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DEPARTMENT OF
GENERAL SERVICES

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CALIFORNIA

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OFFICE OF THE DIRECTOR

June 8, 1990

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DIVISIONS:

COMMUNICATIONS
FACILITY MANAGEMENT
FLEET MANAGEMENT
PROCUREMENT SERVICES

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

**SUBJECT: REPORT BACK ON THE OFFICE OF MINORITY, WOMEN AND SMALL
BUSINESS (OMWSB)**

SUMMARY

This report is in response to a request at the FY 90-91 Operating Budget Hearing for General Services on May 22, 1990 for information on what resources would be required to improve the City's M/WBE utilization rates.

BACKGROUND

The City's Minority/Women Business Enterprise (M/WBE) Program began in April 1985 when the City Council adopted Resolution No. 85-328, which established a City-wide M/WBE Procurement Program. In June 1988, the City Council approved, as part of the FY 88-89 Budget, \$100,000 for the staffing and operations of the M/WBE Program. The Program was managed by the City Manager's Office and the day-to-day supervision was provided by the Senior Administrative Services Officer (Sr. ASO) in the Department of General Services. Under the supervision of the Sr. ASO, the program staff (an AAI/II and a Typist Clerk II) were responsible for certification, outreach, marketing, training of City staff, and developing and reporting quarterly M/WBE utilization statistics. The City's goals of 20% minority and 5% women business enterprise utilization and the Mayor's M/WBE Task Force were established in August 1988 with the adoption of Resolution No. 88-738.

In February 1989, the responsibility for managing the M/WBE Program within General Services was shifted to the Procurement Services Manager. This was necessary because the Sr. ASO position was vacated in December 1988 and was not refilled due to budget cuts.

Beginning in October 1988, staff developed guidelines for tracking M/WBE utilization within the City's Operating Budget, began issuing quarterly progress reports, and began meeting with the Mayor's Task Force on M/WBE. Plans were also in the process of being developed for the implementation of a "Good Faith Efforts" program of M/WBE utilization and tracking in the Capital Improvement Projects (CIP) Budget for construction contracts. In January, 1989 however, the U.S. Supreme Court rendered a decision in the case of City of Richmond v. J.A. Croson Co., which imposed stringent new restrictions on the use of race-based preferences by state and local governments. On the advice of the City Attorney's Office, efforts to develop the "Good Faith Efforts" program were curtailed, along with other elements of the City's M/WBE Program which were viewed as "race-conscious".

In response to the Croson Decision, in September 1989 the City Council adopted Resolution No. 89-747, which authorized staff to:

- o Begin negotiations with the County of Sacramento and the Sacramento Housing and Redevelopment Agency (SHRA) to develop a joint venture request for proposal (RFP) for an M/WBE Utilization Study which would form a factual predicate for future M/WBE programs, as required by the Croson decision; and
- o Formulate the necessary administrative procedures to establish a Small Business Economic Opportunity Program (SBEOP) and to report back to the Council with a time-line for implementation. The purpose of the SBEOP is to determine whether a "racially-neutral" program can address the needs of M/WBE firms.

As reported in the Third Quarter (FY90) Progress Report (January - March, 1990), staff has begun working with the County and SHRA to develop an RFP for the M/WBE Utilization Study. Because of the newness of these studies and the lack of clarity in the field regarding what is actually required, the process has been more time-consuming than originally anticipated. Staff has also developed an initial draft of the guidelines for the Small Business Economic Opportunity Program (SBEOP) but, because of other program responsibilities, has been unable to report back to the City Council with anticipated implementation time-lines.

In January of 1990, the M/WBE Program Office changed its name to Office of Minority, Women and Small Business (OMWSB) to better reflect its responsibilities for providing the following services: 1) Coordinating the City's M/WBE Efforts; and 2) Developing the Small Business Economic Opportunity Program (SBEOP).

ANALYSIS

While the Program has continued to make progress, most would agree that the results are far from the City's stated goals. Since formal reporting on the City's M/WBE utilization began, the City has achieved the following results:

FY 88-89	7.4% Operating Budget
FY 89-90	7.5% Operating Budget (thru end of 3rd quarter FY90) 3.1% CIP Budget (thru end of 3rd quarter FY90)

There are several factors which could account for the slow progress towards meeting the goals of 20% MBE and 5% WBE utilization:

- o Insufficient Staff Resources--In addition to managing the Office of Minority, Women and Small Business (OMWSB), the Procurement Services Manager is responsible for managing the Procurement Services Division, which consists of: Administration, Purchasing, Central Stores and Central Services. As a result, while she is able to provide management for the development of the program, there is only one full-time professional staff person, the Administrative Analyst II, available to carry out the daily work necessary for the program to function. It is clear, for example, that departments need more assistance in locating M/WBE vendors. With additional staff resources this could be addressed.
- o Effects of the U.S. Supreme Court Decision in City of Richmond v. J.A. Croson--On the advice of the City Attorney's Office all "race-conscious" approaches to meeting the M/WBE goals were abandoned. It is therefore not possible to mandate that departments follow certain procedures to increase M/WBE utilization or to require that prime contractors use M/WBE subcontractors on their City funded projects. The M/WBE Utilization Study will gather data on M/WBE availability, utilization and past discrimination, which will be used to determine whether racially-based programs are justified.

- o Availability of Qualified M/WBE Firms--In certain commodity and industry categories there appear to be insufficient M/WBE's in the local area to meet the City's requirements. When the M/WBE Utilization Study is completed, this information will be available for selected industry areas. Until that time, it will be difficult to mandate utilization when availability is unknown. In an effort to assist departments in locating qualified M/WBE vendors, a staff priority for the beginning of FY 90-91 is to produce and maintain a hard copy of the City-certified M/WBE vendor list for distribution to all City departments. Many departments have indicated that it is difficult to access the information through the computerized Local Government Financial System (LGFS). Staff is also working closely with the Sacramento Regional Purchasing Council, which identifies minority firms with a track-record in the Sacramento area.

- o Monitoring of M/WBE Subcontractor Data--Currently, M/WBE utilization data is only being provided for prime contractors within the Capital Improvements (CIP) Budget. This is because only prime contractor information is available on the central financial (LGFS) system. Staff is currently meeting with departments to develop procedures for manually tracking subcontractor utilization on CIP contracts over \$25,000. Subcontractor reporting will begin during the first quarter of FY 90-91. It is very possible that inclusion of this data will indicate a higher City M/WBE utilization rate than is reflected with the current monitoring procedures.

Given the constraints identified above, staff feels that additional staff resources would contribute to increased M/WBE utilization. The additional staff would: 1) Assist City departments in locating qualified M/WBE vendors; 2) continue to refine and enhance the data collection and reporting process; and 3) solicit increased M/WBE vendor participation. In response to the request by the Budget and Finance Committee to identify a means to increase the City's M/WBE utilization rate, the following is recommended:

1. Creation of a full-time position to coordinate the Office of Minority, Women and Small Business

In order to address the many facets of an effective M/WBE and small business program, there are a number of external and internal linkages which must be addressed. With the current limited staff resources it is not possible to fully address all of the program needs. It is therefore proposed that a full-time position of OMWSB

Coordinator be created.

The Coordinator would be responsible for supervising the day-to-day operations of the unit. Responsibilities would include:

- o Interactions with City departments to improve M/WBE utilization;
- o Liaison with minority chambers of commerce and other business development groups and agencies;
- o Liaison with other governmental agencies regarding M/WBE and small business issues and programs;
- o Development of internal procedures and policies to address the City Council's policies for M/WBE and small business utilization;
- o Provision of staff support to the Mayor's M/WBE Task Force;
- o Finalizing the M/WBE Utilization Study Request for Proposals (RFP) and coordination of the study when a consultant is selected;
- o Supervision of OMWSB staff with the following responsibilities:

Administrative Analyst I/II-- This existing position is responsible for:

- o Developing procedures and compiling data to track the City's utilization of minority, women and small businesses;
- o Preparing quarterly progress reports;
- o Development and supervision of the maintenance of an up-to-date City-certified minority and women business enterprise vendor list;
- o Developing publicity materials about the City's programs;
- o Supervising the Certification and Recertification process;
- o Assisting in the development of the M/WBE Utilization Study RFP and implementation of the study;
- o Assisting the OMWSB Coordinator.

Small Business Specialist--This would be a new position, which is being proposed under recommendation #2 below.

Typist Clerk II-- This existing position is responsible for:

- o Initial certification and recertification of vendors;
- o Maintenance of an up-to-date City-certified minority and women business enterprise list;
- o General clerical and receptionist duties.

2. Creation of a Small Business Specialist position

As stated above, while staff has completed an initial draft of the

guidelines for the SBEOP, other program responsibilities have precluded implementation of the program. For this reason, and the fact that the certification requirements and the five percent (5%) bid preference for this program will require special expertise, it is recommended that a full-time Small Business Specialist be added to the Office of Minority, Women and Small Business. Under the supervision of the OMWSB Coordinator, this position would be responsible for:

- o Finalizing the administrative procedures and operational guidelines for the SBEOP;
- o Certifying and re-certifying of qualified vendors;
- o Reviewing and updating qualification criteria;
- o Outreach and liaison with the small business community and other agencies;
- o Assisting City departments in implementing the program;
- o Researching and analyzing issues affecting the program;
- o Assisting in data collection and analysis of utilization statistics and preparation of progress reports;
- o Assisting the OMWSB Coordinator.

Because this program will involve a five percent bid preference and possible contract set-asides, the certification process will be more extensive than that currently required for the M/WBE Program. It is therefore felt that without the addition of the proposed position, staff will not be able to implement this program to its fullest potential in the foreseeable future.

FINANCIAL DATA

It is estimated that the salary and benefit costs for the Office of Minority, Women and Small Business Coordinator would total \$53,450 and that the supplies and equipment associated with the position would be approximately \$5,500. The total cost for establishment of this position would be approximately \$58,950.

The addition of an Small Business Specialist would require salary and benefits costs of \$38,425 and supplies and equipment costs of \$6,500. The total cost for this position would be approximately \$44,985.

In addition to the costs shown above, the cost for creating the additional space required will be approximately \$22,000. Therefore, the total cost for establishing the two proposed new positions would be approximately \$125,935.

POLICY CONSIDERATIONS

City Council Policy has stated that the City's goals are to achieve 20% MBE and 5% WBE utilization in the procurement of goods and services. Current utilization is approximately 7.5%. If the City is to pursue the stated goals more aggressively, additional staff will be required within the FY 90-91 budget.

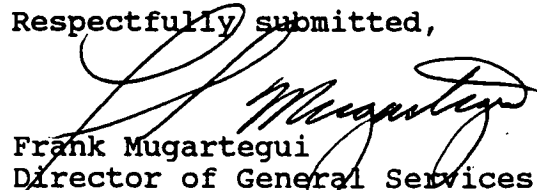
M/WBE EFFORTS

Additional staff resources will assist in increasing the City's M/WBE utilization rates.

RECOMMENDATION


This report is for the Committee's information and consideration.

Respectfully submitted,



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Director of General Services

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All Districts
June 19, 1990