



Finance and Administration Committee Agenda Item 4e

September 19, 2017

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

Program: Operations Support Services Division

Item Type: Information Consent

Executive Summary

This agenda item presents the annual Small Business (SB) and Disabled Veteran Business Enterprise (DVBE) participation for Fiscal Year (FY) 2016-17. CalPERS achieved a SB participation of 19.18 percent and a DVBE participation of 2.79 percent on all awarded contracts and procurements. Further, CalPERS achieved a combined SB/DVBE participation level of 21.97 percent.

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 goal of 25 percent and an overall DVBE contract participation goal of 3 percent. Information is submitted annually to the Department of General Services 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.

Analysis

CalPERS has the authority to exempt contracts from DVBE requirements when it is in the best interest of the organization. (State Contracting Manual (SCM) sections 8.10, 8.12; SCM 2, Ch. 3.3.1.). It is CalPERS policy to achieve the State's mandated annual 3 percent DVBE goal. However, by the nature of their services, some specialized types of contracts (ex. legal services and health) do not provide the opportunity for DVBE subcontracting, particularly with respect to providing a commercially useful function.

This requirement is also predicated on whether a contract is competitively bid and subsequently awarded. Due to the specialized nature of many of our contracts, some are unable to be competitively bid or are not subject to bid per statute and therefore there is no mechanism to incorporate a scoring incentive that is included in solicitations that have the DVBE requirement.

Small Business and Micro Business (MB) Participation

During FY 2016-17, CalPERS achieved a 19.18 percent SB/MB participation level, an increase of 4.59 percent over last year's number of 14.59 percent.

Had investment contracts been excluded from the reporting requirements, CalPERS would have surpassed its SB/MB participation goal with 33.5 percent.

Highlights for FY 2016-17 SB/MB participation include:

- 43.30 percent for the procurement of IT goods and services
- 29.98 percent for the procurement of non-IT goods

Disabled Veteran Business Enterprise Participation

During FY 2016-17, CalPERS achieved a 2.79 percent DVBE participation level, a decrease of 1.4 percent over last year's number of 4.19 percent. The SB/DVBE Advocate continues to participate in bidder conferences, partner with the DVBE Alliance, provide internal department training, and DVBE compliance monitoring. While our percentage did slightly decrease from last year, for the last five fiscal years CalPERS has achieved an overall average of 5.8 percent participation of all awarded contracts.

Had investment contracts been excluded from the reporting requirements, CalPERS would have surpassed its DVBE participation goal with 4.27 percent.

Highlights for FY 2016-17 DVBE participation includes:

- 16.44 percent for the procurement of non-IT goods
- 4.45 percent for the procurement of IT goods & services

The inability to meet the participation goals is due in large part to the challenges this department faces with the sheer volume and specialized services of our investment contracts which are not conducive to consistent SB or DVBE participation and account for 44 percent of our total reporting activity.

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 programs.

Activities in 2016-17:

- Participated in outreach events and shared CalPERS message of supplier diversity with business representatives attending the events.
- Provided assistance to uncertified businesses by encouraging and assisting them in getting certified through the Department of General Services State Small Business and Disabled Veteran Business Enterprise Certification program.
- Met with contract managers throughout the year, providing assistance to ensure prime suppliers are meeting their DVBE participation requirements.
- Regularly attended bidder conferences and presented information regarding the SB/DVBE program requirements.
- Advocate served as liaison between prime suppliers and potential subcontractors on all solicitations with DVBE/SB requirements.

- Continued to purchase over 90 percent of all office supplies from certified SB/DVBE vendors.
- 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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