



DGS Quarterly CBE Roundtable

June 20, 2018, 11am-12:30pm
Reeves Building, 2nd Floor Community Room



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Welcome & introductions



Agenda

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|---|---|
| 1. Welcome & introductions | Director Gillis & Pedro Alfonso |
| 2. CBE focus group recommendations including payment processing | Jiyoung Park, George Lewis, Mike Jelen, Paul Blackman Donny Gonzalez, Endrea Frazier |
| 3. Bonding/insurance update | Endrea Frazier |
| 4. Mentor-Protégé pilot next steps | Jiyoung Park |
| 5. Q&A/networking | All |

2. CBE focus group recommendations

CBE focus group feedback: challenges

Twenty-six CBEs in the construction industry across the District participated in focus groups in March 2018. A summary of common challenges is below:

1. Delayed payment for prime contractors and subcontractors
2. Inconsistent work
3. DGS project management and contracting processes, including change orders
4. Hiring District of Columbia (DC) residents
5. Compliance burden
6. Lack of subcontractor rights

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Inconsistent work challenges

- Focus group participants expressed lack of consistent work throughout the year as a major challenge to growing as a business and performing more and larger projects
- CBEs express frustration at subcontracting practices that do not seem to offer as much opportunity for CBEs as CBEs are available and capable to provide
- While prime contractors may meet or exceed the mandated 35% SBE goal, and an even higher DGS project-specific CBE goal (e.g., 50%+), not all CBE trades may be made aware or given the opportunity to compete
- CBEs find it challenging to compete with firms based in Maryland, Virginia, and Pennsylvania, due to lower cost of living and/or lower corporate tax rates in these neighboring states

Inconsistent work: subcontracting opportunity recommendations

1. Unbundle subcontract packages
2. Require GCs to publicly announce all subcontract packages
3. Require number of CBE bids or percentage of CBE spend per trade package
4. Raise 35% SBE subcontract requirement
5. Give CBE preference points for subcontracts
6. Allow owner-controlled insurance program (OCIP) or contractor-controlled insurance program (CCIP) in lieu of subcontract bonds
7. Publish subcontractor bids and selected subcontractors

Inconsistent work: prime contract opportunity recommendations

1. Unbundle/ carve out project scopes for CBEs at prime level
2. Run projects through IDIQs, Pre-Qualified, and other contracts for which CBEs have already spent resources to obtain
3. Tier CBE opportunities
4. Issue projects more consistently throughout the year
5. Provide land/lease subsidies to help CBEs compete with non-DC firms
6. Increase compliance monitoring

Prime and subcontracting opportunities update

| Solicitation/Contract Requirements to Increase SBE/CBE Participation | Eliot-Hine MS | Ward 1 STFH |
|--|----------------------|----------------------------|
| <i>Procurement Status as of 5/25/18:</i> | <i>Pending award</i> | <i>Active solicitation</i> |
| 1. SBE/CBE subk participation, DC resident hiring, and apprentice participation in bidder experience | | X |
| 2. Prime contract unbundling | X | X |
| 3. Subk unbundling and 3 SBE or CBE bids per trade package | | X |
| 4. Subk & DC resident outreach forum | X | X |
| 5. 50% CBE subk goal | | X |
| 6. 15% ROB subk goal | | X |
| 7. Option for default insurance in lieu of subk bonds | | X |

Prime and subcontracting opportunities update

- **C&P** is working with Programs to more thoughtfully tier opportunities through the SBE pre-qualified pilot contract and other vehicles based on company experience/ expertise levels
- **Facilities Management Division** has committed to running some summer projects through the SBE pre-qualified pilot contract, pending funding
- **Chief Project Delivery Office & Construction Division** are working with DCPS to establish a model Service-Level Agreement to be used with other agencies, which should help DGS issue projects more consistently throughout the year
- DGS will work with **partner agencies and Mayor's Office** regarding the idea of land/lease subsidies to help CBEs compete with non-DC firms

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Delayed payment challenges

Participants cited the following sources of delayed payment:

- DGS project management
- Change order processing
- New system, new rules, and new people, without proper training
- Lengthy/ bureaucratic process for payment review and approval
- Lack of transparency regarding the funding/payment process and status
- Lack of DGS employee and contractor PM accountability for timely payment
- PMs do not always enter in Prolog why pay applications are rejected

Delayed payment recommendations: prime contractor payments

1. Adopt small tweaks to make the process smoother
2. Explain the payment process to CBEs
3. Give payment status updates – “radio silence is the most frustrating”
4. Hold DGS employees and contractor PMs accountable for timely payment
5. Implement “pizza tracker” system
6. Streamline payment processing
7. Pay change orders requiring Council approval with contingency funds
8. Train DGS employees on a consistent process
9. Adopt industry standard payment software

Delayed payment recommendations: subcontractor payments

1. Identify DGS Project Managers/ advocates
2. Hold prime contractors accountable for timely payment to subcontractors
3. Issue joint checks to prime contractors and subcontractors
4. Enhance contractor payment database to identify which subcontracts are included in payments

Payment processing update

- DGS to adopt government-wide mandated **e-invoicing system** by October 1, 2018
- DGS has made payment processing a top priority by focusing on review of all invoices to ensure timely payment
- DGS submitted subcontractor payment recommendations via **working group convened by City Administrator**:
 - Require GCs to implement uniform process for change orders
 - Enforce Quick Payment Act (QPA) penalties against bad actors
 - Verify quick payment clauses flow down to all subcontracts
 - Educate CBEs on QPA rights and on strategies to receive payment
 - Consider timely payments as an evaluation factor

2. Bonding/insurance requirements update

Bonding/insurance requirements update

- **C&P** will explore option for subcontractor default insurance in lieu of trade level bonds in construction contracts
- DGS to **conduct meeting with partner agencies**: Office of Risk Management (ORM); Department of Insurance, Securities, & Banking (DISB); and Department of Small and Local Business Development (DSLBD) to discuss CBE concerns regarding bonding and insurance requirements and brainstorm potential solutions

3. Mentor-Protégé pilot program next steps

Mentor-Protégé pilot program timeline

| Tasks | FY 2018 | | | | FY 2019 | |
|--|---------|----|----|----|---------|----|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Researched small business Mentor-Protégé programs | x | | | | | |
| Solicited input from DGS leadership | x | | | | | |
| Received feedback from 30 DGS CBE Roundtable members | x | | | | | |
| Met with a dozen CBEs and large businesses for input | x | x | x | | | |
| Met with DSLBD to discuss program | x | | x | | | |
| DGS work with DSLBD to develop and implement pilot | | | | x | | |
| Roll out pilot | | | | | x | |
| Issue solicitations set aside for Mentor-Protégé pilot | | | | | x | x |

Mentor-Protégé pilot program solicitations

- DGS will select solicitations for which Mentor-Protégé Program participation will be required in order to be eligible to submit a response
- Offers submitted by contractors without an approved MP Agreement will not be considered and will be deemed non-responsive
- DGS will select several solicitations for the first pilot year
- DGS will evaluate potential offeror's strength of MP/CBE commitment/program and timely subcontractor payment record as evaluation factor (sub-factor of Project Management Approach)

Mentor-Protégé team formation

- Mentors and Protégés self-select counterparts
- DGS does not match-make but will host networking sessions
- Non-SBE Mentors must have one Protégé **per tier**:
 - **Tier 3: Annual revenues >\$5M** up to size definition established by U.S. Small Business Administration*
 - **Tier 2: Annual revenues \$1M to \$5M** (three-year average)
 - **Tier 1: Annual revenues <\$1M** (three-year average)

**Three-year average; max is \$36.5M for Commercial and Institutional Building Construction, \$15M for most specialty trades*

Eligibility Requirements: Mentors

- Must be strong financially, be profitable for at least past two (2) years, and in good standing in District government marketplace
- Must have an active government contract or have been awarded a government contract within last five (5) years, with positive contract performance evaluation ratings and references
- Must demonstrate commitment to mentorship, including training programs, SBE subcontracting achievements, SBE references, etc.
- Must demonstrate record of timely payment to subcontractors

Eligibility Requirements: Protégés

- Must be a certified SBE registered in the DSLBD database and maintain SBE certification for duration of MP Agreement
- Must be strong financially, be profitable for at least the past two (2) years, and in good standing in the District government marketplace
- Must have some government or private sector subcontracting or prime contracting experience

6. Q&A/ networking

Contact Information

For Vendor Outreach & Ombudsman Inquiries:

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For Compliance-Related Questions:

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Program Manager
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<https://dgs.dc.gov/page/dgs-cbe-ombudsman>

<https://dgs.dc.gov/page/cbe-resources>

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