

Small Business
Opportunity Program
Task Force
Findings and
Recommendations

Report to Mayor Anthony Foxx

Michelle Fish, Task Force Co-Chair
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7/26/2010

INTRODUCTION

Mayor Foxx established the Small Business Opportunity (SBO) Program Task Force in January 2010. The Task Force is a City Council approved 15 member citizen group charged with reviewing the City's Small Business Opportunity Program. The Mayor, in announcing the Task Force noted, "I am confident in the expertise of these Task Force members to identify ways to strengthen Small Business Enterprise utilization through the City's procurement processes." (Appendix 1)

In order to ensure stakeholder feedback throughout the Task Force process, stakeholder representatives from the following groups were invited to attend and speak at several of the Task Force's meetings: Small Business Opportunity Program Construction Liaisons, City-certified Small Business Enterprises (SBEs), Prime Contractors, and the Metrolina Minority Contractors Association. In addition, all Small Business Enterprises were provided an opportunity to provide feedback to Task Force members by e-mail.

The Task Force has completed its mission, and has achieved consensus on a comprehensive set of recommendations that will help support entrepreneurship and continuity of Charlotte's small business community.

This report presents the findings and recommendations of the Task Force.

BACKGROUND

SBO Program Summary

The City of Charlotte has a long history of creating and implementing economic development strategies to support and encourage local business growth at all levels. Until January 2002 the City operated a Minority and Women Business Development Program (MWBD). The MWBD program was terminated in 2002 after a legal challenge.

In March 2003, City Council adopted the race and gender neutral Small Business Opportunity Program. The program enabling legislation, which authorized the City of Charlotte to establish a Small Business Enterprise program, allows the City to establish bid and proposal specifications that include goals and good faith efforts requirements to enhance participation by small businesses in City contracts. The legislation also permits the City to consider a bidder's compliance with such requirements in awarding contracts, and to refuse to award contracts to bidders that fail to comply.

The SBO Program benefits local small businesses that are certified by the City (SBEs). Its focus includes identifying contracting opportunities for SBEs, working with the City's Key Business Units (KBUs) to set SBE utilization goals, and tracking and reporting on achievement of these

goals. The SBO Program also offers SBEs the “Advance Your Business” Development Program consisting of:

- **Small Business Workshop Series:** The City offers free monthly workshops and seminars and networking opportunities for small businesses.
- **Central Piedmont Community College (CPCC) Institute for Entrepreneurship (IE) Partnership:** The City provides SBEs tuition assistance of up to \$300 each fiscal year; SBEs can select from a range of CPCC’s entrepreneurship course offerings.
- **CPCC’s *Getting to the CORE of Business Strategic Development Program:*** The City encourages SBEs to participate in this five-month program, which kicked off in Spring 2010. The Program provides business owners individualized, practical training to integrate, implement and execute a focused growth strategy.
- **Professional Association Sponsorships:** The City provides a one-time partial sponsorship of \$100 toward annual membership dues for SBEs in the following organizations: Charlotte Chamber, Latin American Chamber of Commerce, Association of General Contractors (AGC), Metrolina Minority Contractors Associations (MMCA), and National Association of Women Business Owners (NAWBO).
- **Mentor Protégé Program:** Hands-on managerial and technical assistance by matching SBE owners and managers in need of guidance and training with larger more experienced companies
- **Survive & Thrive:** The City encourages SBEs to attend an educational monthly breakfast series offered in partnership with the Charlotte Chamber and other area small business providers.
- **ACCESS:** The City partners with other local government agencies and small business resource providers to coordinate and hold a yearly half-day procurement conference.

Another focus of the City’s SBO Program is the SBE Loan Fund, an innovative public/private fund established in 2003 to assist small businesses with gaining access to capital. The fund provides more flexible underwriting guidelines than traditional lenders. Businesses eligible for financing through the SBE Loan Fund typically would not be able to secure financing from a traditional bank. The SBE Loan Fund is administered by Self Help, a North Carolina non-profit community development lender. It is important to note that the SBE Loan Fund fell outside the Task Force’s charge and was therefore not included in the review process.

Task Force Process

The Task Force's review of the SBO Program spanned several months and included all aspects of the Program (certification, compliance, utilization, development, and reporting). To identify the Task Force's areas of focus and recommendations the following actions were taken:

- Conducting an SBE Inventory of Skills Survey (Appendix 2), which provided general information about the City's certified SBEs in terms of how many people they employ, how long they have been in business, and desired training opportunities, among other areas.
- Formation of a Measurement and Tracking Subcommittee, which was charged with reviewing the Program's measurement and tracking procedures as they relate to SBE utilization goals. This subcommittee reviewed an extensive amount of data, all of which is included in Appendix 3.
- Strengths, Weaknesses, Opportunities, and Threats (SWOT) Analysis, which evaluated the Program by identifying both the internal and external factors that are favorable and unfavorable to the SBO Program achieving its objectives (Appendix 4).

FINDINGS AND RECOMMENDATIONS

Disparity Study

Findings

The Task Force reviewed the existing 2003 City of Charlotte Disparity Study conducted by MGT of America. The Task Force found that given the lapse of time and changing demographics, the existing study needs to be updated to reflect current population and business activity. The Disparity Study provided quantitative benchmarks reflecting minority/woman availability based on data from 1998 through 2002. The Task Force concluded that a new Disparity Study is needed to provide similar benchmarks based on 2006 through 2010 data. The updated Disparity Study will provide the data, analysis, and recommendations as to whether a race and gender conscious program is warranted.

The Task Force received feedback from SBEs and the Metrolina Minority Contractors Association (MMCA) in support of updating the 2003 Disparity Study. Additionally, the Task Force requested that City staff contact MGT of America to obtain a quote and proposal for conducting an update to the Disparity Study.

Recommendation

The Task Force recommends the City update its Disparity Study using a two-phased approach:

- **Phase 1.** This phase would compare the utilization of minority and women owned firms on City contracts to the availability of these firms in the relevant market to determine whether disparity exists.
- **Phase 2.** If disparity is found in Phase 1, Phase 2 would be needed to determine if there is a legal basis to establish a race and/or gender conscious procurement program. Phase 2 would include conducting public hearings and gathering anecdotal data regarding discrimination. It would also include an analysis of discrimination in the private sector on construction related contracts and evaluating the effectiveness of race and gender neutral initiatives that have been used in the relevant market area.

The City's FY11 Budget includes an appropriation of \$310,000 for the purpose of a Disparity Study update.

Informal Goal Setting Process

Findings

A review of SBE Quarterly Utilization Reports revealed that existing Citywide and Key Business Unit (KBU) informal SBE goals do not accurately reflect available SBE opportunities within the City and each respective KBU.

The Task Force found the recently increased Citywide informal SBE utilization goal of 12% unattainable because it lacked consideration of the following:

1. **Data Validation:** During Fiscal Year (FY) 2009 City staff spent significant time correcting a discrepancy within the City's internal SBE reporting system. The discrepancy included certain transactions not being reported in previous quarterly reports. This concern was highlighted in both the FY2009 SBE Mid-Year Utilization and Year-End reports.
2. **Availability of Certified SBEs:** For many of the goods, materials, and services procured by KBUs, the nature of the product limits the procurement options. For example, in many instances, software maintenance is available only from the company that licenses the software. When an equipment component fails, it is often necessary to replace the defective part with an Original Manufacture (OEM) part to avoid invalidating the warranty. While these purchases are calculated as part of informal spending dollars, they do not present opportunities for the inclusion of SBEs.
3. **Competing City Policies – SBO Policy vs. Procurement Policy:** Many KBUs have been consolidating smaller informal contracts into larger formal contracts to gain volume pricing that helps reduce overall KBU expenditures. The business decision to pool contracts often makes it difficult for SBEs to win these formal bid opportunities because many SBEs lack the size and economies of scale to render them the low bidder. The practice of pooling smaller informal contracts has also decreased the funds available for

informal spending and resulted in fewer dollars available for SBE purchases. Examples of this include the formalization of individual janitorial contracts into an “umbrella” janitorial contract.

Recommendation

Given the City’s emphasis to pool goods and service purchases into formal contracts, and the limited availability of certified SBEs in meeting unique KBU procurement needs, it is recommended that City staff develop a process for more closely linking informal SBE goals to SBE availability and KBU opportunities. The decision to increase Citywide SBE Utilization Goals from 10% in FY09 to 12% in FY10, accounting for a 20% increase, is not reflective of existing purchasing opportunities.

SBE Notification of Informal Opportunities

Findings

Informal contracts fall into one of two categories: (1) Construction Contracts \$200,000 and under; and (2) Service Contracts \$100,000 and under. Contracts and purchases within the City’s informal range do not require public advertisement. SBE feedback revealed that SBEs are often unaware of informal contracting opportunities within the City’s KBUs.

The Task Force also identified the City’s lack of an enterprise-wide central contracting and procurement system as a weakness which hinders the flow of communication of contract opportunities to SBEs.

Recommendation

The Task Force recommends that staff explore establishing a mechanism for notifying SBEs of informal contracting opportunities, specifically for non-construction contracts between \$25,000 and \$100,000, and construction projects between \$25,000 and the formal contracting limit. With increased SBE notification of informal contracting opportunities the City could also potentially see an increase in its informal SBE utilization numbers.

Formal Construction Opportunities

Findings

Construction Contracts Threshold. The current formal construction threshold established by the City is set at \$200,000. It is at this \$200,000 threshold that the City publicly advertises all Construction contracts. The State of North Carolina however, has established its formal construction threshold at \$500,000 (NC G.S 143-129), and state law allows Charlotte to use the \$500,000 threshold.

The Metrolina Minority Contractors Association recommended increasing the formal construction threshold to \$500,000 to provide SBEs with more opportunity to participate in City contracts as primes. Feedback received from SBEs and SBO Liaisons supports this recommendation. Because NC Statutes require that construction contracts be awarded to the lowest responsible bidder, raising the limit would allow the City to reach out to SBEs that may not be able to compete with larger companies in a public bid context (due to economies of scale, and cheaper access to materials, capital, and equipment).

To consider the potential impact of raising the threshold, staff summarized SBE utilization of SBEs as primes and subs on projects awarded in FY 2009 (Appendix 3). While that analysis is inconclusive, the Task Force and staff believe that the opportunities for increasing SBE utilization as primes warrant raising the formal construction threshold, at least on a trial basis.

The Task Force acknowledged that prime contractors may express concerns about bid opportunities in the \$200,000 to \$500,000 range being solicited without public advertisement, thus reducing prime contractors bidding opportunities.

SBEs and the Metrolina Minority Contractors Association also requested that the City look to increase the level at which it requires a construction bond. By State statute, construction projects require a performance bond if the construction project is estimated to cost the City greater than \$300,000. The City currently requires a bond for construction projects expected to exceed \$300,000. Furthermore, when the total construction contracts awarded for one project exceed \$300,000, the City is required by statute to get performance and payment bonds for any contract on the project that exceeds \$50,000.

Payment Affidavit. Contractors are required to report to the City the total dollars paid to each SBE on each Contract by providing payment affidavits. However, the City does not consistently tabulate and track payments over the life of a contract to ensure that the total SBE payments add up to the total SBE commitments, as adjusted by change orders.

Recommendations

Construction Contracts Threshold. The Task Force recommends raising the formal construction threshold from \$200,000 to \$500,000 to facilitate the use of SBEs as primes. The Task Force further recommends reviewing this action annually and returning back to the \$200,000 formal threshold if overall SBE utilization decreases.

Payment Affidavit. To assist SBO staff with better tracking SBE utilization, the Task Force recommends modifying SBO Form 6, known as the Payment Affidavit, to list the amount committed to SBEs at the time of bid and the cumulative payments to SBEs, in addition to the payments for that particular invoice.

Disqualifying Bidders. The Task Force further recommends that City staff investigate adding a provision to the SBO Policy, which would state that program violations may be grounds for disqualifying a bidder for future bid awards, absent a showing of sufficient corrective action.

Certification

Finding

An initial charge of the Task Force was to determine whether the City's SBE Certification Application was too lengthy. The Task Force posed that question to certified SBEs, who responded that the City's SBE certification process was no more difficult or cumbersome than other state and federal certification programs.

During the Task Force's SWOT analysis of the SBO Program, a concern was identified regarding the potential abuse and existence of affiliate relationships. According to the City's SBO Policy, business enterprises are affiliates of each other when:

- One either directly or indirectly controls or has the power to control the other;
- A third party or parties controls or has the power to control both; or
- Other relationships between or among the parties exist such that affiliation may be found.

To better understand and address this concern the Task Force reviewed the City's SBE Certification Application, and determined that the current Application does not elicit enough information to reliably identify affiliate relationships.

Recommendations

The Task Force recommends the following measures to help deter affiliate situations:

- Edit the SBE Certification Application to include additional questions that will assist SBO staff with identifying possible affiliations;
- Conduct an audit of existing certified SBEs to ascertain if affiliations currently exist;
- Increase the eligibility requirement for length of business operations from three months to twelve months.

Marketing and Outreach

Findings

To qualify for SBE certification, a firm must meet the geographic restriction of having its principle place of business within the Charlotte Regional Area, which includes the following Counties: Mecklenburg, Union, Rowan, Cabarrus, Anson, Lincoln, York, and Gaston. Due to limited staff resources, minimal outreach is conducted outside of Mecklenburg County.

Furthermore, a review of the program's outreach efforts revealed limited branding and marketing.

Recommendations

To build program awareness, the Task Force recommends investigating marketing/branding opportunities, and increasing outreach to small businesses throughout the Charlotte Regional Area. Increased outreach could benefit the Program by:

- Increasing the number of certified SBEs in the City's vendor database, specifically in targeted industries, which have identified a lack of certified SBEs
- Improving the program's presence outside the City
- Promoting the program's benefits and SBE success stories

Furthermore, the Task Force recommends using the proposed small business web portal, as referenced in the City's Small Business Strategic Plan, to provide marketing and outreach to existing and potential SBEs.

Additional recommendations include:

- Developing and implementing an annual survey to determine stakeholder satisfaction and participation
- Offering the SBE Certification Application in additional languages

Advisory Committee

Findings

During one of the feedback sessions held by the Task Force, the Metrolina Minority Contractors Association suggested the creation of an SBO Advisory Committee.

Recommendations

Since the City already has an established Business Advisory Committee (BAC), it is the Task Force's recommendation that the existing BAC add the SBO Program to its charge. Furthermore, we recommend that the BAC revise its membership to include representation from the prime contractor and SBE community.

Development and Training

Findings

The SBO Program has a strong partnership with many of Charlotte-Mecklenburg's public and private/non-profit agencies and organizations that are dedicated to small business development and growth. These public and private/non-profit organizations, which are commonly referred to as the Small Business Resource Providers, offer a wide range of services

including: training and education programs, access to capital, free business counseling, small business advocacy, and networking opportunities, among many others.

Recommendations

The Task Force found one of the greatest values and benefits of the SBO Program to be the training and development opportunities it offers. As such, it is important to clearly communicate to SBEs that registering as an SBE does not guarantee the SBE work. The value of the program is that owners are able to strengthen their businesses and increase the likelihood of being awarded a contract.

A second recommendation is for the SBO Program to implement a survey similar to the SBE Inventory of Skills Survey (Appendix 2) at the time of SBE certification. The Survey should elicit responses from SBEs that will: (1) assist SBO staff in identifying the SBEs training interests and needs; and (2) assist SBO staff in making appropriate referrals to partner organizations.

CONCLUSION

This Report represents the efforts of Task Force members who have worked to formulate recommendations that would have a substantive impact on small business growth and development in the Charlotte Regional Area. We believe strongly these recommendations will help strengthen Small Business Enterprise utilization through the City's procurement processes.

We thank you for the opportunity to serve on this Task Force and look forward to working collaboratively with the City of Charlotte to continue to expand opportunities for growth and development of small businesses.

APPENDIX 1

MAYOR'S OFFICE
Media Release
January 26, 2010

Contact: Mayor's Office
(704) 336-4332

Mayor Names Small Business Opportunities Task Force Appointees

Charlotte, NC (January 26, 2010) Mayor Anthony Foxx named members of his Small Business Opportunities Task Force, a City Council approved citizen group that will review the City's Small Business Opportunities Program.

"Today, I announce appointments to the Small Business Opportunities Task Force. During these economic conditions, it is imperative that we support the entrepreneurship and continuity of our small business community," Mayor Foxx said. "I am confident in the expertise of these Task Force members to identify ways to strengthen Small Business Enterprise utilization through the City's procurement processes. Additionally, I am interested in hearing this group's thoughts on strategies to promote small business growth."

Michelle Fish, Chief Executive Officer of Integra Staffing & Search, will chair the group. Julius Chambers, Attorney and Founding Partner of Ferguson Stein Chambers Gresham & Sumter, P.A. will serve as co-chair.

Other members of the Small Business Opportunities Task Force include:

- Bob Bertges, Corporate Properties Director, Wachovia 'A Wells Fargo Company'
- Wesley Carter, Publisher, Working Charlotte
- Ki-Hyun (Kenny) Chun, Chief Executive Officer, Chun Group, Inc.
- Bob Hambright, Southeast Division President and Chief Executive Officer, Balfour Beatty Construction
- Laurie Leonard, President, Suite 1000
- Scott Lilly, Vice President, Lil Associates, Inc.
- Brandon Lofton, Attorney, Robinson Bradshaw & Hinson, P.A.
- George McAllister, Regional Director, North Carolina Small Business & Technology Development Center
- Sheila Neisler, Principal, Catalyst Consulting
- Thomas Price, Attorney, Womble Carlyle Sandridge & Rice, PLLC
- Louis Romero, President, Network Cabling Systems, Inc.
- Terry Thorson Cox, President and Chief Executive Officer, Business Innovation and Growth Council
- Keva Walton, Senior Vice President, Member Value, Charlotte Chamber of Commerce

The City's Small Business Opportunities Program began in 2003, seeking to enhance competition in City contracting and promote economic growth and development in the Charlotte Regional Area. There are currently 794 City-certified Small Business Enterprises.

The Charlotte City Council approved the formation of the Small Business Opportunities Task Force on December 14, 2009.

APPENDIX 2

SBE Inventory of Skills

PURPOSE: Our department has received feedback from our SBE's that they are particularly interested in continuing their business education. We would like to gather some information from you that would help us steer you towards the organizations, classes, networking opportunities, etc. that could benefit you the most. We want you to be successful and get the maximum benefit from your experience as an SBE.

1. Number of years in business? Number of years you have been doing business in Charlotte?
2. Number of employees (not including you)? ____ Full-Time ____ Part-Time ____ Contract or Temporary Employees
3. Type of business?
4. Any professional licenses you hold?
5. Your educational background (high school, college, trade school)?
6. Is English your native language? If no, what is your native language? _____
7. Are you currently enrolled in any types of classes or learning programs?
8. Are you currently a member of any trade associations (ex. Associated Builders and Contractors)?
9. Are you currently a member of any business groups or business networking organizations (ex. Chamber of Commerce)?
10. Indicate the top three areas where learning more this year could help your company be more successful (put 1, 2, and 3 beside your top choices).

Strategic Planning

- ____ Creating a business plan
- ____ Finding a mentor and/or peer group

Sales & Marketing

- ____ Identifying your target market and ideal clients
- ____ Marketing your services
- ____ Creating sales materials
- ____ Estimating
- ____ Preparing responses to bid requests
- ____ Making sales calls and closing prospects

Communication

- ____ Enhancing English language and writing skills

Technology

- ____ Learning to use specific software packages (indicate which ones): _____
- ____ Learning to use the Internet and e-mail

- ___ Managing and networking your desktop computers and laptop computers
- ___ Ensuring computer, data and communication security

Finance

- ___ Creating cash flow projections and managing cash
- ___ Collections
- ___ Accounting
- ___ Accessing financing

People

- ___ Hiring employees
- ___ Managing employees
- ___ Creating legal HR policies and procedures
- ___ Choosing vendors

Insurance

- ___ Securing bonding
- ___ Understanding and qualifying for other types of business insurance (ex. liability, worker's compensation, errors and omissions, etc.)

Legal

- ___ Choosing your legal entity (ex. LLC, S-Corporation, C-Corporation, etc.)
- ___ Designing Client Agreements
- ___ Negotiating Contracts
- ___ Writing Independent Contractor Agreements
- ___ Creating Partnership Agreements
- ___ Establishing Non-Compete Agreements

Licenses & Certifications

___ Earning a license and/or certification in the following areas: _____

Other

___ Is there any other area, which we have not listed, that you would like in your top three:

Small Business Opportunity Program SBE Inventory of Skills Survey Summary of SBE Responses

Executive Summary

In March 2009, under the direction of the Mayor's Small Business Opportunity Task Force, the Small Business Opportunity (SBO) Program Office created an anonymous online survey to gather feedback from Small Business Enterprises (SBEs) regarding their inventory of skills.

The survey was posted on Survey Monkey and was open through April 2009 and yielded a response rate of approximately 18% (146 responses). The results of the survey are as follows:

Length of time in business

- 6% of the respondents have been in business one year or less.
- 24% of the respondents have been in business two to five years.
- 29% of the respondents have been in business six to ten years.
- 17% of the respondents have been in business eleven to fifteen years.
- 12% of the respondents have been in business sixteen to twenty years.
- 6% of the respondents have been in business twenty-one to twenty-five years
- 6% of the respondents have been in business over twenty-six years.

Length of time doing business in the Charlotte Regional Area (CRA)

- 5% of the respondents have been doing business in the CRA one year or less
- 24% of the respondents have been doing business in the CRA two to five years.
- 27% of the respondents have been doing business in the CRA six to ten years.
- 18% of the respondents have been doing business in the CRA eleven to fifteen years.
- 12% of the respondents have been doing business in the CRA sixteen to twenty years.
- 8% of the respondents have been doing business in the CRA twenty-one to twenty-five years.
- 6% of the respondents have been doing business in the CRA over twenty-six years.

Number of full-time employees

- 30% of the respondents have one full-time employee.
- 16% of the respondents have two full-time employees.
- 9% of the respondents have three full-time employees.
- 8% of the respondents have four full-time employees.
- 6% of the respondents have five full-time employees.
- 18% of the respondents have six to ten full-time employees.
- 7% of the respondents have eleven to fifteen full-time employees.
- 3% of the respondents have sixteen to twenty full-time employees.
- 3% of the respondents have over twenty full-time employees

Number of part-time employees

- 52% of the respondents have no part-time employees.
- 28% of the respondents have one part-time employee.

- 5% of the respondents have two part-time employees.
- 5% of the respondents have three part-time employees.
- 1% of the respondents have four part-time employees.
- 3% of the respondents have five part-time employees.
- 6% of the respondents have six or more part-time employees.

Number of temporary employees

- 55% of the respondents have no temporary employees.
- 14% of the respondents have one temporary employee.
- 10% of the respondents have two temporary employees.
- 7% of the respondents have three temporary employees.
- 3% of the respondents have four temporary employees.
- 5% of the respondents have six to ten temporary employees.
- 6% of the respondents have eleven or more temporary employees.

Work Category Breakdown

- 35% - Professional Services
- 34% - Construction
- 20% - Architectural and Engineering
- 7% - Other Services (advertising, janitorial, landscape, repair and maintenance, printing, moving, specialty finishing, embroidery, freight management, security, staffing, drug testing, insurance)
- 4% - Goods and Supplies

Highest Level of Education Completed

- 42% - Bachelors Degree
- 22% - Masters Degree
- 17% - Community college (certificate program)
- 17% - High school (diploma or GED)
- 2% - Trade school (certification)

Native Languages Spoken Other than English

- Spanish; Hindu; Syrian

Membership in a Business Organization or Networking Groups

- 23 respondents are members of the Charlotte Chamber
- 3 respondents are members of the Latin American Chamber of Commerce

Top Three Areas Where Learning More This Year Could be Helpful to Company Success

- 46% - Marketing Your Services
- 25% - Preparing responses to bid requests
- 23% - Making sales calls and closing prospects

Other Statistics

- 83% of the respondents are currently not registered in a training program or class.
- 45% of the respondents do not have a membership in a trade association.

APPENDIX 3

Data Analysis Summary

Prepared for SBOP Task Force Measurement & Tracking Subcommittee

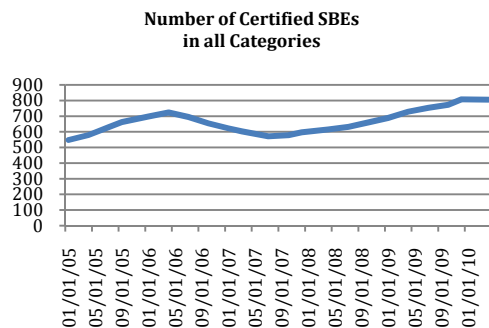
The Small Business Opportunity Program Task Force Subcommittee on Measurements & Tracking requested information pertaining to the availability and utilization of Small Business Enterprises (SBEs) within City procurement. Staff has compiled and analyzed the data required for Questions 1, 2, 3, 4, 7, and 8. Staff is working to compile the data for the remaining questions. The Subcommittee's questions posed to staff can be found in the Appendix.

Availability of SBEs

This section answers Question #1. Additional details can be found in the Appendix.

As of April 1, 2010, the City had 803 certified SBEs in the City's vendor database. Generally speaking, there are:

- 71 (8.8%) SBEs providing Goods (such as: computers, office supplies, and hardware)
- 66 (8.2%) SBEs providing Architectural and Engineering Services
- 89 (11.1%) SBEs providing Building Maintenance & Repair Services
- 135 (16.8%) SBEs providing General Construction Services
- 40 (5.0%) SBEs providing Heavy Construction Services
- 135 (16.8%) SBEs providing Construction Trade Services
- 98 (12.2%) SBEs providing Consulting, Professional, and Technical Services
- 17 (2.1%) SBEs providing Environmental Services
- 62 (7.7%) SBEs providing Grounds Maintenance and Landscaping Services
- 90 (11.2%) SBEs providing Miscellaneous Services



SBE Utilization in FY09

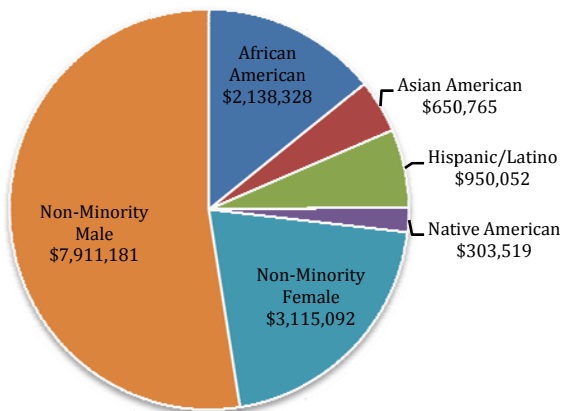
This section answers Questions #2 and #4. Additional details can be found in the Appendix.

The table below lists the amount each KBU spent directly with SBEs. Please note the information below does not include payments made to SBEs as subcontractors.

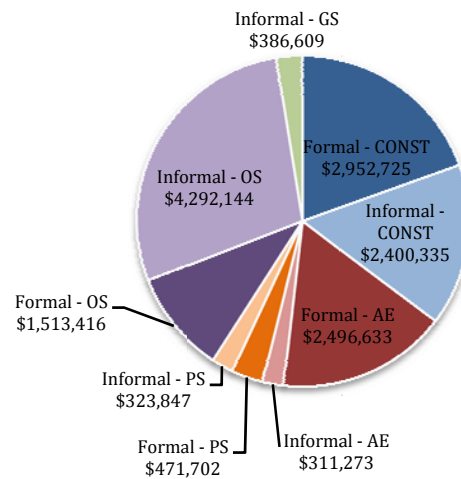
Aviation	\$1,508,024	Charlotte-Mecklenburg Police	\$149,410
Business Support Services	\$226,618	Charlotte-Mecklenburg Utilities	\$5,191,228

Budget & Evaluation	\$26,051	Engineering & Property Management	\$4,530,586
Charlotte Area Transit	\$571,562	Finance	\$250,653
Charlotte Dept. of Transportation	\$2,286,672	Human Resources	\$12,831
Charlotte Fire Department	\$148,225	Mayor's Office	\$7,412
City Attorney's Office	\$780	Neighborhood & Business Services	\$321,339
City Clerk's Office	\$1,429	Planning	\$26,993
City Manager's Office	\$176,027	Solid Waste Services	\$67,909
Citywide	\$15,503,750		

SBE Dollars Spent by Ownership - FY09



SBE Dollars Spent by SBO Work Category - FY09



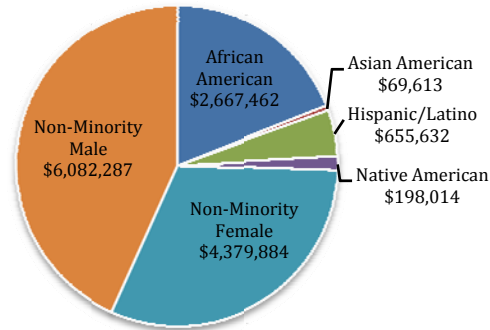
AE = Architecture and Engineering
 CONST = Construction Related
 GS = Goods & Supplies
 OS = Other Services
 PS = Professional Services

SBE Subcontracting Utilization in FY09

This section answers Question #4.

The chart and table below depict the amounts Prime Contractors paid to SBEs on construction projects in FY09. The information is further categorized by KBU.

SBE Construction Subcontracting Dollars Spent - FY09



KBU	African American	Asian American	Hispanic/Latino	Native American	Non-Minority Female	Non-Minority Male	Total
Aviation	\$145,054	-	-	-	\$116,409	\$203,019	\$464,483
CATS	-	\$24,383	-	-	-	\$2,613	\$26,996
Utilities	\$1,556,529	\$26,570	\$118,481	\$107,310	\$1,123,615	\$4,572,246	\$7,504,751
Engineering	\$965,878	\$18,660	\$537,151	\$90,704	\$3,139,860	\$1,304,409	\$6,056,662
Citywide	\$2,667,462	\$69,613	\$655,632	\$198,014	\$4,379,884	\$6,082,287	\$14,052,891

Raising Informal Construction Threshold to \$500,000

This section answers Questions #3 and #8.

In evaluating the impact of raising the Informal construction threshold from \$200,000 to \$500,000, staff coordinated with Aviation, Engineering, Utilities, and Charlotte Area Transit to identify construction projects awarded by the City to prime contractors in FY 2009. Staff analyzed City construction projects that were awarded at \$100,000 or greater; and those projects that do not require Disadvantaged Business Enterprise (DBE) or Minority/Woman Owned Business Enterprise (MWBE) participation. Staff's findings are outlined below.

- Staff identified 73 construction projects totaling \$176.8 million awarded to prime contractors in FY09.
 - \$9.5 million (5.4%) of the \$176.8 million was committed to SBE subcontractors.
- Eight out of the 73 construction projects were awarded to a SBE as the prime contractor. The eight projects totaled \$4.8 million.
 - \$461,000 of the \$4.8 million was committed to SBE subcontractors.
- Of the 73 construction projects, 19 projects had an award amount between \$200,000 and \$500,000.
 - The 19 projects totaled \$5.9 million. Of this amount \$342,832 (5.8%) was committed to SBE subcontractors.
 - Three projects were awarded to an SBE as the prime contractor, totaling \$1.1 million; of this amount \$106,725 was committed to SBE subcontractors.
- If the City had the informal construction threshold set at \$500,000 in FY09, and we assumed:
 - Zero change in contracting and awards of projects to SBEs, the amount awarded to SBEs as the prime contractor would remain at \$1.1 million.
 - If 25% of projects were awarded to SBEs, the amount awarded to SBEs as the prime contractor would equal \$1.5 million.
 - If 50% of projects were awarded to SBEs, the amount awarded to SBEs as the prime contractor would equal \$2.9 million.
- Additionally, of the 73 construction projects awarded in FY09, 18% utilized GFEs to meet compliance.

Number of projects that met the established SBE Goal	46
Number of projects that met the Good Faith Efforts (GFEs)	10
Number of projects that received Noncompliance Waivers	4
Number of projects where SBE goals were not established	13

Appendix:

Information/actions requested by committee members:

1. Please provide the number of registered SBE's broken down by work category (we should probably talk about the level of specify needed) and ethnicity category.
2. With respect to informal contracts, please provide the dollars spent by each KBU in each work and ethnicity category for FY2009.
3. For FY 2009, please provide the number of construction contracts between \$200,000 and \$500,000. Please provide the SBE utilization dollar figure for this group of contracts. For this same group of contracts, please provide estimated SBE utilization (and explain assumptions) if the contracts had been treated as informal contracts.
4. With respect to formal contracts, please provide the SBE utilization for FY2009 by work category and ethnicity category (I see that some of this information is in the current report).
5. For FY 2009, please provide the % of SBE's that received work through the program. Please provide an average participation amount for those SBEs that did receive work. If possible, please also provide the average participation amount for those SBEs by work and ethnicity categories. We are trying to see how concentrated/dispersed the opportunities are in the program (we'd like to see work category utilization and we'd also like to know if 10% of SBEs are doing 90% of work).
6. Please provide the % of SBEs that have received no work at all.
7. Has the number of registered SBEs been growing or decreasing (do we see trends)?

8. For FY 2009, please provide the % of formal contracts that utilized GFEs instead of meeting SBE utilization goals.
9. Do we have a dollar figure for the cost of not having the requested database upgrades?
10. Please contact MGT and obtain estimates for updating the 2003 Disparity Study.

Certified Small Business Enterprises, per Quarter (2005 - Present)

Question # 1, 7

Categorized by Ethnicity

Date	# of SBEs	Change (+/-)	# of Total Registered Vendors	% SBEs of All Vendors	SBEs by Ethnicity													
					A=AsianAmerican; B=AfricanAmerican; H=Hispanic/Latino; N=NativeAmerican; NMF=Non-MinorityFemale; NMM=Non-MinorityMale													
					A	% ¹	B	%	H	%	N	%	NMF	%	NMM	%	All MW's	%
01/05/05	548	-	4309	12.72%	-	-	-	-	-	-	-	-	-	-	-	-	-	
04/04/05	580	32	5224	11.10%	-	-	-	-	-	-	-	-	-	-	-	-	-	
07/01/05	630	50	5756	10.95%	-	-	-	-	-	-	-	-	-	-	-	-	-	
09/30/05	662	32	6090	10.87%	16	2.4%	263	39.7%	34	5.1%	9	1.4%	184	27.8%	156	23.6%	506	76.44%
01/18/06	698	36	6542	10.67%	16	2.3%	284	40.7%	35	5.0%	9	1.3%	191	27.4%	163	23.4%	535	76.65%
04/12/06	723	25	6879	10.51%	19	2.6%	292	40.4%	36	5.0%	10	1.4%	196	27.1%	170	23.5%	553	76.49%
07/05/06	695	(28) ²	7162	9.70%	17	2.4%	276	39.7%	35	5.0%	10	1.4%	190	27.3%	167	24.0%	528	75.97%
10/13/06	654	(41)	7458	8.77%	17	2.6%	265	40.5%	33	5.0%	9	1.4%	171	26.1%	159	24.3%	495	75.69%
01/05/07	622	(32)	7688	8.09%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
03/30/07	603	(19)	7999	7.54%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
07/08/07	571	(32)	8366	6.83%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10/08/07	579	8	8681	6.67%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12/26/07	597	18	8947	6.67%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
04/03/08	615	18	9280	6.63%	15	2.4%	267	43.4%	36	5.9%	8	1.3%	145	23.6%	143	23.3%	471	76.59%
07/17/08	632	17	9636	6.56%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10/22/08	660	28	9931	6.65%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
01/19/09	689	29	10212	6.75%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
04/06/09	728	39	10534	6.91%	21	2.9%	284	39.0%	61	8.4%	7	1.0%	167	22.9%	169	23.2%	540	74.18%
07/01/09	753	25	10838	6.95%	23	3.1%	289	38.4%	66	8.8%	7	0.9%	179	23.8%	187	24.8%	564	74.90%
10/15/09	772	19	11188	6.90%	24	3.1%	288	37.3%	66	8.5%	7	0.9%	186	24.1%	198	25.6%	571	73.96%
12/30/09	807	35	11409	7.07%	29	3.6%	300	37.2%	69	8.6%	9	1.1%	190	23.5%	209	25.9%	597	73.98%
04/01/10	805	(2)	11690	6.89%	28	3.5%	290	36.0%	68	8.4%	6	0.7%	193	24.0%	218	27.1%	585	72.67%
07/01/10																		
10/01/10																		

1 This represents the percentage of SBEs per Ethnicity as a portion of the overall number of SBEs, for each respective time period

2 The spring of 2006 represents the 3rd year anniversary of the SBO Program. The time periods following represent the first instances of SBE firms seeking recertification.

APPENDIX 4

SBOP TASK FORCE SBO PROGRAM SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Customer service • SBE Value-added Incentives for development and training • Consist enforcement of SBO Policy • SBE certification application and process consistent with other certification programs (sometimes easier) • Partnerships with CPCC and other area resource providers • Geographical span of the program (8 counties) • Comprehensive SBO Policy 	<ul style="list-style-type: none"> • Informal SBE Goals not reflective of existing opportunities • Seven year old Disparity Study • Inadequate data due to outdated financial and procurement systems • Lack of centralized website for advertising City contract opportunities • SBEs unaware of informal contract opportunities • Limited availability of mentors • Limited outreach and marketing to entire program geography • Program accomplishments and SBE success stories not promoted • Certification application available only in English
Opportunities	Threats
<ul style="list-style-type: none"> • Increase consistency in SBO contracting procedures across KBUs • Leverage private sector Mentor Protégé Programs • Develop marketing & outreach strategy <ul style="list-style-type: none"> ➤ Increase SBE pool in targeted industries ➤ Promote program benefits & SBE success stories ➤ Improve program presence outside the City • Use proposed small business web portal to provide marketing & outreach to existing and potential SBEs • City currently setting aside funds for new financial/procurement system • SBE Survey at certification • Improved website – ability to put video testimonials on the website • Improve SBE access to informal contracts 	<ul style="list-style-type: none"> • Potential abuse through affiliate and pass through firms • Competing SBO and Procurement Policies • Negative program perception <ul style="list-style-type: none"> ➤ Prime abuse of Good Faith Effort provisions ➤ Lack of program enforcement • SBE difficulty with obtaining bonding • Current economic conditions <ul style="list-style-type: none"> ➤ Competitive bidding environment

