



## Finance and Administration Committee Agenda Item 4f

September 20, 2016

**Item Name:** Annual Small Business and Disabled Veteran Business Enterprise Contract Participation Report

**Program:** Operations Support Services Division

**Item Type:** Information Consent

### **Executive Summary**

The purpose of this agenda item is to present the annual Small Business (SB) and Disabled Veteran Business Enterprise (DVBE) participation for Fiscal Year (FY) 2015-16. CalPERS spent a total of \$518M during FY 2015-16 for all reportable contracts and procurements. CalPERS exceeded its DVBE participation goal for the fifth time with 4.19% participation and a SB participation goal of 14.59%. Further, CalPERS achieved a combined SB/DVBE participation level of 18.78% in FY 2015-16.

### **Strategic Plan**

This item is not a specific part of the Strategic Plan, but is part of the regular and ongoing workload of the Operations Support Services Division.

### **Background**

In 1990, CalPERS adopted the provisions of Public Contract Code §10115 et seq. and accordingly established an overall SB contract participation level of 25% and an overall DVBE contract participation level of 3%. Information is submitted to the Department of General Services (DGS) by August 1st of each year, summarizing all DVBE and SB participation totals. If a participation goal is not achieved, an improvement plan must also be submitted. DGS combines the statistical information for all State agencies and prepares the Consolidated Annual Report for the Legislature and the Governor's Office.

CalPERS is the only State agency that utilizes investment and health plan contracts in order to provide pension and health benefits to its members. Pursuant to Public Contract Code 10115.11, the Department of Corrections and Rehabilitation (CDCR) is the only other State agency that contracts with health plans in order to provide benefits to inmates. They have a statutory exemption from DVBE participation requirements for medical expenses, and therefore are not required to report on contracts for these services.

CalPERS will continue to report all contracts to DGS unless CalPERS Board of Administration adopts a provision to exclude investment and health plan contracts, or introduces legislation that provides a statutory exemption from reporting on these types of contracts.

## **Analysis**

### Disabled Veteran Business Enterprise Participation

During FY 2015-16, CalPERS achieved a 4.19% DVBE participation level. This is a direct result of the Board of Administration adoption of the provision to require all contracts over \$50,000 to include a mandatory 3% DVBE participation unless exempt. Although we exceeded the State's participation goal, our percentage has decreased from last year's participation of 9.69%. This decrease can be attributed to the expiration of a large hardware/software maintenance contract which previously contributed to \$17M toward our DVBE spend. Our successes this year can be attributed to our internal department training, DVBE compliance monitoring, partnerships with the DVBE Alliance, and participation in bidder conferences. Although we did extremely well this fiscal year, had health and investment contracts been excluded from the reporting requirements, CalPERS would have surpassed the DVBE participation goal with 17.64%.

Highlights for FY 2015-16 DVBE participation include:

- 35.08% for the procurement of non-IT goods
- 10.13% for the procurement of IT goods & services

### Small Business and Micro Business (MB) Participation

Although, CalPERS increased our participation to 14.59% over last years' amount of 11.75% (an increase of 2.84%), we fell short in meeting our 25% SB/MB participation goal for this reporting period. This is due in large part to the challenges this department faces with the sheer size and nature of CalPERS unique health benefit, investment, and legal contracts which are not conducive to consistent SB participation. Health contracts accounted for \$255,053,636, Legal contracts \$5,431,320, and Investments contracts \$143,275,500 of our total spend.

These types of contracts accounted for over 80%, or \$403,760,456, of our total contracting and procurement dollars in FY 2015-16. Had health and investment contracts been excluded from the reporting requirements, CalPERS would have far surpassed its SB/MB participation goal with 53.99%.

Highlights for FY 2015-16 SB/MB participation include:

- 34.38% for the procurement of non-IT goods
- 61.37% for the procurement of IT goods and services

Nonetheless, CalPERS commitment to diversity has and will continue to remain a top priority. CalPERS will continue to develop innovative strategies and internal process improvements to help strengthen the SB/DVBE program

### **Accomplishments for FY 2015-16:**

- CalPERS modified the invoice process, in order to accurately track and monitor DVBE and SB subcontracting expenditures. This process change included requiring SB/DVBE expenditures to be accompanied with every invoice. Additionally, the PeopleSoft Financials System was modified to track SB/DVBE contract compliance.
- CalPERS continued to purchase 95% of all office supplies from certified SB/DVBE vendors.

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- CalPERS SB/DVBE Advocate was awarded the Advocate of the Year Bronze Award and the Richard G. Polanco Diversity Award. The SB/DVBE Advocate participated in outreach events, including the CalPERS Investment Emerging and Diverse Manager Forum; provided assistance to businesses in becoming certified through the Department of General Services State Small Business and Disabled Veteran Business Enterprise Certification program; and provided internal education and training to purchasing coordinators, contract managers, and CalPERS staff, enhancing awareness and understanding of the SB/DVBE program.

**Budget and Fiscal Impacts**

This item does not have any specific budget or fiscal impact, but is part of the regular and ongoing workload of the Operations Support Services Division.

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Interim Chief Executive Officer