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DEPARTMENT OF  
ADMINISTRATIVE SERVICES

CITY OF SACRAMENTO  
CALIFORNIA

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OFFICE OF SMALL  
BUSINESS DEVELOPMENT

October 1, 1999

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City Council  
Sacramento, California

Honorable Members in Session:

**SUBJECT: SUMMARY UPDATE ON THE SMALL BUSINESS  
DEVELOPMENT PROGRAM**

**LOCATION/COUNCIL DISTRICT:** Citywide

**RECOMMENDATIONS:**

This is an informational report only.

**CONTACT PERSON:** Trevor Walton, Administrative Services Officer, 264-6764  
Louis A. Zimmerle, Administrative Analyst, 264-8798

**FOR COUNCIL MEETING OF:** October 12, 1999

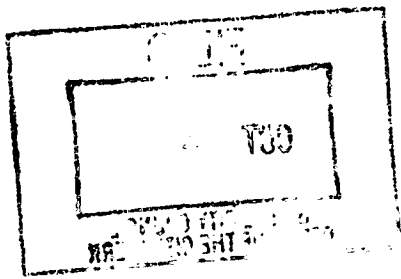
**SUMMARY**

When the City Council approved the establishment of the Small Business Development Program, on February 1999, staff indicated that they would provide an update to City Council later in the year. This report provides information regarding the implementation of the City's Small Business Development Program.

**COMMITTEE/COMMISSION ACTION:** None

**BACKGROUND AND ANALYSIS:**

On February 9, 1999, the City Council established the Office of Small Business Development (OSBD). Attached is a short outline of the program and its components



(Attachment 1). On March 10, 1999, the resolution became effective; changing policy from that of procurement based program to an economic development program designed to support and increase the participation of small businesses in city contracting opportunities. The City Council augmented an additional \$120,000 to develop and implement the Emerging and Small Business Development Program for fiscal year 1998-99. Since February staff has worked aggressively to achieve the implementation timetable it set forth. A detailed list of the tasks completed is provided (Attachment 2). The following has been accomplished.

- Development and implementation of Small Business Development Program Procedures.
- Purchased and installed computer hardware and software to track the utilization of small businesses on city contracts along with expenditures to small businesses.
- Informed stakeholders about the Small Business Development Program.
- Spoken with potential partners to provide and make capacity building tools accessible to small businesses.

#### SMALL BUSINESS DEVELOPMENT PROGRAM PERFORMANCE

The Emerging and Small Business Development Program has compiled a database exceeding 9400 firms/vendors. This compares to a database of 800 vendors with the former program. Staff has compiled the following data about the utilization of small businesses in construction contracting on city projects since March 10, 1999. These figures represent the total contracting dollars expended toward small businesses and the percentages of dollars expended. When the ESBD program was approved, the City Council established a minimum participation goal for small business of 20% for all City contracting and procurement activities. The following is a summary of ESBD performance for the past six (6) months.

- The Public Works Department has expended a total of \$17,213,724. They have achieved an overall small business utilization of 38.41 % (\$6,610,999). Expenditures to small businesses were \$5,290,291 or 30.73%. Expenditures to emerging businesses were \$1,320,692 or 7.67%. These figures represent both formal and informal construction.
- The Utilities Department has ahas expended a total of \$13,444,993. They have achieved an overall small business utilization of 60.95 % (\$8,195,038). Expenditures to small businesses were \$6,513,278 or 48.44%. Expenditures to emerging businesses were \$1,681,760 or 12.51%. Like Public Works these figures represent both formal and informal construction.

Staff will continue to track and monitor utilization and report back to the City Council in February 2000.

The February report will provide a summary of the utilization of small businesses for both construction and non-construction expenditures.

Since the programs inception in March staff has seen the following:

- An increase in requests for applications and information
- Due to the integration of technology, efficiencies in staff utilization, and a reduction in operating costs associated with printing, telephone, and postage.

### STAFF VISION AND OBJECTIVES

In terms of capacity building, the Emerging and Small Business Development Program invokes two approaches. First, the City will either create or coordinate with existing providers to implement cooperative programs to provide financial and bonding support for certified small businesses. Second, the City will work with agencies and service providers to facilitate business management and operations skill development programs for small businesses. It is staff's hope to bring forward to Council for approval in February the following items:

- Establishment of a small business enterprise financing component as part of the Emerging and Small Business Development
- Establishment of a small business law clinic
- Identification of a revenue source other than the general fund, to support the provision of business development tools to benefit small businesses.

### **ENVIRONMENTAL CONSIDERATIONS:**

The recommendations of staff do not constitute a "project" and are exempt from the California Environmental Quality Act (CEQA).

### **FINANCIAL CONSIDERATIONS:**

Staff will report back with in February with a cost analysis for the small business financing component.

### **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,



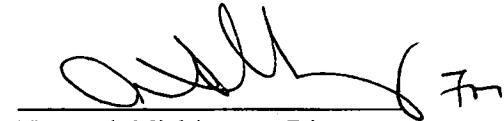
Aaron B. Chong  
ESBD Program Coordinator

RECOMMENDATION APPROVED



Robert P. Thomas  
City Manager

APPROVED



Kenneth Nishimoto, Director  
Administrative Services Department

Attachments

## CITY OF SACRAMENTO – EMERGING AND SMALL BUSINESS DEVELOPMENT (ESBD) PROGRAM

On February 9, 1999, the City of Sacramento converted its Minority/Woman Business Enterprise (MWBE) Program to a race and gender neutral program called the Emerging & Small Business Development (ESBD) Program. The new program enhances contracting and procurement opportunities for emerging and small businesses. The implementation of the new program ends the City's MWBE Program, including good faith efforts.

With the implementation of the ESBD Program, firms participating in City contracting and procurement will have to meet economic threshold standards as an Emerging Business Enterprise (EBE), Small Business Enterprise (SBE), or subcontract a specific amount of work to EBEs or SBEs when selected as a prime contractor or service provider for the City. The ESBD Program has the following key components:

- Emerging & Small Business Enterprise Definitions
  - A Sheltered Market Component for Emerging Business Enterprises
  - Bid Evaluation Preference (5%) for Emerging/Small Business Enterprises
  - Mentor-Protégé Program
  - Emerging & Small Business Participation Goals
  - Capacity Building Components
- **SBE:** The City will utilize State of California Department of General Services, Office of Small Business Certification and Resources Small Business Enterprise definition stating, in part:
 

A small business means – An independently owned and operated; not dominant in its field of operations; principal office located in California; officers located in California; and together with its affiliates is either: 1) A service, construction, or non-manufacturer with 100 or fewer employees, and averaged annual gross receipts of ten million dollars (\$10,000,000) or less over the previous three years; or, 2) A manufacturer with 100 or fewer employees.
- **EBE:** The City will utilize the standards and criteria from the State of California Department of General Services, Office of Small Business Certification and Resources in effect on December 1, 1998 as a foundation for its EBE definition. The City EBE standard, industry by industry, shall be set at 50% of the State SBE criteria in effect on December 1, 1998. A document providing industry specific economic threshold levels is available at the City of Sacramento Office of Small Business Development.
- **Sheltered Market Component:** informal contracts (contracts under \$100,000), at the discretion of City departments, shall be made available only to certified EBEs and/or SBEs.
- **Bid Evaluation Preference:** provides a 5% bid evaluation preference to certified EBEs and SBEs for bids, contracts, or agreements governed by City Code, Titles 57 and 59.
- **Mentor-Protégé Component:** enhances partnerships between large established prime contractors and services providers and EBEs. They will designate specific projects in which the Mentor-Protégé Program will be effective.

Since the overall intent of the program is to have EBEs and SBEs participate in City contracting and procurement activities, the City Council established a **minimum participation goal of 20% in all City contracting and procurement activities**. The goal represents a minimum, overall, City ESBE participation goal. The intended effect of the goal is to establish a minimum participation level for ESBEs in contracting and procurement so prime contractors and service providers hire or sub-contract EBEs and SBEs at meaningful levels. To be considered a responsive bidder for all formally bid construction and purchasing awards, the contract's minimum ESBE participation level (20%, unless adjusted by the City) must be achieved. Good faith efforts will no longer apply.

In terms of **capacity building**, the ESBD program calls for two approaches. First, the City will either create or coordinate with existing service providers to implement cooperative programs that provide financial and bonding support for certified EBEs and SBEs. Second, the City will work with agencies and service providers to facilitate business management and operations skill development programs for EBEs and SBEs. To that end, the City is partnering with various agencies such as the United States Small Business Administration (SBA), Small Business Development Centers (SBDCs), Service Corps of Retired Executives (SCORE), local business chambers, state insurance and funding bureaus, Associated General Contractors of California (AGC), Associated Building Contractors (ABC), and the Sacramento Business Exchange and others to establish practical and meaningful financial, bonding, and business development tools to benefit EBEs, SBEs, and prime contractors.

For more information, contact the Office of Small Business Development: 916-264-6747 or [www.sacto.org/esbd](http://www.sacto.org/esbd)

## Attachment 2

### LIST OF TASKS PERFORMED BY ESDB STAFF

- The Office of Small Business Development has upgraded computers and purchased software which enables staff to identify vendors, track the utilization of small businesses, and monitor expenditures on construction and purchase awards.
- Installed the Biztrac System including twenty (20) search portals among the four operating departments with the highest spending activity within the City Of Sacramento. In addition, over 100 employees (citywide) have been trained on the usage of Biztrac.
- Established a database of over 9000 businesses willing to do business with the City Of Sacramento.
- Developed Biznet as a means to facilitate outreach to small businesses wishing to do business with the City. This is provided to the public free through our web site using the Internet.
- Coordinated with the State of California, Department of General Services, the transmittal of information within their Office of Small Business Certification database to the City.
- Entered into discussions with California Capital, Small Business Development Corporation, to provide and manage financial support to EBEs.
- Entered into talks with the Sacramento District Office of the U.S. Small Business Administration to partner with the City Of Sacramento to uplift small business in the region.
- Met with representatives of California Bank Trust, US Bank, Washington Mutual, and Bank of America to solicit their partnering with the City to provide financing and banking services.
- Met with John McIntyre, Director of Development, McGeorge School of Law to discuss their partnering with the city program to provide legal services to program participants.
- Placed ads in several publications targeted towards small business such as Sacramento Business Network, and the Minority Business & Professional Directory. The ESDB Program was also featured in the Sacramento Business Journal.
- Spoken with COIN regarding bonding and related insurance issues.
- Spoken with the Employment and Training Panel to fund training and business development tools to small businesses.
- Since March 1, 1999, 390 new applications have been mailed out. 348 applications have been returned. Of those returned, 340 vendors have been certified as either a Small Business Enterprise, Emerging Business Enterprise, Minority Business Enterprise, Woman Owned Business Enterprise, or Disadvantaged Business Enterprise.

