



# ANNUAL REPORT

## Local Small Business Reserve (LSBRP) Program

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## Montgomery County's Local Small Business Reserve Program

### Message from the County Executive



About 95 percent of the companies in Montgomery County are considered small businesses. Combined, they are a strong and powerful engine driving the Montgomery County economy. The vitality of our economy and the success of local businesses is one of my top priorities.

The Local Small Business Reserve Program (LSBRP) is one measure that helps sustain economic growth. Passage of the LSBRP was the result of cooperation between my office, the County Council and stakeholders in the business community. Under the LSBRP program, Montgomery County Government departments and agencies must commit to allocate 20 percent of their purchases of goods and services from the small business community. In fiscal year 2018, the County spent \$115.4 million with local small businesses, an amount equal to 26.8 percent of total eligible spending for the LSBRP.

Please take a few minutes to read this report. If you are a small business owner who is not registered as an LSBRP, visit the [Office of Procurement website](#) to determine your eligibility. If you are eligible, please register your business. We want to work with you. For more information about doing business in or with Montgomery County Government, visit the award-winning [Montgomery County Business Portal](#). The Business Solutions Group manages the Portal and is dedicated to ensuring that companies have the information they need about the laws, regulations, permits and licenses that apply to businesses here in Montgomery County.

### Message from the Director



The Local Small Business Reserve Program helps ensure that public tax dollars expended by the county government are reinvested into the local economy. Since its inception in FY09, the LSBRP has increased the number and value of contract awards to local small businesses. The Office of Procurement is dedicated to promoting and improving this program.

In FY18, we took additional steps to strengthen the Program by enhancing our outreach efforts. We hosted our second annual Procurement Forum and welcomed 500 participants. We also attended 27 outreach events that provided the LSBRP vendors more information that they need when looking into doing business with Montgomery County. This year's LSBRP Annual Report reflects a consistent level of participation in the program since its inception. I look forward to increasing our efforts and strengthening linkages between the business community and county departments to support growth in County contract activity with local small businesses. If you have comments or questions about the report, the LSBRP program or any of the Office of Procurement's upcoming outreach activities, please contact us at [dbrc@montgomerycountymd.gov](mailto:dbrc@montgomerycountymd.gov).



## Montgomery County's Local Small Business Reserve Program

### Executive Summary

In FY18, the Local Small Business Reserve Program continued to show growth. The County spent \$115.4 million with local small businesses. This amount comprises 26.8% of total eligible spending for LSBRP.

The Program hosted several open house events targeted at specific industry sectors to give local small and minority businesses an opportunity for face-to-face interaction with key staff from County departments and with prime contractors.

Montgomery County is home to an active and responsive local small business community. Nearly 95% of Montgomery County's companies are considered small businesses. Local small businesses employ local residents and provide valuable employment opportunities. Through the LSBRP, local businesses provide goods and services to local government and local tax dollars are reinvested in the community. In addition to assuring the reinvestment in the local economy, businesses who have contracts under the LSBRP program are required to pay a living wage, further contributing to quality of life and economic stability within the county. The LSBRP's investment in the local economy is not only a vital resource that directly benefits the economic viability of those businesses that have contracts through the program but it also indirectly benefits other local businesses. The tax dollars used to support LSBRP are an important driver in the local economy and help fuel capital, stability, and employment in the county.

In FY18, we are continuing our focus on fully certifying LSBRP vendors, increasing the number of fully certified LSBRP vendors from 619 to 702. Newly certified vendors are increasingly displaying the LSBRP certified logo on their websites and marketing materials.



### Support and Advocacy

The Division of Business Relations and Compliance provides individualized information and assistance to individuals and companies seeking opportunities to do business with Montgomery County government. Interested companies are welcome to schedule one-on-one appointments with DBRC staff to learn about the County's contracting needs, compliance programs, and Procurement processes. DBRC also offers training on how to use online tools to find valuable contracting information and provides referrals to appropriate departmental contract administrators. DBRC sends out weekly newsletters to advertise upcoming LSBRP opportunities as well as newly posted LSBRP solicitations.

Additionally, DBRC functions as an internal advocate and liaison, connecting the local business community with county departments to facilitate information exchange and contracting resource development. The County Executive proposed Bill #37-17 to change the LSBRP graduation criteria, to help vendors remain in the program.



## Background

The accomplishments outlined in this report result from several initiatives to stimulate economic growth through local contracting. In FY09, a partial governmental reorganization was implemented creating the Department of General Services and the Office of Business Relations and Compliance. The County Executive and County Council enacted new legislation and Executive Regulations to expand the County's ability to increase contracting with local businesses:

1. Local Small Business Reserve Bill #3-09 (April 30, 2009) -- Established the DGS Director as the evaluator of a business's capacity to contractually perform
2. County Executive Regulation #2-09 (April 28, 2009) -- Doubled the earnings and employee thresholds for small businesses
3. Contracts & Procurement Amendments Bill #45-09 (April 1, 2010) -- Made it easier for small businesses to compete for contracts
4. County Executive Regulation #19-09AM (March 23, 2010) -- Revised Procurement Regulations
5. Expedited Bill #7-15 (March 26, 2015) --- Established the Office of Procurement as a Principal Office of the Executive Branch.
6. Expedited Bill #23-15 (January 1, 2016) – Amended LSBRP eligibility criteria for small businesses in the service sector.
7. County Executive Regulation #6-15 (March 23, 2016) -- Revised Procurement Regulations

## Eligibility Requirements

Montgomery County actively seeks local businesses to compete for contracting opportunities with the County Government through the Local Small Business Reserve Program. The County's commitment to maintain a viable and business friendly environment is clearly demonstrated through aggressive engagement and recruiting of eligible businesses and legislation that requires a minimum of 20 percent of eligible purchases of goods, services and construction by the government to be made with local small businesses. Businesses may apply to the LSBRP by using our online vendor database at [www.mcipcc.net](http://www.mcipcc.net). Businesses may participate in the program if they are independently owned, have an economic operational base in Montgomery County, and meet the following sales or employee thresholds:

<i>Business Type</i>	<i>Employee Limit</i>		<i>Prior Three Year's Avg. Sales</i>
Retail	30	<b>OR</b>	\$5 million
Wholesale	30		\$5 million
Service	100		\$10 million
Construction	50		\$14 million
Manufacturing	40		\$14 million



### Continued Innovative Practices

Among local municipalities, Montgomery County's Local Small Business Reserve Program continues to be a model of legislation, operation and outreach. Innovative practices used to implement the LSBRP law include:

- Ongoing training for department Contract Administrators on Procurement Compliance Programs including LSBRP, MFD and wage compliance programs.
- Initiated series of "Open House" industry-specific events designed to provide vendors and departmental purchasers with an opportunity to meet.
- Distributed weekly newsletters to local small businesses to advertise active solicitations, upcoming contracting opportunities and networking events.
- Developed a social network platform and increased use of social media in communicating with local small businesses.
- Increased participation in industry association meetings and chamber matchmaking and networking sessions to promote the LSBRP program.
- Improved intranet functionality to reduce paper work for Contract Administrators and Procurement Specialists.
- Improved on-line forms and reporting tools for county departments.
- Reduced response time for internal processing of exemption requests.

The Office of Procurement was established as a principal Office of the Executive Branch in 2015, the Office of Procurement became a cabinet-level entity within the Executive Branch of Montgomery County government. In addition to fulfilling the procurement function, the new organizational structure provided renewed focus on the Division of Business Relations and Compliance (DBRC)— the office which ensures vendor compliance with wage laws and contracting programs designed to increase participation of MFD and local small businesses within county contracting programs.

### Awards

- The Office of Procurement received Achievement of Excellence in Procurement award from the National Procurement Institute.
- The Office of Procurement received Public Access Partner Award from the Women Presidents' Educational Organization (WPEO)



### Marketing and Outreach

DBRC hosts and attends many networking events. These events help provide direct access to and interface with local small and/or minority businesses. Through panel discussions, seminars and match-making sessions, vendors have an opportunity to gain detailed and individualized information regarding procurement processes and requirements, learn about specific procurement opportunities and obtain business development information.

**Targeted Outreach Events:** Events hosted by the Office of Procurement are designed to assist MFD and LSBRP vendors in obtaining County contracting opportunities. In FY18, the Office hosted 7 outreach events:

- September 20, 2017: MDOT Certification Workshop (with African American Chamber)
- October 5, 2017: 2<sup>nd</sup> Annual Procurement Forum
- December 14, 2017: Hispanic Outreach Event
- January 30, 2018: Brazilian Delegation Visit
- February 28, 2018: MDOT Certification Workshop (with African American Chamber)
- March 7, 2018: Prevailing Wage Workshop
- April 11, 2018: 1<sup>st</sup> Spring Roundtable Event

**Networking Events:** Events hosted by external entities, help provide access to local and minority vendors. Through panel discussions, seminars and match making sessions, vendors have an opportunity to gain detailed and individualized information regarding procurement processes and requirements, learn about particular procurement opportunities and obtain business development information. In FY18, the Office of Procurement, DBRC and the Division of Procurement Operations participated as panelists, matchmaking hosts or key speakers in the following events:

- July 20, 2017: ProBiz Conference
- July 26, 2017: Maryland Women Business Center's Procurement Series
- September 1, 2017: African Diaspora Entrepreneurship Summit
- September 7, 2017: Power Conference
- October 10, 2017: Asian Chamber Annual Expo
- October 18, 2017: Baltimore County Procurement Expo – Meet the Primes
- October 25, 2017: DGS's Building Design and Construction Outreach
- October 30, 2017: Nonprofit Montgomery's 8th Annual Directors Dialogue
- November 7, 2017: Women President Educational Organization Awards
- December 19, 2018: Meet the Primes & Contracting Officers with the Women's Business Center
- February 20, 2018: Clark Construction Outreach Event





## Montgomery County's Local Small Business Reserve Program

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- March 29, 2018: Super Matchmaker Conference by Capital Region Minority Supplier Development Council (CRMSDC)
- April 12, 2018: Maryland Women Business Center Procurement Series Panel
- April 12, 2018: Maryland Black Chamber of Commerce
- April 18, 2018: Introduction to Government Contracting (Asian American Chamber)
- April 19, 2018: Federal Government Procurement Conference
- May 18, 2018: MCCC GovConNet Pathway to Growth Procurement Conference
- June 18, 2018: Maryland Procurement Technical Assistance Center Conference
- June 26, 2018: American Express Summit
- June 28, 2018: Maryland Women Business Center Round Table Conference



**FY15 – FY18 Comparative Program Measures**

**Procurement Awards in FY18:**

The following performance indicators reflect both transaction activity as well as payments to businesses. DBRC tracks payments made to local businesses as well as contract awards. It should be noted that payments for work performed may lag behind contract awards by 6 to 12 months and some contract awards may have multi-year terms.

**Table 3: 4-year comparison on Eligible LSBRP Awards**

Procurement Awards, FY15-FY18								
	FY15		FY16		FY17		FY18	
	Million \$	%	Million \$	%	Million \$	%	Million \$	%
<b>Total Procurement Dollars</b>	\$1,175.89		\$1,171.39		\$1,108.76		\$1,081.15	
<b>Eligible for LSBRP Procurement</b>	\$312.52	26.6%	\$312.19	26.7%	\$375.45	33.87%	\$430.60	40%
<b>Procurement Expenditure to LSBRP</b>	\$74.78	23.9%	\$75.70	24.3%	\$93.4	24.88%	\$115.4	26.8%

The “eligible” spending against which annual performance is measured is based on the portion of solicitations awarded to LSBRP vendors out of all eligible solicitations, the balance of which are considered open to non-LSBRP businesses.

**Contracts Awarded to LSBRP** (Based on Contract Execution Date)

**TABLE 2 - Major contracts (over \$100,000) awarded in FY18 to LSBRP (sorted by dollar amount)**

DEPT	Vendor	Description	Amount
DOT	Electric Advantage	Time and Material Electrical Services at County Parking Facilities	5,000,000
DOT	Banneker Ventures LLC	Parking Lot Districts Service Facility	3,900,000
DOT	Atlantic Electric Supply Corporation	Procurement, Storage, Supply and Programming Services for LED Light Fixtures for MCDOT Parking Facilities	2,100,000
DOT	Cenergetix LLC	Procurement, Storage, Supply and Programming Services for LED Light Fixtures for MCDOT Parking Facilities	1,400,000
CC	Deposition Services Inc	Transcription Services for the Circuit Court for Montgomery County, MD	1,350,000
REC	Personalized Classics, Inc.	Recreation Staff Apparel	240,000
REC	Personalized Classics, Inc.	Screen Printed Athletic Apparel	200,000
FRS	Training Outreach LLC	Accreditation Manager Services	125,000





### A Closer Look at Exempted LSBRP Awards

Highlighted in Table 4 are categories significantly impacting the overall availability of annual contracting dollars to local small businesses, or any other businesses: (1) Pre-existing Contracts and (2) Procurements exceeding \$10 million.

1. **Pre-existing Contracts** (highlighted in **YELLOW** in Table 4) - Many County contracts are for terms that exceed a single 12-month period, often extending for three to five years. Therefore, a contract is counted only once in the year of the award and is not counted in the following years. In FY18 this “pre-existing contract” category equals \$724 million, accounting for 86% of contract expenditures.
2. **Procurements exceeding \$10 million** (highlighted in **GRAY** in Table 4) – Legislation creating the LSBRP initiative requires that all contracts valued under \$10 million will be reserved for competition among local small businesses unless specific exemption criteria apply. The majority of these contracts are construction projects such as constructions of libraries, community centers, recreation centers, etc. In FY18, the County awarded \$78 million in contracts valued over \$10 million, accounting for 9% of all contracting dollars awarded in FY18.

These two categories combined for \$802 million, or 95% of all LSBRP exemptions in FY18. This spending distribution is further illustrated in the following tables.

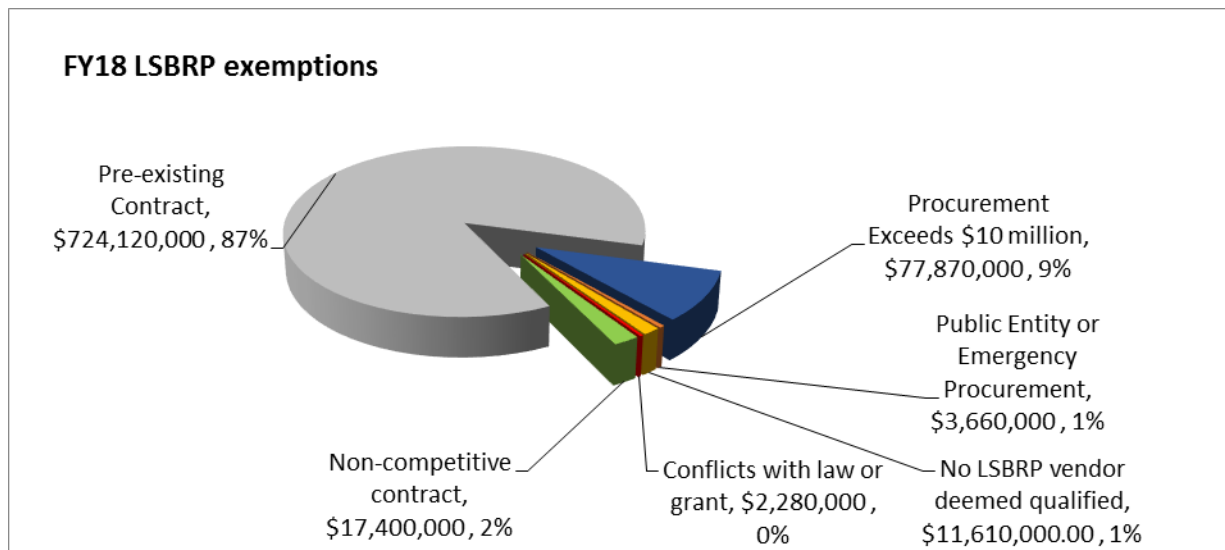
In addition to Pre-existing Contracts and Procurements Exceeding \$10 million, approximately \$23 million in exemptions (highlighted in **GREEN** in Table 4) were for contracts for which no competition was possible since the contracts were with; (a) other public entities, (b) specific companies because of grant requirements, or (c) were non-competitive awards such as contracts with an Original Equipment Manufacturers, sole licensed service providers, or other non-competitive basis approved by the County's Contract Review Committee.



# Montgomery County's Local Small Business Reserve Program

**Table 4: 4-year comparison on LSBRP Exemptions (in million \$)**

Exemption Categories	FY15		FY16		FY17		FY18	
	\$	%	\$	%	\$	%	\$	%
Chief Administrative Officer Waiver	\$0.00	0%	0	0%	\$0	0%	\$0	0
Conflicts with law or grant	\$4.51	0.53%	\$5.02	0.59%	\$9.60	1.02%	\$2.28	0.27%
Public or Emergency Procurement	\$17.62	2.07%	\$22.61	2.67%	\$2.52	0.27%	\$3.66	0.44%
Non-competitive contract	\$52.36	6.16%	\$45.08	5.32%	\$21.28	2.26%	\$17.40	2.08%
Pre-existing Contract	\$412.76	48.58%	\$377.38	44.53%	\$669.06	71.05%	\$724.12	86.52%
Procurement Exceeds \$10 million	\$338.26	39.81%	\$383.90	45.30%	\$228.60	24.28%	\$77.87	9.30%
No LSBRP vendor deemed qualified	\$24.10	2.84%	\$13.41	1.58%	\$10.58	1.12%	\$11.61	1.39%
<b>Total Procurement exempted from LSBRP</b>	<b>\$849.61</b>	<b>100%</b>	<b>\$847.40</b>	<b>100%</b>	<b>\$941.64</b>	<b>100%</b>	<b>\$836.94</b>	<b>100%</b>



**Figure 1: FY18 Exempted Awards breakdown**



# Montgomery County's Local Small Business Reserve Program

## Procurement Awards Summary

As shown in Table 5, a total \$115.4 million was awarded to LSBRP contractors in FY18. Of that, \$68.2 million of the County's FY18 competitive contract opportunities (highlighted in **YELLOW** in Table 5) could be considered available for LSBRP competition. These are opportunities in which it would be reasonably assumed that sufficient competition exists to support a competitive solicitation under the LSBRP as program enrollment increases and resources can be further devoted to identifying companies qualified to meet County requirements.

**Table 5: FY18 Procurement Awards Summary**

Categories		# of PO	\$ amount value	Sub Total	Exemption Y/N	Awarded LSBRP	Potential Market
<b>Not Exempted</b>	<b>Non exempt and Awarded non LSBRP</b>	Non exempt and Awarded non LSBRP	4240	\$128,852,544	\$128,852,544	\$176,064,495	\$255,822,618
	<b>Non-exempt and Awarded LSBRP</b>	Under \$10,000 solicitation, awarded LSBRP	0	\$0	\$47,211,951		
		Non-exempt but Awarded LSBRP	883	\$25,564,118			
		Advertised LSBRP Solicitation and Awarded LSBRP	98	\$21,647,833			
<b>Exempt and Awarded LSBRP</b>	N/A	1110	\$68,150,086	\$68,150,086	\$905,095,233	\$825,337,110	
<b>Exempted from LSBRP</b>	<b>Exempt and Awarded non LSBRP</b>	No LSBRP vendor deemed qualified	102	\$11,608,037			\$836,945,147
		Conflicts with law or grant	11	\$2,283,655			
		Non-competitive contract	313	\$17,404,818			
		Pre-existing Contract	4791	\$724,124,299			
		Procurement Exceeds \$10 million	133	\$77,868,772			
		Public Entity or Emergency Procurement	32	\$3,655,566			
<b>Total</b>			<b>\$1,081,159,728</b>				



## Montgomery County's Local Small Business Reserve Program

As illustrated in Figure 2, of the \$255.8 million potential LSBRP opportunities, \$115.4 million (\$47.2 m + \$68.2 m), or 45.1%, was awarded to local small businesses. This shows that 54.9% of \$255.8 million may present potential contracting opportunities for the LSBRP vendors. New local, small businesses may seek to examine the potential for expansion or establishment in these untapped areas.

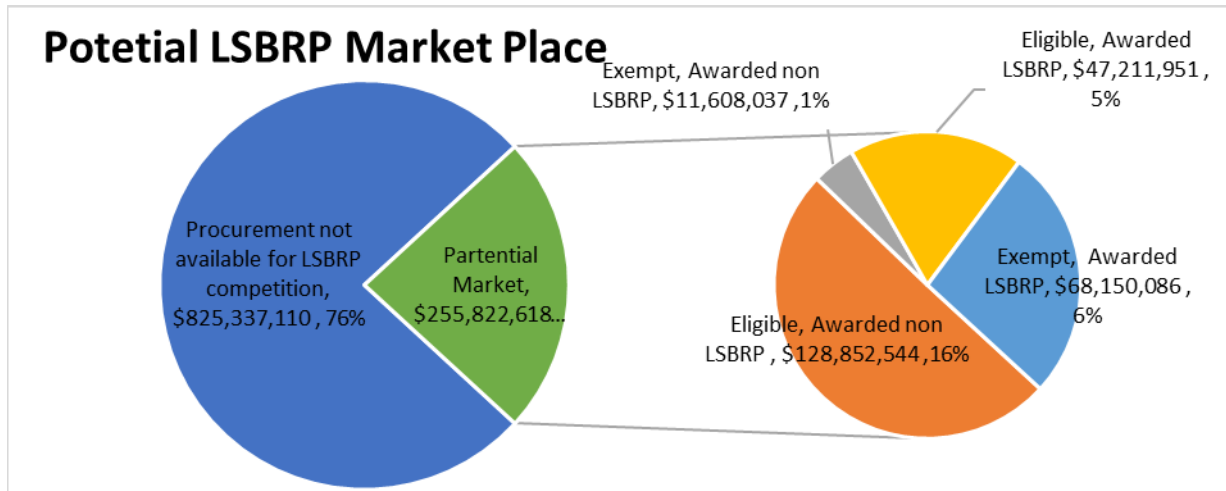


Figure 2: Procurement awards available to LSBRP competition

A total of \$115.4 million was awarded to LSBRP contractors as prime contractors in FY18. This is the first time that the County awarded over \$100 million to the LSBRP contractors. As shown in Figure 3, over the last 7 years, awards to LSBRPs have greatly expanded.

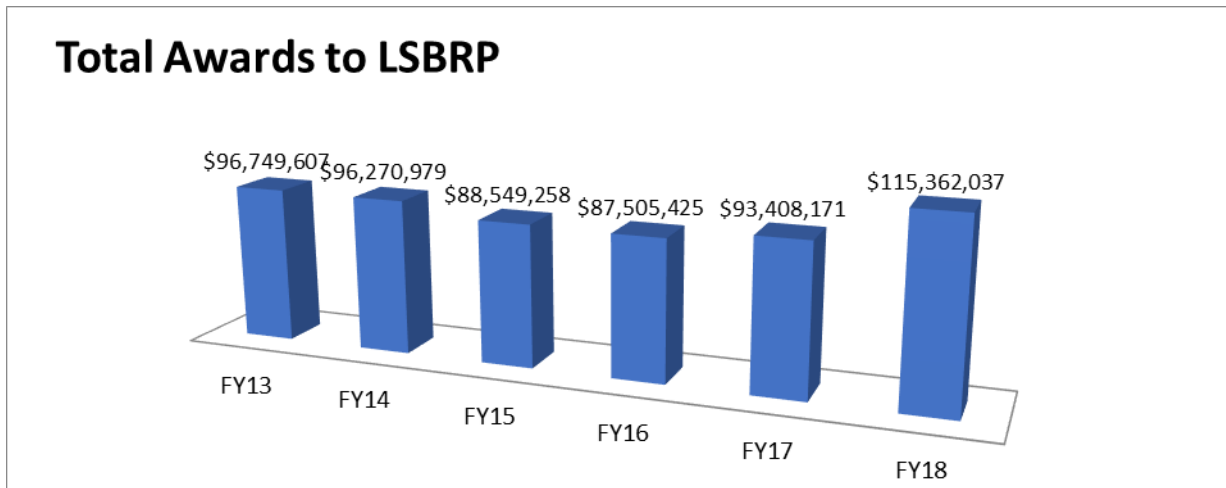


Figure 3: 7 year comparison on Procurement awards to LSBRP vendors



## LSBRP Awards by Department

**Table 6: Department spending with LSBRP vendors in FY18**

Department	LSBRP spending	% to Eligible
Board of Investment Trustees	\$741,374	9
Circuit Court	\$90,713	23
Community Engagement Cluster	\$416,355	48
Community Use of Public Facilities	\$294,017	93
Department of Correction and Rehabilitation	\$748,572	38
County Council	\$80,250	43
Department of Homeland Security	\$465,457	47
Department of Environmental Protection	\$2,808,447	31
Department of Finance	\$113,954	6
Department of Fire & Rescue Services	\$2,959,126	17
Department of General Services	\$20,116,008	44
Department of Health & Human Services	\$11,493,294	57
Department of Housing & Community Affairs	\$1,187,664	18
Office of Human Resources	\$282,531	39
Department of Liquor Control	\$1,183,997	91
Department of Permitting Services	\$574,423	82
Department of Police	\$3,765,253	61
Public Information Office	\$310,763	86
Department of Public Libraries	\$170,123	25
Department of Recreation	\$859,009	34
Sheriff Office	\$1,456,308	98
Department of Technology Services	\$5,597,049	84
Department of Transportation	\$49,018,987	53

**Table 7: Number of Departments that met/did not meet the 20% goal**

	FY15	FY16	FY17	FY18
# of Departments that met requirement	19	15	20	19
# of Departments that did not meet requirement	5	8	3	4
<b>Total</b>	<b>24</b>	<b>23</b>	<b>23</b>	<b>23</b>

## Concluding Insights

Montgomery County is home to an active and responsive local small business community. Nearly 95% of Montgomery County's companies are considered small businesses. Local small businesses employ local residents, provide good jobs with livable wages, and are a significant driver of the local economy. Local small businesses have benefitted from the Local Small Business Reserve Program. The program provides fair competition among local businesses to ensure the best value for the dollar spent on county contracts. The LSBRP is an investment in the local economy which provides ongoing benefits to the small business community.