



Memorandum

TO: COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE

FROM: Drew Corbett

SUBJECT: SEE BELOW

DATE: October 15, 2024

Approved

Date

10/21/24

**SUBJECT: Department of Finance Contracting with Local and Small Businesses
in Fiscal Year 2023-2024**

RECOMMENDATION

Accept the annual report on contracting with local and small businesses for Fiscal Year 2023-2024.

BACKGROUND

Contracting with local and small businesses is an important goal of the City's procurement programs. Contracting with local businesses helps promote the hiring of local workers and has a positive impact on the Santa Clara County economy.

In the Fiscal Year 2022-2023 annual report to the Community and Economic Development Committee on October 23, 2023, staff shared that reporting on public works (construction) contracting was duplicative and that future reporting efforts by the Department of Public Works would continue to be included in the Annual Citywide Capital Improvement Program Status Report or would be circulated to City Council via an information memorandum. Therefore, procurements of public works and consulting/professional services contracts facilitated by the Department of Public Works and other City departments are not included in this report.

The Finance Department Purchasing & Risk Management Division is responsible for the procurement of goods, supplies, materials, equipment, information technology, and general services in accordance with Chapter 4.12 of the San José Municipal Code¹.

¹ https://library.municode.com/ca/san_jose/codes/code_of_ordinances?nodeId=TIT4REFIBUTA_CH4.12PRGOSE

Section 4.12.320 of the Municipal Code² provides a preference for local and small businesses. A local business is defined as a business with a valid San José Business Tax Certificate and a legitimate business presence in Santa Clara County with at least one full time employee. A legitimate business presence is defined as a principal, regional, branch, or satellite business office. A small business is defined as a local business with 35 or fewer total employees.

This preference is applied in two different ways:

- For price-determinative solicitations, the preference is applied as a 2.5% credit to the bid for local businesses and another 2.5% credit to the bid for local businesses that are also small businesses.
- For qualifications-based solicitations (i.e., where points are awarded for experience, expertise, and project approach), a preference of 5% of the total number of points is given to local businesses, and an additional preference of 5% of the total number of points is given to local businesses that are also small businesses.

ANALYSIS

Table 1 below outlines the estimated total purchase order and contract value awarded by the Finance Department Purchasing & Risk Management Division (including multi-year awards) was approximately \$366.1 million for Fiscal Year (FY) 2023-2024.

Based on available FY 2023-2024 reports, the estimated local business market share for total purchase orders and contract value awarded was approximately \$87.9 million, while estimated awards to small businesses were approximately \$39.8 million. The local and small business awards data was based on whether the business requested and qualified for the preference during the procurement. Many of the local business awards are for maintenance and repair services that typically necessitate a local presence to meet the City's service delivery requirements.

Table 1: Finance/Purchasing Contracts and Purchase Orders

Awards (\$)	FY 21-22		FY 22-23		FY 23-24	
	\$ (in M)	%	\$ (in M)	%	\$ (in M)	%
All	\$302.2	100%	\$313.9	100%	\$366.1	100%
Local Businesses	\$64.5	21%	\$101.6	32%	\$87.9	24%
Small Businesses	\$20.3	7%	\$18.0	6%	\$39.8	11%

² https://library.municode.com/ca/san_jose/codes/code_of_ordinances?nodeId=TIT4REFIBUTA_CH4.12PRGOSE

Awards (#)	#	%	#	%	#	%
All	1,775	100%	1631	100%	1602	100%
Local Businesses	197	11%	300	18%	186	12%
Small Businesses	63	4%	69	4%	102	6%

Efforts to Increase Small/Local Participation in Purchasing Contracts

In August 2024, the Finance Department Purchasing & Risk Management Division participated in County of Santa Clara's Contract Connect outreach event. The event's goal was "to build successful pathways for our shared local, small, and diverse business communities in their pursuit of business opportunities and to, collectively, create a more diverse and equipped public supply chain." During the event, Purchasing staff shared information with the public, addressed questions, and described the City procurement processes and requirements.

The Finance Department also partnered with the Public Works Department in their "Meet the Primes" outreach event in February 2024. This event was programmed to connect local and small businesses with some of the City's prime contractors. Staff will continue researching and pursuing opportunities to participate in virtual and in-person business outreach events as made available and appropriate.

COORDINATION

This memorandum was coordinated with the City Attorney's Office.

/s/
DREW CORBETT
Acting Director of Finance

For questions, please contact Albie Udom, Deputy Director, Finance – Purchasing & Risk Management at Albie.Udom@sanjoseca.gov.