



# NOTICE TO CONTRACTORS

---

**DATE:** September 1, 2016

**FROM:** James Nagelvoort, City Engineer

**SUBJECT:** Changes to Contractor Prequalification Program and Debarment Procedures

---

In order to ensure that potential bidders on City public works contracts possess the capability to perform the contract requirements and the business integrity to justify the award of public funds, in 2003 the City implemented the contractor prequalification program. Periodically, we review the program to verify that it is accomplishing its intended purpose.

Beginning in late 2015, City staff began the latest review by consulting with industry, small business and community groups, conducting workshops and analyzing data from previously completed contracts. Based on the results of our review, **effective October 1, 2016**, the following changes to the contractor prequalification program will be in effect:

- Except as described below for ELBE/SLBE firms, compiled financial statements will not be accepted for the purpose of prequalification. Acceptable financial statements must be either reviewed or audited by an independent accountant and demonstrate both positive working capital and positive net worth.
- Applicants' maximum bidding capacity (MBC) will be calculated according to a formula factoring the firm's financial strength, work experience and bonding capacity.
- The MBC of firms which submit reviewed financials will be continue to be capped at \$15 million. The MBC of firms which submit audited financials may exceed \$15 million, but, in no case will the firm's MBC exceed its single-project bond limit.
- Projects submitted as references must have been completed as a prime contractor within the previous five years.

At the same time, the following changes will apply to certified ELBE/SLBE firms which wish to become prequalified to bid as a prime contractor on City public works projects:

- Prior to applying to become prequalified to bid as a prime contractor, ELBE/SLBE firms must have successfully completed either three City of San Diego CIP projects acting as a subcontractor or three projects as either a prime contractor or subcontractor for other public agencies in the previous three years. Successful performance will be verified.
- Upon satisfactory completion of the three projects, the ELBE/SLBE firm may apply for prequalification to bid as a prime contractor by submitting:
  - Reference information from the three successful projects,
  - A compiled, reviewed or audited financial statement prepared by an independent accountant which demonstrates both positive working capital and positive net worth,
  - A letter from its surety stating the firm's single-project and aggregate bonding limits.
- Upon approval, an ELBE/SLBE may be prequalified with a maximum bidding capacity capped by its single-project bond limit or \$500,000, whichever is less.
- SLBE-certified firms may become prequalified to bid as a prime on projects valued at over \$500,000 by submitting the standard prequalification application.
- CURRENTLY PREQUALIFIED ELBE/SLBE FIRMS WILL BE GRANDFATHERED INTO THE REVISED PROGRAM UNTIL THE NEXT RENEWAL DATE SO LONG AS THEIR WORK ON CITY PROJECTS REMAINS SATISFACTORY OR BETTER. AT THE TIME OF RENEWAL, THEY MUST BE ABLE TO MEET THE REVISED REQUIREMENTS.
- Workshops will be provided for ELBE/SLBE contractors utilizing experienced City staff to provide training on administration of public works projects. Attendance is mandatory for any firm which has not previously completed a public works project as a prime contractor.

For additional information about the contractor prequalification program, please visit the City's web site at <https://www.sandiego.gov/cip/bidopps/prequalification>.

Concurrent with the changes to the contractor prequalification program, the following changes to the City's debarment process will take effect:

Three levels of debarment/ loss of pre-qualification for Unsatisfactory **Final** Evaluations by the Construction Management & Field Services (CM&FS) Division of Public Works in the specified periods will result in the following actions:

- Level #1: 2 final unsatisfactory evaluations in any 2 contiguous years, will result in debarring a contractor from bidding City projects for 2 years.
- Level #2: 3 final unsatisfactory evaluations in any 3 contiguous years, will result in debarring a contractor from bidding City projects for 3 years.
- Level #3: 4 or more final unsatisfactory evaluations in any 4 contiguous years, the Public Works Department Director will pursue permanent debarment, appealable as described in the San Diego Municipal Code.
- All final unsatisfactory evaluations are appealable to the Deputy Director of CM&FS.

- ANY major or egregious agreement breach (i.e. Safety accidents, EOCP violations, falsification of documents, etc.), corrupt practices or other action which demonstrates a lack of business integrity may result in the Public Works Department Director pursuing permanent debarment, appealable as set forth in §22.0801, et seq. of the San Diego Municipal Code.