

Date of Hearing: July 10, 2017

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, 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) The 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 repair, maintenance, and alteration 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 not more than three newspapers 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. This bill was keyed non-fiscal by the Legislative Counsel.

COMMENTS: The District is based in San Francisco and operates the Golden Gate Bridge and two public transit systems, Golden Gate Transit Buses and the Golden Gate Ferry. In 1969, the District was authorized to develop a mass transportation plan for the U.S. Highway 101 Golden Gate Corridor. The plan was meant to manage traffic congestion across the bridge, which had reached capacity. To that end, the District began operating ferry service between Sausalito and San Francisco in 1970 and the existing regional bus service was provided by Greyhound Lines. However, Greyhound abandoned the routes and in 1971 the Legislature authorized the District to develop a long-range mass transit program. The District created a multi-modal system of buses and ferries to serve the communities and reduce congestion. Currently, the Golden Gate Bus service connects Sonoma, Marin, San Francisco, and Contra Costa counties with 26 fixed bus routes. The Golden Gate ferry system links Marin and San Francisco counties and operates three fixed routes.

The District is unique among San Francisco Bay Area transit operators because it provides transit services without support from local sales tax measures or dedicated general funds. The District does not have the authority to levy taxes, so operation of the bridge and the transit system are funded directly by bridge toll revenue and transit fares. Other revenue is derived from federal, state and local grant funds, coupled with advertising, concessions, and leases. Additionally, both the transit and ferry systems are recipients of funds from the State Transit Assistance (STA) program to support statewide transit operations and capital needs.

Current law requires the District to advertise for bids on contracts for vessel repairs, maintenance, and alteration work over \$20,000. For contracts below \$20,000, a less formal bid procurement method is utilized where the District obtains three quotes prior to awarding work. For all other types of work, including construction, maintenance, and insurance procurements, the District is able to use a similar informal bid process for contracts under \$5,000. Anything above this amount must be advertised with the contract being awarded to the lowest responsible bidder.

According to the author, "SB 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 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.”

Specially, this bill increases the informal bidding threshold for construction, repair, maintenance, and alteration work from \$5,000 to \$50,000. The bill also requires the District to enact an ordinance to govern the informal bid process moving forward, including details of what future notices must include. As the sponsor of the bill the District notes that, "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.”

Transportation agencies throughout the state have varying bid thresholds. For example, the San Francisco Municipal Transportation Agency has a \$600,000 threshold, while the San Diego Metropolitan Transit System maintains a threshold of \$100,000. Other examples include Sacramento Regional Transit District that has a threshold of \$5,000 and the Orange County Transportation Authority’s threshold is \$25,000.

This bill also increases the bid threshold for vessel repair, maintenance, and alteration work from \$20,000 to \$1 million. According to the District, "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.” According to information provided by the District, the same two companies have been the only bidders in nearly all of their recent work, except for a project totaling \$3.1 million.

This bill would also authorize the District 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. This is a common practice among the state’s transit providers.

Double referral: This bill passed out of the Assembly Committee on Local Government on June 28, 2017, with an 8-0 vote.

REGISTERED SUPPORT / OPPOSITION:

Support

Golden Gate Bridge, Highway and Transportation District (Sponsor)
State Building and Construction Trades Council of California

Opposition

None on file

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