



November 20, 2020

Community & Economic Development Committee
City of San Jose
200 E Santa Clara Street
San Jose, CA 95113

SUBJECT: Agenda Item 6. Local/Small Business Contracting Participation Update for Fiscal Year 2019-2020.

Dear Members of the Community & Economic Development Committee,

On behalf of the Small Business Advisory Task Force (SBATF), which is facilitated by the Council District 1 Office and made up of leaders of local chambers of commerce and business associations, we commend and support the work of various City Departments in the concerted effort to increase contract opportunities for small and local businesses with the City of San Jose. The SBATF has been instrumental in providing feedback to the Public Works Department and others on programs and policies that impact small businesses and greatly appreciates their collaboration and consideration. In reviewing the report on Contracting with Local and Small Businesses in FY 2019-20, I write to you in strong support of the City's steady trajectory of contracts and dollars awarded to small and local businesses, and to suggest some additional efforts for consideration in order to continue and improve that trajectory.

First, we commend the Finance Department Purchasing Division and their workplan to continue expanding outreach efforts to increase small and local business participation. Second, we commend the Public Works Department for their continued efforts and progress on the development and implementation of the Minor Public Works Contract Prequalification Program, the Public Works Academy, and policy changes across departments aimed at improving education and outreach to address the challenges that small and local businesses face when attempting to do business with the City.

Considering the tremendous impact that COVID-19 has had on small and local businesses particularly, the City must continue to do more. It is a relief to see that the dollars and number of contracts awarded to small businesses has either remained steady or has increased when compared to the previous fiscal year. However, to continue and increase that trajectory, a targeted effort towards benchmarking, data collection, identification of effective strategies, and adoption of a goal or threshold for which the City can work towards are recommended in order to accomplish more impactful and enduring results. As stated in the report, "with a five-year CIP valued at nearly \$4 billion, the City must be proactive to ensure that we are 'Building our City with our Community' by providing opportunities for our small and local businesses."

1. Data Collection & Evaluation of Effective Strategies

Staff notes the need to continue to collect data and track local/small business participation. This information is crucial in identifying what strategies are working and how they can be modified for more impactful results. In addition to tracking local/small business participation, Public Works also started obtaining additional CIP participation data such as Women-owned Business Enterprise (WBE), Minority-owned Business Enterprise (MBE), Disadvantaged Business Enterprise (DBE), Lesbian, Gay, Bisexual, and Transgender Business Enterprise (LGBTBE) and Veteran Owned Small Business (VOSB). Due to legal constraints, the City is not able to make any specific procurement decisions based on the information. I recommend for the Administration to further research this legal constraint, and how the City can create more preferences, in addition to small and local, to increase minority owned business participation. It is understood that if the City were to implement a disparity study, this could potentially provide support indicating the need for preferences based on race, ethnicity, gender, sexual orientation, etc.

2. Break-Down of Major Contracts to Minor Contracts

As mentioned, FY 2019-20 is the first fiscal year that the CIP has reported on minor public works contracts. During this fiscal period, the City awarded contracts to local and local/small contractors more frequently under minor contracts. “The higher award percentages on minor contracts is not surprising as most smaller contractors do not have the financial capacity to hold the larger contracts and therefore their bid participation is higher on minor contracts.” As a result of this analysis, I request that the administration consider a coordinated effort across departments to break-up contracts into smaller and minor public works contracts, thus increasing opportunities for local and local/small contractors to participate in bids and work with the City.

3. Promote or Create a Matchmaking/Mentorship Program for Small and Underrepresented Businesses

To address the low award percentages on minor contracts, develop a Matchmaking Program in which small businesses can meet and establish relationships with prime contractors and representatives of the City; at the same time, businesses can answer questions that could serve as a screening or qualification for a Mentorship Program that could lead to doing business with the City. A proactive matchmaking program could serve as a complement to the proposed consideration of Minority-owned Business Enterprise (MBE), Women-owned Business Enterprise (WBE), and Other Business Enterprise (OBE) contract goals.

4. Benchmarking – How Do We Compare with Other Cities? What is the City’s Goal?

As noted in the report, administration will continue to track various data points in order to establish benchmarking measures. Over the last five fiscal years, the report notes fluctuation in total number of major construction dollars and contracts and portions awarded for local and local/small businesses. The City’s goal is to increase percentage of contracts and dollars awarded in the local and small business categories year over year. This goal makes sense when

awarded contracts and dollars are rather low as demonstrated in previous years, especially in FY 2018-19. The next step should include learning about how we compare to other cities, such as Oakland, San Francisco, San Diego and others as appropriate so that we can understand what goal or threshold we should adopt and strive to achieve. Now more than ever when small businesses are struggling to survive in the midst of the current pandemic, the City should do its best to ensure longstanding opportunities.

Thank you for your consideration. We commend the Committee's and Council's direction and prioritization of disadvantaged businesses and local/small contracting participation. We appreciate staff's hard work and implementation of effective policy and programs established to improve local/small business contracting participation, and we look forward to continuing to work with City Administration to further develop opportunities for small business growth.

Sincerely,

Dennis King

Dennis King

*Vice Chair, Small Business Advisory Task Force
Executive Director, Hispanic Chamber of Commerce*

Members of the San Jose Small Business Task Force:

Vice Mayor Chappie Jones
Hispanic Chamber of Commerce
FilAm Chamber of Commerce Silicon Valley
Rainbow Chamber of Commerce
Silicon Valley Black Chamber of Commerce
Silicon Valley Chinese Technology & Business Association
The Silicon Valley Organization
Winchester Business Association
Taiwanese American Chamber of Commerce
Vietnamese American Chamber of Commerce
Vietnamese American Chamber of Commerce of Northern California