

**REPORT TO MONTGOMERY
COUNTY COUNCIL**

ON

LOCAL SMALL BUSINESS RESERVE PROGRAM

PREPARED BY DEPARTMENT OF ECONOMIC DEVELOPMENT

NOVEMBER 30, 2006

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I. EXECUTIVE SUMMARY

The Montgomery County Local Small Business Reserve Program (LSBRP or Program) was launched on January 1, 2006. Under the enabling Montgomery County legislation, County agencies must award a minimum of 10% of their procurement dollars¹ to local small businesses and post all solicitations valued at \$5,000 to \$25,000 on the procurement Web site for five business days. The County initiated this Program as a means to foster the growth of County-based small businesses. To help realize the anticipated benefits to the business community, the County Council and the Executive Branch implemented the Program with a commitment to review, adjust and improve the Program in the future.

Despite the fact that the Program has been in operation for only six months, several significant results were accomplished during the second half of Fiscal Year 06:

- \$2.7 million or 33.5% of procurements available for the LSBRP were placed with local small businesses.
- 2 reserve contracts were issued
- The Program Web sites – ADMIN and Public - were completed to allow the broader use of complied procurement data.
- Over 450 businesses have been registered
- LSBRP Web sites list the contact information of Department contract administrators and their anticipated solicitation areas
- All County solicitations over \$5,000 are now posted on the LSBRP Web site

In order to accomplish the above milestones the Department of Economic Development (DED), with support from the Department of Technology Services and the Office of Procurement, worked diligently both with County agencies (also referred to as Departments or Using Departments) and businesses. Regarding the agencies, the following activities were conducted:

- Trained more than 120 contract administrators
- Provided on-going and on-site support to Departments
- Completed ADMIN Web site modifications such as the transfer of procurement records from ADPICS to the LSBRP database
- Surveyed Department contract administrators to assess satisfaction and to identify areas for improvement
- Trained 20 librarians throughout the County on how to assist businesses in registering for the LSBRP

¹ These procurement dollars do not include those which are exempt from the Program.

Along with County agencies, businesses benefited from the following initiatives:

- Attended or co-sponsored 13 outreach/fairs such as the Congressional Procurement Fair
- Placed 17 advertisements in media such as *the Business Gazette*, *Montgomery Sentinel*, *American Chinese Business News*, *Minority Business Guide* and *Korean Daily*
- Conducted 4 media interviews with Channel 21, WDMV AM and Channel 6
- E-mailed the Program newsletter to registered businesses
- Mailed 4,300 brochures to current county vendors not registered in LSBRP
- Surveyed LSBRP businesses to assess their satisfaction level and to identify areas for improvement
- Partnered with Chambers of Commerce (African American, Asian American, Bethesda Chevy Chase, Hispanic, Montgomery County, Gaithersburg-Germantown, and Silver Spring) to distribute information, promote member registration, and conduct LSBRP briefings.

A number of issues arose during the first six months of the Program. While many issues have been resolved, the remaining issues will be addressed during the current fiscal year. The most notable issues identified are:

- Concerns over possible interference with normal contracting
- Need to increase vendor registration
- Need to expand contracting with local small businesses
- Concerns with Program administration
- Need to expand services for businesses
- Need to enhance Web sites

Given the noteworthy success to date and the short existence of the Program, no fundamental structural changes are recommended in this annual report. To address Program issues, recommendations involve: expanding the Program vendor pool through focused marketing and promotion of the Program Web site as a general business-to-business networking tool; increasing LSBPR contracting by continuing to work with the Office of Procurement to promote and educate Departments on local small businesses; expanding services to local small businesses; decreasing the burden to Departments where possible and enhancing the Program Web sites.

In addition, this report recommends two specific County Council actions. One is to consider a mandatory opt-out clause to certain contracts. The other is to authorize an independent consultant study to assess ways to increase local small business contracting.

II. BACKGROUND

In April 2005, the Montgomery County Council enacted a law to establish a Local Small Business Reserve Program (LSBRP, or the Program). On December 13, 2005, the County Council passed the Executive Regulation specifying legislative parameters regarding Program implementation. Effective January 1st 2006, all County Using Departments were required to contract 10% of their procurement dollars with eligible small businesses located in Montgomery County. The law will sunset on December 31st, 2009 unless re-enacted by the County Council.

The Department of Economic Development (DED) is responsible for administering the LSBRP and reporting the results to Council each year. However, each Using Department has responsibility for complying with program regulations, meeting its departmental 10% requirement and providing DED with data for its annual report to Council. This report is the first such report and addresses Program status for Fiscal Year 06. As the Program took effect in January, the report covers the second half of Fiscal Year 06. Future reports will address procurement activity for the entire fiscal year.

Program Goals

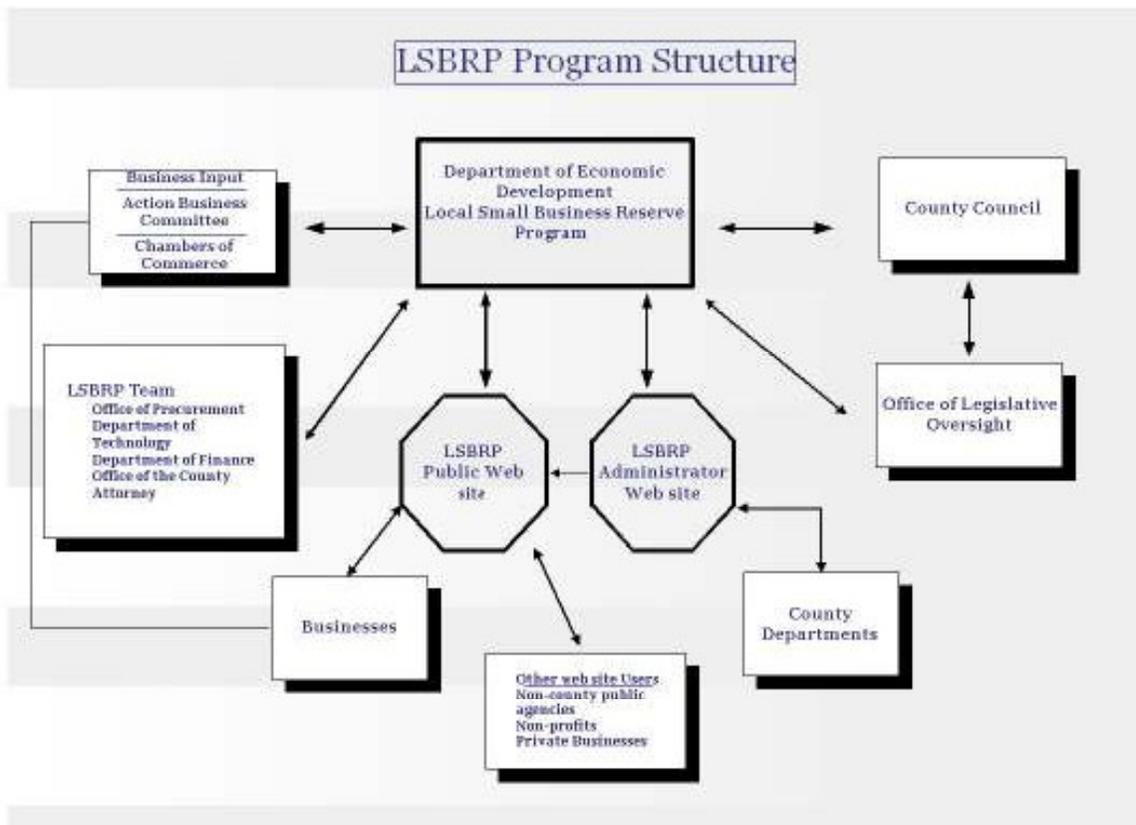
The LSBRP was created to enhance the competitiveness of and increase economic opportunities for Montgomery County small businesses. Specifically, it allows them to bid on select County procurements without competing with larger, more established companies. By increasing the portion of public procurement dollars that go to local small businesses, the Program will help create new employment opportunities, increase income and spending, and generate greater tax revenues to support County services and capital investments.

Program Structure

The chart below provides a graphic representation of the Program. Central to the Program is the Department of Economic Development (DED), which is legislatively charged with operating the Local Small Business Reserve Program and its two Web sites, one for vendor use and the other for contract administrator use. The boxes circling these central elements are the other key stakeholders with arrows indicating their relationship to DED Program management and the LSBRP Web sites. Moving counter-clockwise they are:

- Business Input – DED coordinates closely with the business community in terms of marketing the Program and improving the services provided.
- LSBRP Team – Critical to the implementation of the Program is a Team comprising of the following County Departments: Office of Procurement, Department of Technology Services, Department of Finance and Office of the County Attorney.
- Businesses – The chart indicates the direct link of businesses to the Public Web site. Through the Public Web site, businesses register in the Program and are able to communicate with DED.

- Other Web site Users – The Program is gaining recognition as a procurement tool for other government and private purchasing entities. To increase its usefulness to businesses, DED will be promoting this function.
- County Departments – Departments use the LSBRP Administrator (ADMIN) Web site to ascertain available vendors, check vendor certification, and record LSBRP procurement activity as well as using it as an overall information warehouse for procurement activity. The Public Web site and the ADMIN Web site are closely interrelated with each other.
- Office of Legislative Oversight (OLO) – OLO serves as the County Council assessment arm and closely coordinates with DED as to Program evaluation.
- County Council – Through legislative directive and through the activities of the Office of Legislative Oversight, the Council sets the Program structure and conducts annual Program review.



III. PROGRAM STATUS

Accomplishments

During FY06, the LSBRP met its entire legislative requirement. Principal among these requirements was the contracting of at least 10% of non-exempt procurement dollars to local small businesses. Other legislative requirements provided structure and process as to meeting the contracting requirement. All such requirements have been met and are listed below:

- Create by January 1, 2006 an operational Web site for the registration and certification of local small businesses.
- Track at the Departmental level procurement activity, reporting on the number, type, dollar amount, and LSBRP status of procurements.
- Departmental reporting to DED.
- Post informal solicitations (\$5,000 to \$25,000) on the Office of Procurement Web site.
- Assign County vendor numbers to LSBRP registered businesses.
- Conduct DED certification of local small businesses.
- Provide an annual renewal procedure.

Departmental Training

Critical to the Program's success is the participation of the County Departments. Program coordination and training with the Departments started early and continues to be strong. Yet areas for improvement exist and they are addressed in the Issues section of this report. Below is a listing of the major coordination and training activities that were conducted to date:

- In the summer and fall of 2005, DED vetted the draft Executive Regulation. The resulting comments served to revise the draft Executive Regulation and aided the County Council in its revisions and legislative approval.
- On November 17, 2005, the Beta test of LSBRP Web site was launched. The Department of Technology Services (DTS), with assistance from the Office of Procurement and DED, tested the Public LSBRP Web site and discussed structure for the ADMIN Web site.
- On January 10, 17 and 24, 2006, 123 contract administrators and other Departmental staff attended training sessions on the Public Web site and partially completed the ADMIN Web site.
- On March 25, 2006, DTS released the completed ADMIN Web site.
- On March 29 and April 5, DTS and DED conducted training for 30 contract administrators. Contract administrators requested automatic transfer of procurement data from ADPICS to the LSBRP ADMIN. This change was subsequently made.

- On April 12, DED requested Departments to provide a listing of possible FY07 LSBRP solicitations to post on the Public Web site and for participation in the June 12 Congressional Procurement Conference and Expo.
- On June 12, 19 Departments/Divisions either spoke at workshops or established booths at the Congressional Procurement Conference and Expo. It was attended by about 350 businesses.

Business Outreach

DED established partnerships with business resource providers to distribute information and to conduct Program events. The partnered organizations were:

- The Montgomery County Chamber of Commerce
- The Bethesda-Chevy Chase Chamber of Commerce
- The Silver Spring Chamber of Commerce
- The African American Chamber of Commerce
- The Gaithersburg-Germantown Chamber of Commerce
- The Rockville Economic Development, Inc.
- The Action Business Committee

In order to increase awareness of the Program among the minority business community, DED spoke about the Program to the members of the following organizations:

- Casa de Maryland
- The Hispanic Business Foundation
- The Capital Region Hispanic Business Initiative

DED co-sponsored the 2006 Congressional Procurement Conference and Expo held on June 12. Nineteen contract administrators representing 15 County agencies either exhibited or participated in workshops on LSBRP procurement. The event was also attended by 350 businesses and exhibitors representing federal as well as state agencies and the private sector. DED also attended Congressman Albert Wynn's Procurement Expo and Business Fair on March 13 and the Procurement Fair organized by the Bethesda-Chevy Chase Chamber of Commerce on April 25.

The Program was advertised in a variety of media outlets, such as *the Business Gazette*, *Montgomery Sentinel*, *El Tiempo Latino*, *American Chinese Business News*, *Minority Business Guide*, and *Korean Daily*. Four interviews were given to Channel 21, WDMV AM, and Channel 6.

In an effort to encourage qualified County vendors to register for the Program, DED mailed Program brochures to 4,300 current County vendors. In addition, 20 librarians throughout the County were trained on how to assist business in registering for the LSBRP.

IV. ANALYSIS OF DATA & PROCUREMENT ACTIVITIES

- | | |
|--|------------------|
| • Have the County agencies met the LSBRP requirement? | Yes ² |
| • Percentage of County agencies' available procurement dollars awarded to local small businesses | 33.5% |
| • Number of procurement transactions awarded to local small businesses | 88 ³ |
| • Value of procurement dollar awarded to local small businesses | \$2,689,321.33 |

Summary of Procurement Activities Valued at \$5,000 or More

The Local Small Business Reserve Program (LSBRP) was designed to track procurements using purchase orders (PO), direct purchase orders (DPO) and direct vouchers (DV) rather than directly tracking contracts. There are two reasons for this approach. PO/DPO & DV provide much more accurate measures of expenditures and identification as to what Departments are responsible for which expenditure. The number of LSBRP contracts has also been tracked by cross checking PO/DPO & DV records with unique contract numbers and vendor names.

In addition, the LSBRP tracks procurements valued at \$5,000 or more because there are too many PO/DPO and DV valued under \$5,000. Departments, however, may voluntarily record all procurement activities under \$5,000 to document compliance with the Program.

For the second half of FY06 (January 1, 2006 through June 30, 2006), 34 County agencies executed **4,842 Purchase Orders/Direct Purchase Orders/Direct Vouchers (PO/DPO & DV)** valued at \$5,000 or more. The total amount of these procurements was **\$271,404,003.99**. In addition, 2 County agencies issued 2 LSBRP-only (LSBRP Reserve) solicitations.⁴

The total dollar value of procurements available for the LSBRP was \$7,890,009.56 in 212 transactions. Included in these 212 are three types of procurements:

- Procurements awarded to local small businesses
- Procurements advertised as LSBRP Reserve and awarded to local small businesses
- Procurements awarded to non-registered businesses

² The County agencies meeting the LSBRP requirement and the percentage of County agencies' available procurement dollars awarded to local small businesses reflect procurement activities in excess of \$5,000.

³ It should be noted that some County agencies have voluntarily recorded 6 transactions valued under \$5,000 and awarded to LSBRP vendors. When these transactions totaling \$13,612.83 are taken into consideration, the percentage of County's procurement dollars allocated to the LSBRP still amounts to 33.6%. These transactions are reflected in the number of procurement transactions awarded to LSBRP vendors and value of procurement dollars awarded to LSBRP vendors.

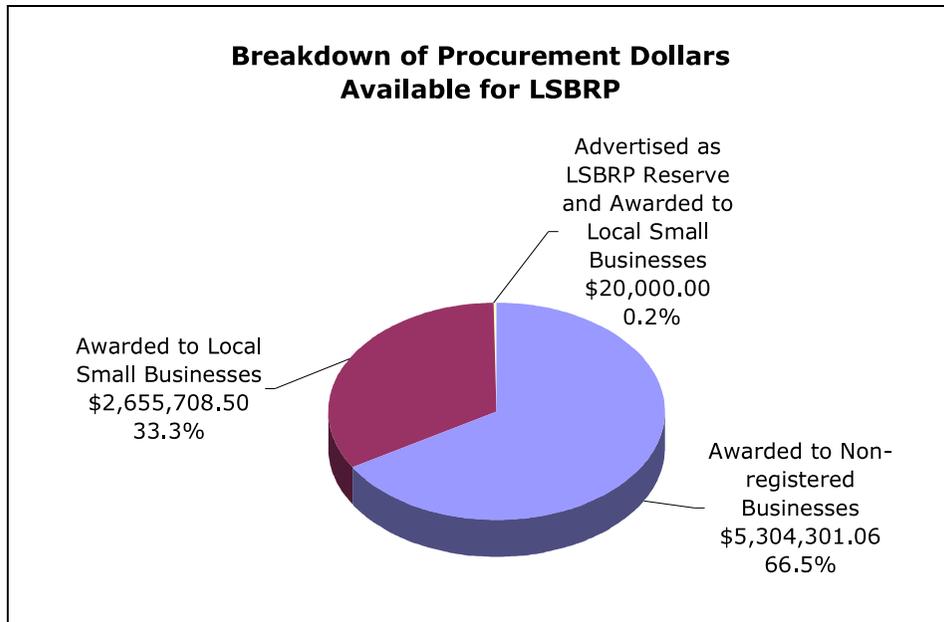
⁴ The Department of Correction and Rehabilitation issued an LSBRP Reserve solicitation for inmate barber services. The contract is valued more than \$5,000, but the payment made to the vendor in FY06 was \$3,000. Because this transaction is valued under \$5,000, it is not included in this report.

Table 1. Total Procurement Activities Valued at \$5,000 or More

		Dollar Value	Number	Percentage of Total Procurements
Procurements Available for LSBRP	Awarded to Local Small Businesses	\$2,655,708.50	81	1.7%
	Advertised as LSBRP Reserve and Awarded to Local Small Businesses	\$20,000.00	1	0.02%
	Awarded to Non-registered Businesses	\$5,304,301.06	130	2.7%
	Sub-total	\$7,980,009.56	212	4.4%
Procurements Not Available for LSBRP		\$263,423,994.43	4,630	95.6%
Total		\$271,404,003.99	4,842	100%

Procurements Available for LSBRP (\$5,000 or More)

The total procurement dollars available for the LSBRP amount to \$7,980,009.56 in 212 procurement transactions. Of these 212 transactions, 82 went to local small businesses and represents \$2,675,708.50. These 82 transactions include one solicitation advertised as LSBRP-only (LSBRP Reserve) and awarded to local small businesses. The remaining 130 transactions were awarded to non-registered businesses; this amount represents \$5,304,301.06 in procurement dollars. The 82 transactions awarded to local small businesses account for 33.5% of total procurement dollars available for the LSBRP and represent 72 contracts. Consequently, the County met the LSBRP requirement.



A. Procurements Awarded to Local Small Businesses

82 procurement transactions were awarded to 71 local small businesses. As the table below illustrates, three agencies issued the majority of procurements awarded to local small businesses. The most commonly procured services were:

- Sports professional services (e.g. recreation instructors)
- Financial services (e.g. disbursement of Economic Development Fund and Revolving Loan Fund)
- Transportation-related electrical control services

Table 2. Procurements Awarded to Local Small Businesses

Agency	Number of Procurement Transactions	Dollar Value
Department of Recreation	49	\$1,473,893.86
Department of Finance	10	\$529,842.08
Department of Public Works and Transportation	8	\$426,794.00
Office of the County Sheriff	2	\$58,000.00
Department of Health and Human Services	1	\$35,000.00
Office of the County Council	2	\$34,999.00
Department of Housing and Community Affairs	3	\$30,952.96
Department of Economic Development	2	\$30,000.00
Office of the County Executive	1	\$20,000.00
Department of Correction and Rehabilitation	1	\$14,325.00
RSC - Silver Spring	1	\$11,500.00
Department of Public Libraries	2	\$10,401.60
Total	82	\$2,675,708.50

Moreover, it is worth noting that 2 agencies – the Department of Correction and Rehabilitation and the Office of the County Executive - issued 2 LSBRP Reserve solicitations to acquire the following goods or services:

- Barber services for inmates
- Analytical studies

B. Procurements Awarded to Non-registered Businesses

130 procurements were awarded to non-registered businesses. As the table below illustrates, four agencies issued the majority of procurements awarded to local small businesses. The most commonly procured services were:

- IT goods or services
- Human and health-related services
- Electrical services and supplies
- Building maintenance and repair services (e.g. masonry)
- Sports professional services (e.g. recreation instructors)
- Recreational equipment and facilities
- Furniture
- Uniform dry cleaning services
- Security systems and services
- Office supplies
- Building construction

Table 3. Procurements Available for LSBRP and Awarded to Non-registered Businesses

Agency	Number of Procurement Transactions	Dollar Value
Department of Health and Human Services	51	\$2,880,985.99
Department of Public Works and Transportation	25	\$843,057.59
Office of the County Sheriff	14	\$489,616.65
Department of Recreation	20	\$476,580.07
Department of Environmental Protection	3	\$289,776.25
Department of Economic Development	2	\$93,000.00
Office of Public Information	1	\$45,250.00
Department of Public Libraries	3	\$44,806.70
Department of Police	2	\$39,399.00
Office of Intergovernmental Relations	2	\$32,123.69
RSC- Silver Spring	2	\$23,769.00
Office of the County Council	2	\$18,563.62
Department of Permitting Services	1	\$11,475.00
Office of the Common Use of Public Facilities	1	\$8,275.50
Commission for Women	1	\$7,622.00
Total	130	\$5,304,301.06

Procurements Not Available for LSBRP

The total procurements not available for the LSBRP amounted to \$263,423,994.43 in 4,630 transactions. They were exempt from the LSBRP according to seven provisions specified in the LSBRP Executive Regulation. Among the seven provisions, six were used by the County agencies. The unused provision is that any single procurement estimated to exceed \$10 million is exempt from the LSBRP. This provision might not have been used because some procurement may be exempt under more than one provision and agencies have the discretion of choosing a provision. The table below aggregates the number of exempt procurement transactions into dollar value and percentage according to each exemption provision.

Table 4. Summary of Exempt Provisions Used by County Agencies

Exemption Provision	Number of Procurement Transactions	Dollar Value	Percentage of Total Exempt Procurement Dollars
Pre-existing Contract	1,348	\$117,681,098.16	44.7%
No LSBRP Vendor Deemed Qualified by Using Department	2,715	\$99,571,192.40	37.8%
Non-competitive Contract	281	\$26,347,330.92	10.0%
Conflicts with State, Federal, or Local Law or Grant Requirements	149	\$11,933,678.59	4.5%
Public Entity or Emergency Procurement	114	\$7,697,580.03	2.9%
Chief Administrative Officer (CAO) Waiver	23	\$193,114.33	0.1%
Total	4,630	\$263,423,994.43	100%

A. Pre-existing Contract

1,348 procurement transactions were exempted because they were pre-existing contracts. Transactions in this category will phase out as an exemption. The most commonly procured goods or services were:

- General and heavy construction
- Building maintenance and repair services
- Transportation and traffic consulting services
- Automotive vehicle purchase and maintenance
- Computer hardware and software maintenance
- Computer parts and supplies
- Telephone work and equipment
- Tailored IT services
- Human and health-related services

B. No Local Vendors Deemed Qualified By Using Department

2,715 procurement transactions were exempted because Departments deemed no local vendors were qualified to provide the required goods or services. The most commonly cited reasons are that no qualified vendors were located in the County or no local vendors were capable of meeting the particular requirements for specific contracts. Of 2,715 transactions, 2,322 were executed by the Department of Liquor Control for liquor purchase and amount to \$61,257,542.79. It accounts for 61.5% of the total dollar value of procurements exempted under this provision. When those procurements are taken out, more than 96 percent of the remaining procurement dollars were spent to acquire the following goods or services:

- Lease payment
- Media
- Fire protection equipment and supplies
- IT training
- Financial services (e.g. auditing, claims payment, bond rating)
- Automotive vehicle purchase and maintenance
- Natural gas
- Recycling and compost bins
- Medical testing
- Specialized human resources consulting
- Specialized economic development services

C. Non-competitive Contract

281 procurement transactions were exempted because they were non-competitive contracts. Non-competitive contract designation is approved through either of the following two ways: before the beginning of fiscal year, agencies may seek the approval of the County Council and during the fiscal year, contracts in excess of \$25,000 require the approval of the Contract Review Committee (CRC). Of 281 transactions, 191 accounted for 87.3% of the total dollar value of procurements exempted under this provision. The most commonly procured goods or services were:

- Entities designated by the County Council for Non-competitive contract awards
- Sponsorship payment
- Advertising
- Proprietary software
- Land purchase
- Payment for the community use of public facilities

D. Conflicts with State, Federal or Local Law or, Grant Requirements

149 procurement transactions were exempted due to conflicts with state, federal or local law or grant requirements. By law, the use of state and federal money cannot be restrictive. Of 149 transactions, 121 were executed by the Department of Housing and Community Affairs to disburse loans awarded under federal grants or the County's housing programs.

E. Public Entity or Emergency Procurement

114 procurement transactions were exempted because they were for either public entity or emergency procurement. Of 114 transactions, 37 accounted for 77% of the total dollar value of procurements exempted under this provision. The most commonly procured goods or services were:

- Property acquisition by the Housing Opportunities Commission
- Intergovernmental agreements on public works

F. Chief Administrative Officer (CAO) Waiver

23 procurement transactions were exempted by Chief Administrative Officer waiver. The LSBRP Executive Regulation allows the Chief Administrative Officer to grant a waiver on a specific procurement transaction if he finds that the application of the Program conflicts with the overall objectives of the County's procurement regulations. No waiver was granted by Chief Administrative Officer (CAO) specifically for the LSBRP during FY06. However, waivers from general procurement regulations were granted on some procurements and became the basis for exempting the above-mentioned 23 transactions.

LSBRP Awards by Procurement Category

There are four procurement categories under which each procurement transaction is classified: Construction, Goods, Other than Professional Service and Professional Service. Local small businesses (LSBRP vendors) won more awards in the service categories – Other than Professional Service and Professional Service combined - than LSBRP vendors in other categories. This is confirmed by the fact that 77% of LSBRP vendors are service providers. In terms of dollar value, 45% of total awards were made to purchase goods. However, the share of LSBRP awards made under goods is disproportionately smaller than those under service categories. Moreover, it is worth noting that no procurement was executed with LSBRP vendors in construction.

Table 5. LSBRP Awards by Procurement Category

Procurement Category	Value of Total Awards	Value of Total LSBRP Awards	Percentage of Awards to LSBRP Vendors
Construction	\$18,042,134.98	\$0	0%
Goods	\$123,454,151.62	\$143,868.60	0.1%
Other than Professional Service	\$73,565,628.38	\$1,169,387.86	0.4%
Professional Service	\$56,342,089.01	\$1,362,452.04	0.5%
Total	\$271,404,003.99	\$2,675,708.50	1.0%

Anticipated LSBRP Solicitations for FY07

All County agencies subject to the LSBRP requirement were requested to identify the goods or services that might be acquired from local small businesses. The table below shows the list of anticipated LSBRP solicitations reported by agency.

Table 6. Anticipated LSBRP Solicitations for FY07 by Agency

Agency	Possible LSBRP Solicitations
Board of Appeals	None anticipated
Board of Elections	None anticipated
Circuit Court	None anticipated
Commission for Women	None anticipated
Office of the Community Use of Public Facilities	None anticipated
Department of Correction & Rehabilitation	Inmate telephone services
	Food and juice purchases
	Medical supplies
	Cleaning supplies
	Shredding services
Office of the County Attorney	None anticipated

Agency	Possible LSBRP Solicitations
Office of the County Council	Professional support services for individual Council members Outside Printing Photography Catering Replacement of office furniture
Office of the County Executive	Events coordinator Graphic designer Public relations
Department of Economic Development	Marketing Advertising Consulting services
Department of Environmental Protection	Promotional items Web site development Display & marketing materials Wide format copier Macroinvertebrate identification Handheld ADV Flowtracker Noise equipment & calibration Field clothing Tree planting Field equipment
Ethics Commission	None anticipated
Department of Finance	None anticipated
Department of Fire & Rescue Service	Bottled Water Building Maintenance Services Catering Cleaning Supplies Conference/Meeting Rooms Custodial Services Dry Cleaning Novelty and Promotional Items Office Supplies Printing Services Recruitment Advertising Trash Removal Uniform and Gear Imprinting Vehicle Repairs
Department of Homeland Security	None anticipated
Department of Housing & Community Affairs	None reported
Department of Health & Human Services	None reported
Office of Human Resources	ESL Pronunciation-(already solicited) Grievance Fact finders Occupational Medical Services Supplies/Equipment
Office of the Inspector General	Audit work

Agency	Possible LSBRP Solicitations
Office of Intergovernmental Relations	None anticipated
Office of Legislative Oversight	None anticipated
Department of Public Libraries	Copiers
	Materials recovery
	Book tubs
	Book sorting services
	Replace self-checkout machines
	IBM hardware maintenance
	Acquire/repair furniture
	Digital signage system
Department of Liquor Control	DVD/CD security devices
	Repair/maintenance of electronic security system
	Repair/maintenance of cash registers, credit card machines
	Toner, printer ribbons, parts
	Paper bags for retail stores
	Welding supplies
	Computer paper
	Work stations, office furniture
	Uniforms
Merit System Protection Board	None anticipated
Office of Management and Budget	None anticipated
Office of the People's Counsel	None anticipated
Department of Permitting Services	IT hardware, software & Maintenance
	Documentum Software Maintenance
	Voice Genie & IVR Servers
	AIX 4.x Software Maintenance
	Kane Office Archives
	Oracle Maintenance
	Scanners - 2 Ideal/context Premier
	HP5000PS Design Jet Printers
	Verizon Wireless Service
	Courier Services
Department of Police	Services & Contractual:
	DNA testing
	Instructor services (at the Academy)
	Trash hauling
	Moving services
	Hazardous waste removal
	Preparation of transcripts
	Landscaping, lawn, debris, trimming
	Communication Services:
	Local phone service/Cell phone service
	Pager leases
	CDMA air time cards

Agency	Possible LSBRP Solicitations
Department of Police	<p><u>Motor Pool:</u> Vehicle car wash Vehicle de-contamination services Emergency Police equipment Glass Tinting</p> <p><u>Medical/ Health supplies:</u> Substance abuse testing equipment Breathalyzer testing equipment and supplies Drug testing kits</p> <p><u>Public Safety Supplies:</u> Fingerprint kits Gas masks & Handcuffs Helmets (duty and motorcycle) K9 supplies and care Child Safety seats ECC headphones Range supplies – targets etc.</p> <p><u>Books/Reference Materials:</u> Professional Periodicals Videos Reference Materials</p> <p><u>Other Supplies & Materials:</u> Batteries & Binoculars Digital cameras and supplies</p> <p><u>Other Supplies & Materials (Continued):</u> Cell phones Keys & locks Plaques Tape recorders Radio equipment and repair parts 35 mm film Photo processing Specialize furniture pieces</p> <p><u>Rentals and Leases:</u> Portable toilets, water coolers, walk-off mats Laser gun repairs Fax Machines, TTY machines</p> <p><u>Miscellaneous:</u> Employment Hiring advertisement Towing Services (currently Executive Regulation) Animal Traps, polls, rabies vaccinations (Animal Control) Certain banquet expenditures</p>
Office of Procurement	None anticipated
Office of Public Information	Rich - copy machines Dragonbridge - interpretation services Maslow -videographer and cable

Agency	Possible LSBRP Solicitations
Department of Public Works & Transportation (DPWT) – Division of Operations	Tree Maintenance & Removal Services Aggregate/Crushed Stone Rip Rap & Gabion Stone Turf Sod Road Equipment Services Painting Services Electrical/Mechanical Security System Services Fire Sprinkler System Inspection Services Elevator Consulting Services Electric lamps HVAC/Industrial Belts Lock Repair & Installation Services Fire Extinguishers Inspection & Repair Tree Care Aggregates/Stone Distributor Turf Grass Supplier Construction Equipment Rental Painting Services Security System Services Fire Sprinkler Services Elevator Consulting Lighting Distributor Industrial Machinery & Equipment Distributor Locksmith & Security Services Fire Extinguishers Supply and Service
DPWT - Division of Fleet Services	None anticipated
DPWT - Division of Capital Development	Appraisal Services Surveyor/Engineering Services
DPWT - Division of Transit Services	Pick-up and delivery services for fare media Printing services Armored car service Radios, radio parts, and bus camera parts Walk off mats Taxi services (this is an open solicitation) Administration of the Call n' Ride program
DPWT - Division of Solid Waste Services	Portable toilet rental Textile recycling Graphic Arts Hazardous waste containers Meteorological services Consultant to review inspector program Recycling carts
Department of Recreation	None anticipated
Regional Service Center – Bethesda-Chevy Chase	None anticipated
Regional Service Center - East County	None anticipated

Agency	Possible LSBRP Solicitations
Regional Service Center - Mid-County	Flowers
Regional Service Center - Silver Spring	None anticipated
Regional Service Center - Up County	None anticipated
Office of the County Sheriff	None anticipated
Department of Technology Services	Seat Management Contract (more commonly known as DCM)
	IT Professional Services Contracts
	IT Products Contracts (IT related consumables such as toner ink and minor equipment such as printers, etc.)
Zoning & Administrative Hearing Office	None anticipated

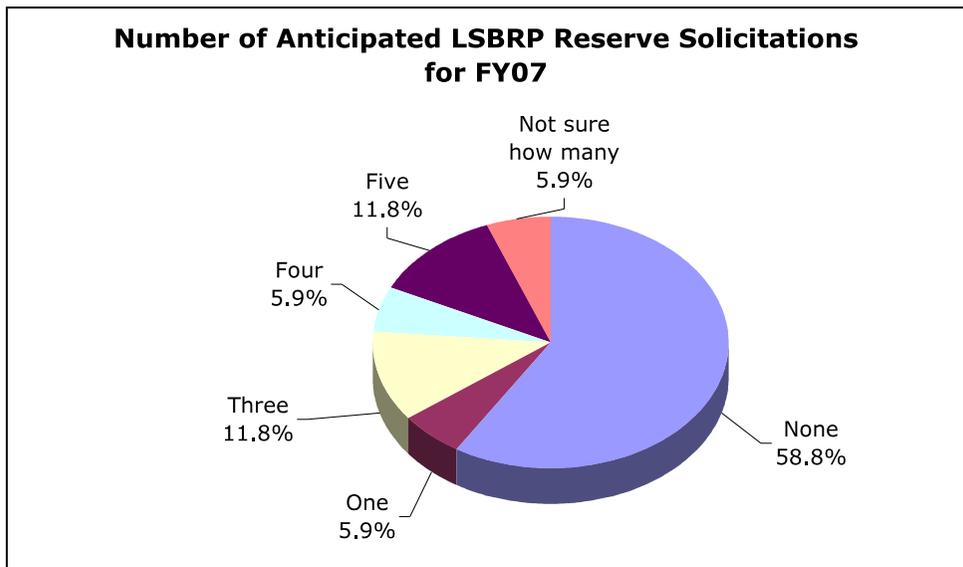
V. SURVEY

Departmental Survey

An online survey was conducted among Department contract administrators to assess their level of satisfaction with the Program and to identify the areas for improvement. Of 51 contract administrators representing 42 agencies, 17 responded to the survey. Considering the fact that 8 agencies did not report any procurement activities valued over \$5,000, the response rate becomes 39.5%. The survey was open for three weeks from September 29 to October 20.

A. LSBRP Reserve Solicitations

When asked about the number of LSBRP Reserve solicitations they advertised for FY06, 94% of the respondents said none. The prospect for FY07 seems improved with 41% anticipating 1 to 5 solicitations reserved for local small businesses. Among the respondents who anticipate none, 67% said all of their procurements are likely to be exempt from the LSBRP. 22% said the LSBRP requirement will likely be met by local small businesses (LSBRP vendors) winning non-Reserve contracts.



B. Procurement Transactions Executed for LSBRP Vendors

35.3% of the respondents said they executed more than one procurement transaction with LSBRP vendors.

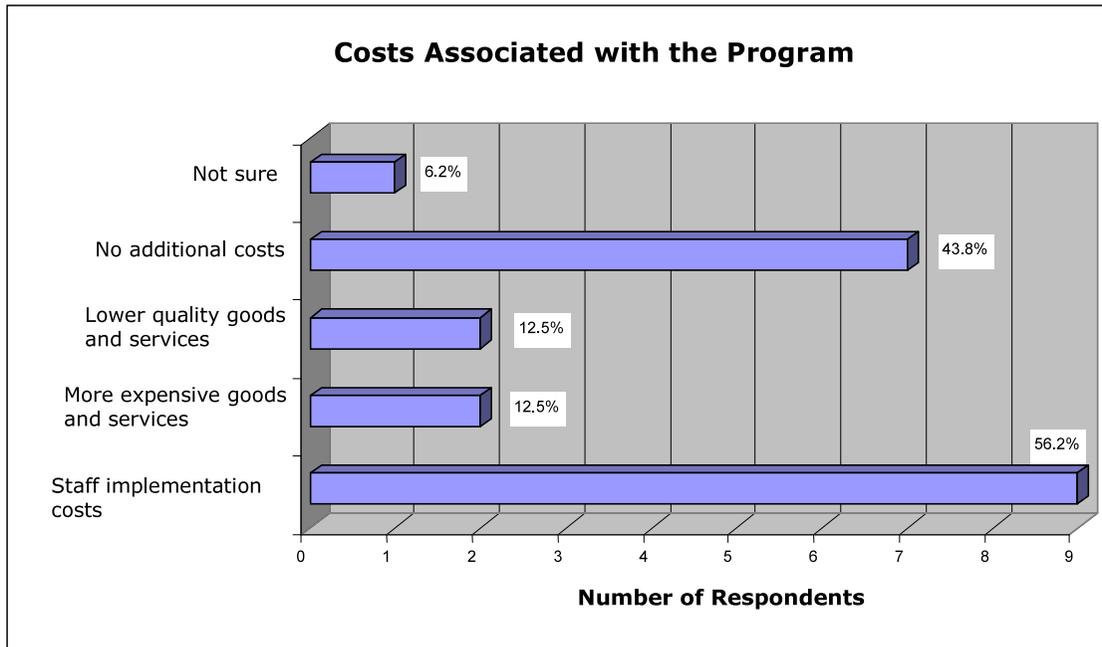
C. Benefits the LSBRP Provides to the County

When asked about the benefits the Program provides to the County, 64.7% identified “Increased opportunities for local small businesses.” The next most popular response was “Ready pool of vendors with useful information.” The LSBRP vendor database enables contract administrators to obtain detailed information on the product or service offerings of vendors for their procurement planning. 11.8% said the Program does not provide any benefits.

D. Costs Associated with the Program

More than 56.2% of respondents picked “staff implementation costs” as the major cost associated with the Program. Interestingly, 43.8% also said “the Program does not result in additional costs.” The survey did not attempt to quantify these implementation costs, but it was addressed during an open-discussion session with contract administrators. The general consensus is that one would spend 48 to 96 staff hours per fiscal year in preparing local small business reserve solicitations and providing the information critical to the Program on the ADMIN Web site. They are not considering allocating additional resources to the Program. However, this would change as the volume of LSBRP reserve contracts increases.

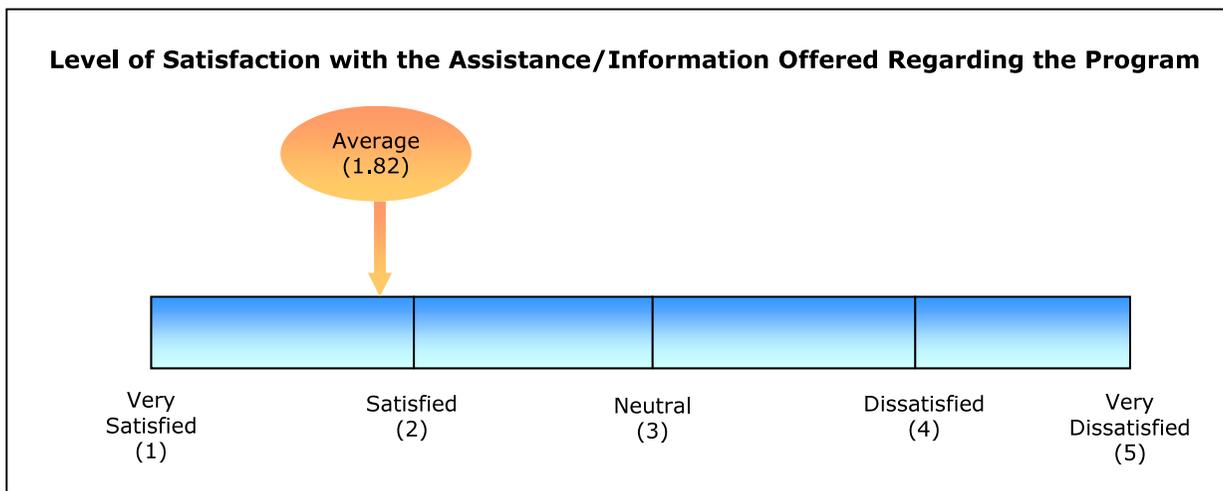
12.5% of the respondents identified both lower quality and more expensive goods or services as the Program cost.



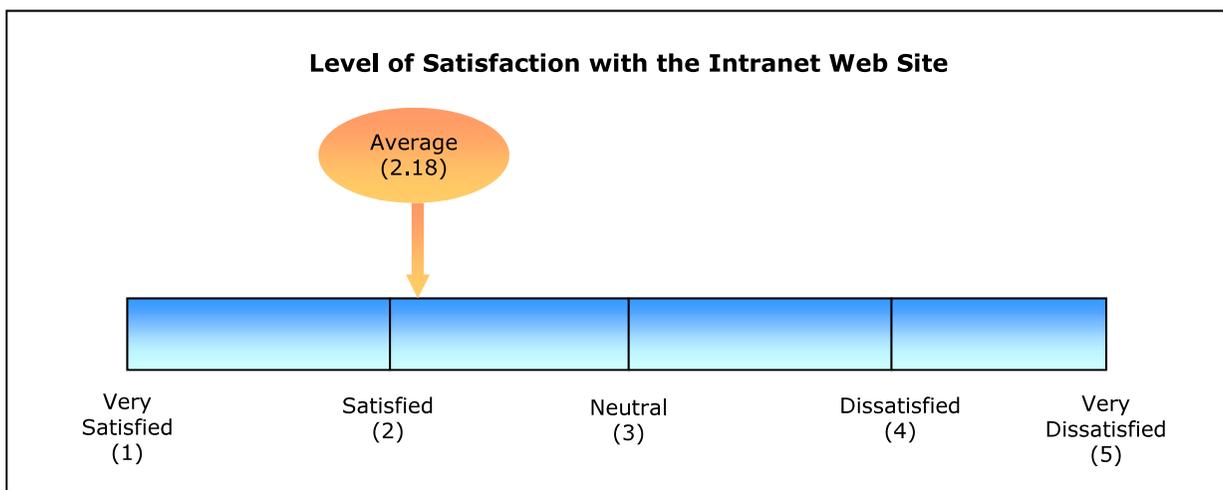
E. Level of Satisfaction

Respondents were asked to rate their level of satisfaction with different aspects of the Program on a scale of 1 to 5 (1 being very satisfied, 3 being neutral and 5 being very dissatisfied). Survey response averages were then calculated from the 17 respondents who answered these questions.

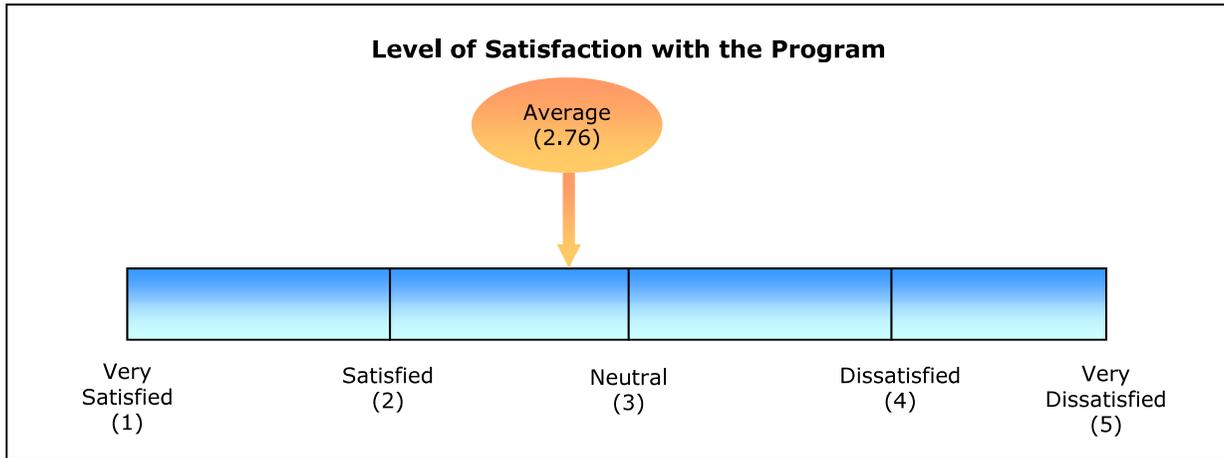
Respondents are satisfied with the assistance/information they were offered by the Department of Economic Development regarding the Program. This is reflected in the response average of 1.82. 82% of the respondents rated themselves very satisfied or satisfied and the remaining 18% feel neutral. The assistance and information provided include training, follow-up meetings and on-going support DED provided to contract administrators.



70% of the respondents said they were very satisfied or satisfied with the Intranet (ADMIN) Web site and the response average was 2.18. It was pointed out that the Intranet Web site should be modified so it does not capture the transactions with exempt commodity codes.



35% of the respondents rated themselves neutral and 24% feel satisfied with the Program. This is reflected in the response average of 2.76.

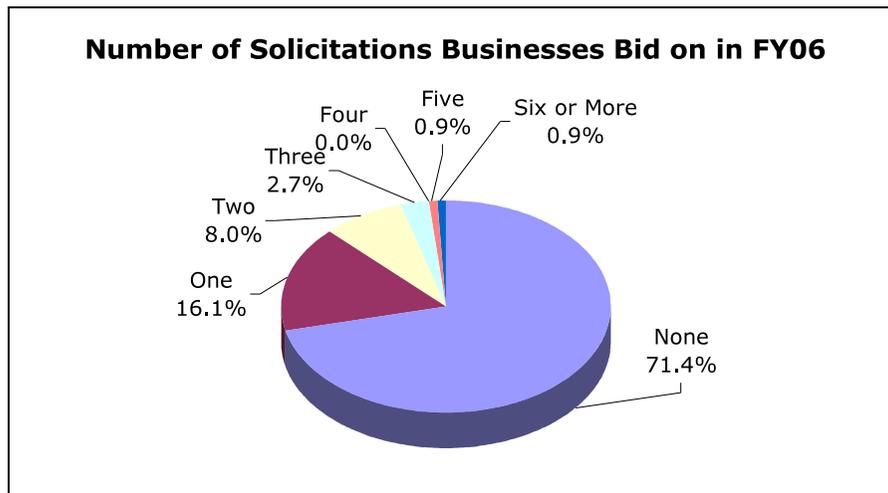


Business Survey

An online survey was conducted among registered businesses to assess their level of satisfaction with the Program and to identify the areas for improvement. A total of 112 businesses participated in the survey. The survey was open for three weeks from October 10 to October 31.

A. Number of Solicitations that Businesses Bid on in FY06

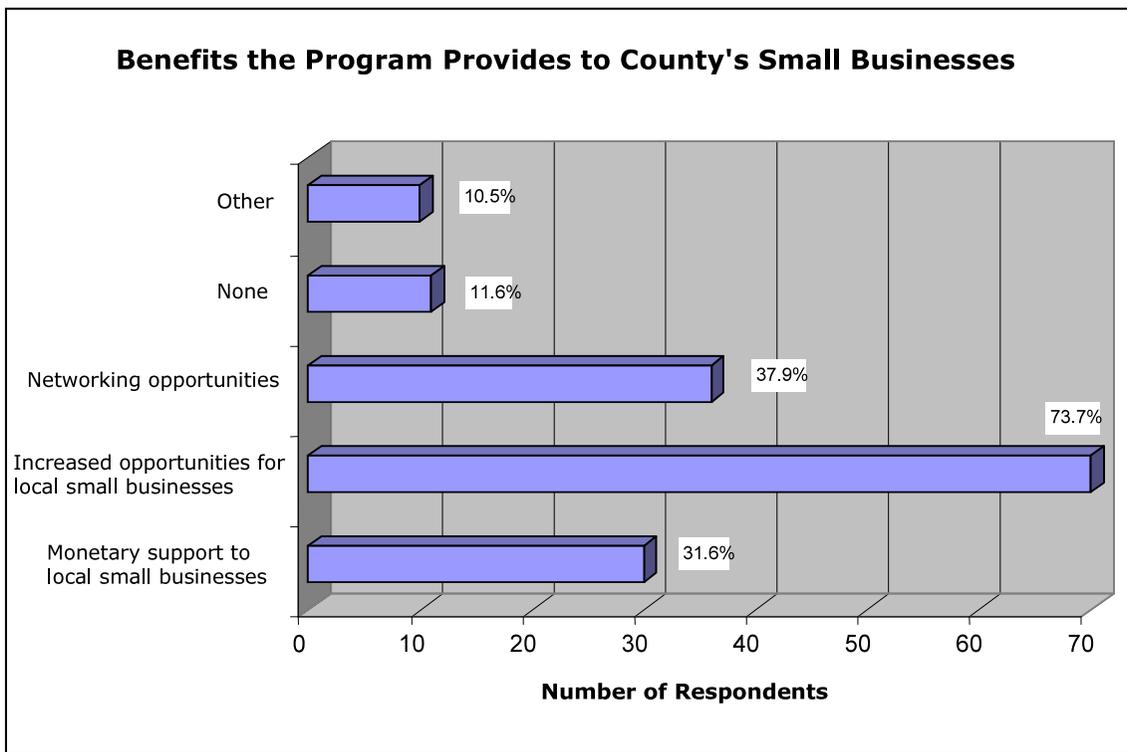
Of 112 respondents who answered this question, 71.4% said they did not bid on any County solicitations in FY06. When asked about the reason, 77.2% said that they were not aware of any solicitations or no solicitations were offered in their line of business. Other responses include, “County solicitations are not cost-effective to pursue,” “They do not know how to prepare a bid or proposal,” and “Most solicitations require a quick response time that they cannot meet.”



When asked about the number of solicitations they were awarded in FY06, 91% of 89 respondents who answered this question said none. The remaining responses varied from one to two.

B. Benefits the Program Provides to the County's Small Businesses

73.7% identified “increased opportunities for local small businesses” as the benefit the Program provides to the County’s small businesses. The next most popular responses were “Networking opportunities” and “Monetary support to local small businesses.” 11.6% said the Program does not provide any benefits.



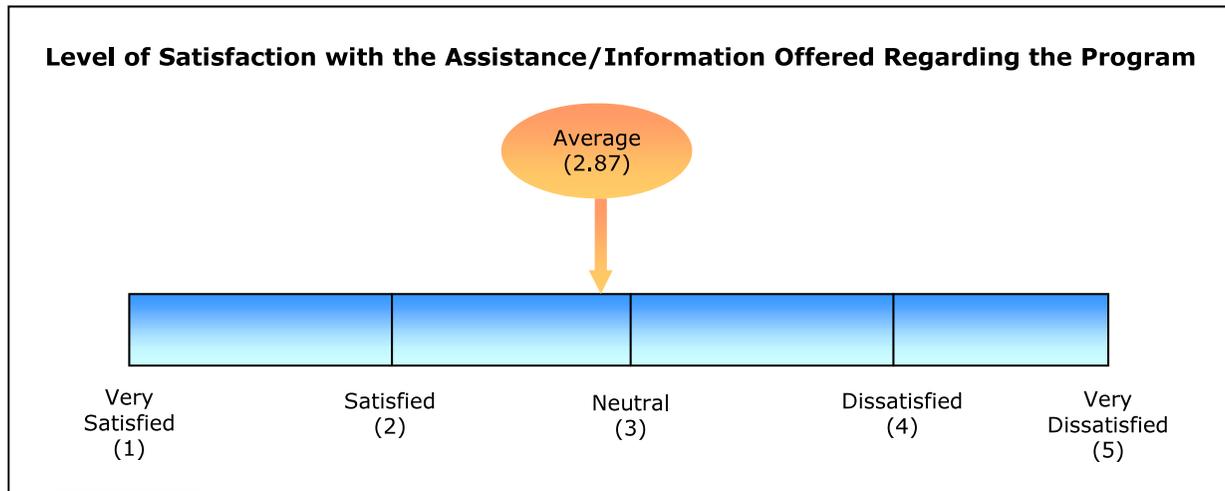
C. How They Learned of the Program

Responses are equally distributed on how they learned of the Program with 22.8% of the respondents saying Program advertisement prompted them to register for the Program and 20.7% of the respondents identifying both professional organizations such as the Chamber of Commerce and County agencies. Other responses include word of mouth, media coverage and procurement fair.

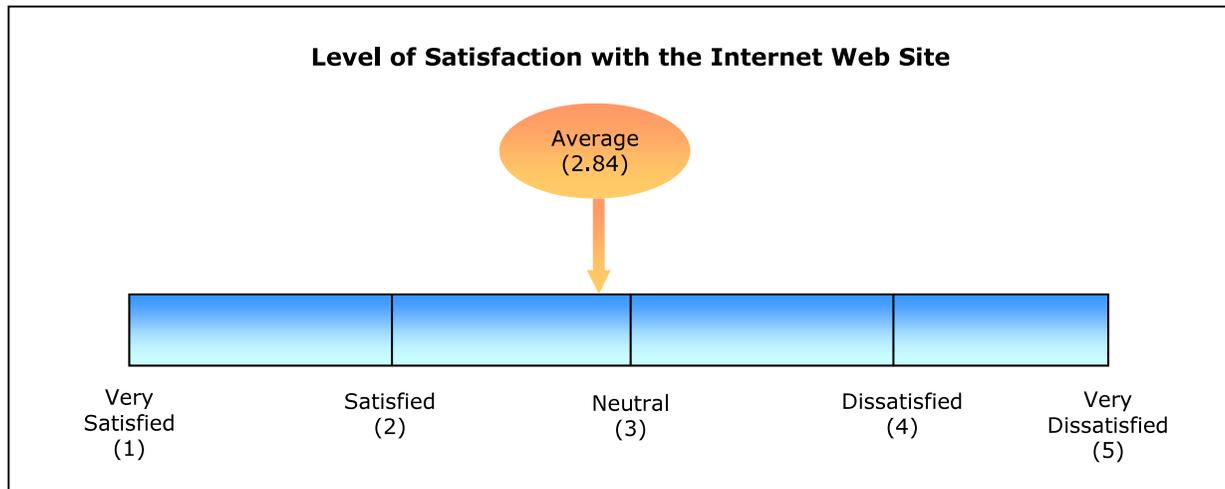
D. Level of Satisfaction

Respondents were asked to rate their level of satisfaction with different aspects of the Program on a scale of 1 to 5 (1 being very satisfied, 3 being neutral and 5 being very dissatisfied). Survey response averages were then calculated from the 95 respondents who answered these questions.

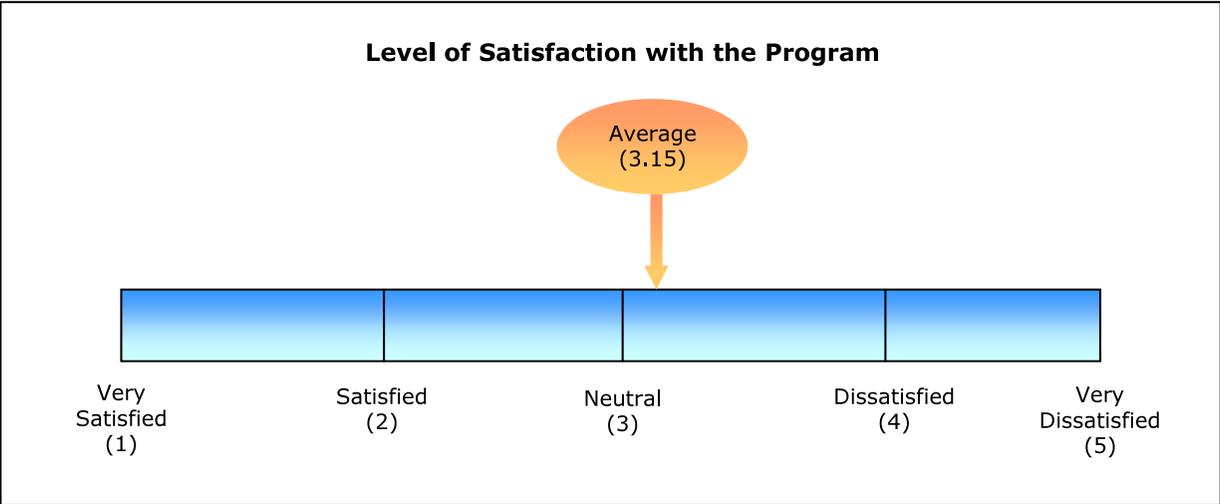
48% of respondents feel neutral about the assistance/information they were offered regarding the Program. 29% of the respondents rated themselves satisfied and 10% dissatisfied. This is reflected in the response average of 2.87.



48% of the respondents said they feel neutral about the Internet Web site and the response average was 2.84. It was pointed out that the Internet Web site should display detailed information on LSBRP reserve solicitations.



Regarding the Program, respondents leaned toward being neutral or dissatisfied. This is reflected in the response of average of 3.15. 44% of the respondents rated themselves neutral whereas 18% and 13% identified themselves dissatisfied and very dissatisfied respectively.



VI. ISSUES

LSBRP contract administrators and vendors raised a number of issues regarding the Program through survey feedback and meetings. Expanding the issues raised by the contract administrators and businesses, the LSBRP team has contributed to the issues identified below. They are summarized into the following six categories:

- Concerns over possible interference with normal contracting
- Need to increase vendor registration
- Need to expand contracting with local small businesses
- Concerns with Program administration
- Need to expand services for businesses
- Need to enhance Web sites

A. Concerns over Possible Interference with Normal Contracting

Delay in Procurement Process

Contract administrators pointed out in the Departmental survey that the LSBRP might cause a delay in the procurement process if a reserve solicitation does not receive any bids from qualified local vendors and agencies have to re-issue the solicitation. The process might also be delayed should a vendor challenge the LSBRP solicitation due to their failure to win a contract.

Higher Acquisition Costs

In a response to survey question #6, many contract administrators expressed a concern that the Program might lead to higher acquisition costs, because larger companies are excluded from bidding on reserve solicitations. Because larger firms often hold a competitive advantage due to their economy of scale, their bids may be less than those of small businesses. As such, it is presumed that the LSBRP has a hidden cost to the County. However, agencies can never know what the final acquisition cost might have been on an unrestricted bid.

Lower Quality of Goods or Services

LSBRP could adversely affect the quality of goods or services contracted. The quality issue is similar to that of price. With restrictions on competition, businesses with better goods and services may be excluded.

B. Need to Increase Vendor Registration

Small Vendor Pool

There is a consensus that too few businesses are registered in the Program. As of the close of FY06, some 450 businesses were registered. While the LSBRP database boasts a robust number of vendors in many professional service categories such as information technology, many commodity codes have only a few or no vendors registered.

Underutilized Database

The LSBRP database could have a wider use beyond its prime purpose of aiding the County agencies to meet their 10% LSBRP requirement. Registered businesses could benefit from being exposed to other public and private purchasing entities. To date, three agencies not under the LSBRP law (Montgomery College, the Universities of Maryland at Shady Grove and the Rockville Economic Development, Inc.) have used the LSBRP database to identify vendors. Because the LSBRP database has dynamic up-to-date vendor information, there exists potential to greatly expand its use which can give greater incentive for businesses to register.

C. Need to Expand Contracting with Local Small Businesses

Very Few LSBRP Reserve Solicitations

During FY06, only two solicitations were reserved for local small businesses (LSBRP vendors). Nearly 60% of contract administrators who answered the LSBRP survey did not anticipate any LSBRP reserve solicitations during FY07. Enabling legislation does not require County agencies to issue any reserve solicitations yet allows them to meet the LSBRP requirement by claiming credit for payment to LSBRP vendors winning non-reserved contracts.

Need to Increase Contracting with Local Small Businesses

During the second half of FY06, County agencies contracted \$2.7 million with LSBRP vendors. This accounts for 33.5% of total non-exempt procurement dollars but only 1% of total procurement dollars subject to the LSBRP requirement. Because the County does not have any statistical data on small business purchases before the implementation of the Program, there is no way to ascertain that this is an appropriate level. However, the general consensus is that LSBRP contracting was anticipated to be higher than experienced.

D. Concerns with Program Administration

Staff Implementation Costs

56.2 % of agency survey respondents reported that the LSBRP requires additional staff time. During follow-up meetings, LSBRP contract administrators estimated the amount of time to be between 48 to 96 staff hours per fiscal year. It can be reasonably assumed that the staff time will increase as LSBRP activity increases.

Pass-through Contracts

Currently when two agencies work on a single contract, the agency that executes the purchase order is given credit for LSBRP despite the fact that another agency executes and administers the agreements. This process involves administrative work for the agency serving as a pass-through yet it does not gain any credit or recognition. In cases where the procurement is not exempt from the LSBRP, such

procurement could increase the difficulty of meeting the 10% LSBRP requirement for a pass-through agency.

Umbrella Contracts

Umbrella contracts are being used as an efficient method for meeting the County's procurement needs for commonly purchased goods or services. However, having all County agencies obligated under those contracts puts at disadvantage some agencies, particularly those with small procurement budgets, as they try to meet the LSBRP requirement.

Errors in Capturing Data

Currently, agencies report contract dollars that are awarded to LSBRP vendors. Occasionally, errors occur and agencies might claim credit for the goods or services provided by non-LSBRP vendors.

E. Need to Expand Services for Businesses

Easier Access to Procurement Opportunities

Businesses suggested through the survey that the County make detailed solicitation information available to small businesses free of charge or waive their cost to purchase bid documents. Another suggestion was to offer to small businesses free or discounted subscriptions to RAPID. Lastly, businesses would like to receive automatic notification of solicitations pertinent to their areas of business.

Training on bid or proposal preparation

In the LSBRP vendor survey, many businesses said that they do not respond to County solicitations because they do not know how to prepare bids or proposals. They would like to receive training in these areas.

More outreach and networking opportunities

Businesses prefer more outreach opportunities where they can directly market their products or services to agency contract administrators. Businesses also expressed interest in networking with other companies in order to pursue such opportunities as subcontracting or partnering in large contracts.

F. Need to Enhance Web Sites

Contract administrators and businesses said that some features of the Web site such as the vendor search engine are not easy to use and are hard to locate. Businesses pointed out that the Web site does not have links to other small business assistance providers.

VII. RECOMMENDATIONS

According to the March 22, 2005 Program legislative package, the goals of the Local Small Business Reserve Program are to: 1. Enhance the competitiveness of County-based small businesses by creating a separate defined market in which small businesses will compete against each other, not against larger firms, for County contracts; 2. Broaden the pool of local small vendors doing business with the County; and 3. Encourage the County's economic growth by enhancing the business climate for local small businesses.

While the Program relies on an array of strategies and tools to register small businesses and solicit procurements, in essence there are two basic legislative tools for operating this program: the 10% LSBRP contract requirement and exemptions to the 10% requirement. With 33.5% of procurement dollars available for the LSBRP being executed with local small businesses, the County has dramatically exceeded the 10% legislative requirement. Yet, with just \$2.7 million of procurements going to local small businesses during the second half of FY06, in a real sense, the County has yet to meet the stated goals of the Program.

The results of the first six months indicate that the Program requires increased emphasis on registering vendors and reserving solicitations for local small businesses. As the Program is less than a year old, managerial changes identified below and an independent review should be implemented prior to legislatively modifying exemption criteria. In doing so, any structural changes would stand on much firmer ground.

Below are seven areas in which changes are either taking place or should be explored. They involve: Program operational changes, a possible legislative change, and an independent assessment. On all these recommendations the County Council may wish to concur or offer input as to appropriateness in obtaining the goals of the Program.

1. Expand the pool of vendors in the LSBRP by
 - Focusing marketing initiatives on chamber members who are not registered and businesses offering services or commodities the County is seeking
 - Promoting LSBRP database use by other jurisdictions and private purchasing entities
 - Promoting LSBRP database use among businesses for contracting and subcontracting
 - Exploring the option of waiving RAPID service fees for local small businesses

2. Increase contracting with local small businesses by
 - Continuing to promote and educate Departments on Program requirements and the quality of vendors in the LSBRP
 - Continuing to coordinate with the Office of Procurement to encourage contracting with local small businesses

- Providing contract administrators with listings of local small businesses who offer the commodities or services anticipated for LSBRP solicitations. This would be done proactively and generally well prior to solicitation preparation.
3. Expand services to LSBRP vendors by
 - Providing enhanced support to vendors for bid and proposal preparation through closer cooperation with the Maryland Small Business Development Center and the posting of various aids regarding bid preparation
 - Increasing the business networking services to LSBRP network
 - Continuing to provide a newsletter to LSBRP vendors informing them of Program news and opportunities
 4. Decrease the reporting burden of Departments by
 - Working with Departments to identify specific commodities that are not available for the LSBRP
 - Procurements done for such commodities will receive the appropriate exemptions and thus reduce the administrative burden.
 - Such a change will also reduce the perceived problem of pass-through procurements, as most of these procurements are LSBRP exempt.
 5. LSBRP Web site Enhancements
 - Continue to make editorial and functional improvements to both the Public Web site and the ADMIN Web site
 - Modify the software to ensure that the vendors identified by Departments as local small businesses are in the LSBRP database. Such changes would assure that all LSBRP procurements are correctly reported.
 6. The County Council should consider introducing a mandatory clause in Requirements Contracts (Umbrella Contracts). Requirements contracts are purchasing agreements that can bind all County Departments and dictate that specified goods or services only be purchased from the vendor who holds the contract. Procurement dollars spent under such an arrangement are not necessarily exempt from the LSBRP. Consequently, requirement contracts adversely affect some Departments – particularly the ones with small procurement budgets - as they try to meet the LSBRP requirement.
 7. The County Council should authorize an independent study to assess the Program and make recommendations as to how the Program could be modified to increase local small business procurements. The study would examine the impact of the following on local businesses and make recommendations:
 - Basic Ordering Agreements: These tend to be multi-year task order contracts, which often have criteria that are beyond the capabilities of small businesses.
 - Multi-year contracts and use of bridging contracts: These contracting procedures tend to leave fewer opportunities for small businesses than contracts with shorter durations.

- Raising the direct purchase ceiling dollar limit for procurements executed with local small businesses
- Other procurement activities impacting local small businesses as identified by consultant and staff



DEPARTMENT OF ECONOMIC DEVELOPMENT

Isiah Leggett
County Executive

Pradeep Ganguly, Ph.D.
Director

MEMORANDUM

November 30, 2007

TO: The Honorable Marilyn J. Praisner, President
Montgomery County Council

FROM: Pradeep Ganguly, Director
Department of Economic Development 

SUBJECT: Fiscal Year 2007 Local Small Business Reserve Program Annual Report

In accordance with the Executive Regulation for the Local Small Business Reserve Program (LSBRP or the Program), I am pleased to transmit fifteen (15) copies of the Fiscal Year 2007 LSBRP annual report.

Building on the success of the first year, the Program achieved significant results during FY 07. Some of the notable accomplishments are:

- Montgomery County spent more than \$11 million with local small businesses who were registered with the LSBRP, accounting for 21.4% of procurement dollars available for the LSBRP.
- Nine agencies set aside (or reserved) 14 solicitations for local small businesses
- 92 local small businesses won contracts from the County.
- As of June 30, 2007, 600 businesses were registered in the Program.

While the LSBRP met the legislative requirements and achieved a sharp increase in contracting with local small businesses, we believe that more can be done. The attached report summarizes the Program's FY07 achievements, and identifies a number of programmatic enhancements for FY08, and provide better service delivery for the local small business community and the County in FY08 and the years ahead.

Thank you for the Council's continued support of the LSBRP. Please call Amy Kim of our department at extension 7-2078 if you have any questions or need additional information relating to this report.

Attachments

REPORT TO MONTGOMERY
COUNTY COUNCIL

ON

LOCAL SMALL BUSINESS RESERVE PROGRAM

PREPARED BY DEPARTMENT OF ECONOMIC DEVELOPMENT

NOVEMBER 30, 2007

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I. EXECUTIVE SUMMARY

The Montgomery County Local Small Business Reserve Program (LSBRP or Program) was launched on January 1, 2006. Under the enabling Montgomery County legislation, County agencies must award a minimum of 10% of their available procurement dollars¹ to local small businesses. The intent of this Program is to foster the growth of County-based small businesses by increasing their procurement opportunities with the County.

Building on the success of the first year, the Program achieved significant results during Fiscal Year 07 (July 1, 2006 through June 30, 2007). Some of the notable accomplishments are:

- Montgomery County spent more than \$11 million with local small businesses who were registered with the LSBRP, accounting for 21.4% of procurement dollars available for the LSBRP. Consequently, the County met the Program requirement.
- Nine agencies set aside (or reserved) 14 solicitations for local small businesses.
- 92 local small businesses won contracts from the County.
- As of June 30, 2007, 600 businesses were registered in the Program.

Since the Program was implemented on January 1, 2006, comparisons could only be made with the second half of FY07 when comparable procurement records are available. The total dollar value of LSBRP procurements for the second half of FY07 was \$5.5 million. This amount exceeded the FY06 total of \$2.7 million by 104%. Moreover, the number of procurement transactions awarded to local small businesses grew from 82 for the second half of FY06 to 109 for the same period of FY07.

In order to address the issues that arose during the previous year and to accomplish the above milestones, the Department of Economic Development (DED) took the following actions:

- Forged partnerships with various chambers of commerce to target marketing efforts with their membership
- Met with eight agencies with large procurement budgets to discuss how to increase their procurements with local small businesses
- Marketed the vendor list to other public and private purchasing entities
- Streamlined the vendor search process on the Program websites
- Implemented tools on the Intranet website to decrease the administrative burden for agencies, and
- Provided training for local small businesses on bid or proposal preparation

¹ These procurement dollars do not include those which are exempt from the Program.

Specifically, DED took the following initiatives for local small business:

- Co-sponsored the 2007 Congressional Procurement Fair the drew the participation of more than 350 people
- Conducted monthly presentations on the Program at the Maryland Small Business Development Center's class on government certification
- Spoke about the Program at 12 County business events such as the Gaithersburg-Germantown Chamber of Commerce's procurement workshop
- Held training sessions on proposal writing in cooperation with the Office of Procurement
- E-mailed the newsletter to businesses registered with the LSBRP
- Conducted a survey among registered businesses to assess their satisfaction level and to identify areas for improvement
- Partnered with various organizations or programs to distribute information, promote member registration, and conduct Program briefings

A number of issues have been identified by agencies and businesses through surveys and meetings. While some issues have been resolved, the remaining issues will be addressed during the current fiscal year.

- Very few business opportunities are available for small businesses.
- Small businesses find it challenging to bid or perform on County contracts.
- Administrative burden did not decrease for agencies.
- Failed LSBRP reserve solicitations led to a delay in the procurement process.

To address these issues, recommendations involve:

- Increasing business opportunities by continuing to educate agencies on local small businesses and marketing the vendor list to other purchasing entities
- Building the capacity of local small businesses by expanding training opportunities
- Increasing vendor registration through focused marketing
- Further decreasing the administrative burden through website improvement
- Minimizing the delay in the procurement process through better coordination with agencies

In addition, this report recommends that the County Council authorize an independent consultant study to assess ways to increase local small business contracting.

II. BACKGROUND

In April 2005, the Montgomery County Council enacted a law to establish a Local Small Business Reserve Program (LSBRP, or the Program). On December 13, 2005, the County Council passed the Executive Regulation specifying legislative parameters regarding Program implementation. Effective January 1st, 2006, all County agencies were required to contract 10% of their procurement dollars with eligible small businesses located in Montgomery County. The law will sunset on December 31st, 2009 unless re-enacted by the County Council.

The goal of the LSBRP is to enhance the competitiveness of and increase economic opportunities for Montgomery County small businesses. Specifically, it allows them to bid on select County procurements without competing with larger, more established companies. By increasing the portion of public procurement dollars that go to local small businesses, the Program will help create new employment opportunities, increase income and spending, and generate greater tax revenues to support County services and capital investments.

The Department of Economic Development (DED) is legislatively charged with operating the Local Small Business Reserve Program and its two Web sites, one for vendor use (public website) and the other for contract administrator use (ADMIN website), and reporting the results to Council each year. DED also coordinates closely with the business community in terms of marketing the Program and improving the services provided.

For its part, each agency has responsibility for complying with Program regulations, meeting its departmental 10% requirement and providing DED with data for its annual report to Council. Agencies use the ADMIN website to ascertain available vendors, check vendor certification, and record LSBRP procurement activity as well as using it as an overall information warehouse for procurement activity.

Any local businesses who meet the eligibility requirements based on size and ownership can register for the Program on the public website. In addition, they are required to renew their registration every year and notify DED immediately of any change in the firm's location, size, and ownership status.

The Office of Legislative Oversight serves as the County Council assessment arm and closely coordinates with DED as to Program evaluation. The County Council sets the Program structure and conducts annual Program review through legislative directive and through the activities of the Office of Legislative Oversight.

III. PROGRAM STATUS

Actions Taken in FY07

In response to the issues raised in last year's annual report, DED took the following actions.

A. Need to Increase Vendor Registration

Issue: Too few businesses are registered in the Program.

Action: Through individual meetings and regular e-mail updates, DED requested contract administrators to encourage their existing, qualified vendors to register with the Program. As survey results bear out, most businesses selected County agencies as the source through which they learned of the Program.

DED also forged partnerships with chambers of commerce and other professional organizations to target marketing efforts on their members who are qualified but not registered for the Program.

During FY07, 332 businesses joined the Program, but at the same time, 192 were removed from the Program. Of 192, 181 were disqualified because they did not renew their registration. All vendors are required to renew their registration annually. This requirement ensures that all businesses maintain their eligibility based on the size, location, and business ownership. The remaining 11 were disqualified because they were not located in Montgomery County.

DED contacted these 181 businesses electronically and by mail to encourage them to renew their registration. This initiative led 21 businesses to renew their registration. Moreover, the Department conducted a survey among these 181 businesses to identify the reason they did not renew their registration. 75% of the businesses who responded to the survey said that they did not renew because they did not receive any contracts from the County.

In an effort to raise the awareness of the Program in the local business community, DED participated in and supported 12 County business events. Specifically, DED conducted monthly presentations on the Program at the Maryland Small Business Development Center's class of government certification.

B. Need to Expand Contracting Activity with Local Small Businesses

Issue: Very little procurement is done with local small businesses.

Action: During FY06, only two solicitations were reserved for local small businesses (LSBRP vendors). DED met with contract administrators from eight agencies with large procurement budgets and provided them with the list of available LSBRP vendors for their anticipated procurements. As a result of these extensive outreach efforts, the number of solicitations reserved for LSBRP vendors increased to 14 during FY07.

Not all agencies issued LSBRP reserve solicitations, but have increased contracting activity with local small businesses. The total dollar value of small business procurement rose from \$2.7 million for the second half of FY06 to \$5.5 million for the same period of FY07.² This amount includes procurement dollars awarded to local small businesses who won contracts not reserved for the LSBRP.

Issue: Additional contracting opportunities can be created for LSBRP vendors if other public and private purchasing entities utilize these vendors to meet their procurement needs.

Action: On behalf of LSBRP vendors, the Department of Economic Development marketed the vendor database to other public as well as private purchasing entities in Montgomery County. Those entities include the National Institute of Health, the U.S. Health Resources and Services Administration, the U.S. General Services Administration, Lockheed Martin Corporation, Hughes Network System, Clark Construction, Concrete General, Centennial Construction, Forrester Construction, and Highway and Safety Service.

C. Website Enhancement

Issue: Contract administrators found the vendor search engines difficult to use. Businesses requested that the website provide links to other small business assistance providers.

Action: The vendor search engine was revised to simplify the search process. The new search engine allows users to enter either keywords or commodity codes and view all main and sub-commodity categories without multiple steps. These website enhancements also allow users to do multiple commodity code searches. On the public website, information has been provided on assistance providers and government procurement programs geared toward small businesses.

² Since the Program took effect on January 1, 2006, comparisons could only be made with the second half of FY07 when comparable procurement records are available.

D. Concerns with Program Administration

Issue: During FY06, many agency survey respondents reported that the LSBRP requires additional staff time.

Action: In an effort to reduce the administrative burden on departments, DED implemented a tool on the Intranet (or ADMIN) website that automatically filters out certain transactions that are exempt from the LSBRP by definition. Any transactions with designated commodity codes or vendor numbers are automatically exempted from the LSBRP as soon as they are migrated from ADPICS.

Issue: Information provided by agencies on small business procurements was not verified. Consequently, some agencies mistakenly claimed credit for the goods or services provided by non-LSBRP vendors.

Action: In order to avoid this error in capturing data, DED implemented a tool on the ADMIN website that verifies whether a selected vendor is registered with the LSBRP.

E. Training on bid or proposal preparation

Issue: Many businesses said that they did not know how to respond to County solicitations.

Action: In cooperation with the Office of Procurement and the Office of the County Attorney, DED held training sessions for vendors on bid or proposal preparation. In addition, DED provided information on the County's procurement process and small business procurement programs available at the local, state and federal levels.

OUTREACH ACTIVITIES

The Department of Economic Development actively participated in and/or supported procurement events in order to increase the awareness of the LSBRP among the County's business community. In addition, the Department held meetings with agency contract administrators to educate them on the availability of LSBRP vendors and database usage.

A. Departmental Outreach

- DED handled 1,179 requests for technical assistance from County agencies and met with 116 County agency staff.
- In July 2006 and March 2007, DED held two meetings with 44 contract administrators.

- DED separately met with contract administrators of eight agencies with a large procurement budget. It provided these agencies with the list of available LSBRP vendors for the anticipated LSBRP procurements and discussed potential areas for improvement.
- In November 2006, DED conducted a briefing for contract administrators on FY06 Program results.
- On June 5, 2007, 15 agency contract administrators either spoke at workshops or exhibited at the Congressional Procurement Conference and Expo. It was attended by 350 people.

B. Business Outreach

- DED handled 710 requests for technical assistance from businesses and interfaced with 1,170 businesses through business events and presentations.
- In November 2006, DED conducted a briefing for LSBRP registered businesses on FY06 Program results.
- From February to June 2007, DED conducted a monthly presentation on the LSBRP at the Maryland Small Business Development Center's class on government certification. A total of 56 businesses were briefed on the Program.
- In March 2007, DED spoke at the Gaithersburg-Germantown Chamber of Commerce's procurement workshop and informed its members on procurement opportunities available through the LSBRP.
- DED and the Office of Procurement co-sponsored the 2007 Congressional Procurement Conference and Expo held on June 5. The event was attended by more than 350 people. Contract administrators from 15 County agencies participated in workshops and the expo to discuss how to do business with Montgomery County agencies. Other presenters and exhibitors included procurement managers representing federal agencies such as the National Institute for Health, state government agencies, and private companies such as Lockheed Martin.
- DED marketed the LSBRP in the following business events:
 - Asian American Procurement Fair
 - Women Business Owners of Montgomery County Gala
 - Hispanic Business Conference
 - HHS Vendor Opportunity Forum & Expo
 - The State of Maryland Small Business Reserve/Minority Business Enterprise Conference

- Montgomery County Women's Fair
- Maryland/DC Minority Supplier Development Council Procurement Conference
- The members of the following organizations or programs were briefed on the LSBRP:
 - People's Baptist Church Chamber of Commerce
 - Action Business Committee
 - Montgomery County Chamber of Commerce's Small Business Committee
 - Asian Pacific American Chamber of Commerce
 - Small Business Mentorship Program
 - The Korean Association of the State of Maryland
- DED held a press event in February 2007 to publicize the FY06 results of the Program. It was attended by the County Executive, four Councilmembers, and seven businesses who won contracts from the County. A press release was also issued to a variety of media outlets.
- The Program was advertised in media outlets such as the Business Gazette and the Korean Daily. Three interviews were given to the Business Gazette, the Korea Times, and the Radio Washington News.

IV. ANALYSIS OF FY07 DATA AND PROCUREMENT ACTIVITIES

- Has the County met the Local Small Business Reserve Program (LSBRP) requirement? Yes³
- Percentage of County agencies' available procurement dollars awarded to local small businesses 21.4%
- Number of procurement transactions awarded to local small businesses 433⁴
- Value of procurement dollars awarded to local small businesses \$11,482,588

Summary of Procurement Activities Valued at \$5,000 or More

The Local Small Business Reserve Program (LSBRP or the Program) was designed to track procurements using purchase orders (PO), direct purchase orders (DPO) and direct vouchers (DV) rather than directly tracking contracts. There are two reasons for this approach. PO/DPO & DV provide much more accurate measures of expenditures and identification as to what Departments are responsible for which expenditure. The number of LSBRP contracts has also been tracked by cross checking PO/DPO & DV records with unique contract numbers and vendor names.

In addition, the LSBRP tracks procurements valued at \$5,000 or more because there are too many PO/DPO and DV valued under \$5,000. Agencies, however, may voluntarily record all procurement activities under \$5,000 to document compliance with the Program.

In FY07 (July 1, 2006 through June 30, 2007), 38 County agencies executed 11,063 Purchase Orders/Direct Purchase Orders/Direct Vouchers (PO/DPO & DV) valued at \$5,000 or more. The total amount of these procurements was \$997,241,519. In addition, nine County agencies issued 14 solicitations set aside (or reserved) for local small businesses.

³ The County agencies meeting the LSBRP requirement and the percentage of County agencies' available procurement dollars awarded to local small businesses reflect procurement activities valued at \$5,000 or more.

⁴ Four agencies have voluntarily recorded 210 transactions valued under \$5,000 and awarded to LSBRP vendors. When these transactions totaling \$58,852 are taken into consideration, the percentage of County's procurement dollars allocated to the LSBRP was 21.5%. These transactions are reflected in the number of procurement transactions awarded to LSBRP vendors and value of procurement dollars awarded to LSBRP vendors.

Of 11,063 procurement transactions, 899 were available for the LSBRP. Of these 899 procurement transactions, the total dollar value of procurements available for the LSBRP was \$53,386,245. These 899 transactions can be divided into two groups:

- Procurement transactions which were awarded to vendors not registered with the LSBRP (non-LSBRP vendors)
- Procurement transactions which were awarded to vendors registered with the LSBRP (LSBRP vendors). These transactions can be divided into two subgroups:
 - Those which were not set aside (or reserved) for LSBRP vendors, but were won by LSBRP vendors
 - Those which were reserved for and awarded to LSBRP vendors

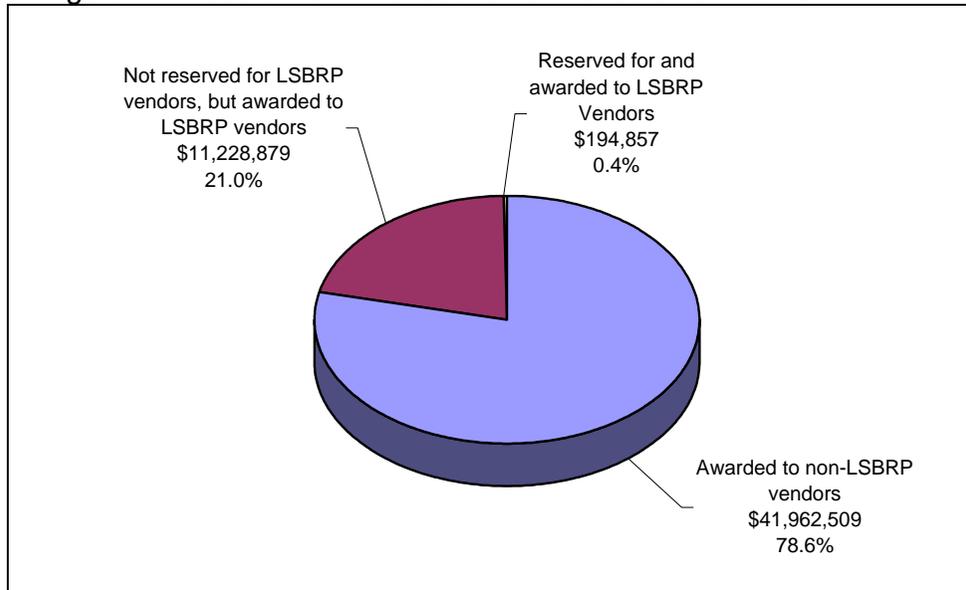
Table 1. Summary of Procurement Activities Valued at \$5,000 or More

		Dollar Value	Percentage of Total Procurement Dollars	Number of Procurement Transactions	
Procurement transactions available for the LSBRP	Awarded to Non-LSBRP Vendors	\$41,962,509	4.2%	676	
	Awarded to LSBRP Vendors	Not reserved for LSBRP vendors	\$11,228,879	1.1%	213
		Reserved for LSBRP vendors	\$194,857	0.02%	10
	Subtotal	\$53,386,245	5.4%	899	
Procurement transactions not available for the LSBRP		\$943,855,274	94.6%	10,164	
Total		\$997,241,519	100.0%	11,063	

Procurements Available for the LSBRP (\$5,000 or More)

Of 899 procurement transactions, the total procurement dollar value available for the LSBRP was \$53,386,245. Of these 899 transactions, 676 went to non-LSBRP vendors and represent \$41,962,509 in contract dollars. These 676 transactions include one transaction that was initially reserved for LSBRP vendors, but did not receive responses from LSBRP vendors; consequently, it was opened to all businesses. The remaining 223 were awarded to LSBRP vendors and represent \$11,423,736. These 223 transactions include ten transactions that were executed under LSBRP reserve contracts. These 223 transactions account for 21.4% of total procurement dollars available for the LSBRP and represent 102 contracts. Consequently, the County met its LSBRP requirement.

Figure 1. Procurement Transactions Available for the LSBRP



Of 42 agencies subject to the LSBRP requirement, 20 reported procurement activities with LSBRP vendors.

Table 2. List of Agencies with LSBRP Procurements

Agency	Value of Procurement Dollars Awarded to Local Small Businesses
Department of Public Works and Transportation	\$6,069,198
Department of Recreation	\$1,976,698
Department of Homeland Security	\$667,196
Department of Health and Human Services	\$635,940
Department of Environmental Protection	\$613,000
Department of Correction and Rehabilitation	\$437,221
Montgomery County Sheriff's Office	\$413,250
Department of Finance	\$160,000
Office of the County Council	\$99,999
Department of Housing and Community Affairs	\$66,250
Montgomery County Fire and Rescue Service	\$57,194
Department of Police	\$49,755
Office of Public Information	\$46,254
Department of Economic Development	\$37,612
Department of Technology Services	\$21,154
Montgomery County Public Libraries	\$20,365
Office of Human Resources	\$12,240
Office of Community Use of Public Facilities	\$10,285
Mid-County Regional Services Center	\$8,570
Office of the County Executive	\$7,540
Total	\$11,423,736

A. Procurements Awarded to Local Small Businesses

Comparisons with FY06 Results

Since the Program was implemented on January 1, 2006, comparisons could only be made with the second half of FY07 when comparable procurement records are available. FY07 LSBRP procurements compare favorably to FY06 totals. For the second half of FY06, LSBRP procurements totaled \$2,675,709. The total dollar value of LSBRP procurements during the second half of FY07 was \$5,461,248. This amount exceeded the FY06 total by 104%. In addition, the number of procurement transactions grew from 82 to 109.

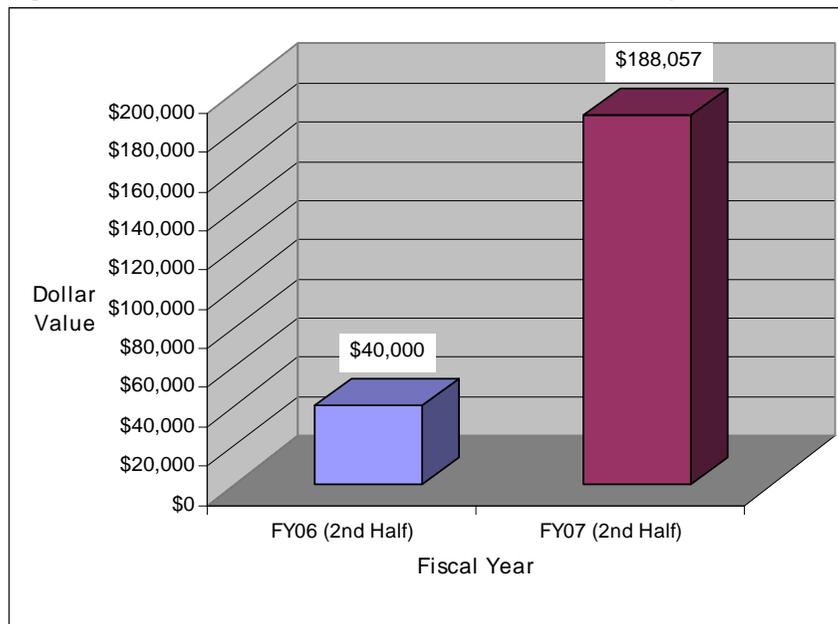
The overall percentage of procurement dollars awarded to LSBRP vendors stands at 22% for the second half of FY07. In comparison, for the same period of FY06 it was 32%.

Table 3. Procurements (Reserve and Non-reserve Combined) Executed with LSBRP Vendors

	Dollar Value	Percentage of LSBRP Procurements	Number of Procurement Transactions
FY06 (2 nd Half)	\$2,675,709	32%	82
FY07 (2 nd Half)	\$5,461,248	22%	109

LSBRP reserve procurements for the second half of FY07 also point to an increase from those for FY06. The dollar value of LSBRP reserve procurements rose from \$40,000 for the second half of FY06 to \$188,057 for the second half of FY07.

Figure 2. LSBRP Reserve Procurement Dollars by Fiscal Year



Moreover, the number of LSBRP reserve solicitations grew seven times from the FY06 number. For FY07, nine agencies set aside 14 solicitations for LSBRP vendors. Of these 14, six solicitations failed due to unreasonably high bid prices or no responses received from LSBRP vendors.

Table 4. List of LSBRP Reserve Solicitations for FY07

Description	Issuing Agency
Printed Labels for Public Libraries	Montgomery County Public Libraries
Graphic Arts Services	Department of Public Works and Transportation, Division of Solid Waste Services
Trophies, Awards, Plaques, Ribbons and Engraving	Department of Recreation
Printed Labels for Public Libraries	Montgomery County Public Libraries
Grievance Factfinders/Investigators	Office of Human Resources
Consultant for Staffing Studies - Consulting services using the Net Annual Work Hours (NAWH) to analyze and determine staffing needs and scheduling patterns of correctional staff	Department of Correction and Rehabilitation
IT Group Facilitation & Business Process Mapping Services	Department of Technology Services
Demolition Services	Department of Housing and Community Affairs
JAW Software Licenses, Maintenance and Training	Office of Human Resources
Lease of Wide Format Copier and Maintenance	Department of Environmental Protection
Multi-Family Recycling Bins (6 Gallon)	Department of Public Works and Transportation, Division of Solid Waste Services
Demolition Services	Department of Housing and Community Affairs
Audio/Visual Purchase	Department of Economic Development
Digital Signage Purchase	Department of Economic Development

FY07 LSBRP Procurements

In FY07, a total of 223 procurement transactions were awarded to 92 local small businesses. These procurements represent \$11,423,736 in contract dollars. As detailed in Table 5, two agencies including the Department of Public Works and Transportation and the Department of Recreation awarded more than 70% of procurement dollars that went to LSBRP vendors. The most commonly procured commodities or services were:

- Snow removal services
- Road equipment rental services

- Security systems
- Electrical control services
- Basketball officiating services
- Recreational instructors
- Storm water management

Table 5. LSBRP Procurements by Agencies

Agency	Dollar Value	Number of Procurement Transactions
Department of Public Works and Transportation	\$6,069,198	95
Department of Recreation	\$1,976,698	47
Department of Homeland Security	\$667,196	11
Department of Health and Human Services	\$635,940	28
Department of Environmental Protection	\$613,000	2
Department of Correction and Rehabilitation	\$437,221	6
Office of the County Sheriff	\$413,250	7
Department of Finance	\$160,000	3
Office of the County Council	\$99,999	4
Department of Housing and Community Affairs	\$80,465	3
Montgomery County Fire and Rescue Service	\$57,194	1
Department of Police	\$49,755	2
Office of Public Information	\$46,054	2
Department of Economic Development	\$37,612	2
Department of Technology Services	\$21,154	2
Montgomery County Public Libraries	\$20,365	3
Office of Human Resources	\$12,240	2
Office of Community Use of Public Facilities	\$10,285	1
Mid-County Regional Services Center	\$8,570	1
Office of the County Executive	\$7,540	1
Total	\$11,423,736	223

B. Procurements Awarded to Businesses not Registered with the LSBRP

Comparisons with FY06 Results

The total dollar value of procurements available for the LSBRP and awarded to businesses not registered with the LSBRP (non-LSBRP vendors) rose from \$5,304,301 for the second half of FY06 to \$19,696,685 for the same period of FY07. This total amount represents an increase of more than 270% from the previous fiscal year. Moreover, these procurements made up 4.8% of total procurement dollars for the second half of FY07. In comparison, this percentage stood at 1.7% in FY06. This increase

indicates that during FY07, a greater percentage of procurement dollars was made available for the LSBRP.

The number of procurement transactions also points to an increase from that of FY06. During the second half of FY07, 351 transactions were available for the LSBRP and awarded to non-LSBRP vendors. This number represents a 170% increase from the previous fiscal year.

Table 6. Procurements Executed with Non-LSBRP Vendors by Fiscal Year

	Non-LSBRP Procurement Dollar Value	Number of Procurement Transactions
FY06 (2 nd Half)	\$5,304,301	130
FY07 (2 nd Half)	\$19,696,685	351

FY07 Procurements Executed with Non-LSBRP Vendors

Overall, 676 procurement transactions were available for the LSBRP and awarded to businesses not registered with the LSBRP (non-LSBRP vendors) in FY07. The most commonly procured commodities or services were:

- Arts Program
- Road service and construction equipment rental
- Custodial services
- Tree maintenance services
- Medical services
- Snow removal services
- Painting services
- Food items
- Carpets/tiles and repair services
- Temporary staffing services
- Oral health services
- Traffic and engineering consulting services
- Recreational instructors
- Pharmaceuticals

Table 7. Procurements Executed with Non-LSBRP Vendors by Agency

Agency	Dollar Value	Number of Procurement Transactions
Department of Public Works and Transportation	\$ 20,589,216	304
Department of Recreation	\$ 9,290,320	124
Department of Correction and Rehabilitation	\$ 2,759,145	63
Department of Health and Human Services	\$ 3,678,114	59
Office of Human Resources	\$ 1,621,521	29

Table 7. Procurements Executed with Non-LSBRP Vendors by Agency
(Continued)

Agency	Dollar Value	Number of Procurement Transactions
Department of Finance	\$ 1,282,330	24
Office of the County Sheriff	\$ 667,852	13
Montgomery County Public Libraries	\$ 181,891	9
Department of Environmental Protection	\$ 524,999	2
Regional Services Center	\$ 523,410	16
Department of Police	\$ 437,422	18
Board of Elections	\$ 137,504	2
Office of Public Information	\$ 130,590	3
Department of Economic Development	\$ 64,999	3
Office of the County Council	\$ 28,500	2
Office of Management and Budget	\$ 19,630	1
Department of Permitting Services	\$ 19,065	3
Office of Zoning and Administrative Hearings	\$ 6,000	1
Total	\$ 41,962,509	676

Procurements Not Available for LSBRP

Not all procurement transactions are available for the LSBRP and a transaction can be exempt from the Program according to seven exemption provisions specified in the LSBRP Executive Regulation. They are:

- A conflict with a State, federal, or local law or a grant requirement;
- A pre-existing contract or extension(s) of a preexisting, multi-year contract executed by the County;
- A non-competitive contract;
- A public entity or emergency procurement;
- Any waiver granted by the Chief Administrative Officer made under Montgomery County Code §11B-67(f);
- Any procurement where no Local Small Business is qualified or able to perform the contract as determined by the head of the Using Department; or
- Any single procurement that is estimated to exceed \$10 million.

For FY07, 10,164 procurement transactions were not available for (or exempt from) the LSBRP. The total dollar value of these procurements amounted to \$943,855,274. Table 8 aggregates the number of exempt procurement transactions into dollar value and percentage according to each exemption provision.

Table 8. Summary of Procurement Transactions Not Available for the LSBRP

Exemption Provision	Dollar Value	Percentage of Total Exempt Procurement Dollars	Number of Procurement Transactions
Pre-existing Contract	\$394,778,937	41.8%	1,968
No LSBRP Vendor Deemed Qualified by Using Department	\$283,541,174	30.0%	6,291
Non-competitive Contract	\$116,516,270	12.3%	1,053
Public Entity or Emergency Procurement	\$105,992,688	11.2%	253
Conflicts with a State, Federal, or Local Law or a Grant Requirement	\$37,610,817	4.0%	535
Chief Administrative Officer (CAO) Waiver	\$5,189,048	0.5%	63
Procurement exceeds \$10 million	\$226,340	0.02%	1
Total	\$943,855,274	100.0%	10,164

For FY07, these exempt procurements accounted for 94.6% of the total dollar value of procurements. It is a percentage lower from that of previous fiscal year. A lower proportion indicates that a greater percentage of procurement dollars was made available for the LSBRP during FY07.

A. Pre-existing Contract

1,968 procurement transactions were exempted from the LSBRP because they were executed under pre-existing contracts. These contracts predate January 1, 2006 when the LSBRP was implemented. Examples of transactions exempted under this provision include:

- Employee benefits administration
- Road and building construction
- Recycling and refuse collection
- IT products and services
- Bus transportation services
- Engineering services
- Library materials purchase
- Traffic/transportation engineering services
- Auto parts and replacement services

B. No LSBRP Vendor Deemed Qualified by Using Department

6,291 procurement transactions were exempted because departments deemed no local vendors qualified to provide the required goods or services. Liquor products accounted for 48% of the total dollar value of procurements exempted under this provision. Examples of procurements exempted under this provision include:

- Insurance general liability
- Fire protection equipment and supplies
- Fleet vehicles purchase
- Liquor products
- Health and human services
- Broker services

C. Non-competitive Contract

1,053 procurement transactions were exempted because they were executed on a non-competitive basis. County Council grant payments accounted for 65% of the total dollar value of procurements exempted under this provision. Examples of procurements exempted under this provision include:

- County Council grants
- Real property transactions
- Bridge contracts for electrical products, homeland security, fire and rescue supplies and police gear
- Sole source contracts (including proprietary software purchase and maintenance)
- Housing grants
- Economic Development partnership/sponsorship payments
- Rent/lease payments

D. Public Entity or Emergency Procurement

253 procurement transactions were exempted because they were executed with public entities or under emergency procurements. Emergency procurements represented 1.8% of the total dollar value of procurements exempted under this provision. Specifically, payments made to the Northeast Maryland Waste Disposal Authority for recycling and refuse collection services accounted for 69% of the total dollar value of procurements exempted under this provision. Examples of procurements exempted under this provision are:

- Intergovernmental agreement with Maryland Environmental Service
- Payments for municipal tax duplication
- Transactions with the State of Maryland, Montgomery County Public School and Montgomery College

E. A Conflict with a State, Federal or Local Law, or a Grant Requirement

535 procurement transactions were exempted due to a conflict with a state, federal or local law, or a grant requirement. Affordable housing loan disbursement accounted for 45% of the total dollar value of procurement exempted under this provision. In addition, federal and state grant payments represented 24% and payments to Montgomery County Public School for the use of its facilities accounted for another 13%.

F. Chief Administrative Officer (CAO) Waiver

63 procurement transactions were exempted by the Chief Administrative Officer waiver. 52% of the total dollar value of procurements exempted under this provision went to claims payment for the self-insured. In addition, funds transfer to urban district corporations accounted for another 45% of the total dollar value of procurements exempted under the “CAO waiver” provision. No waiver was granted by Chief Administrative Officer (CAO) specifically for the LSBRP. Almost all of these transactions were exempt from general procurement regulations and that became the basis for exempting these 63 procurement transactions.

G. Procurement Exceeds \$10 Million

One procurement transaction was exempted under this provision. The Office of Human Resources reported that the total dollar value of group hospitalization contracts exceeded \$10 million and therefore exempt from the LSBRP.

Anticipated LSBRP Solicitations for FY08

All County agencies subject to the LSBRP requirement were requested to identify the goods or services that might be acquired from local small businesses. The table below shows the list of anticipated LSBRP solicitations reported by agency.

Table 9. Anticipated LSBRP Solicitations for FY08 by Agency

Agency	Possible LSBRP Solicitations
Board of Appeals	None anticipated
Board of Elections	None reported
Circuit Court	None anticipated
Commission for Women	None reported
Office of the Community Use of Public Facilities	None anticipated

Table 9. Anticipated LSBRP Solicitations for FY08 by Agency (Continued)

Agency	Possible LSBRP Solicitations
Department of Correction & Rehabilitation	Inmate Telephone Services (Commodity Code: 915-79)
	Consultant Services – Organizational Development, Budget Development & Support and Strategy development and facilitation - (Commodity Code: 918-00)
	Mattresses and mattress covers for Pre-Release & Reentry Services Division (Commodity Code: 420-68)
	Replacement of Wardrobes at Pre-Release & Reentry Services Division (Commodity Code: 425-48)
	On-site Educational Services (GED attainment) to inmates – (Commodity Code: 924-00).
Office of the County Attorney	None anticipated
Office of the County Council	Expert area solicitations in Councilmember offices
Office of the County Executive	None anticipated
Department of Economic Development	Marketing services (after February 1, 2008)
	Consulting services
	Display unit purchases and installation services
	Promotional items
Department of Environmental Protection	Promotional items
	Display and Marketing materials; outreach services
	Wide format copier
	Consultant services (i.e., groundwater management)
	Various field clothing and equipment
	Event services. Stormwater Management services
Ethics Commission	None anticipated
Department of Finance	None anticipated
Montgomery County Fire & Rescue Service	None anticipated
Department of Homeland Security	None reported
Department of Housing & Community Affairs	None reported
Department of Health & Human Services	None anticipated
Office of Human Resources	Design, develop, validate, administer and score public safety promotional examinations
	Conduct individual position classification studies
	EKG machine with service and maintenance (already posted)
	Miscellaneous medical office supplies and equipment
	Executive search services
	Employee Assistance Program (EAP) services
Office of the Inspector General	None anticipated
Office of Intergovernmental Relations	None anticipated
Office of Legislative Oversight	None anticipated

Table 9. Anticipated LSBRP Solicitations for FY08 by Agency (Continued)

Agency	Possible LSBRP Solicitations
Montgomery County Public Libraries	Maintain AIX 5.3
	Book sorting services
	Library book tubs
	Furniture refurbishing
Department of Liquor Control	None anticipated
Merit System Protection Board	None anticipated
Office of Management and Budget	Nursing assistant services
Office of the People's Counsel	None reported
Department of Permitting Services	None anticipated
Department of Police	<u>Services & Contractual:</u>
	DNA testing
	Instructor Services (at the Academy)
	Trash hauling
	Moving services
	Hazardous waste removal
	Preparation of transcripts
	Landscaping, lawn, debris, trimming
	<u>Communication Services:</u>
	Local phone service
	Cell phone service
	Pager leases
	CDMA air time cards
	<u>Motor Pool:</u>
	Vehicle car wash
	Vehicle de-contamination services
	Emergency Police equipment
	Glass Tinting
	<u>Medical/ Health Supplies:</u>
	Substance abuse testing equipment
	Breathalyzer testing equipment and supplies
	Drug testing kits
	<u>Public Safety Supplies:</u>
	Fingerprint kits
	Gas masks
	Handcuffs
	Helmets (duty and motorcycle)
	K9 supplies and care
	Child Safety seats
	ECC headphones
Range supplies – targets etc.	
<u>Books/Reference Materials:</u>	
Professional Periodicals	
Videos	
Reference Materials	

Table 9. Anticipated LSBRP Solicitations for FY08 by Agency (Continued)

Agency	Possible LSBRP Solicitations
Department of Police (Continued)	<u>Other Supplies & Materials:</u>
	Batteries
	Binoculars
	Digital cameras and supplies
	Cell phones
	Keys & locks
	Plaques
	Tape recorders
	Radio equipment and repair parts
	35 mm film
	photo processing
	Specialize furniture pieces
	<u>Rentals and Leases:</u>
	Portable toilets, water coolers, walk-off mats
	Laser gun repairs
	Fax Machines, TTY machines
	<u>Miscellaneous:</u>
	Employment Hiring advertisement
Towing Services (currently Executive Regulation)	
Animal Traps, polls, rabies vaccinations (Animal Control)	
Certain banquet expenditures	
Office of Procurement	None anticipated
Office of Public Information	None reported
Department of Public Works & Transportation	
Division of Operations	Time & Material Plumbing Services
	Road Equipment Rentals & Services/Landscape/Construction/Snow Removal
	Mowing Services - County Rights-of-way
	Water Treatment Services
	Time & Material Roofing & Sheet Metal Services
Division of Fleet Management	Heavy equipment and transit bus towing and recovery service
	Car wash service
	Fire extinguisher inspection service
Division of Capital Development	Transportation engineering design work for roads, bridges, sidewalks and bike paths
	Construction inspection of roads, bridges, sidewalks and bikeways
	Land appraisals
Division of Transit Services	Mystery Rider Services (taxi cab)
Division of Solid Waste Services	Graphic design
	Table/chair rental
	Traffic & site signs information
Department of Recreation	None anticipated

Table 9. Anticipated LSBRP Solicitations for FY08 by Agency (Continued)

Agency	Possible LSBRP Solicitations
Regional Services Center – Bethesda Chevy Chase	None reported
Regional Services Center - East County	None anticipated
Regional Services Center - Mid-County	Annuals (flowers) for the Wheaton Urban District Install, remove and store seasonal banners, American Flags and holiday decorations
Regional Services Center - Silver Spring	None reported
Regional Services Center - Up County	None reported
Office of the County Sheriff	None reported
Office of the State’s Attorney	None reported
Department of Technology Services	None anticipated
Office of Zoning & Administrative Hearings	None anticipated

V. SURVEY

Agency Survey

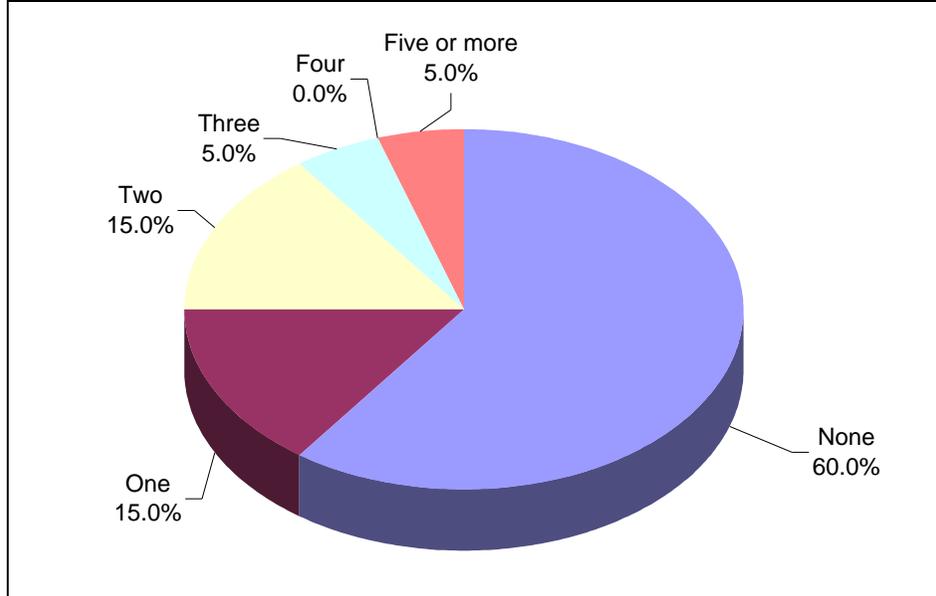
An online survey was conducted among agency contract administrators to gather feedback on the Program and to identify areas for improvement. Out of 51 contract administrators representing 42 agencies, 20 responded to the survey.

A. LSBRP Reserve Solicitation

When asked about the number of LSBRP reserve (or set-aside) solicitations they advertised for FY07, 12 respondents indicated none. Three respondents indicated one and another three said two. The remaining two indicated three or more, but given that no agencies issued more than two solicitations for local small businesses (LSBRP vendors), this would not be an accurate count. This is an improvement from FY06 when 94% of the survey respondents said none.

Additionally, respondents were asked to indicate the number of responses they received to these reserve solicitations. Six respondents answered this question. Four respondents named one or two, but the remaining two said that they did not receive any responses from LSBRP vendors.

Figure 3. Number of LSBRP Reserve Solicitations Advertised for FY07

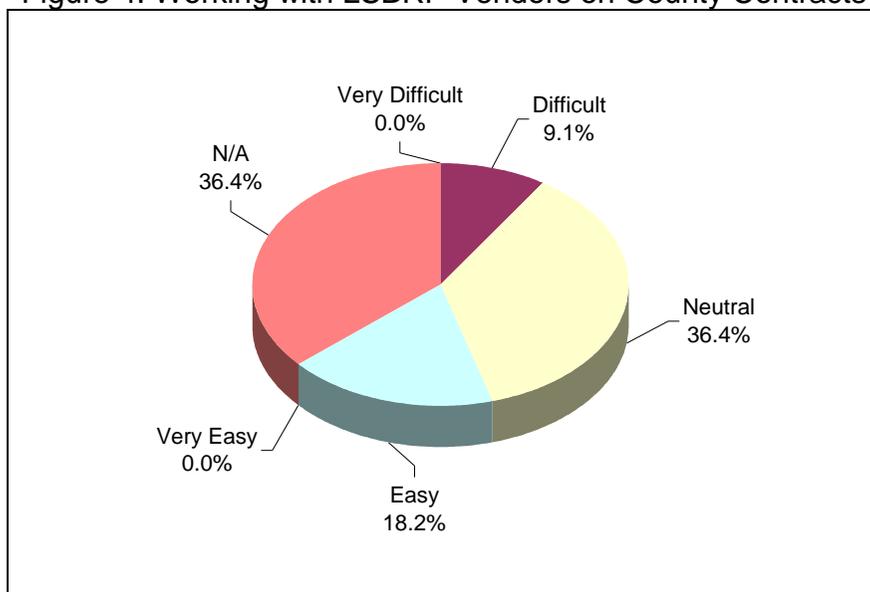


When asked about reserving solicitations for LSBRP vendors for FY07, 45% of the respondents anticipate one to three. The remaining 55% anticipate none because they expect all procurements to be exempt from the Program or each procurement to be valued less than \$5,000.

B. Procurement Transactions Executed for LSBRP Vendors

Nine contract administrators responded to the question on the number of procurement transactions executed for LSBRP vendors. Responses vary from one to 69. When asked to rate their experience in working with LSBRP vendors on County contracts, 36% of the respondents said that they felt neutral and 18% said that they found it easy to work with LSBRP vendors. This question was prompted by contract administrators who pointed out that small businesses were not aware of some of the County contract requirements such as insurance.

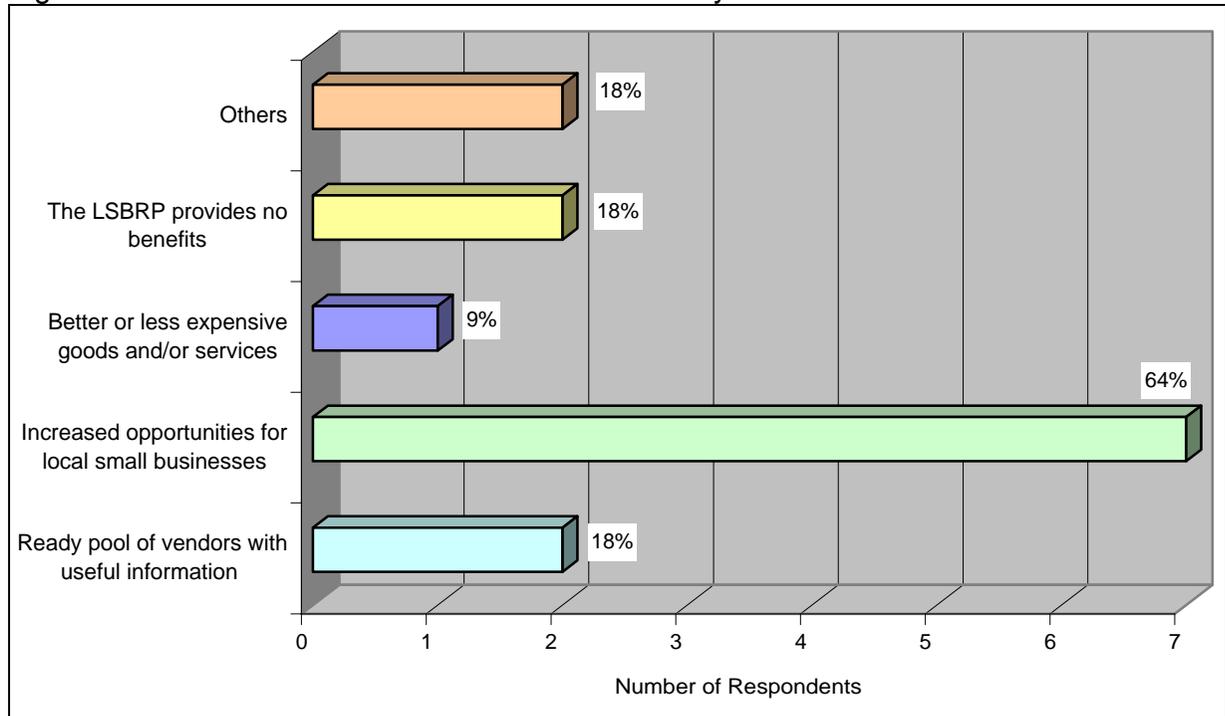
Figure 4. Working with LSBRP Vendors on County Contracts



C. Benefits the LSBRP Provides to the County

When asked about the benefits the Program provides to the County, 64% of the respondents identified “Increased opportunities for local small businesses.” The next most popular responses were “Ready pool of vendors with useful information” and “the LSBRP provides no benefits.” Contract administrators were allowed to select multiple responses to this question. These results are very similar to last year’s survey results.

Figure 5. Benefits the LSBRP Provides to the County



D. Costs Associated with the Program

73% or 11 respondents said that the LSBRP does not result in additional costs to their departments. This is a contrast to last year's survey results where 44% indicated the Program resulted in additional costs.

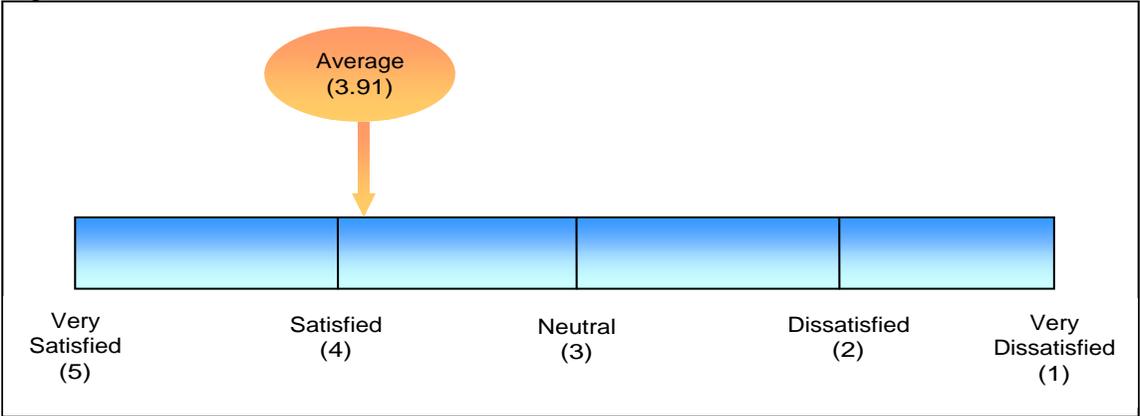
27% indicated staff implementation as the highest cost. Last year, contract administrators indicated that they spent 48 to 96 staff hours per fiscal year to prepare reserve solicitations and provide critical information on the ADMIN (or Intranet) website. When asked specifically about whether staff hours decreased during FY07, 10 respondents said no. Of these 10 respondents, seven said that staff hours remained the same. The remaining three reported an increase in staff hours. This increase may be explained by the fact that the number of LSBRP reserve solicitations rose sharply from FY06.

E. Level of Satisfaction

Respondents were asked to rate their level of satisfaction with different aspects of the Program on a scale of 1 to 5 (5 being very satisfied, 3 being neutral and 1 being very dissatisfied). Survey response averages were then calculated from the 11 respondents who answered these questions. A response average higher than 3 indicates that respondents are either satisfied or very satisfied. Conversely, a response average lower than 3 means that respondents are either dissatisfied or very dissatisfied.

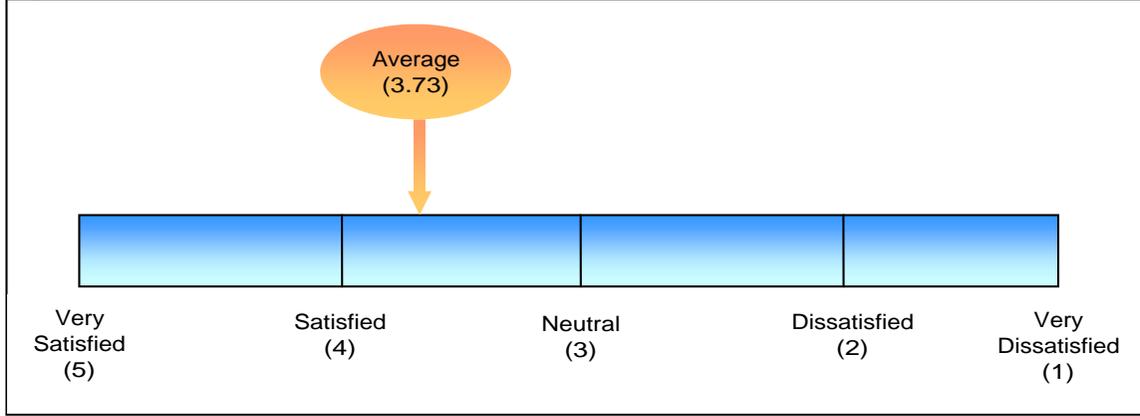
Respondents are satisfied with the assistance/information they received from the Department of Economic Development regarding the Program. This is reflected in the response average of 3.91. 64% of the respondents rated themselves very satisfied or satisfied and the remaining 36% feel neutral. The assistance and information provided include training, follow-up meetings and the on-going support provided to contract administrators.

Figure 6. Level of Satisfaction with the Assistance/Information Offered



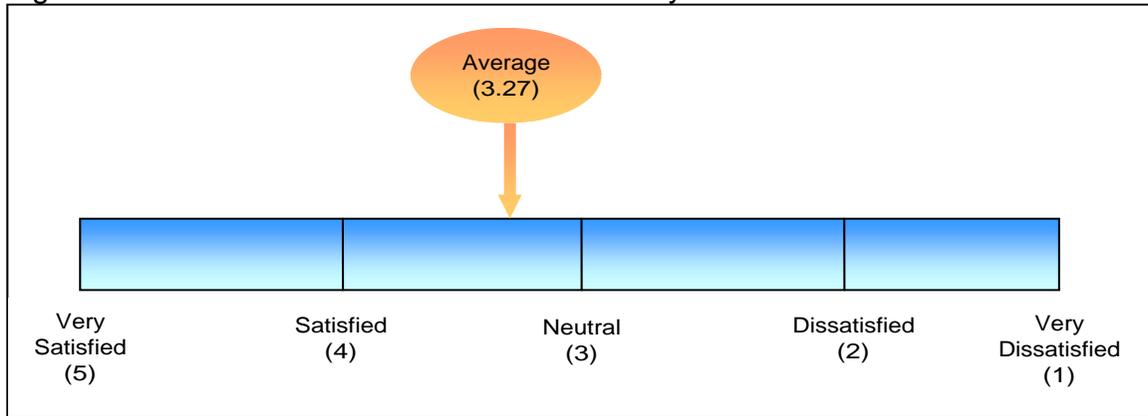
64% of the respondents said they were very satisfied or satisfied with the Intranet (ADMIN) website and the response average was 3.73.

Figure 7. Level of Satisfaction with the Intranet Website



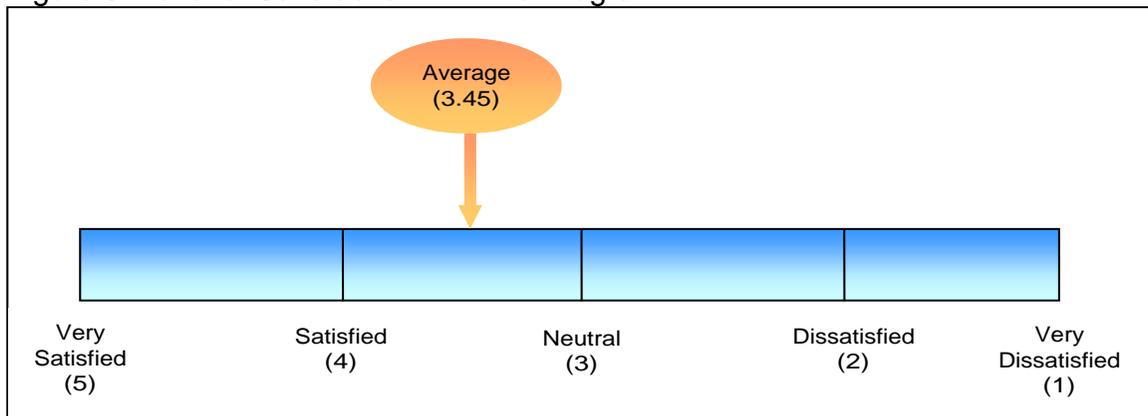
When asked to rate the availability of local small businesses for the commodities or services they were seeking to procure, 64% said they felt neutral. 27% rated themselves satisfied with the availability of LSBRP vendors. This is reflected in the response average of 3.27.

Figure 8. Level of Satisfaction with the Availability of Local Small Businesses



45% of the respondents rated themselves neutral and another 45% feel satisfied with the Program. This is reflected in the response average of 3.45.

Figure 9. Level of Satisfaction with the Program



Business Survey

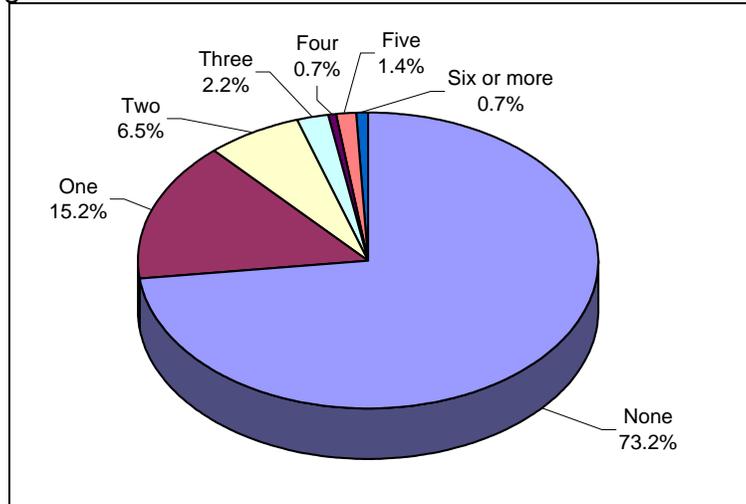
An online survey was conducted among registered businesses to assess their level of satisfaction with the Program and to identify the areas for improvement. A total of 138 businesses participated in the survey.

A. Number of Solicitations that Businesses Bid on in FY07

Of 138 respondents who answered this question, 73% said they did not bid on any County solicitations in FY07. When asked about the reason, 58% said that they were not aware of any solicitations or no solicitations were offered in their line of business. Other

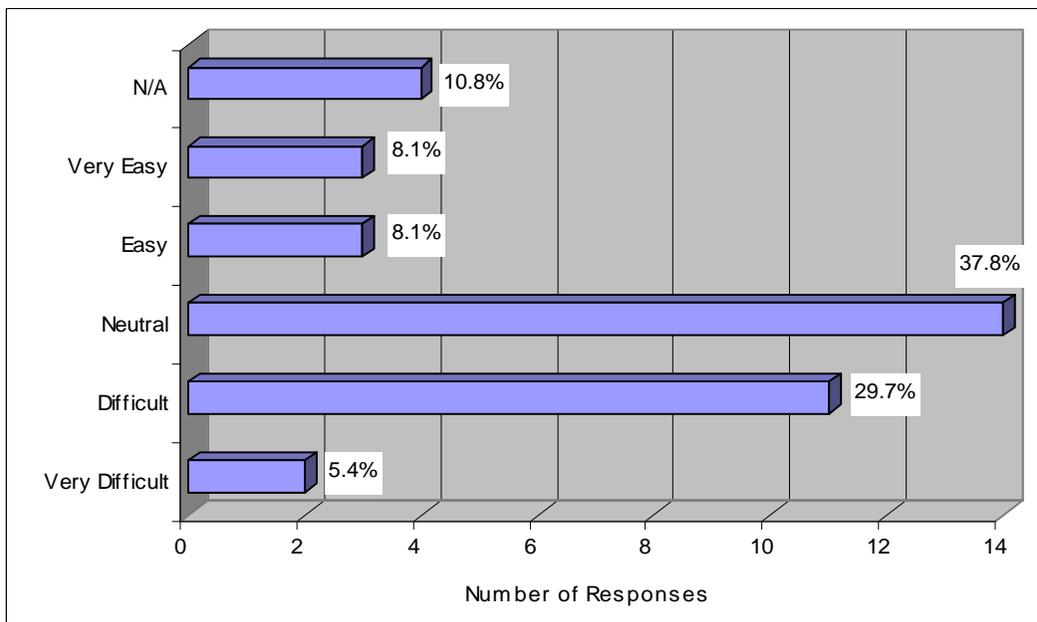
responses include, “They do not know how to prepare a bid or proposal,” “County solicitations are not cost-effective to pursue,” “Not cost effective to pursue,” and “Solicitations offered either too small or too large.”

Figure 10. Number of Solicitations Businesses Bid on in FY07



When asked about the number of solicitations they were awarded in FY07, 56% of 32 respondents who answered this question said none. The remaining responses varied from one to two. As a follow-up question, businesses were asked to rate their experience in working on County contracts. Of 37 who responded to this question, 14 said they felt neutral. 13 respondents found it either difficult or very difficult to work on County contracts. Their perceived difficulty might have stemmed from the fact that many LSBRP businesses are not experienced in doing business with government entities.

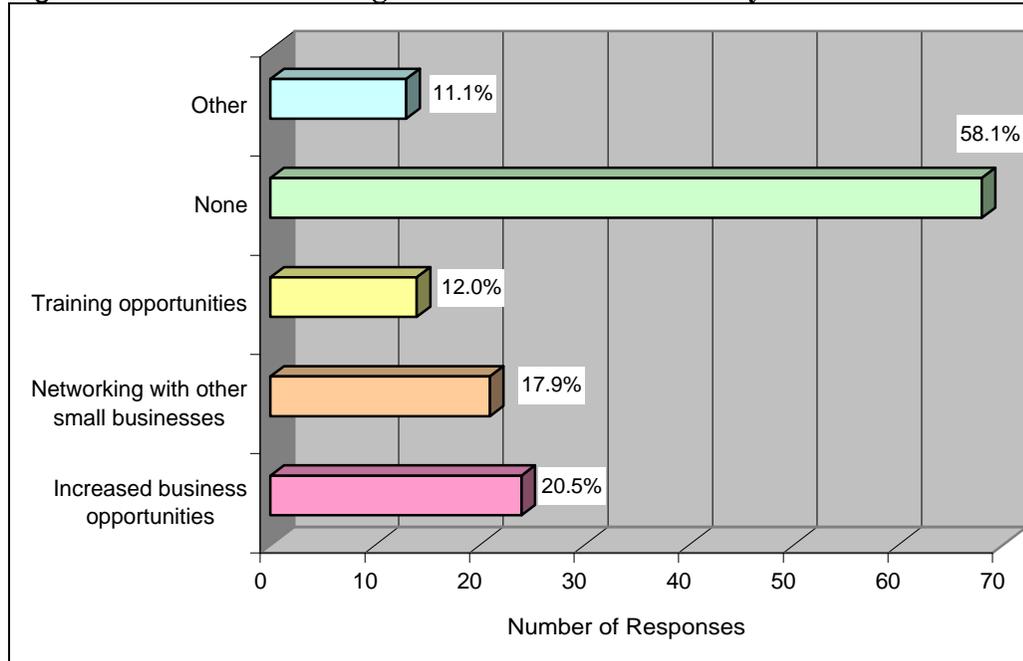
Figure 11. Experience in Working on County Contracts



B. Benefits the Program Provides to the County's Small Businesses

58% of the respondents said that the Program provides no benefits to their businesses. The next most popular responses were "Increased business opportunities," "Networking opportunities" and "Training opportunities." Businesses were allowed to select multiple responses. The respondents were allowed to select more than one response to this question.

Figure 12. Benefits the Program Provides to the County's Small Businesses



C. How They Learned of the Program

More than 60% of the respondents said that they learned of the Program through County agencies and professional organizations such as Chambers of Commerce. In last year's survey, 45% of the respondents picked County agencies and professional organizations. Much of this increase can be attributed to DED initiatives working with County agencies and Chambers of Commerce to inform existing vendors and Chamber members of the contracting opportunities available through the Program. Other responses include program advertisement, procurement fair, word of mouth, and media coverage.

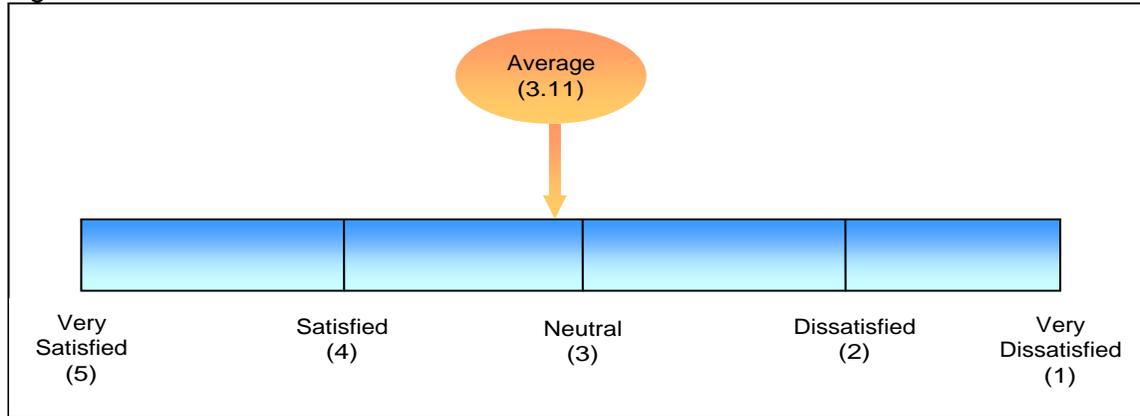
D. Level of Satisfaction

Respondents were asked to rate their level of satisfaction with different aspects of the Program on a scale of 1 to 5 (5 being very satisfied, 3 being neutral and 1 being very dissatisfied). Survey response averages were then calculated from the number of

respondents who answered these questions. A response average higher than 3 indicates that respondents are either satisfied or very satisfied. Conversely, a response average lower than 3 means that respondents are either dissatisfied or very dissatisfied.

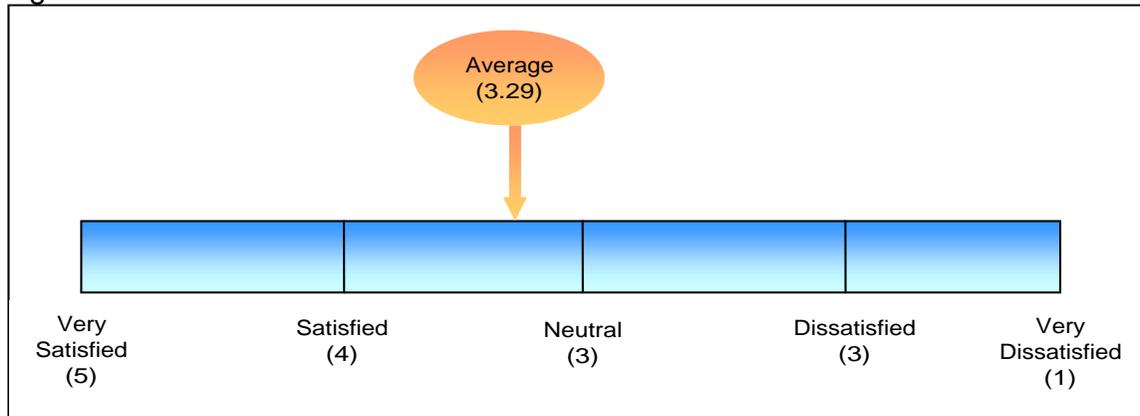
42% of respondents feel neutral about the assistance/information they were offered regarding the Program. 28% of the respondents rated themselves satisfied and 14% dissatisfied. This is reflected in the response average of 3.11.

Figure 13. Level of Satisfaction with the Assistance/Information Offered



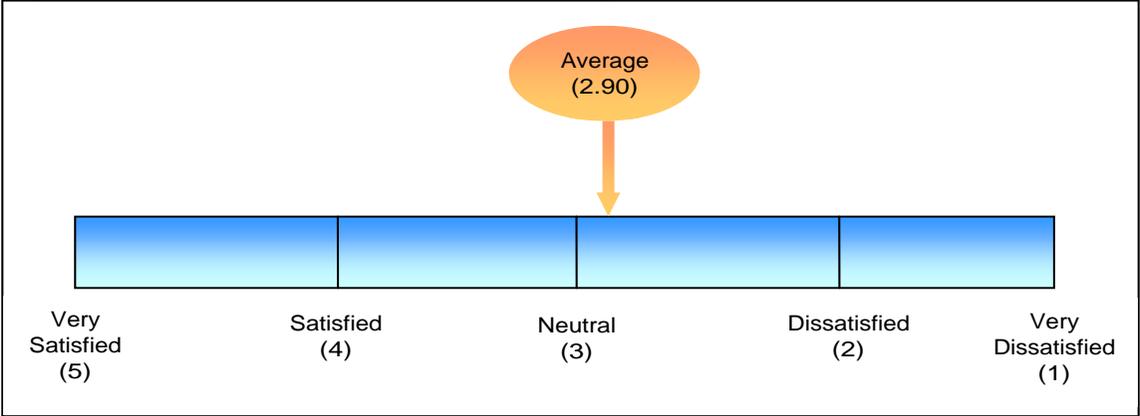
50% of the respondents said they feel neutral about the Internet website site and the response average was 3.29. 32% rated themselves satisfied with the Internet website.

Figure 14. Level of Satisfaction with the Internet Website



Regarding the Program, responses were slightly leaned toward being neutral or dissatisfied. This is reflected in the response of average of 2.90. 47% of the respondents rated themselves neutral whereas 21% and 9% identified themselves dissatisfied and very dissatisfied respectively.

Figure 15. Level of Satisfaction with the Program



VI. ISSUES

LSBRP contract administrators and vendors raised a number of issues regarding the Program through survey feedback and meetings. The identified issues are as follows:

- Very few business opportunities are available for small businesses.
- Small businesses find it challenging to bid or perform on County contracts.
- Administrative burden did not decrease for agencies.
- Failed LSBRP reserve solicitations led to a delay in the procurement process.

A. Very few business opportunities are available for small businesses.

Low level of small business procurements

Despite the sharp increase in the dollar value of LSBRP procurements from FY06, the proportion of LSBRP procurements still remains at 1.1% of total procurements. In the survey and e-mail messages communicated to DED, many businesses pointed out that very few business opportunities were available through the Program. Specifically, the survey conducted among 181 businesses who were removed from the Program indicated that 75% of these respondents decided not to renew their registration because the Program provided no business opportunities for them.

Need to expand the Program beyond County government

Montgomery County government alone does not present sufficient business opportunities for local small businesses. Businesses would like to see the Program expanded to other agencies such as Montgomery College and Montgomery County Public Schools.

B. Small businesses find it challenging to bid or perform on County contracts.

Lack of understanding of the County's procurement process

There is general consensus among contract administrators and small businesses that small businesses need to develop a better understanding of the County's procurement process. Many small businesses may not be aware of requirements such as insurance or bonding. Businesses also indicated that they do not understand how the County's procurement process works and as a result are not able to respond to the County's solicitations.

No automatic solicitation notification

In order to find out about new opportunities, vendors have to visit the Office of Procurement website where solicitations are posted. Unless a vendor diligently monitors the website, it can easily miss an opportunity. Meanwhile, vendors registered with federal and state programs receive automatic notification when a new bid or proposal opportunity arises.

Contract bundling

Many County contracts are bundled to maximize efficiency and save time. Bundled contracts often have requirements or massive volume of work that are beyond the capacity of small businesses. The type of work required on these contracts can easily be performed by small businesses. However, very few small businesses are equipped to handle the large scale of work demanded by bundled contracts.

Insufficient networking opportunities

There are not enough opportunities for small businesses to explore collaborations with each other. Many LSBRP businesses would like to partner with large firms to work on County contracts; however, many of them lack the connections with large firms.

Very few marketing opportunities

Businesses would like to identify the procurement needs of various County agencies and market their goods or services to procurement decision makers. Currently, the annual Congressional Procurement Fair is the only opportunity for them to interact with County procurement decision makers.

Fees associated with doing business with the County

Many small businesses find it onerous that they are required to purchase solicitation documents and subscribe to the County's procurement information delivery system, RAPID, for a fee. They lack financial resources to effectively compete with large companies and would like to have these fees waived for small businesses.

Insufficient response time

In the survey conducted among businesses, many businesses pointed out that County solicitations require a quick turnaround time and small businesses need more time to prepare responses to solicitations.

Absence of previous contract information

Many businesses, particularly those who have never done business with the County, would like to know more about previous contract awards including bid prices and duration. Limited information is currently available on the Office of Procurement website.

C. Administrative burden did not decrease for agencies.

Capturing under \$5,000 procurements

Currently, the LSBRP tracks procurement transactions valued at \$5,000 or more. Some agencies execute quite a number of transactions with local small businesses, but each of these transactions is valued at under \$5,000. Those transactions valued at under \$5,000 are not automatically captured automatically captured by the LSBRP database. Although an option exists for contract administrators to

manually record this procurement activity, they would like to see this procurement activity automatically captured by the LSBRP database.

Pre-existing contracts

LSBRP contract administrators would like to see contracts that predate January 1, 2006 automatically filtered out. Contract administrators, particularly those who administer a great number of contracts, find it very time-consuming to repeatedly provide information on pre-existing contracts.

Pass-through contracts

When an agency merely executes a purchase order for another County entity and that procurement is available for the LSBRP but not awarded to LSBRP vendors, such procurement could increase the difficulty of meeting the 10% LSBRP requirement for the pass-through agency. Moreover, it inflates the total procurement budget of the agency, and indicates that the agency has not done enough to increase procurements with LSBRP vendors.

D. Failed LSBRP reserve solicitations led to a delay in the procurement process.

14 LSBRP reserve solicitations were issued in FY07. Of these 14, six failed due to either unreasonably high bid prices or a lack of responses received from LSBRP vendors. These solicitations failed despite DED efforts to inform registered LSBRP vendors of these opportunities.

VII. RECOMMENDATIONS

The following recommendations are made in order to improve the effectiveness of the LSBRP and address the issues identified by businesses and agencies.

1. Increase business opportunities:

- Compile capability statements from vendors and make them available on the website.
- Continue to promote and educate agencies on Program requirements and the availability of vendors in the LSBRP.
- Continue to encourage agencies to register their existing vendors for the LSBRP, if eligible.

2. Build the capacity of local small businesses:

- Expand networking opportunities and training on topics such as proposal writing.
- Forge partnerships with the Procurement Technical Assistance Program to educate businesses on other procurement opportunities available at the state and federal level.
- Continue to compile anticipated procurements from each agency and make them available on the website.
- Create additional opportunities for vendors to interact directly with contract administrators.

3. Increase vendor registration:

- Focus marketing efforts on businesses engaged in underutilized areas with very few LSBRP vendors.
- Strengthen partnerships with chambers of commerce and trade associations to inform their members of the LSBRP.
- Continue to encourage other public and private purchasing entities in the County to utilize LSBRP vendors for their procurement needs.
- Explore the option of waiving RAPID service fees for local small businesses.

4. Further decrease the administrative burden:

- Identify and assign pass-through procurements to agencies that are responsible for executing and administering those procurements.
- Create an automated tool to filter out the contracts that predate January 1, 2006.
- Explore the option of automatically capturing small business procurements valued under \$5,000 with the Office of Procurement and the Department of Technology Services.

5. Minimize delays in the procurement process:

- Review the requirements of LSBRP reserve solicitations and determine whether it is appropriate to reserve those solicitations to LSBRP vendors.
- Better coordinate with the Office of Procurement and issuing agencies to ensure that a sufficient number of available vendors are registered in the commodity or service.
- Reach out to other small businesses through newspaper ads and direct letter marketing to ensure that issuing agencies receive a sufficient number of responses.

6. The County Council should authorize an independent study to assess the Program and make recommendations as to how the Program could be modified to increase local small business procurements. The study would examine the impact of the following on local businesses and make recommendations:

- Appropriate level of small business procurements: The study would look at other local jurisdictions with similar procurement programs and determine the appropriate level of small business procurements.
- Bundled contracts: These tend to have requirements that are beyond the capabilities of small businesses. The independent study would also examine the fiscal impact to the County when contracts are unbundled.
- Raising the direct purchase ceiling dollar limit for procurements executed with local small businesses: This measure will provide an incentive for agencies to utilize more local small businesses for their procurement needs.
- Multi-year contracts and the use of bridging contracts: These contracting procedures tend to leave fewer opportunities for small businesses than contracts with shorter duration.
- Other procurement activities impacting local small businesses as identified by consultant and staff.

**REPORT TO MONTGOMERY
COUNTY COUNCIL**

ON

LOCAL SMALL BUSINESS RESERVE PROGRAM

**PREPARED BY DEPARTMENT OF GENERAL SERVICES
OFFICE OF BUSINESS RELATIONS AND COMPLIANCE**

March 1, 2009

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I. EXECUTIVE SUMMARY

On January 1, 2006, Montgomery County launched its Local Small Business Reserve Program – LSBRP, the Program. Under the enabling Montgomery County legislation, County agencies must award a minimum of 10% of their available procurement dollars to local small businesses. The intent of the Program is to foster the growth of County-based small businesses by increasing their procurement opportunities with the County.

On July 1, 2008, the Local Small Business Reserve Program (LSBRP), formerly located in the Department of Economic Development (DED) was transferred to the Department of General Services (DGS) as a result of the reorganization of the Department of Public Works and Transportation (DPWT). The LSBRP is one of four programs located in the DGS Office of Business Relations and Compliance (OBRC). The LSBRP senior support staff remained with DED and technology support for the programs internet based management system remained in the Department of Technology Services. The Local, Small Business Reserve Program’s effectiveness was impacted during the transition that occurred at the beginning of FY 08. Several employees responsible for data management were transferred, reassigned or accepted buyouts on July 1, 2009.

Fiscal Year 08 was the second full year of operation for the LSBRP. Both a declining economy and a County savings plan impacted department’s ability to maximize their expenditures.

- However, the countywide departmental payments to LSBRP vendors remained at \$11 million equal to the prior fiscal year, accounting for 14% of procurement dollars available to vendors. The County met the program goal for the second consecutive full year of operation.
- \$285,503,848 or 30 % of the LSBRP’s exempted dollars was due a determination of “No LSBRP Vendor Deemed Qualified by Using Department.” This is also the most complained about issue by businesses.
- As of June 30, 2008, over 500 businesses were registered in the LSBRP.

Local businesses are the life’s blood of the both local and national economies. As the report indicates leveling the playing field is the most important action the County can undertake at this critical business juncture. Small business invests substantially through taxes, payrolls and contributions to the community. As stated in the report governmental artificial barriers improperly placed on small businesses numerous prohibitive regulations. Open access and opportunity to the County market place is a goal worth pursuing vigorously.

Reducing the need for multiple certifications in order to do business is one of many important steps to be taken. The Central Vendor Registration System (CVRS) is an excellent new service appreciated by businesses. Small business reciprocal certification could be the next step for the County to offer businesses.

The County has a tremendous amount of work to be contracted. Work is preferred to credit because the dollar has a much higher payout. Departmentally, the County could expose local businesses to millions of dollars in work. However, in order for opportunity to be realized contracts must be unbundled and legacy business relations must be examined. The commitment of prime contractors to subcontractors must be monitored and enforced through compliance. Procurement goals need to re-examined and adjusted to meet current economic conditions. There is much to be done to maintain the viability, sustainability and survivability of small business during the current economic down turn.

II. BACKGROUND

In April 2005, the Montgomery County Council enacted a law to establish a Local Small Business Reserve Program (LSBRP, or the Program). On December 13, 2005, the County Council passed the Executive Regulation specifying legislative parameters regarding program implementation. Effective January 1st, 2006, all County agencies were required to contract 10% of their procurement dollars with eligible small businesses located in Montgomery County. The law will sunset on December 31, 2009, unless re-enacted by the County Council.

The goal of the LSBRP is to enhance the competitiveness of and increase economic opportunities for Montgomery County small businesses. Specifically, it allows them to bid on select County procurements without competing with larger, more established companies. By increasing the portion of public procurement dollars that go to local small businesses, the Program will help create new employment opportunities, increase income and spending, and generate greater tax revenues to support County services and capital investments.

Effective July 1, 2008, the Local Small Business Reserve Program was transferred from the Department of Economic Development (DED) and now resides in the Department of General Services, Office of Business Relations and Compliance (OBRC). DED continues to host the programs two Web sites, one for vendor use (public website) and the other for use by contract administrators (ADMIN website), and reporting the results to Council each year. The DGS coordinates closely with the business community in order to market the Program and improve the services provided.

For its part, each agency is responsible for complying with Program regulations, meeting its departmental 10% requirement and providing DGS with data for its annual report to the Council. Agencies use the ADMIN website to ascertain available vendors, check vendor certification, and record LSBRP procurement activity as well as using it as an overall information warehouse for procurement activity.

Any local businesses that meet the eligibility requirements based on size and ownership can register for the Program on the public website. In addition, a business is required to renew their registration every year and notify DGS immediately of any change in the firm's location, size, and ownership status.

The Office of Legislative Oversight serves as the County Council's assessment arm and closely coordinates with DGS as to Program evaluation. The County Council sets the Program structure and conducts annual Program review through legislative directive and through the activities of the Office of Legislative Oversight.

ANALYSIS OF FY08 DATA AND PROCUREMENT ACTIVITIES

This report is presented in a format that provides comparative data for analysis of FY 07 and FY 08. The two years represents full data collection for both years. Some relational data has been combined into one chart to provide an opportunity to fully evaluate the impact one statistic has on another.

	FY 07	FY 08
Has the County met the Local Small Business Reserve Program (LSBRP) requirement?	Yes	Yes
Percentage of County agencies' available procurement dollars awarded to local small businesses	21.40%	14.25%
Number of procurement transactions awarded to local small businesses	433	397
Value of procurement dollars awarded to local small businesses	\$11,482,588	\$12,480,302

Summary of Procurement Dollars

The total dollars available to the LSBRP was nearly, \$79,000,000 in FY 08 and represented an increase of 2.17 % over FY 07. However the amount of dollars received by the LSBRP vendors remained equal to that spent in FY 07, \$11,000,000. Exempted procurements are one reason LSBRP expenditures have not grown at a faster rate.

Table 1. Summary of Procurement Dollars

Summary of Procurement Dollars					
	FY07		FY08		Percentage of Change from FY07 to FY08 +/-
	Dollar Value	Percentage of Total Procurement Dollars	Dollar Value	Percentage of Total Procurement Dollars	
Total Procurement Dollars	\$1,018,899,470.42		\$983,293,045.04		
Non Exempt Procurement Transactions					
Awarded to Non-LSBRP Vendors	\$47,804,958.78	4.70%	\$67,044,356.91	6.82%	2.12%
Awarded to LSBRP Vendors	\$11,250,678.93	1.11%	\$11,216,319.35	1.14%	0.03%
Advertised LSBRP Solicitation and Awarded LSBRP	\$142,152.00	0.02%	\$371,507.16	0.04%	0.02%
Advertised LSBRP, but Re-advertised Open Solicitation	\$137,000.00	0.01%	\$14,999.00	0.01%	0.00%
Under \$5,000 solicitation, awarded LSBRP	\$58,851.54	0.01%	\$55,871.84	0.01%	0.00%
Total	\$59,393,641.25	5.85%	\$78,703,054.26	8.02%	2.17%

Table 1. Summary of Procurement Dollars (Cont'd)

Summary of Procurement Dollars					
	FY07		FY08		Percentage of Change from FY07 to FY08 +/-
	Dollar Value	Percentage of Total Procurement Dollars	Dollar Value	Percentage of Total Procurement Dollars	
Total Procurement Dollars	\$1,018,899,470.42		\$983,293,045.04		
Exempt Procurement Transactions					
Pre-existing Contract	\$407,966,907.78	40.04%	\$381,230,578.72	38.77%	-1.27%
No LSBRP Vendor Deemed Qualified by Using Department	\$283,869,534.34	27.86%	\$285,459,688.22	29.03%	1.17%
Non-competitive Contract	\$116,950,151.00	11.48%	\$131,646,041.88	13.39%	1.91%
Public Entity or Emergency Procurement	\$107,553,816.36	10.56%	\$32,292,236.05	3.29%	-7.27%
Conflicts with a State, Federal, or Local Law or a Grant Requirement	\$37,750,031.89	3.94%	\$46,330,515.91	4.72%	0.78%
Chief Administrative Officer (CAO) Waiver	\$5,189,047.85	0.51%	\$2,168,665.00	0.22%	-0.29%
Procurement exceeds \$10 million	\$226,339.95	0.03%	\$25,462,265.00	2.59%	2.56%
Total	\$959,505,829.17	94.42%	\$904,589,990.78	92.01%	-2.41%

Table 2. Summary of Procurement Transactions

	FY07		FY08		Percentage of Change from FY07 to FY08 +/-
	Procurement Transactions	Percentage of Total Procurement Transactions	Procurement Transactions	Percentage of Total Procurement Transactions	
Total Procurement Transactions	11388		11221		
Non Exempt Procurement Transactions					
Awarded to Non-LSBRP Vendors	703	62%	867	69%	7.00%
Awarded to LSBRP Vendors	216	18%	170	13%	-4.58%
Advertised LSBRP Solicitation and Awarded LSBRP	5	0%	14	0%	-0.32%
Advertised LSBRP, but Re-advertised Open Solicitation	2	0%	1	0%	-0.10%
Under \$5,000 solicitation, awarded LSBRP	210	19%	214	17%	-2.10%
Total	1136	100%	1266	100%	-0.10%
Exempt Procurement Transactions					
Pre-existing Contract	2037	20%	1252	13%	-7.43%
No LSBRP Vendor Deemed Qualified by Using Department	6297	61%	6398	64%	2.84%
Non-competitive Contract	1060	10%	1403	14%	3.76%
Public Entity or Emergency Procurement	257	3%	188	2%	-0.62%
Conflicts with a State, Federal, or Local Law or a Grant Requirement	537	5%	694	7%	1.74%
Chief Administrative Officer (CAO) Waiver	63	1%	15	0%	-0.46%
Procurement exceeds \$10 million	1	0%	5	0%	0.05%
Total	10252	100%	9955	100%	-0.12%

Exempted Dollar Value

Exemptions account for more than 90% of the total procurement dollars not avail for the LSBRP. A large number of exemptions are warranted because many County’s procurements exceed the capabilities of small vendors. Capital construction projects, large direct purchases, manufactured goods, cooperative purchases; pre-existing and non-competitive contracts are the reason these procurements are beyond the capacities of LSBRP vendors. Most exemptions are based upon objective criteria. However, the category “No LSBRP Vendor Deemed Qualified by Using Department” is subjective and accounts for \$283,000.000 or 30% of the total exemptions. It is the single category most objectionable to vendors and accounts for the greatest number of business complaints.

Table 3. Summary of Exempted Dollar Value

Exemption Provision	Dollar Value		Percentage of Total Exempt Procurement Dollars		Number of Procurement Transactions	
	FY07	FY08	FY07	FY08	FY07	FY08
Pre-existing Contract	\$394,778,937	\$381,230,578	41.80%	42.15%	1,968	1252
No LSBRP Vendor Deemed Qualified by Using Department	\$283,541,174	\$285,503,848	30.00%	31.57%	6,291	6400
Non-competitive Contract	\$116,516,270	\$131,646,041	12.30%	14.56%	1,053	1403
Public Entity or Emergency Procurement	\$105,992,688	\$32,292,236	11.20%	3.57%	253	188
Conflicts with a State, Federal, or Local Law or a Grant Requirement	\$37,610,817	\$46,330,515	4.00%	5.13%	535	694
Chief Administrative Officer (CAO) Waiver	\$5,189,048	\$2,124,505	0.50%	0.20%	63	13
Procurement exceeds \$10 million	\$226,340	\$25,462,265	0.02%	2.82%	1	5
Total	\$943,855,274	\$904,589,988	100%	100%	10,164	9955

Non-LSBRP Vendors by Agency

The total procurement dollars spent by agencies with Non-LSBRP Vendors grew to \$66,122,000 in FY08 and represented an increase of 63% over FY07. Many of the Non-LSBRP vendors would qualify for the program if actively recruited. Many of the Non-LSBRP contracting expenditures involve professional and medical services, architectural/engineering and a variety of trade related occupations.

Table 4. Procurements Executed with Non-LSBRP Vendors by Agency

Agency	FY07		FY08		Percentage of Change from FY07 to FY08 +/-
	Dollar Value	Percentage of Total Procurement Dollars	Dollar Value	Percentage of Total Procurement Dollars	
Department of Public Works and Transportation	\$20,589,216	50%	\$34,537,097	53%	3%
Department of Health and Human Services	\$3,678,114	9%	\$13,701,384	22%	13%
Department of Recreation	\$9,290,320	22%	\$10,583,012	17%	-5%
Department of Environmental Protection	\$524,999	1.3%	\$2,231,392	3.4%	2%
Department of Police	\$437,422	1.04%	\$1,745,052	3%	2%
Department of Correction and Rehabilitation	\$2,759,145	7%	\$1,398,495	3%	-4%
Regional Services Center	\$523,410	1.24%	\$611,587	1%	0%
Montgomery County Public Libraries	\$181,891	0.43%	\$539,547	1%	1%
Office of Public Information	\$130,590	3%	\$275,775	0.41%	-3%
Office of Human Resources	\$1,621,521	4%	\$222,393	0.33%	-4%
Board of Elections	\$137,504	0.3%	\$153,117	0.23%	0%
Department of Finance	\$1,282,330	3%	\$53,000	0.08%	-3%
Office of Management and Budget	\$19,630	0.04%	\$36,939	0.05%	0%
Department of Economic Development	\$64,999	0.2%	\$17,900	0.02%	0%
Office of the County Sheriff	\$667,852	2%	\$15,000	0.02%	-2%
Office of the County Council	\$28,500	0.1%	\$0	0%	0%
Department of Permitting Services	\$19,065	0.04%	\$0	0%	0%
Office of Zoning and Administrative Hearings	\$6,000	0.01%	\$0	0%	0%
Total	\$41,962,508	100%	\$66,121,690	100%	63%

Table 5. Procurements Executed with Non-LSBRP Vendors by Transaction

Procurements Executed with Non-LSBRP Vendors by Transaction					
Agency	FY07		FY08		Percentage of Change from FY07 to FY08 +/-
	Procurement Transactions	Percentage of Total Procurement Transactions	Procurement Transactions	Percentage of Total Procurement Transactions	
Department of Public Works and Transportation	304	45%	375	42%	-3%
Department of Health and Human Services	59	9%	94	10%	2%
Department of Recreation	124	18%	205	23%	5%
Department of Environmental Protection	2	0%	7	1%	0%
Department of Police	18	3%	57	6%	4%
Department of Correction and Rehabilitation	63	9%	40	4%	-5%
Regional Services Center	16	2%	22	2%	0%
Montgomery County Public Libraries	9	1%	12	1%	0%
Office of Public Information	3	0%	8	1%	0%
Office of Human Resources	29	4%	10	1%	-3%
Board of Elections	2	0%	11	1%	1%
Department of Finance	24	4%	53	6%	2%
Office of Management and Budget	1	0%	1	0%	0%
Department of Economic Development	3	0%	1	0%	0%
Office of the County Sheriff	13	2%	1	0%	-2%
Office of the County Council	2	0%	0	0%	0%
Department of Permitting Services	3	0%	0	0%	0%
Office of Zoning and Administrative Hearings	1	0%	0	0%	0%
Total	676	100%	897	100%	63%

FY08 LSBRP Procurements

In FY08, a total of 397 procurement transactions were awarded to local small businesses. These procurements represent \$12,408,302 in contract dollars. The Department of Public Works and Transportation and the Department of Recreation awarded majority of procurement dollars that went to LSBRP vendors.

Table 6. LSBRP Procurements and Transactions by Agencies

Agency	Dollars Awarded LSBRP Vendors		Transactions		Percentage of Change from FY07 to FY08 +/-
	FY07	FY08	FY07	FY08	
Department of Public Works and Transportation	\$6,069,198	\$5,185,191	95	83	-15%
Department of Recreation	\$1,976,698	\$2,355,980	47	34	16%
Department of Homeland Security	\$667,196	\$116,624	11	4	-83%
Department of Health and Human Services	\$635,940	\$1,002,061	28	18	37%
Department of Environmental Protection	\$613,000	\$1,826,228	2	20	66%
Department of Correction and Rehabilitation	\$437,221	\$270,900	6	4	-38%
Office of the County Sheriff	\$413,250	\$169,825	7	5	-59%
Department of Finance	\$160,000	\$75,964	3	3	-53%
Office of the County Council	\$99,999	\$845,000	4	3	89%
Department of Housing and Community Affairs	\$80,465	\$0	3	0	-100%
Montgomery County Fire and Rescue Service	\$57,194	\$97,791	1	4	42%
Department of Police	\$49,755	\$250,526	2	209	18%
Office of Public Information	\$46,054	\$25,000	2	1	-46%
Department of Economic Development	\$37,612	\$122,632	2	4	70%
Department of Technology Services	\$21,154	\$0	2	0	-100%
Montgomery County Public Libraries	\$20,365	\$18,998	3	3	-7%
Office of Human Resources	\$12,240	\$45,582	2	2	97%
Office of Community Use of Public Facilities	\$10,285	\$0	1	0	-100%
Mid-County Regional Services Center	\$8,570	\$0	1	0	-100%
Office of the County Executive	\$7,540	\$0	1	0	-100%
Total	\$11,423,736	\$12,408,302	223	397	8%

IV. ISSUES AND RECOMMENDATIONS

A. ISSUES Proposed Actions to be taken in FY09

The LSBRP has demonstrated consistent performance in the face of economic challenges. The best way to mitigate the challenges is to act aggressively and not to fall victim to status quo thinking and business practices. Increasing small business prosperity during an economic downturn and a reduction in County spending will require hard work and innovative thinking and programming.

The Office of Business Relations and Compliance has identified several future initiatives to stimulate small business growth in the LSBRP. It is very important for the county be viewed as a valued resource to small businesses. .

Proposed Actions:

Targeted Outreach, Business Alliances, and Advocacy:

- Review large contracts to identify unbundling opportunities.
- Schedule meetings with businesses and associations (professional and trade) to assist them in preparing for the new opportunities.
- Schedule Matchmaking opportunities for local vendors and area prime contractors.
- Targeted recruitments for up the coming solicitations.
- Small Business Training on a variety of topics including:
 - ▶ How To Do Business with the County
 - ▶ Selecting the Correct Commodity Codes
 - ▶ Meet the Department Heads, Buyers or Contract Administrators
- Use the County's contracting leverage to encourage large prime contractors seek to develop subcontracting or mentoring opportunities with LSBRP fully certified vendors.
- Develop a vendor-friendly, reliable procurement-forecasting tool.
- Conduct departmental forums with vendors to explain how the contracting process works for each business type of business.
- Develop and publish predictable procurement solicitation schedules.
- Provide periodic networking opportunities for businesses.

B. Legislative, Regulatory and Administrative Procedures Review

Small businesses face many artificial barriers as a result of regulatory criteria designed to prevent problems for dealing with much larger businesses. Some of the barriers include standard boilerplate language, insurance, bonding, and compliance issues. In many instances the small business owner must bear the added expense and lost productivity of duplicative solicitation requirements.

Proposed Actions:

Many eligible professionals chose not to register because it is time consuming and there is no guarantee of a likely contract:

- Allow full certification at the point of intake for businesses with the required documentation.
- Providing full certification at intake facilitate faster contracting.
- Encourage departments to use the open solicitation and multiple contract awards to reduce the administrative burden.

- Develop reciprocal partnerships with other governmental agencies and private organizations. Obtaining multiple certifications is expensive and time consuming for small businesses.
- Legislation and regulatory reviews must be conducted to streamline the procurement.

C. Site Visits, Meetings & Referrals

The LSBRP in order to attract and retain vendors must be seen as an avenue to business vitality and sustainability. The current hostile business climate has forced business to seek out governmental opportunities. Therefore, the LSBRP strategic business plan must be modified to meet the small business community proactively.

Proposed Actions:

Provide more effective outreach and interactive opportunities:

- Familiarize businesses with the County way of conducting business.
- Meet with small business owners on a regular basis. The meetings help to update information, learn about business needs, and allow owners to acquire knowledge.
- Meet with businesses at their location or where they gather.
- Participate in local trade and professional meetings
- Facilitate meaningful business interactions for LSBRP vendors with the County and private sector businesses.
- Provide information on navigating the certification, vendor registration, licensing, and other processes.
- Assist the county's contract administrators and businesses in a timely, professional and quantifiable manner.
- Identify and recruit prospective vendors from outreach initiatives and referrals into the program