



Infrastructure Projects:

- ▲ Airports
- ▲ Bikeways
- ▲ Bridges
- ▲ Drainage Control Facilities
- ▲ Flood Control Facilities
- ▲ Libraries
- ▲ Parks
- ▲ Recreation Centers
- ▲ Police Stations
- ▲ Fire Stations
- ▲ Lifeguard Stations
- ▲ Street Improvements
- ▲ Street Lights
- ▲ Traffic Signals
- ▲ Utilities Undergrounding
- ▲ Water Facilities
- ▲ Sewer Facilities
- ▲ Water Pipelines
- ▲ Sewer Pipelines

City of San Diego Contractor Prequalification Program

Citizens' Equal Opportunity Commission

October 7, 2015



Recap

Current Prequalification Program

- Applies to all construction contracts
- Three levels of prequalification based on project value:
 - Up to to \$1,000,000
 - \$1,000,000 to \$15,000,000
 - Over \$15,000,000



Recap

Current Program Summary

PREQUALIFICATION LEVELS	REQUIREMENTS & BID CAPACITIES			
	Project References	Financial Statements	Bonding	Maximum Bid Capacity (can not exceed bond)
Small Contracts (Up to-\$1M)	Y	Y	Y	\$1M
Small Contracts (Up to-\$1M) SLBE/ELBE Certified	N	N	Y	\$1M
Medium Contracts (\$1-15M)	Y	Y (Reviewed)	Y	\$15M
Large Contracts (>\$15M)	Y	Y (Audited)	Y	>\$15M



Recap

Prequalification Issues

- “Compiled” or self-generated financial statements have not proven to be an independently reliable representation of a firm’s financial strength
- References more than five years old are often unverifiable or unusable due to fading memories and industry turnover
- Reliance on the single-project bond limit to determine Maximum Bid Capacity (MBC) unduly diminishes the weight of experience and financial strength



Recap

More Prequalification Issues

- Experience as a subcontractor does not necessarily foreshadow success as a prime contractor
- Experience on “private” construction projects does not reliably translate into success on public works projects
- Smaller or newer firms often lack the staffing or resources to successfully cope with the City’s contract compliance requirements
- Smaller or newer firms are often not sufficiently capitalized to cope with potential delays in payment or restricted cash flow



Recap

More Prequalification Issues

- Inadequate association between Prime Contractor Evaluations and Prequalification Program. Evaluations should impact prequalification status
- Current Practice for addressing Prime Contractor's failures on City Projects is to pursue debarment
- A progressive discipline/development practice is nonexistent



Recommended Prequalification Program Improvements

- Applies to all construction contracts (no change)
- Three new levels of prequalification based on project value:
 - Up to \$500,000
 - \$500,000 to \$15,000,000
 - Over \$15,000,000



Recommended Prequalification Program Improvements

- **Non-certified firms will be required to provide the following:**
 - Completed online application
 - Current reviewed or audited financial statement which demonstrates both positive working capital and positive net worth (compiled statements no longer accepted)
 - Current letter from a surety stating the firm's single-project and aggregate bonding limits
 - Reference information about the two largest public works projects and five additional projects completed as a prime contractor in the previous five years (down from 10 years)
 - Applicants' Maximum Bid Capacity (MBC) will be calculated according to a formula factoring the firm's financial strength, work experience and bonding capacity (single-project bond limit is not necessarily controlling)
 - MBC of firms which submit reviewed financials capped at \$15,000,000



Recommended Prequalification Program Improvements

- **ELBE/SLBE Certified Firms will be required to provide the following:**
 - Evidence of completion of either three City of San Diego public works projects as a subcontractor or three projects for other agencies as either a subcontractor or a prime contractor in the previous three years (new requirement)
 - Current compiled, reviewed or audited financial statement prepared by an independent accountant which demonstrates both positive working capital and positive net worth (self-generated statement not acceptable)
 - Current letter from a surety stating the firm's single-project and aggregate bonding limits (no change)
 - ELBE/SLBE-certified firms' MBC will be capped at \$500,000 or single-project bond limit, whichever is less (down from \$1 million)



Proposed Program Summary

PREQUALIFICATION LEVELS	REQUIREMENTS & BID CAPACITIES			
	Project References	Financial Statements	Bonding	Maximum Bid Capacity (can not exceed bond)
Small Contracts (Up to -\$1M)	Discontinued (new)			
Small Contracts (Up to-\$500K) SLBE/ELBE Certified	Y (new)	Y (new)	Y	\$500K
Medium Contracts (\$500K-15M)	Y	Y (Reviewed)	Y	\$15M
Large Contracts (>\$15M)	Y	Y (Audited)	Y	>\$15M



ELBE/SLBE Program Enhancements

- SLBE-certified firms may become prequalified at a higher level by submitting the standard prequalification application
- Currently prequalified ELBE/SLBE firms will be grandfathered into the program until their next renewal date so long as their work on City projects is rated satisfactory or better
- The City will develop training programs to assist ELBE/SLBE firms who wish to become prime contractors to better understand the City's contracting process. Attendance is mandatory for firms which have not previously completed a public works project as a prime contractor



Field Performance Evaluation Improvements

- **Performance evaluations will be performed on all public works contracts**
 - Performance evaluation guidelines delivered to contractors at pre-construction meeting
 - Contract administration
 - Compliance with contract documents
 - Compliance with EOC requirements
 - Construction administration
 - Safety
 - Storm water/BMP compliance
 - Cooperation and professionalism
 - Communication and public outreach
 - Frequency of field evaluations will be determined by contract duration
 - Contracts less than 3 months – one evaluation at completion
 - 3 to 6 months – 50% and 100% completion
 - 6 months to one year – 30%, 60% and 100% completion
 - Over one year – 25%, 50%, 75% and 100% completion



Field Performance Evaluation Improvements

Performance evaluations role in prequalification approval

- Renewal applications
 - If contractor has not completed City projects during 2-year term, additional references from previous 2 years required
 - If contractor has completed work for the City, field evaluations will be considered:
 - Evaluations of “Satisfactory” or better – renewal application approved
 - 1 to 2 “Unsatisfactory” evaluations – suspension from bidding for up to 2 years
 - 3 to 4 “Unsatisfactory” evaluations – suspension from bidding for up to 5 years
 - 5 or more “Unsatisfactory” evaluations or any major breach of contract – suspension from bidding of 5 years to permanent (debarment) depending on circumstances

*****Action requires Mayor & Council approval to amend the Debarment Requirements in the Muni Code***



Next Steps

- Construction Industry Workshops
- Mayoral Input
- Presentation to Infrastructure Committee
- Presentation to Full City Council



Prequalification Information

For additional information
call

619-533-3474

[www.sandiego.gov/cip/bidopps/
prequalification.shtml](http://www.sandiego.gov/cip/bidopps/prequalification.shtml)



QUESTIONS

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