

CITY OF MINNEAPOLIS

Expanding Contracting Opportunities through a Target Market Program

September 21, 2016

Staff Direction

As part of the City of Minneapolis' ongoing effort to increase contracting opportunities for small businesses generally (and women owned and minority businesses in particular), on Oct. 21, 2015, the City Council issued a staff direction that included the following requests:

1. Report back and provide specific direction on changes, simplification and/or evaluation results of the following items aimed at providing more opportunities for supplier diversity in procurement activities as outlined and identified in the 2010 Disparities Study:
 - a. Simplification and expansion of small and underutilized business program (SUBP) certification process;
 - b. Implementation possibilities of other recognized certification approaches and processes, including self-certification criteria and processes for non-certified vendors;
 - c. Small Business **Target Market Program**;
 - d. Communications and engagement plan aimed at vendors, including development of a web portal linking businesses with necessary resources;
 - e. Tools and guidance for City departments to reference in order to easily access information about suppliers and expectations about the W/MBE goals generally;
 - f. Identification of specific commodities with immediate opportunities for greater utilization of diverse suppliers;
 - g. Identification of potential and specific barriers by SUBP and diverse suppliers for doing business with the City of Minneapolis and plans to eliminate or mitigate the same; and
 - h. Additional opportunities that may be identified as a result of doing this research and assessment.
2. Pursue technological options for creating a purchasing portal for internal sourcing of products and services.
3. Review, implement, and mature existing efforts to adopt enterprise recommendations from the 2010 Disparities Study.
4. Develop a plan for measuring and evaluating direct purchases.
5. Ensure the alignment with other City initiatives, such as Business Made Simple.

How Are We Driving Change?

What's Been Done

Setting more focused contract specific goals

Providing better more user-friendly inclusion tools for bidders:

- List of certified DBEs in the scopes of work specific to the project
- Checklist of actions that are considered to prove Good Faith Efforts
- Training for bidders who've been denied contracts due to lack of Good Faith Efforts
- Hosting annual general contractor and developer training

More comprehensive monthly monitoring to ensure utilization of DBEs, minorities and females identified in pre-award

Utilizing CPED Office of Industrial Relations to assist contractors in meeting their workforce inclusion goals

Equity Plans for Priority Projects, i.e. Target Center Renovation that include aspirational goals for local hiring from zip codes with the greatest concentrations of poverty

Providing information to all DBEs about City vendor registration, bid and RFP update sign-up

Hosting Meet & Greets for priority projects

Sponsorship of Opportunities Fair and attendance at partners fairs (NIGP, SADBOP, Community outreach by public library etc.)

Hosting internal trainings for project managers and buyers

Adopting a more collaborative rather than punitive approach with internal and external stakeholders

Increase in B-TAP providers and training resources

Review of Bid/RFP specifications for any artificial small business constraints/barriers

- Unbundling large bids where applicable
- Reviewing the insurance, payment and performance bond limits

Email alerts to vendors when a new Bid/RFP is posted

Pre-bid meetings to increase familiarity and ease of process

How Are We Driving Change?

What are we doing now?

A cross-departmental team was created last year to develop a 1 year and 5 year work plan as it relates to supplier diversity efforts generally. We are scheduled to update this plan in January, but generally the work plan identifies major themes to focus on:

- Need to **disaggregate data and perform spend analysis** to better identify enterprise needs
- **Targeted outreach strategies** to match spend needs with specific vendors
- **Increased specificity with regards to spend and hiring goals** based on data
- **Revisiting certification requirements** to allow a broader continuum of certification avenues based on specific projects – not “one size fits all”
- **Strategies to support businesses that outgrow the SUBP program**
- **Comprehensive look at existing policies and mechanisms** that may be providing artificial barriers to contracting opportunities (PRC review, payment considerations etc.)
- **Expansion of Opportunities Fair**
- **Technology enhancements** to assist in facilitating the vendor registration process, matching vendors to contracting opportunities, and simplifying the procurement process
- **Alignment with existing initiatives** to better leverage efforts (Business Made Simple, Opportunity Neighborhoods for Regional Prosperity, Nuisance Abatement project, Innovation Team efforts etc.)
- **Development and implementation of Target Market program**

Target Market Program outreach

What we heard from small businesses

We wanted our proposal to be informed by our business community and engaged in a variety of mechanisms:

- Participation in vendor fairs/events
- Targeted survey
- Focus group session

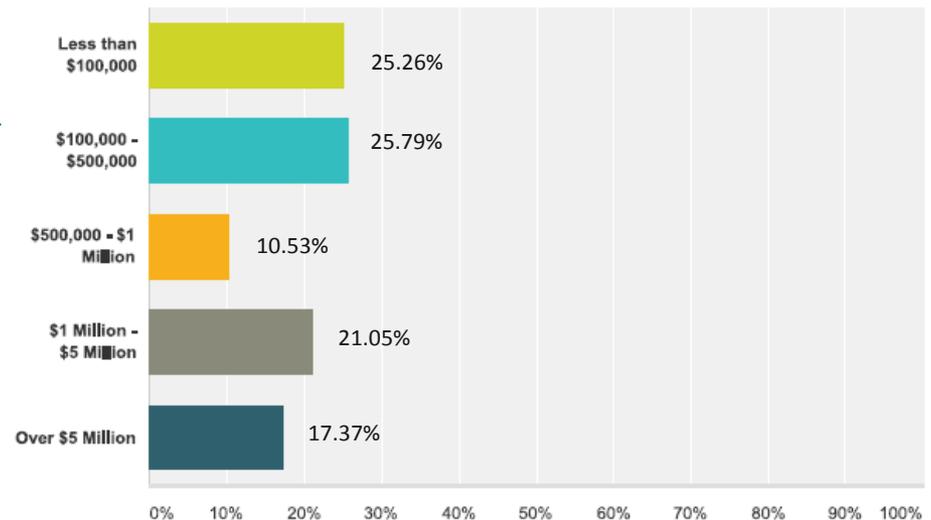
We asked them to tell us a bit about themselves and to let us know how they felt about our preliminary eligibility considerations that included:

- The business must be independently owned and controlled
 - The principal place of business must be within the 11 county metro area
 - The business must meet existing federal (SBA) small business standards
 - Average gross receipts may not exceed \$23.98 million
 - The principal owner of the SBE must not have a personal net worth of over \$1.32 million
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Target Market Program outreach

Survey insights:

- 31% of businesses had worked with the City within the last year, but 45% had never done business with the City
- Respondent's principal place of business was spread out amongst 8 counties, though 64% were from Hennepin County
- The vast majority of respondents had gross receipts of under \$1M
- 77% of respondents had less than 20 employees
- Almost half - 48% - reported some level of satisfaction with the initial eligibility criteria
- 74% indicated they were likely (and of these 51% were “very likely”) to participate in the new TMP
- We provided a space for comments on the survey as well and found that a great majority had similar comments reflective of those heard in the focus group



Target Market Program outreach

Focus group insights:

- Overall, great interest and appreciation for a program targeting small businesses
- Businesses interested in more certification and/or reciprocity options, particularly CERT as many indicated already being a CERT vendor
- If thinking about gross receipt considerations, the City should consider lowering the \$23.98M cap and align requirements to industry categories as different industries should have different thresholds
- Consider unbundling more contracts
- There should be policies that allow for removal of businesses who are found to be ineligible
- Consideration should be given to create SBE goals

Beyond the TMP:

- Consider shortening timeline for payment
- Improve technology options for notification and contracting submissions
- Expand certification options in SUBP
- Increase resources for small businesses

Target Market Program Proposal

Under the Target Market Program (TMP), qualified small-businesses will have the ability to respond alongside other similarly situated small-businesses for City contracts **up to \$100,000** instead of competing against larger, more established companies.



Target Market Program Proposal

Eligibility

To qualify for the City of Minneapolis' Target Market Program (TMP), we recommend the following:

- The business must be independently owned and controlled
- The principal place of business must be within the 13 county metro area: Minnesota counties of Anoka, Benton, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Stearns, Washington, and Wright
- The business must not exceed the federal Small Business Administration ("SBA") size standards under the North American Industry Classification System ("NAICS")
- The average annual gross receipts of the business over the previous three fiscal years do not exceed the amount specified in the general industry category chart for the general industry category for which the business is providing a quotation or response. If the business has been in business for less than three years, the annual gross receipts will be averaged over the period of time that the business has been in business.

This general industry category chart to be approved and published annually by the Chief Finance Officer.

Target Market Program Proposal

Registration requirements

Interested SBE's will need to fill out a simple affidavit that attests to their fulfillment of eligibility requirements.

Right to an administrative review

SBE's that are deemed not eligible or are removed from the TMP for reasonable cause will be afforded an opportunity to request an administrative hearing review before an administrative hearing officer.



Target Market Program Proposal

Program Start Date

We propose the programs have an effective date of January 1, 2017 to allow staff time to:

- Establish appropriate policies and FAQ's
- Finalize and publish the general industry category chart that will establish limits on the average annual gross receipts of a business in order to qualify for the TMP
- Engage in targeted outreach strategies to small businesses alerting them to this new contracting opportunity



Target Market Program Proposal

Impact example – professional services:

	Number of Contracts	Authorized Amount of Contract
<u>Year 2014</u>		
Under \$50,000	373	\$12,355,527
\$50,000 - \$100,000	19	\$1,609,150
Total	392	\$13,964,677
<u>Year 2015</u>		
Under \$50,000	391	\$12,502,235
\$50,000 - \$100,000	20	\$1,564,599
Total	411	\$14,066,834

Target Market Program Proposal

Additional actions that will come forward in the future

As part of this program we will also be asking City Council to approve where necessary some additional actions that are required to help move this work forward and allow for more flexibility in the TMP:

- Requiring written affirmative action plans for contracts in excess of \$100,000 (change from \$50,000)
- Allowing for the application of SUBP to contracts for non-construction-related equipment, food or material in excess of \$100,000 (change from \$50,000)
- Approving revisions to the Standard Agreement form contract threshold from \$50,000 to \$100,000 to allow more opportunities for SBE
- Revising the threshold for PRC review of professional, technical, and service contracts anticipated to exceed \$100,000
- Revising the sealed bid requirements to apply to contracts over \$100,000



Questions?

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