CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

# Memorandum

**TO:** Rules Committee

**FROM:** Chuck Reed

**SUBJECT:** **Disadvantaged Business Enterprise (DBE) Participation for Federally Funded City Contracts**

**DATE:** June 14, 2005

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## REQUEST

Please agendize for Council discussion and action the recommendations from the Small Business Development Commission for steps to take to improve Disadvantaged Business Enterprise (DBE) participation rates on federally funded city contracts.

## BACKGROUND

The Small Business Development Commission (SBDC) recently reviewed a report and presentation from the Office of Equality Assurance regarding DBE participation in Federally-Funded construction projects and related professional services. Their review of the report indicates that only once in the last six years has the City met its DBE participation goal. The Commission also recommends that the city undertake additional steps to improve the DBE participation rate. (See attached memo)

Chuck Reed

Chuck Reed
Councilmember

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

# Memorandum

**TO:** HONORABLE MAYOR AND CITY COUNCIL

**FROM:** Small Business Development Commission

**SUBJECT:** SEE BELOW

**DATE:** May 25, 2005

**SUBJECT: DISADVANTAGED BUSINESS ENTERPRISE (DBE) PARTICPATION GOALS FOR FEDERALLY-FUNDED CITY CONTRACTS**

## BACKGROUND

The Small Business Development (SBD) Commission recently reviewed a report and a presentation March 11, 2005 from the Office of Equity Assurance (OEA) regarding FY 04/05 Goals for Disadvantaged Business Enterprises (DBE) participation on Federally-Funded construction projects and related professional services. The goal indicates over $2 million in available opportunities this fiscal year for certified DBEs to participate in city contract activities, primarily for infrastructure improvements.

OEA develops annual DBE Goals based on a Federally-mandated formula that takes into account both the types of contracting specialties required for specific funded projects, and the relative number of registered DBEs that perform such specialties that are located within reasonable proximity to the project site.

A review of past performance reveals the following DBE participation goals and results:

| | | |
|---|---|---|
| FY 98/99 | Goal 15% | Achieved 1% |
| FY 99/00 | Goal 6% | Achieved 6.4% |
| FY 00/01 | Goal 6% | Achieved 5.5% |
| FY 01/02 | Goal 5% | Achieved 0% |
| FY 02/03 | Goal 5% | Achieved 2% |
| FY 03/04 | Goal 7% | Achieved 5% |
| FY 04/05 | Goal 14% | |

**This data reveals a startling fact: only once in the last six years has the city met its DBE participation goal.** This record represents millions of dollars of DBE contracts that were ultimately awarded to non-DBEs by the City. Clearly, efforts to achieve DBE participation goals in the City contracting have fallen short. Furthermore, as a bench mark, neighboring municipalities have consistently set higher goals and have achieved higher participation rates than San Jose!

## RECOMMENDATION

We recommend that the city undertake additional steps to improve the DBE participation rate so that San Jose will actually achieve its DBE participation goals in FY04/05 and beyond:

1. Adopt a formal policy statement and program for including DBE in all procurements and contracts for federally-funded City programs that require DBE participation. Promulgate this policy statement throughout all appropriate departments of the City, and on City websites and other public outreach mechanisms.
2. Review DBE outreach programs in other municipalities that have more effectively met their DBE goals, with a goal of adopting the most effective policies and procedures employed by other municipalities.
3. Establish a specific outreach program to encourage DBE participation in City contracts, using as a model the DOT website, which incorporates many elements of an effective outreach program (review MRC services http://osdbu.dot.gov/).
4. Require that departments that use federal funds comply with reporting requirements to the Council and City Manager's office in a timely manner.
5. Investigate the use of Supportive Services funds, which are explicitly allocated by the federal government for DBE program activities. A careful review of the Supportive Services may yield additional funding for implementing these critical services.

We believe the City of San Jose can achieve its DBE participation goals. Heightened awareness and active review of City efforts in this area is this first step in improving our performance.

On behalf of the Small Business Development Commission,

Matt Kamkar

MATT KAMKAR
Chair,
Small Business Development Commission

James Charles

JAMES CHARLES
Vice Chair,
Small Business Development Commission