

Date of Hearing: June 28, 2017

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT
Cecilia Aguiar-Curry, Chair
SB 622 (Wiener) – As Amended May 11, 2017

SENATE VOTE: 37-0

SUBJECT: Local Agency Public Construction Act: Golden Gate Bridge, Highway and Transportation District.

SUMMARY: Makes various changes to the bidding threshold requirements for the Golden Gate Bridge, Highway, and Transportation District (District). Specifically, **this bill:**

- 1) Increases the bid threshold for vessel repair, maintenance, and alteration work from \$20,000 to \$1 million.
- 2) Removes the bid thresholds for insurance procurements.
- 3) Increases the informal bidding threshold for construction, repair, maintenance, and alteration work and all similar work from \$5,000 to \$50,000.
- 4) Requires the District to enact an ordinance if it elects to use informal bidding for contracted work under \$50,000, and requires the ordinance to include all of the following:
 - a) Notice to contractors shall be provided in a manner determined by the District; and,
 - b) The notice inviting informal bids shall describe the project in general terms and how to obtain more detailed information about the project, and state the time and place for the submission of bids.
- 5) Requires the District to publicly open bids and award contracts to the lowest responsible bidder for contracts that exceed \$50,000.
- 6) Requires the District to advertise in at least one newspaper and one trade paper, as specified, for contracts that exceed \$1 million for vessel work and \$5,000 for all other public works projects.
- 7) Allows the District, without competitive bidding, to contract with suppliers of goods and services by participating in contracts let by one or more city, county, city and county, district, school district, public authority, public agency, municipal corporation, or other political subdivision in the state, and any other entity that expends public funds for the procurement of goods and services, as specified. This provision does not apply to construction contracts.

EXISTING LAW:

- 1) Requires the District to advertise for contracts for all vessel repair, maintenance, and alteration work whenever the expenditure exceeds \$20,000.

- 2) Requires the District to advertise for contracts for all construction, repair, maintenance, and alteration work and for all insurance purchased if the expenditure exceeds \$5,000.
- 3) Requires the District to advertise the contract in at least one newspaper and two consecutive insertions in a trade paper of general circulation, as specified.
- 4) Requires the District to award all contracts in excess of \$20,000 for the hiring or purchase of equipment, supplies, or materials to the lowest responsible bidder, but also allows the District to award contracts for equipment, supplies, or materials that exceed \$100,000 to the responsible bidder who provides the best value, as specified.

FISCAL EFFECT: None

COMMENTS:

- 1) **Bill Summary.** This bill makes the following changes to the District's bidding requirements:
 - a) Increases the bid threshold for vessel repair, maintenance, and alteration work from \$20,000 to \$1 million;
 - b) Removes the bid thresholds for insurance procurements;
 - c) Increases the informal bidding threshold for construction, repair, maintenance, and alteration work from \$5,000 to \$50,000;
 - d) Requires the District to enact an informal bidding ordinance for contracted work under \$50,000, as specified;
 - e) Requires the District to publicly open bids and award contracts to the lowest responsible bidder for contracts that exceed \$50,000;
 - f) Requires the District to advertise in at least one newspaper and one trade paper, as specified, for contracts that exceed \$1 million for vessel work and \$5,000 for all other public works projects; and,
 - g) Allows the District, without competitive bidding, to contract with suppliers of goods and services by participating in contracts let by other specified government agencies or other entities that expend public funds for the procurement of goods and services, as specified.

This bill is sponsored by the District.

- 2) **Author's Statement.** According to the author, "Senate Bill 622 would update contracting codes governing the District by modifying statutory bidding thresholds for routine vessel maintenance, construction work, and insurance. Under current law, the District must seek and obtain bids from contractors on even minor construction and repair projects. These procedures often prove counterproductive; for example, as there is only one shipyard in the Bay Area capable [of] performing certain types of ferry maintenance, accepting bids for such a project is needlessly burdensome. SB 622 would allow the District to streamline bidding

on projects, revise impractical thresholds, and bring procedures in line with those of comparable transit agencies."

- 3) **Background.** The District was formed under the authority of the Golden Gate Bridge and Highway Act of 1923 and incorporated in 1928 to include within its boundaries the City and County of San Francisco, the counties of Marin, Sonoma, Del Norte, most of Napa county, and part of Mendocino county.

The District is governed by a 19-member Board of Directors that is appointed by the elected representatives of their constituent counties. Today, the District, based in San Francisco, operates the Golden Gate Bridge, the regional Golden Gate Transit bus service connecting Sonoma, Marin, San Francisco, and Contra Costa counties, and the Golden Gate Ferry system, which links Marin and San Francisco counties. The District employs 802 people.

The District is unique in the San Francisco Bay Area in that its operations and administration are not supported by direct sales tax measures or dedicated general funds. Primary sources of revenues are derived from the operation itself (bridge tolls and transit fares), supplemented by government grant programs, investments and capital contributions, along with limited revenue programs such as transit advertising, concessions, and leases. The District's FY 2015/2016 programs and services were based upon an adopted operating budget of \$200.4 million and a capital budget of \$46.8 million. The disbursement of funds received by the District is controlled by statute and by provisions of various grant contracts entered into with the federal government, the State of California, and other local governments.

Current law requires the District to advertise for bids on contracts for vessel repair, maintenance, and alteration work above \$20,000. For contracts below \$20,000, a less formal procurement method is practiced where the District obtains three quotes prior to awarding work. Similarly, the District uses the informal three-quote bidding process for all other construction, maintenance, and insurance procurements under \$5,000. Currently, anything above this amount must be advertised with the contract being awarded to the lowest responsible bidder.

Bidding thresholds vary for transportation agencies throughout the state. The author notes that the San Francisco Municipal Transportation Agency has a \$600,000 threshold, while the San Diego Metropolitan Transit System maintains a threshold of \$100,000. Examples from other agencies include the Santa Clara Valley Transportation Authority, which has a \$25,000 bidding threshold for construction and maintenance contracts, Bay Area Rapid Transit (\$10,000), Sacramento Regional Transit (\$5,000), and the Altamont Corridor Express commuter rail (\$3,000). While many transportation agencies have statutory bidding thresholds, other agencies have established their bidding thresholds by adopting a policy approved by their Board of Directors.

The District argues that its existing bidding thresholds are outdated, and the low bidding limits have become an obstacle that increase the cost of executing contracts for routine work. Several routine projects that exceed existing thresholds for the District include station parking lot repairs (\$20,000), station roof repairs (\$5,000), and toll plaza gutter replacements (\$8,000). Examples for vessel projects in 2016 include six dry-docking contracts, all of which ranged from \$100,000 to \$300,000.

The District is also seeking the ability to join procurement contracts awarded by other agencies, known as cooperative procurement, to leverage the benefits of volume purchases (such as for busses), delivery and supply chain advantages, best practices, and the reduction of administrative time and expenses.

- 4) **Arguments in Support.** The District, sponsor of this measure, states, "The unusually low bidding limit has become an obstacle that increases costs and has forced the District to defer maintenance. For example, the District has deferred completing small repair work, such as roof repairs and replacing gutters, because the costs of the work nearly doubles when the cost of advertising and developing specification documents are factored in. In the past, the District has deferred repairs until enough projects can be bundled into a single cost effective contract.

"In addition, the most routine vessel repair work far exceeds the current thresholds. Responses to these contracts usually results in only two bidders, and only on contracts exceeding \$1 million does the District receive three or more bidders. While other ferry operators are not subject to a bidding threshold for vessel contracts, the thresholds set in SB 622 would enable the District to implement a far more efficient informal bidding process for projects less than the threshold amount.

"While existing law provides the District the authority to complete works using its own workforce, this can place a strain on staff resources, particularly when contracting out work might be the most efficient option. SB 622 proposes revisions to allow the District to streamline bidding on projects, revise impractical thresholds, and bring the District's procedures in line with those of comparable transit agencies. These are changes that are long overdue."

- 5) **Arguments in Opposition.** None on file.
- 6) **Double-Referral.** This bill is double-referred to the Transportation Committee.

REGISTERED SUPPORT / OPPOSITION:

Support

Golden Gate Bridge, Highway, and Transportation District [SPONSOR]
State Building and Construction Trades Council

Opposition

None on file

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