

**Attendees:** Jason Anderson, Frank Roberts, Jim Kelly, Angela Coleman; Ashley Williams, AnneMarie White (USFS), John Inman and Sherman Mayle (USFS Contracting Officers, Ketchikan); Keith Landers (H&L Salvage); Bob Clause (SEACC); Mel Cook (mill owner); Michael Kampnich (TNC); Ralph Porter (mill owner); Bill and Carolyn Thomason (mill owners); Wayne Benner (City of Thorne Bay); Buck Lindekugle (SEACC)

**On the phone:**

Keith Rush (TNC)

Zia (SCS)

Brandy Prefontaine (Naukati Resident)

Introduction / Review of why we are here

**Desired Outcome of Workshops:**

1. Prioritize the List of Existing project / opportunities in the project area,
2. Identify missed opportunities and projects the FS should work on next
3. Define the projects (or types of projects) that should be integrated at implementation for better economic and ecological benefit

Handouts:

- Working Draft of Summary Report from Big Thorne Workshops to date
- SEACC brought a set of Best Value Criteria (BVC) that the village of Kake identified in their collaborative efforts with the Forest Service.

Today's agenda is packaged together with a summary of the work we have done and decisions we have reached in the past four workshops.

Tonight's burning question is how we should package Integrated Resource Projects to benefit both local contractors and the USFS?

- Two flip charts were started to capture important concepts on 1) Best Value Criteria and 2) Project Packaging. A summary of the key concepts captured is listed in these notes below;

Comments on Timeline (Frank and Jay): FY2012's budget and associated projects are already established. However, during FY12 we will be planning for FY2013 and the work we have completed here at these workshops will help us with our project planning. Basically, the 3<sup>rd</sup> quarter of FY2012 will be the earliest we will see BVC contracts out for bid.

Jay then introduces John and Sherman (USFS Contracting Officers)

John – Most current acquisitions are already meeting some BVC, but these have to be justified on paper and when I sign that paper I am responsible for any repercussions. The first thing I look for in a potential contractor is Past Performance (PP), if this is not available then the contractor must be treated in a

neutral way (VERY hard to do) and yes the PP of employees can be used in this case if it is available. Next, I look for Soundness of the Proposal. All my criteria are subjective. Basically I look for the best performance with the least potential for interruptions and in an acceptable price range; it is a very subjective process. Stewardship contracting lets us go one step further and take into account the local community. My definition for POW would be SE AK as local, but going one step further I would say that SE AK is general and POW is particular. One thing to keep in mind is that the local economic impact must be specifically defined and measureable.

Bill – So we spend our time here in these meetings with Jay and come up with what we believe to be good BVC, are you obligated to take these into consideration?

John – The decision of what BVC, if any, to use is wholly mine. However I do make it a point to discuss the criteria with the Line Officer (LO) and respect/consider their ideas.

Jay – Ergo the reason we are here tonight, there is no point in coming up with BVC if the Contracting Officer (CO) will not utilize it. So here we all are to come up with BVC that we think will benefit the community, and the CO's are here to tell us how feasible these ideas really are, because it is ultimately their choice to use BVC or not. We need to keep our expectations reasonable because the system is not perfect. My hope is that we are far enough ahead of the curve with this project that any curveballs that come our way can be faced and fixed before it's too late.

Keith – So from what I understand...the Stewardship Act is basically goods for services which MAY be part of a Stewardship Contract (SC) but collaboration MUST be part of the SC.

John – The entire point of SC's is goods for services. I can use BVC for any contract that crosses my desk now, but it has to be justified on paper.

Jay – If service contracts and SC's do the same thing then why put the extra work into an SC at all? For two reasons, first because it allows us to retain timber receipts (if there are any) locally, to complete projects relevant to the local area, and second because it requires collaboration which helps us define what projects the community wants completed with retained receipts, and more generally, which projects are the most important to the affected communities.

Keith – I think we have been led to believe that the SC is the only way to use BVC and evaluate community economics. Local contractors are not going to care if it is a service contract or a SC.

Richard - \$150-200,000 appears, to me, to be a good range for local contractors, anything higher has the potential of creating a bonding issue. Anomalies are a problem, SC package should be logical and work should be related. Can I submit a bid for only the portion of the project that I can complete myself, and outbid someone who bids the entire thing?

John – Yes! It is entirely possible. Packaging appears to be the problem here, and needs more discussion with the Line Officer (ranger). The bid packet will specify if it is available for partial project bidding, if so it will be broken down into separate line items that can be awarded under separate contracts.

Richard – IDFQ's? (IDIQ's – Indefinite Delivery, Indefinite Quantity Contracts)

John – IDIQ contract is basically one that allows us to increase the work load as more projects and money become available throughout the year. There is a minimum and maximum of course.

Jay – These contracts can be tough for a local contractor to shrink and expand according to demand.

John – As an example, we have 3 separate contractors working on the 3 year contracts for road maintenance on POW.

Buck – Can a general (SE AK) contractor be required to hire POW subcontractors as part of BVC?

John – Yes it is! Making local hire criteria of non-local bidders is theoretically possible, but measuring and enforcing has created a problem in the past, sub-contracting is simpler. IDFQ's can be done as part of a SC it just hasn't been done yet. We could issue an IDFQ to one entity to manage BTSC, and let them handle the tasks we are able to throw their way.

Richard – That would simply be adding another layer of un-needed bureaucracy. I think keeping contracts under \$200,000 will effectively keep the interest and possibilities local.

John – We cannot use an IDFQ for one entity on Big Thorne (BT).

Sherman and John agree that we are in the process early enough that we should be able to avoid the problems that Kupreanof had.

Jay – We are late in that some projects on BT are already out the door, but we are early in that the Timber Sale (TS) portion is not even out the door as an FEIS. I don't know yet how much money will be available from the TS, but any money that can stay on the island, rather than heading for treasury coffers, is good money.

Richard – FedBizOps is a terrible site! Can a local's bidders list be compiled and distributed in conjunction with FedBizOps? Could the site have a disclaimer saying to contact John Doe @etc. to be placed on a bidders list for a specific area?

John – We switch from a bidders list to FedBizOps in order to streamline the system and lighten the workload for the smaller workforce that we have now. We simply do not have the man-power to manage a bidders list, and when the list does not reach someone it creates a potential lawsuit.

Jay – In reponse to this discussion as well as other feedback, I am considering putting together a Contracting Workshop 101 to help clear up some confusion for local contractors.

Mike – I would like to go back to the contract \$ limits and the road maintenance tasks/engineering dept.

Jay – The engineering dept. gets their money designations from the forest level and above. The district would need to break up road storage into biddable bundles and elevate these ideas to the forest level for approval. The question then is to wait for engineering money or simply bundle it into the TS

Contract. There are 2 types of SC's: Integrated Resource Timber Contract (IRTC) is used when the timber is worth more than the service, and the Integrated Resource Service Contract (IRSC) is used when the service is worth more than the timber. IRSC would be paid for with the timber and supplemented with a fixed amount of appropriated \$.

Keith – So an IRSC with a timber contract vs. a IRTC is simply a matter of a difference in timber receipts.

Jay – IRSC with a timber sale hasn't been done yet...but logically it should work.

Buck – So it boils down to getting credits for work that the contractor can use to “buy” timber.

BREAK!!!!!!!!!!!!!!!

Jay – Let's look at scale and duration...

John – We can package projects according to duration.

Carolyn – Duration depends on what is involved, we do live in SE AK and our work season is much shorter than points south.

Mel – Also depends on location

Jay – We are going to have to find some way to measure the duration needed.

Keith – Longer contracts make things easier and more cost effective for me.

Sherman – As per road contracts, length of time may mean higher expenses for you in reference to gas prices. Is this significant?

Keith – Regardless of gas prices, longer (3+ years) and bigger, without exceeding resources, are better for my business.

Ashley – When FY2011 money comes in can it only be used for a 1yr. 2011 contract, or can it be spread over the years?

Jay – As long as the money is appropriated in the correct year it can be spread over several years.

Sherman – One potential problem is the definition of “bona fide need” which may limit the duration.

Richard – Duration maybe should be connected to an average of time needed to complete \$150-200k of work.

John – Pooling interests and bidding as a single entity instead of as individual contractors is an option and we would then look at the Past Performance (PP) of each individual contractor. And one individual contractor with a not-so-good PP should not cause a problem if the CO thinks the other individuals will help keep the questionable one in line.

Ashley – Why do we bundle roads with timber when they are so different?

Jay – As per community economic impact, sometimes the bundle is better.

John – There is some value to consolidating contracts where the contractor can sub-contract some of the work. It creates less work for USFS.

Jay – Best-case-scenario means contractors collaborate and bid on a package deal so the taxpayer does not have to subsidize.

Ashley – Can we package mixed disciplines and still meet the \$ goal?

Jay – It could be harder that way, but not impossible. We need an awareness of what local contractors will bid on in order to start the packaging process.

Keith – The most economical way do this, for contractors, would be to package projects according to contractor specialty. Ergo use timber receipts to pay service contracts, and not mix disciplines at all.

Jay – Our intent is to NOT retain timber receipts, ergo SC's. The intent is to meet land management objectives, and retained receipts are a tool that can help. In order for this to work, there has to be some evolution of local contractors and their willingness to branch into new work or partner with operators who can do that new work.

Richard – Basically which specialties should be packages and how do contractors find other reliable contractors to work with?

Jay – Maybe the creation of a local clearinghouse to connect local contractors willing to work together would be a good idea. It would require community organizers and collaboration among local contractors.

Keith – We would need more than one contract to make it feasible because the first will be fraught with potential problems and will cost money to get started.

Jay – We have all the working parts of a cluster here, but I do not have the authority to bring the Regional Cluster Initiative to the district level.

I did not get the maps done, sorry I tried. But the ideal is to overlap the timber units with service works and draw circles around workable packages for future reference.

Bill – Back to mixing disciplines. Maybe we should not make that a goal because it cuts down on evolution of local contractors and limits competition to contractors specializing in that specific area.

Keith and Mel agree.

Richard – Stewardship to me is caring for a set piece of land over time. The prospective bidder needs to know exactly what their responsibilities would be as well as the length of time.

Jay – We haven't done anything big yet. I would like to see us start small and specific before jumping in with both feet.

Richard – Parameters? Is there a level of responsibility and reliability needed to even qualify to bid?

Jay – Past Performance will of course be considered, however it is the bidders responsibility to do their research and make sure their proposal addresses all deliverables of the contract.

Keith – Just an observation, but due to market fluctuations we need to be sure to not overestimate our large spruce or underestimate our young-growth.

Jay – We already have the BT area designated as a Stewardship Area, but each package needs the formality of being signed off on as SC. I'm thinking that scale is better addressed closer to the implementation stage.

Bidders need to address BVC and how they will meet it in their proposal.

Preference to collaborative participants is not very measurable so not viable.

John – SC will be paid in credits which contractors can request as cash. However, if the timber comes off first the contractor must pay for it before cutting, and if the service is done first it will not be paid for until the timber is cut and subtracted from what is owed overall.

Jay – The USFS team will work on project ideas and bring them before the collaboration group for review/improvement ideas before putting them up for bid.

Wrap Up:

**Initial Best Value Criteria Concepts:** The following were suggested criteria for Best Value Contracting on POW, specific to the Big Thorne Stewardship Area. The group suggested that these criteria be weighted in the selection process

- Give consideration to the # of employees on POW / use of "local" workforce
- POW is considered local particularly, and SE Alaska is local generally
- Give consideration to any job training elements of the proposal
- Give consideration to proposals that focus on local wood products utilization

**Initial Project Scale Concepts:** *these suggestions were capture during the workshop as a means to help define the potential scale of stewardship projects offered from the Big Thorne Stewardship Area:*

- Suggest keeping projects in the \$100,000-\$250,000 value range, to avoid costly bonding issues that challenge many small operations (potential bidders)
- Consider the types of projects being requested in a given package so that local operators can have a chance to bid them. Example: Having a contract to store 2 miles of road, removing several culvert, digging water bars and creating an entrance barrier is a reasonable workload for a small owner/operator. When that same contract also includes the removal of a 70' bridge, the equipment and operational requirements become incredibly more complex and may put that small owner/operator at a disadvantage.

- If the work requires the kind of technical disparity, consider using biddable line items in the solicitation (which may allow potential bidder to offer a price for the work they are most effectively able to perform)
- Figure out some way to streamline Fed Biz Ops and the solicitation process to encourage a more responsive system for small projects and/or small businesses.
  - Since Fed Biz Ops is an agency requirement, it was suggested that a “Contracting 101” session hosted by the USFS, may be very useful to island businesses. This concept will be pursued by the Tongass for a future date.
- Consider longer-terms in the contract timelines (while addressing bona fide needs). Longer time frames tend to be more useful and more attractive to small operators
- Consider disparity in contract tasks – make conscious decision about coupling very different activities in a single contract (Timber Harvest and In-stream Restoration may not be a good fit for most operators. Road Storage and Precommercial Thinning also may not be very attractive to bidders.) Pre-solicitation collaboration may help define how much disparity in contract tasks is useful to the local workforce
- Consider the establishment of a “Clearing House” to help network potential contract packages and help potential operators collaborate on joint ventures for potentially complex projects.
- Focus on supply and reliability of work to avoid the flash-in-the-pan problem with these new Stewardship Contracting (If we’re asking the industry to respond to integrated projects and model their businesses after these types of contracts – the agency needs some level of stability in their offerings)

Both Best Value Criteria and Project Scope and Scale will be re-visited and refined at a future workshop.

It will be advantageous to reconvene when contract packages are within sight and there is a viable pool of timber/service contracts to package together. For the next workshop, the FS will work up a set of “straw proposals”, based on the information available (workshop responses, work already planned by the FS and the unit pool from the Big Thorne Timber Sale EIS).

Jay will send out a copy of these conceptual projects ahead of time in order for participants to provide more informed feedback on project scale and best value criteria... Of course Jay needs to make sure this information can be shared without violating some kind of public disclosure process.

Frank will setup an email team-room so everyone can share ideas in the meantime. (Frank is still working on this)

It was suggest that October 6<sup>th</sup> would be a good time for the next workshop with John and Sherman available to further discuss BVC, and that potentially Oct 7 could be scheduled for the Contracting 101 discussion.