

Oneida Business Committee Agenda Request

1. Meeting Date Requested: 10 / 26 / 17

2. General Information:

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

Agenda Header:

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:

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.

Oneida Business Committee Agenda Request

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

4th Quarter Report – FY 2017

October 11, 2017

OESC Board of Managers:

Jacquelyn Zalom, Chair

John L. Breuninger

Leslie Wheelock

Oneida ESC Group, LLC (OESC), was formed in 2012 as a holding company to house subsidiaries to do business with the federal government. 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. Therefore, OESC formed Mission Support Services (MS2) to continue serving the federal government under the construction NAICS code. Sustainment & Restoration Services (SRS) is also a subsidiary under OESC that performs engineering services to the federal government. This year OTIE rolled under OESC to help facilitate the growth of OESC's subsidiaries.

As of January 2017, all of OESC's subsidiaries are supported by OESC 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's revenue is derived from the subsidiaries that operate in the Small Business Administration Business Development Markets primarily as 8(a) and Small Business designated companies.

OESC and its subsidiaries are a highly technical organization providing research /investigation, design, engineering and project management. Oneida ESC operates in five core services:

- Environmental services – Assessment, investigation, design, testing and monitoring
- Remediation – Action Planning, project management, extraction of contaminated materials.
- Construction and demolition – Repair, service, abatement, renovation and new.
- Engineering Services – Design and project managements for sites and site design, structural, mechanical, roads, bridges and water systems.
- Munitions response services – Investigation and remediation of munitions and ordinances.

Oneida Total Integrated Enterprises (OTIE) – An 8(a) program graduate will compete in the full and open marketplace as a small business (less than 750 employees). Core competencies will include environmental services, environmental remediation and project management.

Mission Support Services (MS2) – 8(a) Graduation date is 3/15/2022.

MS2 is focused on construction management contracts. Core competencies will include construction management services, New and renovated structures, HVAC systems and controls Utility systems - water, sewer, gas, electrical, Electrical power generators, transformers, and distribution, Communication and security systems, Interior remodeling, upgrades focused on the federal market with supplemental markets includes commercial and tribal construction projects.

Sustainment & Restoration Services (SRS) – 8(a) Graduation date is 2/18/2023.

SRS core competencies include facility investigations, corrective measures design/implementation, remedial designs/remedial actions, including characterization, assessment, and cleanup, Wetlands assessment and wetlands restoration design, Brownfields – Phase I & II ESAs, Technical Enforcement Support Facility and asset inventory, evaluation, and assessment Engineering design for site development, utility systems, and facilities Engineering design for wastewater treatment and sewerage systems.

The OESC Board has approved the creation and formation of a fourth subsidiary. This subsidiary will focus on the design and construction observation of transportation infrastructure with the option to become certified as a Disadvantaged Business Enterprise and/or an SBA 8(a) firm at the federal level.

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

OESC operates in a fiercely competitive and expanding market. An abundance of Architecture / Engineering / Construction (AEC) firms provide similar services offered by OESC. Competitive factors for our success include performance reputation, network, price, geographic location, and availability of technically skilled personnel (flexibility).

Three of the top five federal spending agencies awarding non-competitive contracts are OESC customers.

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

OESC’s subsidiaries MS2 and SRS 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.

During this time where the state and federal agencies are seeing decreases in their budgets, we are evaluating solutions to broaden and capture the larger Federal and State Market. Creating more subsidiaries would facilitate to broaden our market share. These subsidiaries would operate based on different NAICS codes. New subsidiaries would seek to broaden and capture the larger Federal and State markets.

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

Our competitors include: Small Businesses, Alaskan Native Corporations (ANCs); Native American Owned, tribally-owned small businesses; and Native Hawaiian Organizations (NHOs). Each of these businesses is treated in a category of small business that may be awarded prime contracts without competition. Oneida ESC subsidiaries also compete against other 8(a) firms for set-aside acquisitions, including small businesses that are categorized as Woman-Owned, HUB Zone, Service Disabled Veteran Owned small business, and others. Finally, Oneida ESC competes in the full and open markets without restrictions.

Typical competitors for OTIE include Small Business firms with fewer than 750 employees in NAICS 562910. Another area of significant competition is the regional Transportation Engineering firms in Wisconsin for WI DOT work.

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

A regulatory change by SBA in 2016 increased the small business size standard in our primary NAICS code (562910) from 500 employees to 750 employees, a 50% increase. Within small business circles, OTIE remains a sturdy, medium-sized competitor, but this regulatory change allowed larger, robust competitors like Conti, Versar and Parametrix to compete in our small business market.

Additionally, SBA adjusted the long-standing Mentor-Protégé Program (MPP) regulations to permit a small business of any category (Woman Owned small business, Veteran Owned small business, HUB Zone, etc.) to establish an MPP with a large business. The impact of this change is that the approved MPP firms may submit a Joint Venture bid on a federal acquisition and compete against other joint or individual small businesses. Also, the agency has accelerated the review/approval process for MPP application, which is a change from the ordinarily long waiting period for small business and large business partners' applications.

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

Goals for Oneida ESC Group

Growth at a reasonable rate is the primary business goal for OESC. Financial reward for OESC is when we align our investment strategies according to our client's mission priorities.

Our design and engineering business has performed well during the year with strong volumes and high productivity, with new licensed professionals hired in disciplines such as mechanical, electrical and structural engineering.

Key contract wins was crucial to retaining our position and relationship with our Department of Defense customers.

Targets for OESC Subsidiaries:

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, and the Air Force Civil Engineering Center (AFCEC).

OTIE

OTIE has built its customer base over the years and has been awarded contracts by a number of federal and state agencies including the US Air Force, US Navy, US Army Corps of Engineers, the US EPA, Wisconsin Department of Transportation, among many others.

During this reporting period OTIE is pleased to have secured new contracts:

- USACE Omaha District Fort Leavenworth Water perfluorinated alkyl substances (PFAS)
- Milwaukee Area Technical College – a Services Agreement that spans across OTIE's Civil, Structural, and Mechanical Engineering groups.

These contract awards were augmented by other new starts with the Oneida Nation (Head Start project) plus healthy growth under existing A/E Services contracts with the USAF, and with our single largest customer, the US Army Corps of Engineers. The steadiness of our business performance with our WisDOT and on our EPA START contract provided healthy and consistent returns as well.

MS2

MS2 has been awarded contracts by the following clients: NAVFAC SE (Naval Station Pensacola), NAVFAC Mid-Atlantic (Great Lakes Naval Station), NAVFAC SW (Naval Base Ventura County), Army Contracting Command (Joint Munitions Command), USACE Omaha, USACE Albuquerque, Edwards AFB and USACE Tulsa. We continue to receive task orders under some of these contracts because of the quality of MS2's work and reputation.

MS2 was able to win several contract vehicles called Indefinite Delivery/Indefinite Quantity (ID/IQ) contracts in which MS2 will receive task orders (projects). In the 4th Quarter, MS2 received the following task order:

- NAVFAC Mid-Atlantic – received a contract for mechanical and fire protection design services with the majority of the facilities at Great Lakes Naval Station or in the Midwest.

In addition to ID/IQ contracts, MS2 has also been awarded stand alone, single project contracts from our government clients that we are currently executing.

- Army Contracting Command – Joint Munitions Command – contract to provide full-time explosive safety personnel. We have been informed that they intend to add an additional full-time staff member and will be extending our contract through FY18.
- Naval Station Pensacola - received award for Chiller replacement project.
- NAVFAC Mid-Atlantic – Fort Snelling, MN – received a contract for security upgrades and fencing improvements. This utilized our Design-Build MACC contacts at Great Lakes Naval Station. This is a new client for MS2.
- Army Contracting Command, Joint Munitions Command – ARC Flash Project – contract to provide ARC Flash services at Pine Bluff Arsenal in Little Rock, AR and Bluegrass Army Depot in Lexington, KY.
- Army Contracting Command, Joint Munitions Command – Safety Support – contract to provide 1 year of safety support at the JMC Safety office at Rock Island Arsenal.
- Naval Base Ventura County – issued a roof replacement task order.

SRS

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

SRS has been awarded contracts by the following clients: US EPA, NAVFAC Mid-Atlantic (Great Lakes Naval Station), USACE Los Angeles District and US Fish & Wildlife Services. We continue to receive task orders under some of these contracts because of the quality of SRS's work and reputation.

SRS was able to win several contract vehicles called Indefinite Delivery/Indefinite Quantity (ID/IQ) contracts in which SRS will receive task orders (projects). In the 4th Quarter, no new task orders were awarded to SRS.

In addition to ID/IQ contracts, SRS has also been awarded stand alone, single project contracts from our government clients that we are currently executing.

- NAVFAC Mid-Atlantic (Great Lakes Naval Station) – Phase II Navy Hazmat Refurbishment Project storage lockers. During this quarter, we completed all field activities (40 days ahead of schedule) including setting up of refurbished and new lockers, concrete pads, electrical utilities, and reconnecting the power supply at all locations. After receiving any punch list items, we will re-mobilize, address punch list items and submit completion reports.
- US Fish and Wildlife – We were awarded an 8(a) direct award contract for work at the Crab Orchard National Wild Life Refuge. Initial scope includes the assessment of an abandoned sewer system and radiological screening. This award also includes optional scope to assist the client with site security as well as for supporting the review of proposed plans.

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

Key elements for success in the OESC model include:

- Establishing and monitoring key performance indicators which allow us to act early and manage the business going forward. Key performance indicators include safety, staff turnover, profitability, staff utilization, backlog and capacity.
- Adapting to a changing customer base, contract type, or key skill set. We recognize and reconfigure based on identified needs to delivery strategic growth.
- Identification of contract capacity and access is under regular review.
- Increasing our geographic footprint and capabilities.

Risk in the marketplace

- We operate in highly competitive industries
- Contracting is often erratic and unpredictable; cancellations or delays in pending awards by government agencies could adversely affect us
- International operations carries additional risk
- Loss of key personnel
- The government may adopt new contract laws or regulations at any time.

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

Our medium and long range prospects for sustainability are balanced by business diversification and consistent project management delivery. OESC's backlog has grown and our utilization is high.

We have successfully groomed long-term business relationships with key US Agencies for services delivered around the world. Contracting with the US government remains a reliable strategy in terms of payment, stability, and growth opportunity. Our medium- and long-term prospects reinforce our projections for steady, sustained growth.

Medium-term prospects

OESC's prospects in the two- to five-year term rely on our sturdy performance in engineering, science and construction to existing clients; adjacent clients/services and geographic areas; and new service offerings to new clients. OESC's increased focus and investment in business development and talent acquisition has allowed us to significantly increase both new task orders and backlog going into FY18. We continue to strongly believe that OESC's capabilities and strengths align well with the future needs and demands of our clients.

Long-term prospects

OESC envisions steady growth with our key customers over the long term. OESC is nimble and agile where we can focus on governments funding flows including where funds historically flow

Continued reliance on low-price awards is a staple in our business model and we continue to adjust the pricing structure to ensure that we remain competitive across all business segments.

Similarly, we are concentrating our marketing efforts on maximizing our return on investment through expanding support for existing customers, developing tasks under existing contracts, and collaborating with firms that need either small business participation or our specialized expertise.

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 top-tier contractor to the federal government, OESC has a large and diverse blend of federal, State, municipal, tribal and commercial business customers. Backlog, revenue and the number of employees have grown at a reasonable rate since 2009. Since inception of the company, all growth has been organic. Organic growth includes the hiring of key personnel with knowledge and contacts that offer OESC with new and expanded opportunities.

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 |
|---|
| <p><u>Financial (On Balance Sheet)</u> 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</p> |
| <p><u>Employees</u> OESC - 45 employees OTIE – 294 employees MS2 - 21 employees SRS - 25 employees</p> |
| <p><u>Customers</u> 95% of Revenue from Federal clients.</p> |

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.

OTIE is named as a defendant in a lawsuit filed by the artist of a mural. The case is Kammeyer v. USACE. OTIE’s next step is to decide whether to file a motion to dismiss. USACE has issued a notification of termination for convenience of the contract.