Oneida Business Committee Agenda Request

1. Meeting Date Requested: 3 / 09 / 16

2. General Information:

Session: ☒ Open ☐ Executive - See instructions for the applicable laws, then choose one:

Agenda Header: Reports

☐ Accept as Information only

☒ Action - please describe:

Business Committee approval of report

3. Supporting Materials

☒ Report ☐ Resolution ☐ Contract

☐ Other:

1. 3.

2. 4.

☐ Business Committee signature required

4. Budget Information

☐ Budgeted - Tribal Contribution ☐ Budgeted - Grant Funded ☐ Unbudgeted

5. Submission

Authorized Sponsor / Liaison: Tehassi Hill, Council Member

Primary Requestor: Jacquelyn Zalim, OESC Chairwoman of the Board
Your Name, Title / Dept. or Tribal Member

Additional Requestor:
Name, Title / Dept.

Additional Requestor:
Name, Title / Dept.

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6. Cover Memo:

Describe the purpose, background/history, and action requested:

Corporate reporting requirement - Business Committee approval of report

1) Save a copy of this form for your records.

2) Print this form as a *.pdf *OR* print and scan this form in as *.pdf.

3) E-mail this form and all supporting materials in a **SINGLE** *.pdf file to: BC_Agenda_Requests@oneidanation.org

Oneida ESC Group, LLC

1st Quarter Report – FY 2016

February 17, 2016

OESC Board of Managers:

Jacquelyn Zalim, Chair

Wilbert Rentmeester

Jeffrey House

Oneida ESC Group, LLC (OESC), was formed in 2012 as the catalyst for continued growth for Oneida owned firms doing business in Construction NAICS codes for federal government contracts. Oneida Total Integrated Enterprises (OTIE) has exceeded the $33.5M limit in certain NAICS codes and is unable to bid and obtain contracts that fall within these NAICS codes as a prime contractor under the small business or 8(a) business categories in the federal procurement process. OESC and its subsidiaries are positioned to bid and pursue small business or 8(a) contracts where OTIE has exceeded size standards.

OESC and its subsidiaries are supported by OTIE with general management and administrative functions, including accounting and contracting management, human resource management, IT support, overall management, and marketing, bid and proposal. Below is a summary of OESC and its subsidiary's activities.

Narrative Report

a. Explanation of the core of the Corporation's business practices and market overview

OESC was created to serve as a holding company for subsidiary limited liability companies with an 8(a) certification. This type of holding company structure is modeled after the Alaskan Native Corporations (ANC) and other Native American Tribes that have created similar entity structures. This holding company structure allows ANCs and Native American Tribes to perpetually establish different 8(a) companies with different primary NAICS codes.

OESC currently has two subsidiaries, Mission Support Services (MS2) and Sustainment & Restoration Services (SRS). MS2 obtained its 8(a) certification in 2013. SRS received its 8(a) certification in 2014.

As part of the overall strategic plan for continued growth, OTIE will be moved under OESC as a third subsidiary upon OTIE's graduation from the 8(a) program in 2017.

b. Explanation of the Corporation's current place within the market

MS2 is focused on construction contracts with a size standard not to exceed $33.5M. SRS is pursuing contracts with a size standard not to exceed $14.5M. Only firms with less than $33.5M or $14.5M on average over a 3-year period can compete as a prime contractor. Since OTIE can no longer compete as a prime contractor under the small business or 8(a) business category under that size standard, OESC and its subsidiaries are strategically positioned to compete with OTIE support.

OTIE is currently focusing on developing both MS2 and SRS. The financial and technical resources that OESC needs are provided by OTIE.

c. Explanation of the outlines of strategies by the Corporation for improved value in the market

OESC's strategy is to develop its subsidiaries. The initial pursuits will take advantage of OTIE's existing networking capability and MS2's and SRS' key personnel who have existing relationships with federal clients. These federal clients have various federal facilities nationwide.

OTIE has been supporting MS2 and SRS to recruit several employees including managers or staff that have proven past performance and existing working relationships with many federal clients. OTIE has led MS2 and SRS to their existing clients. Those clients have the work and usually will procure under the small or 8(a) category under the applicable NAICS code. This advantage will help MS2 and SRS to develop their capabilities rather quickly.

Currently MS2 is working in California, Florida, Delaware and Illinois. MS2's current projects include sustainment, restoration, and modernization (SRM) projects for general facilities, asset/energy management and safety consulting. Additional projects will be pursued in civil construction, utilities, energy management, and general facilities engineering requirements. More competencies will be added as opportunities are sought.

SRS is currently pursuing work to provide waste management services for multiple clients in California. SRS established an office in Santa Barbara to pursue this opportunity. SRS established an office in Chicago, Illinois for pursuit of a US EPA Region V 8(a) START contract proposal and SRS was awarded this contract in November 2015.

d. Explanation of the Corporation's relative performance vs. competitors and identification of key competitors within the market

OESC and its subsidiaries are start-up companies. It will be difficult for them to compete with established small businesses that are active in the industry market. To offset this disadvantage, OTIE will support and lead OESC and its subsidiaries to take advantage of existing relationships already built by MS2's and SRS' key employees or from OTIE's networking. While competition will be very challenging for OESC and its subsidiaries, OTIE's support will help to overcome those challenges through the years. With OTIE's support, OESC can reach a point where its subsidiaries can become more competitive and sustainable in their industries.

e. Explanation of any material changes or developments in the market or nature of business the Corporation is primarily engaged in since the last reporting period

None.

f. Identification of the primary goals and targets of the Corporation and progress made towards accomplishment of the same

Opportunities continue to exist in geographies where OTIE, MS2, or SRS key personnel have successful past performance, and where personnel involved in such projects have established strong relationships with teaming partners and clients in those locations. Downstream opportunities continue to emerge based on MS2 project performance and combined efforts of OTIE and MS2's marketing and sales efforts. Target clients continue to include Vandenberg AFB, NAVFAC SW, NAVFAC SE, NAVFAC Great Lakes, and NAS Pensacola.

Additional new target clients include Naval Base Ventura County, USACE Jacksonville, the US Army Joint Munitions Command (JMC), Edwards AFB, the Air Force Civil Engineering Center.

With SRS' recently awarded work, SRS target clients include EPA Region V and Naval Station Great Lakes. Additional new targets include USACE LA District and EPA Region VI.

OTIE is supporting MS2 and SRS on many marketing and proposal efforts. MS2 and SRS have been introduced by OTIE to many potential government clients, and as a result, more opportunities are within reach so that they can recruit more capable people to support each federal agency's mission as well as increase their technical capabilities. The following is the assistance that OTIE has provided to MS2 and SRS:

- MS2 and SRS have performed some projects as a subcontractor to OTIE.
- MS2 has submitted proposals and was awarded three projects which will sustained staff at Vandenberg AFB through FY15 and additional work is expected.
- OTIE's senior managers continue to introduce MS2 and SRS to different federal facilities in different states and continue to help M2 and SRS pursue several contract opportunities.

MS2 has been awarded the following contracts, with the most recent Edwards AFB being awarded in the 1st quarter. These contracts were awarded in part due to OTIE's support and using OTIE's resources. Additionally, we continue to receive task orders under these contracts.

1) Great Lakes Naval Station Construction Project – design/build facility construction project.
2) Great Lakes Naval Station – project to replace facility gates in Green Bay, WI
3) Joint Munitions Command, IA – facility electrical services contract that we anticipate ongoing work for the next one to two years.
4) Naval Air Station, Pensacola, FL – construction contract that includes renovation of HVAC and lighting.
5) Dover Air Force Base, DE – continued study work that follows upon previous MS2 work conducted at the base. MS2 expects that design work will follow the study.
6) Naval Base Ventura County – Job Operations Contract (JOC) – received three task orders for facility renovation work including utilities, civil and site development.
7) Joint Munitions Command – contract to provide three full-time explosive safety personnel.
8) Edwards AFB – contract for facility demolition and abatement awarded to MS2-MEC JV. Contract kick off and seed project start up anticipated for 2Q FY16. (1st quarter award).

SRS completed its first prime contract with the Federal government for an above ground storage tank removal in Green Bay by Naval Station Great Lakes.

SRS was also awarded the Hazardous Material Storage Locker Refurbishment contract from Naval Station Great Lakes. More than 70 storage lockers will be transported to a facility in Mequon, WI to be cleaned, refurbished, painted and then shipped back to their point of origin.

SRS was awarded an 8(a) START contract from EPA Region V. Kick off meetings were held in December 2015 and work on that contract commenced in January 2016.

g. Identification of key elements for success in strategies given, including risks, resources and relations available and needed in order to successfully fulfill outlined strategies

The primary strengths at the outset will be personnel-related. MS2 and SRS key personnel understand federal construction and construction-related professional services, and have strong knowledge of competitors, target clients, and strong business relationships in several geographies.

The primary risk includes lack of immediately available resources and bonding capacity, limited availability of cash on hand, and demonstrated past performance. These must be off-set or mitigated by client knowledge of key MS2 and SRS personnel, pursuit of realistic project opportunities, and timely support from the owners or parent company with respect to bonding requirements.

h. Identification of medium (two to five year) and long (greater than five year) prospects and sustainability of the Corporation given the present status, strategies and risks

Same as (g) above.

i. Explanation of market growth (if any) experienced by the Corporation, identifying sources of growth (i.e., organic growth through market share increase, volume of business increase, acquisition of competition or other assets, etc.)

As a start-up organization, OESC and its subsidiaries intend to grow organically through the methods identified above.

j. Summary of the assets of the Corporation, including but not limited to its financial, physical, employee, customer, brand or intellectual property, and supply assets.

OESC ASSETS
Financial (On Balance Sheet) Cash –Checking Account Work In Process on Current Projects Fixed Assets such as Vehicles, Furniture and Fixtures, and Miscellaneous Equipment Other Assets such as Prepaid Expenses, Investment **Employees** OESC - 0 employees MS2 -20 employees SRS - 11 employees **Customers** 95% of Revenue from Federal clients.

k. Summary and status of any pending legal action to which the Corporation is a party and any relevant government regulation to which the Corporation may be subject.

No current pending legal action.