contracting Program is currently the Council's 5th highest priority. It should be noted that it was referred to as the "Citywide Contracting Program" in the priority setting session. Staff has added the words "Public Works" to the name as the policies being studied are currently focused on Public Works procurement.

At the June 26, 2018 CED Committee meeting, staff provided information gathered, analyzed, and reported by the consultants on the City of San Jose's ability to expand opportunities for diverse businesses in its contracting. The consultants identified barriers by reviewing current practices and constraints, and examining the external business environments. The Committee approved staff recommendations 1) Analyze each program for feasibility, legal considerations, staffing and resource consideration and 2) Develop and implement an Outreach and Engagement Action Plan. In November 2018 Measure S was approved by the voters of San Jose which provides mechanisms to include local business preference in Public Works projects as well as other innovative procurement mechanisms.

This document provides an update on the Outreach and Engagement Action. Staff will return to the CED Committee in June 2019 with data on the effectiveness of the Outreach and



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This document provides an update on the Outreach and Engagement Action. Staff will return to the CED Committee in June 2019 with data on the effectiveness of the Outreach and

Engagement Action plan, and recommendations for any disadvantaged business enterprise preferences for public works procurement.

ANALYSIS

The traditional focus for procurement of contractors for public works projects has been more of a market driven focus where the City would post a project for bidding and rely on the market to supply the best contractors. Of course there are many examples where staff have been more proactive, but, as a general rule, the City has not been proactive in developing the market.

In today's competitive construction environment, it is not sustainable to simply "post and pray" and hope that we obtain the best quality contractors. Additionally, it is also important that we not only obtain the best "final products" on our construction projects, but we also allow our community to participate in the construction of the projects. By doing so, we will create more opportunities for our local residents to succeed in life and we will strengthen our local workforce and economy. This philosophy has led to a new strategy within our Public Works Department called "Building our City together with our Community". This strategy consists of the following three areas which are described in more detail in the following sections:

- 1) **Public Works Academy** to connect, educate and inform our local contracting community;
- 2) **Procurement Policy Changes** to provide greater opportunities for our local, local small and disadvantaged businesses and workers to participate in San Jose construction projects;
- 3) **Internal Staff Training** to ensure our project managers are designing projects that facilitate local, small and disadvantage business participation.

Public Works Academy

City staff have worked with the Silvy Group to create the San Jose Public Works Academy. Bob Silvas, owner of the Silvy Group, retired with close to 25 years of service from the San Diego International Airport as the Director of Small Business, a position he held since 2003. Mr. Silvas emphasizes building capacity and maximizing participation through collaboration. By expanding partnerships with local agencies, trade associations, chambers of commerce and special interest groups, he creates the opportunity to build bridges and for stakeholders to become part of the solution. Silvy Group is focusing on discovering and addressing common challenges and barriers all small businesses face when working with public agencies to ensure that the pool of qualified vendors begins to reflect the local business demographics.

The approach developed by the City and Silvy Group is a multi-faceted effort that consists of the following:

- Public Works Academy Opportunity Awareness Events: Opportunity Awareness Events are in-person workshops designed for face-to-face contact between Public Works staff and the contracting community. The workshops will focus on contractor networking, upcoming opportunities, registration for the vendor management system (Bidsync), minimum requirements for contracting with the City, and information for online tutorials, future educational programs, and the Public Works Academy of Construction Management. Public Works mailed notification cards to 2300+ construction businesses found in the San Jose Business License Tax database and communicated the dates to all of the council offices. The first event was held on January 15th at Bascom Community Center and was attended by 11 representatives from the contracting community. The remaining dates are:
 - January 17 9-11am at the Vietnamese American Community Center
 - January 29 9-11am at Southside Community Center
 - February 4 1:30-3:30pm at Berryessa Community Center
 - February 5 5:30-7:30pm at Evergreen Community Center

In addition, to the increased awareness and opportunities to participate on San Jose projects, the City entered into grant agreements with the Hispanic Chamber of Commerce Silicon Valley and the Silicon Valley Black Chamber of Commerce in the amount of \$25,000 each in an effort to increase awareness and expand communication with underrepresented businesses. The Online tutorials, Opportunity Awareness Events, and Public Works Academy of Construction Management will continue to be marketed at these events.

- Public Works Academy Seminars: Seminars have been developed that will cover in-depth training for contractors and vendors on public works construction projects. In addition to being valuable learning tools, these seminars will allow contractors to check the “experience box” on certain city public works procurement processes allowing them to bid on certain projects even if they haven’t worked on a public works project in the past. The free seminars are currently scheduled to occur:

Location: Martin Luther King Library

- February 26, 2019
 - February 28, 2019
 - March 5, 2019
 - March 7, 2019
- Social Media: The Silvy Group has developed, in coordination with Public Works staff, ten (10) YouTube videos examining and explaining the requirements and process for entering into a construction contract with the City. This includes but is not limited to: (1)

Prevailing Wage, (2) Bonding, and (3) Insurance. Contractors are able to view the videos multiple times and at their own convenience.

Procurement Policy Changes

Public Works is in the process of making numerous procurement policy changes (Appendix A) that have a direct benefit to the local, small, and disadvantage businesses. They include:

- **Minor Public Works Projects Threshold**— As approved by Measure S in November 2018, increase the threshold for minor public works projects from \$100K to \$600K, making a wider portfolio of projects available for a more simple bidding process, therefore increasing the ability for small and local small business participation.
- **Minor Public Works Prequalification Process**— A process to “pre-approve” contractors to work on minor public works projects. This will dramatically reduce the time and effort required for city project managers to engage minor contractor in work opportunities.
- **Additional SBE, MBE, DBE contract goals and programs**— Potential creation of additional programs such as (1) Small business enterprise contract participation goals (2) implementation of an economically disadvantaged business program (3) goals/good faith disadvantaged business program (4) goals/good faith efforts for minority and/or women based business enterprises; (5) sheltered programs for small business enterprises; (6) working capital program to assist contractors to meet bonding requirements.

Each policy change requires information to be disseminated and procedures to be explained. To address all the upcoming policy changes Public Works intends to continue the Public Works Academy with Opportunity Awareness Events performed quarterly and Public Works Seminars bi-annually. The Master Consultant agreement with Silvy Group will end in August 2019. Funding sources for on-going work are being examined to ensure sustainability of the program.

Moving forward, staff will continue to monitor, analyze and report to the Mayor and City Council on the above policy changes and practices to ensure that the Public Works policy of “Building our City together with our Community” is resulting simultaneously in great final projects as well as opportunities for our local businesses and workforce.

Internal Staff Training

While it is important to create policies and tools which enhance the opportunities for local, local/small and DBE businesses to participate in City Public Works projects, these policies will not be useful unless they are fully embraced by the City workforce. Additionally, the City’s project managers must also design our projects to align with these new policies. As we continue to move forward, project managers in Public Works are being trained on these policy changes

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and are being encouraged to design their projects to encourage more small subcontracting opportunities which, in turn, will provide more opportunities for local and local/small business participation.

Staff and the consultants will return to CED Committee in June with additional findings, data on the effectiveness of Outreach and Engagement Action plan, and a discussion on the next phase of development of policies to encourage local, local/small, DBE and local workforce participation in the delivery of San Jose's Capital Improvement Program.

COORDINATION

This memo has been coordinated with the Office of Economic Development and the City Attorney's Office.

/s/

MATT CANO

Director of Public Works

For questions, please contact Christopher Hickey, Division Manager, Public Works Department at (408) 535-8481.

Attachment: Appendix A- Procurement Policy Changes

Procurement Policy Changes

The Public Works Department has implemented and is working on a number of changes to procurement practices to provide more flexibility for unique projects and encourage more local, local small, DBE and local workforce participation. These changes include the following:

Policy	Description	Category of Projects Impacted	Status of Implementation	Intended direct benefit area			
				Local Businesses	Local Small Businesses	DBE	Local Workers
Project Labor Agreements	Agreement with Santa Clara & San Benito Counties Building & Construction Trades Council to facilitate labor relations and targeted worker participation on certain construction projects over \$3 million in value	Major construction projects	Approved by council in October 2018, contracted being executed. Target execution by February 2019				X
Minor Public Works Projects Threshold	As approved by Measure S in November 2018, increase the threshold for minor public works projects from \$100K to \$600K, making a wider portfolio of projects available for a more simple bidding process, therefore increasing the ability for small and local small business participation	Minor Public Works	Council recommendation expected on or before April 2019	X	X	X	
Minor Public Works Prequalification Process	A process to “pre-approve” contractors to work on minor public works projects. This will dramatically reduce the time and effort required for city project managers to engage minor contractor in work opportunities.	Minor Public Works	Request for proposals expected to be released by late January 2019. (Contractors will be able to substitute participation in the Public Works Academy Seminars for experience in the RFP process)	X	X	X	X

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Minor Public Works Local & Local/Small Preference	A policy that provides preference to local and local/small businesses in the bidding process for minor public works projects	Minor Public Works	Council recommendation expected on or before April 2019	X	X		X
Local Hire Policy	A potential policy that encourages or requires the hiring of local workers for City of San Jose Public Works projects	Minor and Major Public Works Projects	Recommendation to Community & Economic Development Committee in January 2019 (see separate memorandum)	X			X
Best Value Contracting	Approved with the passage of Measure S in November 2018. This process will allow the City to take into account experience, labor compliance and other factors when awarding major construction project contracts.	Minor and Major Public Works Projects	Council recommendation expected on or before April 2019				
Additional SBE, MBE, DBE contract goals and programs	Creation of additional programs such as (1) Small business enterprise contract participation goals (2) Implementation of an economically disadvantaged business program (3) goals/good faith efforts for minority and/or women based business enterprises; (3) sheltered programs for small business enterprises; (4) working capital program to assist contractors to meet bonding requirements.	Minor and Major Public Works Projects	These programs are being studied and further information will be provided to the Community & Economic Development Committee in June 2019	X	X	X	X
Major Public Works Projects Local Preference	Creation of a local preference policy for major public works project awards	Major Public Works Projects	This is being studied and further information will be provided to the Community & Economic Development Committee in June 2019	X	X		X