

**DEPARTMENT OF WATER RESOURCES
FISCAL YEAR 2013/2014
SMALL BUSINESS IMPROVEMENT PLAN**



Business Services Office

I. Summary of Small Business Participation

In Fiscal Year (FY) 2013/2014, Department of Water Resources (DWR) expenditures for construction, personal services, commodities and IT services and goods totaled \$351,102,439. DWR posted 19.8 percent small/micro-business reflecting a 1% decrease from FY 2012/2013's small business participation reported.

By category, DWR's SB/MB expenditures and participation levels for FY 2013/2014 are:

	Total FY Expenditures	SB/MB Expenditures	SB Participation %
Construction	\$ 37,299,967	\$ 8,261,744	22.2%
Non-IT Services	\$ 236,328,924	\$ 39,395,132	16.7%
Commodities	\$ 38,439,219	\$ 15,490,788	42.8%
IT Goods/Services	\$ 36,116,317	\$ 6,077,079	16.8%
CAL-CARD	\$ 2,918,012	\$ 265,735	9.1%
Combined Total ¹	\$351,102,439	\$ 69,490,478	19.8%

II. Explain Why the Participation Goal Was Not Achieved

CONSTRUCTION SERVICES - DIVISION OF ENGINEERING (DOE)

In FY13/14 DOE awarded a total of \$37.2 million in construction contracts of which small and micro business firms received a combined total of \$8.2 million (22.2% of the total awarded) through 15 contracts. DOE awarded 6 of the 15 contracts to SB firms as prime contractors with another 16 SB/MB firms participating as subcontractors.

The nature of DOE's large-scale construction projects presents a major obstacle to achieving the Department's SB/MB participation goals. Few small business firms possess the highly specialized expertise and capabilities needed to support the State Water Plan's

¹ Data Source: SAP (Transaction codes – ZSMDV; ZMMBIDOPT) CITS; DOE; US Bank)

extremely complex and technical hydroelectric infrastructure, e.g. power plants, pumping stations and turbines.

NON-IT SERVICES

Non-IT services sector achieved 16.7 percent participation which fell short of SB goals. Despite outspending the prior fiscal year by \$14 million, this sector increased its small business participation by 4.2 percent over FY 2012/2013.

DWR spent \$236 million on professional and personal services of which \$93 million was for A&E professional services. Despite A&E small business program challenges, DOE placed \$26 million with small businesses achieving 28 percent participation. Personal service contract awards included \$13 million dollars to the small business community for 9 percent participation. Of the 163 contracts awarded for professional / personal services, 37 percent (61) went to the small/micro business community.

Factors encountered in FY 13/14 affecting the department's ability to achieve its SB goals include:

- Maintenance of the State Water Project (SWP) remains a challenge for our small business efforts due to very unique service needs ranging from energy and environmental to consulting services. Two contracts (GE and Hydro Corporation) for specialized hydro-electric and SWP equipment maintenance services totaled \$47 million and require exceptional expertise in each field. Both firms have the specialized skills and capabilities to provide needed services. To date, there are no small businesses able to successfully take on the service and technological scope of this magnitude.
- Use of the state's Master Service Agreement (MSA) with Inter-Con for security services. DWR awarded 13 of the 159 personal services contracts to Inter-Con for security services totaling \$5.8 million. This contractor is not a small business and there are no SB opportunities within the MSA work/services scope.
- Contracts issued for bonding and legal services with firms having very specific expert witness capabilities not found in the small business sector.
- Limited ability to use the SB Option process. This year DWR awarded a total 13 contracts using this process for a combined amount of \$1.34 million and increased the number of total SB Option contract awards. However, challenges remain in locating small businesses for some of our service needs and are dependent upon SB availability, interest, and service locations.

Overall, of the 159 personal service contracts awarded, 59 percent (94) included a SB/MB prime or SB/MB subcontractor(s). DWR program staff and contract specialists continue working proactively to include small businesses in DWR contracts.

COMMODITIES

DWR buyers continue to excel in the small and microbusiness sectors.

DWR buyers have exceeded SB mandates for ten (10) consecutive years. This year they achieved 42.8% small business participation surpassing SB goals by nearly 18 percent. In FY 2013/2014, buyers spent \$38.4 million on commodities overall and in the process made \$15.4 million in SB purchases. For the second year in a row buyers increased the number of

SB Option procurements awarding 260 (26 percent more) totaling \$5.6 million dollars and increasing option expenditures by \$900,000.

INFORMATION TECHNOLOGY (IT) GOODS AND SERVICES

The IT Goods/Services sector did not meet program goals in FY 2013/2014. DWR IT headquarters and field division buyers issued 510 POs spending \$36.1 million on IT software, hardware and services. Of the total number POs issued, 44 were issued to small/micro-businesses for \$6.1 million dollars representing 16.8 percent SB participation.

The majority of the purchase orders issued for IT Goods/Services are through the state's mandatory Leveraged Procurement Agreements (LPA). These contracts are typically held by large firms and do not generally include small businesses. In many cases, there is no off-ramp opportunity for buyers to utilize if they wish to do business with a small or micro business firm. IT service awards totaled \$13.2 million and of this total \$1.67 was awarded to small businesses. There were 23 contract/amendments executed and of this total 8 (28 percent) were to small/micro-business firms. IT procurement staff continue to include small business whenever possible.

CAL-CARD

There were 9,388 CAL-Card transactions in FY 2013/2014 of which 1,064 were to small and micro businesses. Total CAL-Card expenditures were \$2.9 million with \$265,146 to SB and MB firms for 9.1 percent participation. A great number of CAL-Card users are in remote locations doing field work. Immediate needs for equipment/supplies are procured from the closest vendor possible and these are not usually certified small businesses. Our average CAL-Card transaction for FY 2013/2014 was \$311.

III. Plan to Enhance Contracting Opportunities for Small Business

A. Collaborative Efforts

- Engage DWR line-staff, A&E program staff, and mid and executive management levels to keep small business opportunity at the forefront.
- Collaborate with DOE A&E contract staff, headquarters/field division buyers and contract specialists to help them better identify additional SB/DVBE opportunities.
- Work with headquarters CAL-Card administrator to educate CAL-Card users about following small business best procurement practices to increase participation.
- Focus on uncovering subcontracting opportunities for SB/DVBE participation such as in the \$12 million dollar Thermalito Power Restoration and Clean-up project which included two (2) SB subcontractors.

C. Contracting Practices

- Provide guidance regarding additional SB/MB contracting opportunities
- Provide guidance to the bidding community about state SB/MB program requirements related to DWR bids
- Provide focused training and refresher SB program workshops for properly applying Commercially Useful Function and SB/DVBE Option concepts.
- Conduct annual meetings with A&E firms to discuss existing SB performance, recommend improvement solutions, and to acknowledge successful performance.

IV. Planning and Advocacy

FY 2014/2015 planning and advocacy activities include:

- Attend DWR and DGS SB/MB sponsored outreach events to increase DWR's visibility and networking opportunities.
- Attend quarterly Advocate meetings; identify successful actions that may benefit DWR.
- Conduct annual meetings with A&E program managers, prime firms and SBs to foster partnerships and increase SB participation in A&E contracts.
- Work with IT buyers to identify forthcoming equipment and services that could be procured through the SB/DVBE Option.
- Meet with DTS staff to discuss SB/DVBE Option opportunities
- Refresh the DWR SB/DVBE intranet; update information with new tips and tools for successful SB procurements
- Issue quarterly "news" blast to keep CS, IT, A&E, Services, Commodities, Construction service staff apprised on current statistics and SB opportunities.

V. Monitor and Continuously Improve

FY 2014/2015 activities and program improvements include:

- Run quarterly sector performance reports, i.e. US Bank (CAL-Card), SAP and the personal services Contract Information Tracking System (CITS), to monitor purchases and contracts awarded for DWR's overall SB/MB performance.
- Monitor reporting sectors quarterly for performance; inspect and take corrective action to help improve performance.
- Monitor DOE construction contract awards for SB/MB performance; meet with staff to discuss as needed.
- Meet monthly with A&E subject matter experts to review planned, advertised and awarded A/E contracts; discuss SB awards, participation and issues.
- Identify successful actions and best practices; work into procedures and policy as applicable.