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**Sacramento
Housing &
Redevelopment
Agency**

March 21, 2001

CONTINUED
FROM 4-18-01
TO 4-24-01

Redevelopment Agency and Housing Authority
of the City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: ADOPTION OF SMALL BUSINESS ENTERPRISE PROGRAM (SBEP)

LOCATION & COUNCIL DISTRICT - Citywide

RECOMMENDATION

Staff recommends adoption of the attached resolution, which authorizes the Executive Director or her designee to institute the Small Business Enterprise Program (SBEP).

CONTACT PERSONS

Richard Nelson, Director of Program Operations, 440-1338
Joe Cruz, Program Manager - Procurement Services, 566-1268

FOR COUNCIL MEETING OF - April 10, 2001

SUMMARY

This report recommends the establishment of a Small Business Enterprise Program (SBEP). This program will increase small business participation by providing focused assistance and training, and outreach to small businesses. This program will include directing all contracting staff to solicit at least one small business for every three businesses solicited.

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COMMISSION ACTION

At its meeting March 21, 2001, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES: Amundson, Burns, Cespedes, Graham, Harland, Hoag, Holloway,
Newsome, Simon
NOES: None
NOT PRESENT TO VOTE: Castello
ABSENT: Rotz

BACKGROUND

The Sacramento Housing and Redevelopment Agency is in a unique position to play a vital role in providing procurement opportunities for small businesses. The nature and scale of the Agency's procurements lend themselves well to the contracting size manageable to a small business. This is evident statistically. In 1999, for example, of the Agency's 1,056 purchase orders/contracts totaling over \$48 million, over 93% were below the \$100,000 threshold. Recognizing the importance of small businesses to the local economy, as providers of services/supplies, taxpaying entities and major employers, the Agency is interested in fostering the growth of the small business sector by strengthening the connection between small businesses and the Agency's contracting opportunities. The proposed Small Business Enterprise Program, is designed to maintain and enhance the Agency's use of small businesses as part of the Agency's mission to provide business and employment opportunities.

The goals of the SBEP are to:

1. Become a better information broker with respect to Agency procurement opportunities.
2. Provide procedural assistance to any business enterprise that desires to do business with SHRA, particularly small businesses.
3. Encourage prime contractors to subcontract a percentage of their work to qualified small businesses.
4. Achieve a 30% Small Business participation level in all Agency procurement contracts and awards.

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5. Achieve a 15% Very Small Business participation level in all Agency procurement contracts and awards, as a subset of the 30% Small Business Participation goal.
6. Improve and increase tracking, monitoring, and compliance.
7. Improve program standards and staff training.

Staff has carefully reviewed the varying definitions of a small business currently used by other governmental entities. The standards vary widely from those established by the U.S. Small Business Administration (SBA) which has definitions particular to each trade. For example the SBA considers a general contractor to be a small business if its gross annual receipts do not exceed \$27.5 million. The City of Oakland has a program which establishes a general contractor as a small business if its receipts do not exceed \$8.5million. Staff recommends setting the mark much lower to focus on much smaller businesses.

Staff recommends the adoption of a level that is one-half of the recently implemented standards set by the State of California's Office of Small Business Certification and Resources (OSBCR). This would define a small business as the following:

1. An independently owned and operated business
2. Not dominant in its field of operation
3. Principal office location in California
4. Officers domiciled in California
5. Together with affiliates, be either:
 - A business with 50 or fewer employees and an average annual gross receipts of \$5 million or less over the previous three tax years, or
 - a manufacturer with 50 or fewer employees

The utilization of this definition is beneficial because it is a lower threshold than other governmental jurisdictions allowing a focus on smaller businesses. In addition, it is a standard that was reviewed by Agency procurement staff and contracting staff and determined to be a reasonable measure based on their experience and knowledge of the contracting community. Discussions with the State of California OSBCR indicate that they have adopted uniform thresholds rather than trade specific ones to simplify administration and user understanding of

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the program. Agency Staff recommends this approach because the different levels do create confusion in implementation. Our desire is to make this program simple and easy for both contractors and staff.

Because the nature of our contracting could lend itself to even smaller business opportunities, staff is also recommending a lower tier for a Very Small Business. This would be defined as:

Together with affiliates, be either:

- A business with 25 or fewer employees and an average annual gross receipts of \$2.5 million or less over the previous three tax years, or
- A manufacturer with 25 or fewer employees

The SBEP's essence is one of providing outreach and assistance to Small Business Enterprises (SBEs) and Very Small Business Enterprises (VSBEs) to encourage utilization. (See proposed Small Business Enterprise Program included herein as Attachment I). Businesses can self-certify as a SBE or VSBE and this information will be included as part of the Agency's standard Bidder's Application. A common complaint from Small Businesses has been the amount of time and effort needed to go through a complicated certification process that may be different with each jurisdiction. Agency procurement staff will be required to solicit a bid for every contracting opportunity from at least one SBE or VSBE out of three.

The SBEP is designed also to assist small businesses to overcome the impediments they face in availing themselves of Agency contracting opportunities. Six of the other key program elements are described below.

- 1) Stronger tie to financial programs offered by the Agency. The Agency currently offers a small business lending program known as *Grow Sacramento*. This program provides financing for working capital, equipment, leasehold improvements and even real estate. To date, Agency staff has not made the connection between this program and the range of vendors we use. Staff that operates this program as well as staff from the Agency-financed microloan program known as the EnterFund (operated by California Capital) will acquaint interested vendors of these programs. Additional financial assistance can be provided as well.
- 2) Small Business Symposiums. The Agency will sponsor Symposiums which feature information on how to do business with the Agency, provide a listing of upcoming procurement opportunities and make available other technical and financial resources.
- 3) A pilot program for bonding will be introduced for Very Small Businesses. This program would allow the Agency to co-sign on a bond for a VSB. This would allow some firms to be

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eligible for a bond that normally could not qualify. In other instances, the program may reduce the cost of bonds. While this may result in some risk for the Agency, it will lessen one of the most significant impediments to small business participation.

- 4) One-on-one assistance to SBEs and VSBEs. The staff has a long history of providing assistance but the level of attention will be heightened to ensure the Agency is doing all it can to increase opportunities for small business.
- 5) Electronic procurement advertising system. The Agency and Sacramento Builders Exchange have recently partnered in developing the first electronic procurement advertising system for Sacramento public agencies. The system will transfer and advertise Agency construction projects, including plans and specifications. It is envisioned that this will increase knowledge and access to Agency projects.
- 6) Formation of a Sacramento Business Information Center. Agency Staff is working with a variety of public and private groups including the Sacramento Hispanic Chamber, the Sacramento Metropolitan Chamber, SBA, and the Sacramento Regional Opportunities Clearinghouse (represented by the City, County, SMUD, and Regional Transit) to form a Sacramento Business Information Center. This Center will provide notices about upcoming projects, assistance with bidding requirements and procedures, and contract plans and specifications.

The goals for the program are ambitious but staff feels confident that they are possible. Since the Agency has not historically collected information on small business utilization the goals are set as initial goals. It is anticipated that as the program becomes fully implemented and statistics are gathered, refinements of this goal may occur.

Though this program is initially designed for Agency direct contracting opportunities, Staff will working encourage utilization in Agency loan /grant funded projects as well. At a minimum, tracking and reporting of utilization of this activity will be implemented. An annual report of utilization will be provided to the governing bodies.

FINANCIAL CONSIDERATIONS

There are no known financial considerations. These programs will be implemented and monitored using existing staff.

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POLICY CONSIDERATIONS

A new SBEP program is consistent with the Agency's mission and is outlined in the Strategic Plan goal to increase business and employment opportunities.

ENVIRONMENTAL REVIEW

The proposed action does not constitute a project under CEQA per Guidelines Section 15378 (b) (3), nor a federal undertaking under NEPA.

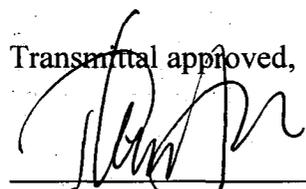
M/WBE CONSIDERATIONS

SBEP is a race and gender neutral program.

Respectfully submitted,


ANNE M. MOORE
Executive Director

Transmittal approved,


ROBERT P. THOMAS
City Manager

RESOLUTION NO. 2001-025

APPROVED
APR 24 2001
SACRAMENTO REDEVELOPMENT AGENCY
CITY OF SACRAMENTO

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF

ADOPTION OF SMALL BUSINESS ENTERPRISE PROGRAM

BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO:

Section 1: The Sacramento Housing and Redevelopment Agency is authorized to adopt a Small Business Enterprise Program as described in Attachment I.

ATTEST:

CHAIR

SECRETARY

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

RESOLUTION NO. 2001-006



ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

ON DATE OF

**ADOPTION OF SMALL
BUSINESS ENTERPRISE PROGRAM**

**BE IT RESOLVED BY THE HOUSING AUTHORITY OF THE CITY OF
SACRAMENTO:**

**Section 1: The Sacramento Housing and Redevelopment Agency is authorized to
adopt a Small Business Enterprise Program as described in Attachment I.**

CHAIR

ATTEST:

SECRETARY

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

ATTACHMENT I

Sacramento Housing and Redevelopment Agency

**Proposed
Small Business Enterprise Program**

I. Introduction

The Sacramento Housing and Redevelopment Agency is in a unique position to play a vital role in providing procurement opportunities for small businesses. The nature and scale of the Agency's procurements lend themselves well to the contracting size manageable to a small business. This is evident statistically. In 1999, for example, of the Agency's 1056 purchase orders/contracts totaling over \$48 million, over 93% were below the \$100,000 threshold. Recognizing the importance of small businesses to the local economy, as providers of services/supplies, taxpaying entities and as major employers, the Agency is interested in fostering the growth of the small business sector by strengthening the connection between small businesses and the Agency's contracting opportunities. The proposed Small Business Enterprise Program, is designed to maintain and enhance the Agency's use of small businesses as part of the Agency's mission to provide business and employment opportunities.

II. Program Goals

The Agency is committed to increasing small business participation in its procurement program. The goals of the SBEP are:

- A. Become a better information broker with respect to Agency procurement opportunities.
- B. Provide procedural assistance to any business enterprise that desires to do business with SHRA, particularly small businesses.
- C. Encourage prime contractors to subcontract a percentage of their work to qualified small businesses.
- D. Achieve a 30% Small Business participation level in all Agency procurement contracts and awards.
- E. Achieve a 15% Very Small Business participation level in all Agency procurement contracts and awards, as a subset of the 30% Small Business Participation goal.
- F. Improve and increase tracking, monitoring, and compliance.

Small Business Enterprise Program

G. Improve program standards and staff training.

The percentage goals were determined by reviewing the nature of the contracting done by the Agency. Because of the type and size of direct contracting and the Agency's procurement staff's knowledge of our current contracting base, the goal was established as 30% for SBEs and, as a subset of that amount, 15% for VSBEs. Since the Agency has not collected official statistics on SBE utilization, however, this is set as an initial goal. It is anticipated that as the program becomes more fully implemented and statistics are gathered, refinements of this goal may occur.

By way of comparison, the City has established a 20% participation level for their Small and Emerging Business Enterprise program.

III. Small Business Enterprise Definition

The Agency has reviewed the variety of definitions of small businesses utilized by other sectors such as the U.S. Small Business Administration (SBA) and the State of California. Additionally, five other California cities (Stockton, Oakland, Fresno and San Francisco) were contacted to determine if they had a program for small businesses and, if so, what definition they used. The table below illustrates the general guidelines and, by way of example, the size standards for a general contractor:

SBA	Has different standards based on industry type. General contractor can have maximum gross receipts equal to \$27.5 million.
State of California (OSBCR)	As of 1/1/01, has one standard for all industries. Together with affiliates, be either: <ul style="list-style-type: none">• A business with 100 or fewer employees and an average annual gross receipts of \$10 million or less over the previous three tax years, or• A manufacturer with 100 or fewer employees
Oakland	Has different standards based on industry type. General contractor, avg. maximum gross receipts for the previous 3 years= \$8.5 mill.
Fresno	No formal small business program. Use federal Dept. of Transportation (DOT) standards when needed for federal funds.
Stockton	No formal small business program. Use federal Dept. of Transportation standards when needed for federal funds.
San Francisco	<i>No formal small business program.</i>
City of Sacramento	For SBEs, uses the state definition. Has a second tier, Emerging Business Enterprise which is lower. A general contractor under EBE is defined as having gross receipts of not more than \$4.25M for the total of the past three years

Most of these levels are higher than the more focused approach the Agency is interested in pursuing. The Agency has recommends to utilizing half of the State of California's Office of Small Business Certification and Resource's levels as described above. In addition, we proposed that a small business be defined as:

1. An independently owned and operated business
2. Not dominant in its field of operation
3. Having a principal office located in California

Small Business Enterprise Program

4. Having officers domiciled in California
5. Together with affiliates, be either:
 - A business with 50 or fewer employees and an average annual gross receipts of \$5 million or less over the previous three tax years, or
 - a manufacturer with 50 or fewer employees

The multiple benefits to this definition are:

1. It is a lower threshold than that established by SBA, the State, DOT and other California cities allowing a focus on the truly small businesses.
2. It is a standard that was reviewed by Agency procurement staff and contracting staff and determined to be a reasonable measure based on their experience and knowledge of our contracting community.
3. Unlike a standard that is tiered by trade or service, this "one-level" system allows the contractors to more easily determine if they qualify as a SBE.
4. More closely reflects the definition used by the City for Emerging Small Business Enterprises.

Staff is also recommending a second tier definition known as Very Small Businesses (VSB). This tier would be 50% of the thresholds outlined above i.e., together with affiliates, be either:

- A business with 25 or fewer employees and an average annual gross receipts of \$2.5 million or less over the previous three tax years, or
- a manufacturer with 25 or fewer employees

The inclusion of this lower tier definition would allow us to track the smaller businesses and provide additional assistance to assist them participate in opportunities (see Assistance and Training section below).

IV. Program Elements

- **Certification**
- **Assistance and Training**
- **Outreach**
- **Advertising**
- **Resources and Information Center**
- **M/WBE Outreach**
- **Tracking and Reporting**

Small Business Enterprise Program

A. Certification

The Agency will allow a business to self-certify as a small business. This **informal self-certification** by business owner can be accomplished when completing the Agency Bidders Application or when submitting a bid or proposal. The Bidder's Application will ascertain the size of the business, as well as M/WBE representation with a signed self-certification (used only for tracking purposes or when required by federal funding sources such as CDBG or HOME funds). This information will be added to the Agency's vendor database.

B. Assistance and Training

Agency staff recognizes that there are a number of impediments which preclude businesses of all sizes, particularly small businesses, from availing themselves of Agency contracting opportunities. Financial resources, familiarity and ability to comply with required regulations such as bonding and prevailing wage are but a few which limit the small business owner's ability to compete.

1. Financing

As part of the SBE program, staff is proposing some specific measures to try and lessen some of those impediments. First, in the area of financing, the Agency currently operates a small business-lending program known as the Grow Sacramento Fund. This program provides financing for working capital, equipment, leasehold improvements, and real estate. Though this program has been in existence since 1997, the connection has not been made in a formal way between it and the contractors/suppliers we utilize. Specific training sessions will be held for procurement staff and any interested vendors to let them know of this "in-house" financing opportunity.

In a similar way, the Agency funds a microenterprise program known as the EnterFund which can provide up to \$25,000 in financing for the range of needs experienced by small businesses. EnterFund staff, part of California Capital Small Business Development Corporation, has been contacted to hold orientation sessions for Agency staff and our vendors.

2. Bonding

The Agency is also introducing a pilot program to assist small businesses meet their bonding requirements. Initially available to Very Small Businesses, this program would allow the Agency to co-sign on a bond for a VSB. This would allow some firms to be eligible for a bond that normally would not and, in other instances, result in a lower cost for the bond. This may result in slightly higher risk for the Agency but, it is envisioned, would lessen one of the impediments for small business' participation.

Small Business Enterprise Program

3. Symposium

Staff will provide procurement information and procedural training to all interested businesses. This will be an on-going process but Procurement Services will plan, coordinate and conduct an Agency's Annual Small Business Symposium. At this Symposium information will be provided on how to do business at the Agency as well as other local governmental entities; what opportunities are available; and financing and other resources.

Staff will also identify and evaluate existing resources to determine the type and extent to which procurement assistance programs are required and accessible to small businesses. Staff will continue to meet with members of other local agencies (e.g. Joint Certification Program Agencies) to plan and participate in procurement opportunity workshops and conferences.

4. One-on-One Assistance

Procurement staff will assist SBEs and VSBEs with any questions that may arise as they are working on preparation of a bid. Technical assistance and mentoring will be done to assist them in navigating the various Agency requirements and regulations. Staff will conduct individual training or small group seminars on how to develop and prepare a formal bid or proposal.

5. Other Resources

Staff will refer SBE and VSBE owners to established resource centers in the greater Sacramento region for basic procurement issues such as:

- Overcoming barriers that may limit or keep small business from participating (i.e. insurance, bonding, and lines of credit requirements)
- Proper planning in meeting procurement schedules and milestones
- Distributing information and communicating Agency programs, procedures and specific procurement opportunities
- Implementing a support service program and putting teams together to successfully bid on Agency projects
- Develop and improve immediate and long-term business management, record keeping and financial and accounting capability for small businesses
- Participate in business mixers, trade shows, and workshops and seminars

C. Outreach

The purpose of outreach and advertising is to increase the Agency's efforts and ability in reaching out to all types of businesses in the Sacramento region and in providing more information on procurement opportunities.

Small Business Enterprise Program

To ensure that the Agency implements a program that continues to increase small business participation, all contracting staff will solicit at least one Small Business for every three businesses solicited. Information on available small businesses can be obtained from the Agency's procurement Services Vendor database. Small businesses can also be found on the State of California Office of Small Business Certification and Resources (OSBCR) on-line database. It may also be possible to find small businesses registered with other local public contracting offices such as the City, County, SMUD, or Regional Transit.

Outreach in itself may not ensure an equitable mixture of business category and size. We will strictly monitor increased outreach accomplishments and make any necessary adjustments. By being proactive, the Agency has the opportunity to increase the participation of both Small and Very Small Businesses in the Agency Procurement Program.

D. Advertising

Staff will ensure the timely advertising of general Agency procurement opportunities in local newspapers, plan rooms, program announcements and trade journals.

The Agency and the Sacramento Builders Exchange have recently partnered in planning, coordinating, and developing the first electronic procurement advertising system, for public agencies, in the Sacramento region. The system is designed to transfer and advertise all Agency construction projects, to include plans and specifications. This new electronic system will significantly increase our outreach potential and may become the model for other local agencies.

The Agency will continue to participate and collaborate with the Joint Certification Program (JCP) members in advertising highly visible, complex and special interest procurements. The JCP members are Sacramento Municipal Utility District (SMUD), the City and County of Sacramento, Regional Transit (RT) and Sacramento Housing and Redevelopment Agency (SHRA).

Web Page. SHRA will list projects on the Internet and will maintain a Procurement Vendor database. Staff will continue to enhance and post all current and future procurement opportunities and requirements on the SHRA web page. Staff will continue to use the Fax-on-Demand system to transfer procurement information. The Agency is implementing an improved Vendor Solicitation and Procurement System. This full procurement system will expand Agency e-commerce capabilities to include requisition processing, solicitation and both contract award and management.

Small Business Enterprise Program

E. M/WBE Outreach

The Agency is required to comply with Federal requirements where applicable (e.g. Housing and Urban Development Assisted Projects). Federal requirements state that prime contractors should conduct outreach to minority/women-owned businesses. This is consistent with Proposition 209, which allows government agencies to consider race and gender for programs when required by federal funding such as CDBG or HOME funded programs for example.

The Agency's redesigned M/WBE Guide helps bidders conduct the federally required good-faith effort outreach to minority and women businesses. **This program differs from the earlier program by deleting goals, bidding preferences and the requirement for formal certification for M/WBE firms.** The Agency's commitment to this process also means that we are always available to help bidders and community members realize contracting opportunities.

F. Resource and Information Centers

The Agency is participating in developing resource and information centers that will be one-stop training and resource centers for all businesses. Staff will continue to participate with both public and private groups like the Small Business Administration and the Sacramento Hispanic Chamber of Commerce in operating the planned Sacramento Business Information Center, a clearinghouse that would include notices about upcoming Agency projects, bidding requirements, and procedures.

G. Tracking and Reporting

Staff will capture and measure small business utilization. This data will be used to routinely measure and evaluate the success of the program and to plan for any necessary adjustments. Tracking and reporting small business participation will be captured at time of award. All Agency procurements with awards greater than \$2000 will be reported.

Though this program is designed for Agency direct opportunities, Procurement Staff will be working with staff throughout the Agency to encourage SBE and VSBE utilization in their loan/grant funded projects. At a minimum, tracking and reporting of utilization of this type of activity will be implemented.

Small Business Enterprise data reports will be prepared monthly and will be presented to the Sacramento Housing and Redevelopment Commission annually.