

Oneida Business Committee Agenda Request

1. Meeting Date Requested: 4 / 27 / 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

2nd Quarter Report – FY 2017

April 13, 2017

OESC Board of Managers:

Jacquelyn Zalim, Chair

John L. Breuninger

Leslie Wheelock

Oneida ESC Group, LLC (OESC), formed in 2012, is a holding company overseeing a portfolio of Limited Liability Companies competing in the environmental remediation, design, engineering and construction management industries. The sole member is the Oneida Nation.

OESC provides general management and administrative functions, including accounting and contracting management, human resource management, IT support, overall management, and marketing to its wholly owned subsidiaries.

Narrative Report

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

OESC's revenue is derived from the subsidiaries that operate in the Small Business Administration Business Development Markets primarily as 8a and Small Business designated companies.

OESC and its subsidiaries are a highly technical organization providing research /investigation, design, engineering and project management. OESC 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.

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.

Oneida Total Integrated Enterprises (OTIE) - 8(a) Graduation date is 4/4/2017.

As part of the overall strategic plan for continued growth, and the resolutions from 2013, OTIE was moved under OESC as of January 1, 2017. OTIE will begin to be included in the OESC 3rd quarter report.

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).

The following data is from Deltek, a leading global provider of enterprise software and information solutions for government contractors, professional services firms and other project-and people-based businesses. 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

Our focus in the marketplace includes long-term, high-dollar contracts as a prime contractor, Low Risk Contracts – contracts OESC has a vast experience in executing successfully, capturing market share through performance and networking the family of companies and recruiting and retaining key employees.

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. OESC 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, OESC competes in the full and open markets without restrictions.

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, OESC subsidiaries remain sturdy competitors, but this regulatory change allowed a few larger, robust competitors like Conti, Versar and Parametrix.

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

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 (AFCEC).

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.

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 has been awarded projects which have sustained staff at Vandenberg AFB to date 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 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 2nd Quarter, MS2 received the following task orders:

- MS2-MEC JV – MS2 received two more task orders on the contract.
- ID/IQ NAVFAC SW Joint Operations Center (JOC) –MS2 received two more task orders on the contract.
- RAIES – MS2 is providing assistance to OTIE on five task orders on this project

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 (JMC) Umbrella Contract which is a contract to support JMC Safety office at Rock Island Arsenal.
- 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. Work is nearing completion at Pine Bluff Arsenal, and the group is preparing to plan work for Bluegrass Arsenal in the coming quarter.
- 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.
- Pine Bluff Arsenal-High Speed Deluge System – Completed installation of deluge system modifications into an Ammo Production building at Pine Bluff Arsenal.

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 2nd Quarter, SRS received the following new task orders:

- US EPA START ID/IQ contract – issued three new task orders to include Terry Site removal, Dymet removal, and Zizzo Properties removal. Terry Site and Dymet are removal actions involving removal of drums and containers from an abandoned facility. Zizzo Properties a removal of soil and auto fluff contaminated with lead and PCBs.

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 will be transported to a facility in Oak Creek, WI to be cleaned, refurbished, repaired, painted and then reinstalled at their point of origin. Also includes installation of new storage lockers. The project was kicked off in the 1st Quarter and SRS plans were approved by the client.

- US Fish and Wildlife – Crab Orchard removal and abandonment of 150 monitoring wells was successfully completed during the 1st Quarter of 2017.
- Naval Base Great Lakes – SRS is assisting MS2-Belonger JV on the renovation of Building 3200.

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 includes:

- Establishing and monitoring key performance indicators 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

The medium and long range prospects for sustainability are balanced by business diversification and consistent project management delivery. The backlog of OESC's subsidiaries 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

The prospects of the OESC's subsidiaries in the two- to five-year term rely on the sturdy performance in engineering, science and construction to existing clients; adjacent clients/services and geographic areas; and new service offerings to new clients. The increased focus and investment in business development and talent acquisition has allowed us to significantly increase both new task orders and backlog going into FY17. 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. Our subsidiaries are nimble and agile where they 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 subsidiaries have a large and diverse blend of federal, State, municipal, tribal and commercial business customers. Since inception of the subsidiaries, OESC's growth has been all organic. Organic growth includes the hiring of key personnel with knowledge and contacts that offer OESC subsidiaries 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 |
|--|
| <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 |
| <u>Employees</u> OESC – 41 employees MS2 – 20 employees SRS – 14 employees |
| <u>Customers</u> 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.