



CONTRACT MONITORING DIVISION OFFICE OF THE CITY ADMINISTRATOR



Local Business Enterprise Advisory Committee (LBEAC) October 6, 2022 Meeting Minutes

1. Call to Order/Introduction

Chair Galarza called the meeting to order at 10:13 a.m.

Committee Members Present: Matthew Ajiake, Juliana Choy-Sommer, Darolyn Davis, Miguel Galarza, Bruce Giron, Dwayne Jones, Sailaja Kurella, Kent Lim, Greg Lyman, Stephanie Tang.

Committee Members Absent: Elahe Enssani, Queena Lu, Wayne Perry, Todd Senigar.

CMD Staff Present: Romulus Asenloo, Seth Benkle, Jason Chow, Ivan Oldenkamp, Sheila Tagle.

Other City Personnel: Rachel Cukierman, City Administrator's Office; Derek Licko, City Administrator's Office; Michael Makstman, Department of Technology; Anh Ton, City Administrator's Office; Michael West, Controller's Office.

Members of the Public Present: Noelle Bonner, Bonner Communications; Tricia Gregory, HVYW8 Trucking Inc.; LaSonia Mansfield, Mansfield & Mansfield Construction Clean-Up Co.; Claytis Norman, Ground Control Inc.; R&I Glassworks; Triston Williams, Streamline Drywall Inc; Transamerican Engineers & Associates.

2. City Administrator's Office: Introduction to the Government Operations Recovery Initiative

a. Rachel Cukierman presented information on the Government Operations Recovery Initiative.

- i. The Initiative will improve HR processes, contracting processes, and fiscal operations.
- ii. City Administrator's Office is partnering with City departments to make it easier for small businesses to work with the City.
- iii. The CAPP program lends money to LBEs who win city contracts which helps marginalized communities.

b. Comments from the Committee:

1. None.

c. Comments from the Public:

- i. A member of the public expressed concern that Micro-LBEs feel left out of City contracting and that the raising of 14B thresholds will negatively affect smaller businesses.

3. Controller's Office: Overview of City Partner Portal

a. Michael West, Strategic Sourcing and Supplier Portal Lead, presented the following information:

- i. Demonstration on the process for bidders/suppliers to enter bids via the SF City Partner Website.
 - ii. The City will soon deploy updates to shorten process for purchase orders.
 - iii. Upgrades coming in the future include single sign on, self-service resetting of user ID and password, streamlining of bidder registration, and standardization of bidding process across most City departments.
 - b. Comments from the Committee:
 - i. A Committee member asked about the time line for the upgrades coming in the future.
 - 1. Those updates are 1 to 2 years away, still in planning stages.
 - ii. Committee member Choy-Sommer asked about whether the bidding process will be standardized for different types of solicitations such as RFPs, RFQs, and lowest bid.
 - 1. Yes, the goal is to support all solicitation types through the Supplier Portal.
 - iii. Committee member Ajiake asked about the inclusion of stakeholders in the direction of the Supplier Portal upgrades.
 - 1. The Controller's Office will be convening focus groups in the future.
 - iv. A committee member asked about Construction-side improvements to the Supplier Portal.
 - 1. Most of the upgrades have been focused on Professional Services and General Services because that's where the most problems were occurring, but some improvements, like fixing case-sensitive search, will improve Construction solicitations as well.
 - v. Committee member Davis asked about bid opportunities that aren't on the SF City Partner website.
 - 1. Yes, some bidding opportunities marked "Ext" in Peoplesoft are not on the SF City Partner website, so they are harder to find although they are still on a City website. All DPW solicitations are on the SF City Partner website.
 - 2. Chapter 6 departments have to decide how to solicit when Peoplesoft doesn't suit their projects, for example some specialty Port projects are advertised on the Port's own website.
 - c. Comments from the Public:
 - i. A member of the public recommended that the City give feedback on bid submissions after solicitation ends so that bidders can understand why they were rejected and learn from their mistakes.
 - ii. Another member of the public expressed concern that primes are rejecting LBE subcontractors' bids without providing any reason beyond "too high".
4. Department of Technology: Discussion Regarding Cybersecurity and Hacking
 - a. Michael Makstman, Chief Information Security Officer from the Department of Technology, informed the committee about security threats facing City contractors:
 - i. Hackers are trying to intercept payments made by the City to contractors.
 - 1. They target construction contractors especially due to the large payment amounts.
 - 2. They use hacking and social engineering to steer payments into bank accounts that they control.
 - ii. The best way to prevent fraud is to become registered in SF City Partner because then no one else, even City staff, can change a contractor's bank account information or payment address.
 - b. Comments from the Committee:
 - i. A committee member informed the committee that the City's switch from Bank of America to JP Morgan for its banking will take place in January 2023.
 - c. Comments from the Public:

- i. A member of the public said that Micro LBE subcontractors have been targets of fraud attempts by hackers impersonating General Contractors.
 - ii. Another member of the public asked about the possibility of contractors collecting paper checks as payment from the City.
 - 1. No, paper checks are no longer used.
 - a. Chair Galarza recommended a future discussion on the topic.
 - iii. Another member of the public asked where contractors can set their point of contact for City payment issues.
 - 1. The point of contact can be set through the Supplier Portal.
5. Updates Regarding the CH.14B Pilot Programs: Neighborhood Preference and Trucking Projects Selection Status
- a. Romulus Asenloo, Director of CMD, presented the following information:
 - i. The LBE certification threshold changes became effective on July 1, 2022.
 - ii. Penalties for non-compliance with the LBE subcontracting requirements have increased to up to 25% of the subcontracting amount for non-use of LBE subs.
 - iii. A new method for Good Faith Outreach has been implemented to incentivize primes to work with new Micro-LBE firms who they haven't used in the past.
 - iv. Rules and Regulations have been updated to prevent non-LBEs from posing as LBEs by using home offices not in primary home.
 - 1. Also changed to prevent sharing of financial capital and accounting staff.
 - v. REC and PUC have been very helpful in getting pilot programs started on existing projects.
 - vi. CMD is refining the Mentor Protégé Program because some proteges would benefit more from experienced small business owners like themselves.
 - b. Comments from the Committee:
 - i. A committee member asked if CMD is happy with the pace of implementation of pilot programs.
 - 1. Yes, CM/GC projects have a long lead time, and thus CMD worked with City departments and prime contractors to apply the pilot programs to existing CM/GC in order to speed up implementation.
6. Discussion Regarding the Overview of CMD's Enforcement Approaches
- a. Romulus Asenloo, Director of CMD, explained CMD compliance investigations to the committee:
 - i. CMD investigates allegations of certification violations, non-use of LBE subs, prompt payment issues, discrimination, whistleblower, and formal complaints.
 - ii. Complaints can take some time to complete.
 - iii. Conciliation is the first step.
 - iv. City Attorney's Office helps with investigations when necessary.
 - b. Comments from the Committee:
 - i. A committee member asked different ways that the rules can be enforced on primes.
 - 1. The City can use fines and/or rescindment of certification, as outlined in the Rules and Regulations.
 - ii. Another member of the committee asked about the how many complaints are being investigated.
 - 1. CMD is currently working on 2 investigations.
 - c. Comments from the Public:
 - i. A member of the public asked when Micro-LBEs will be seeing more opportunities based on the legislative 14B changes.

1. CMD has been working closely with departments to split up larger projects to increase the number of Micro Set-Aside projects and in addition the Micro Set-Aside threshold was raised to \$1 million, so even more projects can be solicited as Micro Set-Asides.
7. Review and Approval of the August 4, 2022 LBEAC Meeting Minutes
 - a. Greg Lyman, seconded by Dwayne Jones, moved to approve the August 4, 2022 LBEAC Meeting Minutes.
 - i. Ayes: Choy-Sommer, Davis, Galarza, Giron, Jones, Kurella, Lim, Lyman, Tang.
 - ii. Abstain: Matthew Ajiake.
8. Public Comment
 - a. A member of the public asked about the use of prime workers on a subcontract.
 - i. A prime which requires the subcontractor bring on a supervisor from the prime's team is a breach of the rules.
 - b. The same member of the public asked about why there aren't more Micro Set-Aside contracts.
 - i. Only contracts under \$1 million are eligible to be let out as Micro Set-Asides, and CMD pushes for Micro Set-Asides on smaller contracts and breaking larger contracts up into Micro Set-Asides.
 - c. Another member of the public stated that Micro-LBEs in District 10 feel as though not enough contracting opportunities are being created for Micro-LBEs.
 - d. Another member of the public expressed concern that the businesses near the shipyard are missing out on development contracts, and that some City departments who advertise contracts aren't aware of the 14B legislative changes.
9. Adjournment
 - a. Meeting adjourned at 12:45 p.m.