

# *Disadvantage Business Enterprise Program Update*

*June 25, 2018*

*Item (d) 4*

# Background

- Council Priority #5
- March 4, 2016- Release of Request for Qualifications
- June 27, 2016- CED Committee approves approach to develop Citywide contracting program

# Background cont.

- May 23, 2017- City Council approves Master agreements with Silvy Group, and Keen Independent Research LLC, and Milagro Marketing LLC, a Joint Venture

# Phase 1- Environment Scan

The consultants were initially tasked to assess the City environment by the following:

- ✓ Identify current practices, constraints and opportunities
- ✓ Perform a preliminary scan of external business environment
- ✓ Synthesize and report results
- ✓ Develop recommendations for direction in Phase 2

# Presentations

- Keen Independent Research LLC and Milagro Marketing LCC, a Joint Venture
- Silvy Group

# 2018 City Of San Jose Small Business Opportunity and Inclusion Project

## Presentation to Community and Economic Development Committee



### **Presented by Joint Venture:**

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**Oakland CA**



**Monday, June 25, 2018**



## Current LBE and SBE Preference Ordinance

- For SBE preference, must have 35 or fewer employees and also qualify as a local business enterprise (LBE):
  - Current San Jose business tax certificate; and
  - Office in Santa Clara County with at least 1 employee
- Limited to the City's non-construction contracts
- 2.5% for price-based awards and 5% on points-based procurements
- Relatively unchanged since its adoption in 2004

# Preliminary Internal Environmental Scan

Keen Independent/Milagro study team gathered and analyzed information from City staff on current conditions:

- City charter and public works contracts
- Procurements delivered through Purchasing
- Local (LBE) and small business (SBE) preference programs
- Federal Disadvantaged (DBE) Program operations
- Outreach methods



## Preliminary External Scan

### Silvy Group:

- Interviewed a number of public agencies in California and Washington on current programs
- Initiated preliminary survey of businesses
- Based on limited survey response, deduced that target groups may feel disconnected from the City

### Keen Independent:

- Worked with Rosales Law Partners to research legal issues surrounding small business programs
- Examined other programs

## Other Keen/Milagro study team tasks

- Analyzed future capital improvement projects
- Recommended next steps for comprehensive outreach and communications plan (including short-term and long-term initiatives)
- Prepared draft report and presentation of results

## Program approaches for City consideration

- Continuation of preference program for bidders and proposers meeting eligibility criteria (some version of existing Local and Small Business Preference Ordinance)
- Extension of current program to public works contracts
- Contract goals program
- Sheltered market program

## Approach to program eligibility

- Current “local” and “35 or fewer employees”
- New definitions of “small” that align with other agencies’ programs and certifications
- “Economic disadvantage” consistent with Federal DBE program (but no race/gender)
- MBE/WBE/OBE approach (OBE = “other business enterprise”)
- May need to require certification
- Subcontract goals programs require review of compliance over life of contract

## Other potential initiatives

- Bonding assistance
- Working capital program
- Expand awareness of bid opportunities and simplification of bidding processes
- Other efforts

## Keen Independent/Milagro next steps

- Obtain City feedback on potential initiatives, including input on allocation of resources
- Decide which initiatives warrant further investigation
- Solicit stakeholder input from businesses, trade associations and chambers, and other interested groups
- Detailed analysis of potential new programs and implementation
- Advance new short- and long-term communications plan



# SILVY

## GROUP



Presented  
By:  
Bob Silvas

# Key Discoveries

## City Lacks an Effective Communication Program

- Contact Data Exist – Not Readily Accessible
- Available Assistance is Inconspicuous
- Need to Build More Trust
- Greater Understanding of Challenges

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# Proposed Immediate Action

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- Create a Communication Strategy
  - ✓ Web Based Social Media
  - ✓ Marketing Campaign
  - ✓ Opportunity Awareness (OA) Events
  - ✓ Offer Connections to Available Resource
- Develop Basic Workshops/Tutorials
  - ✓ Abbreviated Workshops Provided at OA Events
  - ✓ Create On-Line Tutorials
  - ✓ Future Full Scale Workshops
- Build Realistic Expectations

# Next Steps

## Minor Public Works Threshold Increase

- At the June 26, 2018 City Council meeting, Public Works will bring forward a discussion that includes a possible increase to the threshold for Minor Public Works Contacts (not required to be procured through a formal bidding process) from \$100,000 to \$600,000

# Next Steps cont.

## Outreach Program

- Phase 1: Build Network and Educate
  - Develop and implement immediate outreach and engagement action plan; launching in October 2018;
- Phase 2: Expand Contract Opportunities
  - Analyze each program in the summary report for feasibility, legal considerations, staffing, and resource considerations.
- Report back to Committee on effectiveness of Phase 1 and 2 in early 2019