



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Vice Mayor Chappie Jones

SUBJECT: SEE BELOW

DATE: October 26, 2021

APPROVED:

DATE: October 26, 2021

SUBJECT: CITYWIDE CAPITAL IMPROVEMENT PROGRAM ANNUAL REPORT

RECOMMENDATION

Accept the annual report on the Citywide Capital Improvement Program for Fiscal Year 2020-2021 and approve the following recommendations:

- 1) City Manager and City Attorney to evaluate [Title 27 Procurement of Public Works Chapter 27.06.050 Request for Quotes](#) to increase the credit or “discount” provided if the Contractor is a Local Business Enterprise from 2.5% to 5% and if the Contractor is a Small Business Enterprise from 2.5% to 5%, potentially for a total of 10% if the contractor is both a local and small business.
- 2) Public Works Director to evaluate additional strategies that would increase the participation of small and local businesses in the City’s Capital Improvement Program.
- 3) Department of Public Works to present findings of evaluation at upcoming report to the Community and Economic Development Committee in 2022.

DISCUSSION

The purpose of a Small Business Enterprise (SBE) and Local Business Enterprise (LBE) is to assist small and local businesses when competing for the award of City contracts. As noted in staff’s report, the Capital Improvement Program saw a decrease in the percentage of contracts awarded to local and local/small contractors for both Major and Minor Projects from the previous fiscal year. In addition, even though in 2019 the City approved administering local and small business preference to qualifying contractors on Minor Projects to help increase the award frequency to those contractors, it has yielded zero awards to local and small businesses for the past two fiscal years.

Initially in 2019 the City’s LBE and SBE preferences for procurement of public works contracts were determined at 2.5% each (for a total of 5%) to align with the preferences for the procurement of goods and services. However, it is apparent this preference does not make an impact for small businesses bidding for construction contracts, nor may it be attractive enough for them to bid. Thus,

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it is recommended to evaluate the feasibility of increasing the City's SBE/LBE preferences for Minor Contracts and amend the municipal code accordingly.

I commend Public Works staff for their diligent work on the Construction Academy, Minor Contract Prequalification Program, and collaboration with the Small Business Advisory Task Force as an effort to provide opportunities for small business to work with our City. Evidently, with respect to small and local business participation, the City still has much work to do in leveling the playing field and removing barriers to entry. As noted in previous budget requests and memorandums, I strongly believe a Disparity Study is the key to a balanced procurement program for the City of San José. A disparity study will allow us to collect city-specific data to create effective policies, programs and goals aimed at increasing the participation of small and local businesses in the City's Capital Improvement Program.