



12.1

DEPARTMENT OF  
ADMINISTRATIVE SERVICES

OFFICE OF SMALL  
BUSINESS DEVELOPMENT

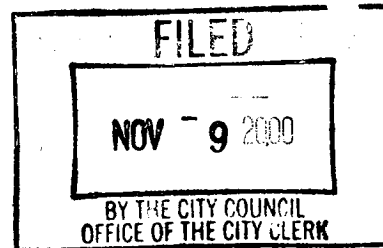
CITY OF SACRAMENTO  
CALIFORNIA

October 25 2000

921 TENTH STREET  
ROOM 402  
SACRAMENTO, CA  
95814-2714

916-264-6747  
FAX (916) 264-6765  
HOTLINE (916) 433-6923

City Council  
Sacramento, California



Honorable Members in Session:

**SUBJECT: FIRST ANNUAL REPORT ON THE SMALL BUSINESS  
DEVELOPMENT PROGRAM**

**LOCATION/COUNCIL DISTRICT:** Citywide

**RECOMMENDATIONS:** For Council information only

**CONTACT PERSON:** Trevor Walton, Administrative Services Officer, 264-6764

**FOR COUNCIL MEETING OF:** November 9, 2000

### SUMMARY

This report:

- Shows that the City achieved 28.46% use of small businesses in the operating budget and 38.52% use within the CIP spending therefore exceeding the 20% goal established by the City Council for the usage of small business enterprises.
- Shows that Minority and Woman Business Enterprise participation improved to 9.24% from 5.61%.
- Provides an outline on the plan for phase two of the rollout developed by OSBD staff. The emphasis of phase one was on the construction

spending. In phase two, OSBD staff will be working closely with the departments on the operating spending side of the house.

- Responds to questions from the September 12, 2000 City Council meeting.

**COMMITTEE/COMMISSION ACTION:** None

**BACKGROUND AND ANALYSIS:**

On February 9, 1999, the City Council established the Office of Small Business Development (OSBD). On March 10, 1999, the resolution became effective; changing policy from a race and gender specific procurement based program to a race and gender neutral emerging and small business development program designed to support and increase the participation of small businesses in city contracting opportunities.

During the first year of the program and implementation of phase One, the following has been accomplished:

- **Development and implementation of Small Business Development Program Procedures.** Staff advised Council that the implementation and role-out of the ESD program would be done in phases. Because of the large amount of dollars appropriated to the CIP budget, it was considered a logical area to begin program implementation. Staff focused primarily on CIP spending within the Public Works and Utilities Departments during phase One. As phase Two began, which focuses on operating spending activities, OSBD staff has conducted meetings with all other Department Heads and Division Managers in order to provide them with an understanding of the ESD program, how the program impacts their departments, and the role of the OSBD.

Purchase and installation of computer hardware and software to assist the City departments in meeting Councils goal of aiming 20% or more of its spending toward small businesses. For the purpose of providing more information about procurement and business opportunities and available vendors, staff has implemented its web-based BIZNET search program and certification and procurement based BIZTRAK tracking system. More than twenty (20) Biztrak stations have been installed throughout the City. This technology helps the users to identify prospective vendors and facilitate outreach. OSBD staff has integrated the use of technology to promote the use of small businesses through the awareness of business opportunities, and vendor search.

- **Informed stakeholders about the Small Business Development Program.** OSBD staff continues to support the use of small business enterprises by attending various activities and venues such as business chamber meetings, including the Sacramento Business Network. OSBD Staff also conducts bi-

weekly meeting to promote the ESBD program and encourage small businesses to participate in the city procurement process.

- **Collaborated with other public and private agencies in the formation of a regional approach to small business development.** OSBD took a lead role in the formation of the Sacramento Regional Business Opportunities Partnership. The City is currently Chair of this organization. This group of public and private agencies have come together to look at issues related to small business growth and development in the Sacramento region.
- **Work together with other public agencies on information sharing as it relates to the increased use of small businesses.** The OSBD has contracts with external agencies to provide certification services, and consulting services. For several years the City has worked with several regional organizations on issues that impact the small and disadvantaged owned business sector.

The City and Regional Transit have had discussions at the staff level about expanding the current relationship to include collaborating on small business development issues. Significant progress has been made as of October 12, 2000, resulting in conceptual agreement on most of the issues. The OSBD is working with RT to finalize the terms of an agreement. Upon reaching an understanding, the agreement shall be forwarded to their respective governing boards for approval.

- **OSBD is exploring opportunities to work with the McGeorge School of Law to provide assistance to local small businesses.**
- **OSBD staff is also working with the State of California, Department of General Services, Office of Small Business Certification and Resources, to streamline the small business certification process and promote the sharing of information.** In addition, OSBD staff has reduced the time to certify a business enterprise from forty-five (45) days to less than fifteen (15) days. Staff has developed a one-page re-certification application and continues to look for ways to improve the certification process.
- **Collaborated in the development of a small business advisory board.** Recognizing the importance of hearing from those in the local small business community, OSBD staff recommended and Council approved the establishment of the Small Business Development and Employment Advisory Board. The Board will be conveying information and assist the Council in developing small business and employment policies.
- **Collaborated with other public agencies to complete an 18-month business utilization study on small and minority business utilization.**

- **Received national recognition for the past two years by the American Contract Compliance Officers Association for its expertise and cutting edge vision on small business development.** A representative for the City has just been elected to the “Board of Directors” of this organization. Since 1999 four city staff persons have completed the credential program and have received their certifications. We anticipate that all professional staff members shall complete the first level of certification and become awarded credentials within two years.

### SMALL BUSINESS DEVELOPMENT PROGRAM PERFORMANCE

The rollout of the Emerging and Small Business Development Program has been conducted in phases. Phase One, completed last year, addressed the development of the policies and procedures and staff concentrated its efforts toward Construction Projects (CIP). The data following shows the use of small businesses in construction contracting on city projects for FY ending June 2000.

The following is a summary of small business use:

- The Public Works Department has expended a total of \$53,250,898. Of those eligible dollars \$16,107,247 was directed to Small Business Enterprises. This represents 30.25% of all eligible dollars. These figures represent both formal and informal construction.
- The Utilities Department has expended a total of \$42,498,913. Of those eligible dollars \$20,781,968 went to Small Business Enterprises. This represents 48.9% of all eligible dollars. These figures represent both formal and informal construction.

The role of OSBD staff is to assist the various departments in meeting Council ESBD goals. To this end, staff will continue to work with the departments to develop strategies that may help improve the use of small businesses and open opportunities to all members of the community. Staff will return to Council with recommendations on a regular basis.

As stated previously, the rollout of the program has been conducted in phases. In this fiscal year, phase two, staff is focusing much of its attention on supporting efforts by the departments as they relate to the operating budget. Staff is working with the departments to develop strategies and tools that can increase small business use in the procurement of professional/consultant services, materials, and supplies.

For fiscal year ending June 2000 the Operating Budget expended \$35,784,276 eligible dollars. Of those dollar expended, \$10,182,814 dollars were directed toward small businesses. This represents 28.46% of all eligible dollars. Attachment “B” shows small business use by department. The departments were able to accomplish their small business utilization little or no help from OSDB staff who focused its efforts CIP

spending activities. The small business use figures for fiscal year ending June 2000 serve as a benchmark only from which future efforts can be compared.

Regarding M/WBE participation, \$3,306,819 went to M/WBE firms. This represents 9.24% of the eligible dollars. Enclosed is attachment "A" that shows the use of small M/WBE vendors from FY 93-94 to FY 99-00.

On September 12, 2000, Council heard staff's report regarding the recently completed Business Utilization Study. The Consultant, MGT of America, gave several recommendations. The OSBD has implemented some of the recommendations and staff will be taking on the following:

- The City collaborates with other public agencies in coordinating regional procurement outreach activities in the area.
- The City shall review its Disadvantaged Business Enterprise (DBE) goals to meet federal requirements.
- The City of Sacramento adds a business development option to its Mentor-Protege program for small businesses.
- The City should take advantage of emerging electronic commercial technology.

There are several recommendations from the consultant which staff is currently reviewing. These recommendations cross organizational lines, therefore, OSBD will be working with those affected departments and report back to Council with staff's recommendations. They are:

- Expansion of the ESBID program to include a component modeled on the U.S. Small Business Administration's HUBZone model.
- Use smart card technology to improve the procurement process for outreach and information gathering.
- Develop a construction management contracting methodology.

This year, in phase two, OSBD is planning to do the following to promote small business use:

1. **Work with the departments to develop a "TOOL KIT" to increase small business use within the City.** This practical tool will provide information important to the small business owner on how to do business with the City; reference information about agencies, business chambers, and service providers that support small business development. This tool may be very helpful to increase participation of small businesses wishing to provide supplies or services, which impacts utilization on the operating spending side of the house.

2. **Work toward the implementation of a mentor-protege component to the program.**
3. **Provide on-going education to staff on small business development, tools and resources, and technical training.** We vision working with the City University to provide regular and on-going training and certification to staff in support of small business. Staff is exploring ways to support training and business development tools directed toward small business owners including business development centers.
4. **Develop and implement a proactive outreach strategy directed to the small business community.**
5. **Work to develop strategies and tools that promote the use of all segments of the small business community.**
6. **Continue to work with Economic Development staff on issues associated with regional small business development and employment.**
7. **Work with the departments to review procurement and contracting process (procedures, process) to facilitate and encourage the use of small business.**

At the September 12, 2000 meeting of the City Council, staff made a presentation regarding the Business Utilization Study. Several Council members had questions and requested from staff information

*Q. How does the City release information regarding contracting and procurement opportunities; and where are advertisements placed?*

*Vendor Notification:* Bids are normally advertised for 2 to 3 weeks. Direct solicitations are sent to vendors from the City's Bid list who have indicated an interest in providing the needed commodity or service, with at least one of every three such direct solicitations being sent to an emerging or small business enterprise when firms are available. In addition, copies of bids are provided to several bid-advertising agencies, including the Small business Exchange. They are also advertised on the City Internet site Bid Opportunities pages and on the recorded telephone BIDLINE, both of which are available to interested vendors 24 hours a day, seven days a week. Also, all formal bids are advertised in the City's official newspaper (currently the daily Recorder), as required by the City Code. In response to Councils concern regarding inclusiveness, OSBD staff recently spoke to Dr. Lee of the Observer. Staff will be working with the small business, the chambers and departments to develop a process that promotes inclusiveness and participation.

*Q. What is done by the City to facilitate Prime Contractor outreach to Sub-Contractors?*

*Prime Contractor Outreach to Sub-Contractor:* Biznet was developed by the OSBD. Biznet is a web-based search program that serves as a vehicle/tool for prime contractors to identify and solicit to sub-contractor. This is a free service. The OSDB often helps the departments to identify potential sub-contractors by using Biztrak, which is a procurement based tracking system to identify prospective vendors and facilitate outreach.

*Q. Can the City use federal DBE standards to increase the use of m/wbe's?*

*Funding Streams:* Yes, the City does use DBE goals when applicable. Federal goals only apply to projects funded by the federal government. The Federal Disadvantaged Business Enterprise (DBE) standards are undergoing change. Staff is keeping aware of these changes and their impact on the City. The federal government is requiring all agencies to review their current DBE goal and establish a new goal effective January 2001. OSBD staff is reviewing the current goal for DBE participation and will be returning to Council in December with a recommendation. Staff will be looking for ways to improve DBE participation in various funding sources such as FHA, EPA, and TEA-21 monies

*Q. What steps can be taken to improve the procurement process and how we do business? Would staff please look at the process, how contracts are bundled, and the procurement culture of the City.*

*Procurement Process:* The OSBD and the Procurement Services Division maintain an ongoing working relationship in an effort to increase the opportunities for emerging and small businesses to do business with the City. The Purchasing office routinely sends copies of all solicitations to OSBD, in additions to other methods of outreach noted above. Purchasing staff make concerted efforts to locate E/SBE vendors when preparing bid solicitations, and works with certification. In addition, Purchasing consults with OSBD staff in determining the new E/SBE vendors areas of interest for future bidding. Purchasing also consults with OSBD whenever E/SBE issues are raised in the bidding process. When bids are received on providing a service or supply, a 5% bid evaluation preference is given to certified E/SBE firms. The purchasing staff intends to work closely with OSBD staff to identify and implement methods to improve the utilization of small businesses in supplies and services acquisition.

*Q. Council asked that staff look into the Mega Project Initiative recommended by MGT. Of America.*

*Mega Project Initiative:* The Mega Project Initiative is a federal project primarily designed to improve and promote employment. OSBD working with the Economic Development Department staff will be looking at this federal program to examine what concepts may be implements within the Small Business Development Program.

## **ENVIRONMENTAL CONSIDERATIONS:**

**FINANCIAL CONSIDERATIONS:** None at this time.

**POLICY CONSIDERATIONS:**

Staff's recommendations support City Council's priorities of diversity, inclusiveness, and economic development. Staff continues to implement City policy on economic diversity and utilization within applicable provisions of State and Federal law.

**ESBD CONSIDERATIONS:**

Staff's recommendations are consistent with ESBD policy to assist emerging and small businesses in enhancing their participation in public contracts and purchase awards.

Respectfully submitted,



Trevor Walton  
Administrative Services Officer

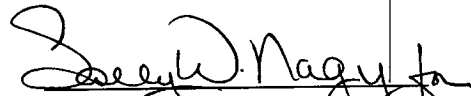
RECOMMENDATION APPROVED



Robert P. Thomas  
City Manager

Attachments

APPROVED



Ken Nishimoto, Director  
Administrative Services Department

CITY OF SACRAMENTO  
 ESBD and MWBE USAGE NUMBERS

July 1, 1999 to June 30, 2000

C:\My Documents\City Usage Numbers.xls\FY00

NAME	ELIGIBLE \$	ESBE \$	ESBE %
Mayor/Council	167,358	100,960	60.33%
City Manager's Office	166,221	69,178	41.62%
City Attorney's Office	111,695	28,997	25.96%
City Clerk	59,778	33,104	55.38%
City Treasurer's Office	123,837	29,611	23.91%
Administrative Services Dept	6,288,809	1,466,510	23.32%
Police Department	2,014,820	448,062	22.24%
Fire Department	2,031,585	939,597	46.25%
Public Works	10,313,238	4,010,413	38.89%
Department of Utilities	3,286,335	748,178	22.77%
Planning & Development	12,296	4,641	37.74%
Downtown/Cultural Arts Consortium	6,595,570	1,348,727	20.45%
Neighborhood, Planning & Development Svs	4,612,734	954,836	20.70%
<b>City Total - ESBD</b>	<b>35,784,276</b>	<b>10,182,814</b>	<b>28.46%</b>

Note	ELIGIBLE \$	MWBE \$	MWBE %
<b>City Total - MWBE</b>	<b>35,784,276</b>	<b>3,306,819</b>	<b>9.24%</b>

# MWBE % USAGE NUMBERS FISCAL YEARS 1993 - 2000

