

October 2009

## PROCUREMENT OPPORTUNITIES PROGRAM

### Introduction

The County of Sacramento believes in, and encourages, the use of local and small business enterprises in its contracting and procurement activities at all times. The County believes that inclusion - not exclusion - of any interested business enterprise in its contracting and procurement activities is healthy for both the business community as well as the County of Sacramento.

The purpose of the Procurement Opportunities Program is to provide contracting and procurement information or assistance to any business enterprise desiring to do business with the County of Sacramento. The County wishes to enhance economic growth in the Sacramento Regional Market Area by increasing the use of small business enterprises in the County's procurement and contracting activities.

The information portion of the program is designed for any business enterprise wishing information about doing business with Sacramento County. This information focuses primarily on advertising contracting opportunities and addressing ways to overcome procedural barriers encountered in the procurement process. By providing this information to as many businesses as possible, it should increase the number of potential bidders and thus increase competition.

The assistance portion of the program includes education and training for any interested business enterprise, and it includes economic assistance for business enterprises that meet certain standards. Under this program, the County will offer an economic price preference on supply contracts, issued through the Department of General Services, Contract and Purchasing Services Division, if:

- the bidder is a State certified micro-business enterprise,
- is located within the Sacramento Regional Market Area, and
- the lowest responsive bid is less than \$250,000.

For the purpose of this program, the Sacramento Regional Market Area is defined as Sacramento, El Dorado, Placer, Sutter, Yolo and Yuba counties.

Economic assistance (preferences) will only be applicable on contracts issued by the Department of General Services, Contract and Purchasing Services Division. Preferences **will not** be applicable to:

- Limited Purchase Orders, or procurement card transactions.
- Contracts issued by County departments under their delegated contracting authority.
- Contracts departments take directly to the Board of Supervisors for approval and not executed by the Purchasing Agent. This includes construction contracts, professional service contracts, and architectural and engineering professional service contracts.

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## **Policy**

It is the intent and policy of the County of Sacramento to institute and maintain a Procurement Opportunities Program which provides for:

- Equitable utilization of small business enterprises in the County's contracting and procurement activities.
- Identifying and eliminating any institutional barriers that would restrict active participation by any business enterprise in the County's contracting and procurement activities.
- Partnering with business and community groups and organizations to provide assistance and training to any business enterprise on contracting and procurement with the County.

## **What is the Procurement Opportunities Program?**

The Procurement Opportunities Program is a race- and gender-neutral program designed to promote contracting and procurement opportunities for small and local business enterprises located in the Sacramento Regional Market Area. The program is designed to foster inclusiveness within the County's contracting and procurement activities with an overall goal to provide more opportunities for small business enterprises to participate in the process.

## **What is the purpose of the Procurement Opportunities Program?**

The purpose of the Procurement Opportunities Program is to provide contracting and procurement information or assistance to any business enterprise desiring to do business with the County of Sacramento. The County desires to enhance economic growth in the Sacramento Regional Market Area by increasing the use of small business enterprises in the County's procurement and contracting activities.

## **What are the program components?**

### **Goal**

The County's goal is to spend twenty-five (25%) of its contracting and procurement dollars with certified or self-declared small businesses located within the Sacramento Regional Market Area. (This goal matches that of the State of California in its small business program).

### **Small Business Preference**

Provide a five percent (2%) price or point preference on supply and non-professional service contracts of less than \$250,000 issued through the Department of General Services, Contract and Purchasing Services Division to certified micro-business enterprises located in the Sacramento Regional Market Area.

### **Local Business Preference**

Provide a two percent (2%) price or point preference on supply and non-professional service contracts of less than \$250,000 issued through the Department of General Services, Contract and Purchasing Services Division to business enterprises located in the Sacramento County and to vendors located in counties within the Sacramento Regional Market Area (El Dorado, Placer, Sutter, Yolo and Yuba), if those counties have a reciprocal Local Vendor Preference provided to vendors located within Sacramento County. The 2%

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small business preference shall be combined with the 3% local business preference, when applicable.

#### **Solicitation**

For all invitations for bid, quote, or proposal issued through the Department of General Services or the Department Field Order program, not less than one-third of the invitations will be to small business enterprises, when available. If staff is not able to find sufficient small businesses to achieve the one-third standard, staff will search available vendor databases (e.g., COMPASS, the State) in an attempt to find additional small business enterprises.

The Department Field Order (DFO) program (a delegated purchasing program utilized by department "DFO Buyers") includes a provision requiring the departments to obtain multiple quotes based on the dollar amount of the purchase. This program will eliminate the quoting requirement if the "DFO Buyer" issues a DFO to a certified micro-business in the Sacramento Regional Market Area. When obtaining multiple quotes, the DFO Buyer shall apply all applicable preferences stipulated in this program.

#### **Outreach**

- The Department of General Services advertises currently available contracting opportunities on its web site. The General Services web site can be reached from the County portal page. The web site is available for any department to use to advertise their contracting opportunities. Or, as an alternative, the Department of General Services will provide a link to other County department web sites to advertise bidding opportunities.
- Through collaboration with other governmental agencies, community groups, and local business information centers, the County will provide education and training to assist business owners to better understand the County's contracting and procurement process.
- Partner with the Alliance for Business and Community to maximize available resources to advertise and promote contracting and procurement opportunities with the County.

#### **Certification**

- The County will utilize the State of California, Office of Small Business Certification and Resource (OSBCR), for small business certification.
- The County will allow a business enterprise to self-declare that it meets the County's definition of a small business but it can not participate in the benefits provided for certified small businesses.
- The County will accept certifications from any governmental agency that has a reciprocal agreement with the OSBCR, such as the City of Sacramento.

#### **Job Order Contracting**

Require sub-contractor participation by certified small business enterprises of not less than 25%. **Good faith efforts** will not be required.

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### **Who benefits from the Procurement Opportunities Program?**

#### **Businesses**

The benefits of the Procurement Opportunities Program for small business enterprises is the opportunity to compete with the larger, more established businesses, an opportunity for business growth, and an opportunity to participate in the County's contracting and procurement process.

Small business enterprises, certified as a micro-business by the State of California and located in the Sacramento Regional Market Area, are eligible for a two percent (2%) price or point preference, if the lowest responsive bid is less than \$250,000.

Business certified by the State of California, Office of Small Business Certification and Resource are included in the State's database of certified small businesses. Other state and local agencies utilize this database, thus expanding the potential for contracting and procurement opportunities throughout the state.

#### **Community**

By including more businesses in the County's contracting and procurement activities, competition is enhanced. Enhanced competition leads to a healthier business environment, higher regional employment and a higher quality of life for County residents and neighbors.

#### **County**

The County benefits from increased competition in the bidding process. Increased competition allows the County's contracting professionals to procure the highest quality product at the lowest possible cost to the County.

### **What County departments and agencies are involved in the Procurement Opportunities Program?**

Only the Department of General Services, Contract and Purchasing Services Division is directly involved in the Procurement Opportunities Program.

When other departments and agencies procure materials and supplies, they are encouraged to utilize certified micro- or small business enterprises whenever possible. This includes purchases made using Department Field Orders (DFO), Limited Purchase Orders (LPO) and Procurement cards (Pcards). The absence of a preference does not mean micro- or small business enterprises should not be used.

For purchases made with DFOs, any purchase of \$3,000 or more requires three quotes of which one must be from a small business enterprise. The small business must meet the County's definition of a small business (see following section). However, the purchase can be made without obtaining three quotes if the DFO is awarded to a certified micro-business in the Sacramento Regional Market Area.

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### What are the County's definitions of local, micro, and small business enterprises?

#### Local business enterprise

The County's definition of a local business enterprise is:

- the business has a facility (other than a Post Office Box) with a County of Sacramento address
- the business has a facility with an address located within a county in the Regional Market Area (other than a Post Office Box), applicable only if that county has a reciprocal Local Vendor Preference provided to businesses within Sacramento County
- The business will attribute any sales tax from the sale to either a city located within Sacramento County, or to the County of, Sacramento (not applicable to businesses located outside of Sacramento County), and
- The business has had a business license issued by the County or an incorporated city located within the County for at least six months prior to the opening of the bid/proposal (businesses located outside of Sacramento County and participating under the Regional Market Area reciprocity will be required to have a business license from the county or city located within the county offering reciprocity).

#### Small business enterprise

The County's definition of a small business enterprise is:

- It is independently owned and operated.
- It is not dominant in its field of operation.
- Its principal office is located in the Sacramento Regional Market Area (Sacramento, El Dorado, Placer, Sutter, Yolo and Yuba counties), and
- Together with its affiliates, it is either:
  - ◇ A service, construction, or non-manufacturing firm with 50 or fewer employees and **average annual gross receipts** of five million dollars (**\$5,000,000**) or less over the previous three years, or
  - ◇ A manufacturing firm with 50 or fewer employees.

#### Manufacturer

A manufacturer is a business that meets **both** of the following standards:

- It is primarily engaged in the chemical or mechanical transformation of raw materials or processes substances into new products.
- It is classified between Codes 2000 to 3999, inclusive, of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition.

#### Micro-business enterprise (preference eligible)

The County's definition of a micro-business enterprise is:

- It is independently owned and operated.
- It is not dominant in its field of operation.

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- Its principal office is located in the Sacramento Regional Market Area (Sacramento, El Dorado, Placer, Sutter, Yolo and Yuba counties), and
- Together with its affiliates, it is either:
  - ◊ A service, construction, or non-manufacturing firm with 25 or fewer employees and **average annual gross receipts** of two million, seven hundred fifty thousand dollars (**\$2,750,000**) or less over the previous three years, or
  - ◊ A manufacturing firm with 25 or fewer employees.

#### **Self-declared business enterprise**

A self-declared business enterprise is one in which the ownership has chosen not to formally certify as a small business but wishes to be tracked as a small business. The County encourages any business that does not wish to formally certify as a small- or micro-business to self-declare if they fit the County's size and ownership standards. Business owners may be required to provide supporting documentation to substantiate their claim.

Any business that self-declares itself as a micro-business **will not** be eligible to receive a preference, and it is possible for it to lose an award to another micro-business due to a preference.

The County encourages businesses to certify with the State of California, Office of Small Business Certification and Resource in order to maximize the allowable program benefits.

#### **What does certification mean and self-declaration mean?**

##### **Certification:**

Certification means that the business enterprise has established the fact that it meets the size and ownership standards of the small business program. This ensures both the business enterprise and the County that any benefits guaranteed under the program are provided to business enterprises that have met program standards. The level to which a business is certified - micro-business or small business - determine its eligibility for the County's economic price preference.

Certification also means that a business may receive solicitations to bid on contracting opportunities from other state and local agencies. A business enterprise does not have to respond to any or all of the solicitations, but the certification process enhances the potential for solicitations from a number of governmental agencies.

##### **Self-declaration**

The County will accept an affidavit or declaration that a business enterprise meets the County's size and ownership standards. The County may request additional information from the business enterprise to support its claim for self-declaration. The County will accept self-declarations as a means to help it track dollars spent. The County will also encourage any business that has self-declared to formally certify with the State of California as a small or micro-business. Program incentives **will not** be available to business enterprises that are not formally certified with the State or a reciprocal agency.

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### How do the price preferences work?

The example below demonstrates the method used to determine the successful bidder on contracts of less than \$250,000.

Bidders	2% Small	3% Local	Bid Amount	Adjusted Amount
Bidder A (Formally certified micro-business - Sacramento)	Yes	Yes	\$22,179	\$21,111.20
Bidder B (Formally certified micro-business - Davis)	Yes	No	\$21,983	\$21,555.88
Bidder C (Uncertified business, large or small, self-declared small or micro-business)	No	No	\$21,356	\$21,356
Bidder D (Local business, large)	No	Yes	\$22,000	\$21,359.32

In this example,

- Bidder A is a formally certified micro-business located within the Sacramento Regional Market Area and is eligible for both the 2% micro-business and 3% local business price preference.
- Bidder B is a formally certified micro-business located within the Sacramento Regional Market Area (but not in Sacramento County) and is eligible for the 2% micro-business preference.
- Bidder C, an uncertified business enterprise or self-declared small or micro-business enterprise, is the lowest responsive bidder.
- Bidder D, a local large business is eligible for the 3% local preference.

The preference is calculated as follows:

Formula:

Bid Amount – (Lowest Bid Amount \* preference percentage [3% for local, 2% for certified micro-business within the Regional Market Area, or 5% for local and certified micro within Sacramento County])

- **Bidder A:** \$22,179.00 - \$1,067.80 (5% of \$21,356.00) = \$21,111.20. Bidder A, with the 5% micro-business and local business preferences becomes the lowest responsive bidder, but the bid award amount is \$22,179.
- **Bidder B:** \$21,983.00 - \$427.12 (2% of \$21,356.00) = \$21,555.88.
- **Bidder C:** \$21,356 - The amount is not adjusted since the vendor is ineligible for either preference.
- **Bidder D:** \$22,000.00 - \$640.68 (3% of 21,356.00) = \$21,359.32.

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The price or point preference is used as a calculation for determining the lowest bidder, and does not affect the actual amount paid to the vendor. In this example, the award would go to Bidder A (the formally certified micro-business located in Sacramento) for \$22,179. Although the "preference" applied to the winning bidder is \$1,067.80, the net costs to the county in this example is \$823 (the difference between Bidder A and Bidder C's actual bids).

The preference amount is the additional amount the County is willing to pay to do business with certified micro-businesses located in the Sacramento Regional Market Area. Because the price preference is applicable to bids of less than \$250,000, the small business preference will not exceed \$5,000 and the local business preference will not exceed \$7,500 on any one bid (for a possible combined preference total of \$12,500).