

FY2017

ANNUAL REPORT

Local Small Business
Reserve Program (LSBRP)



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Montgomery County's Local Small Business Reserve Program

Message from the County Executive



Nearly 95% of Montgomery County's companies are considered small businesses. Combined, they are a strong and powerful engine driving the Montgomery County economy. The vitality of our economy and the success of local businesses is one of my top priorities. In December 2008, I announced economic stimulus measures that included eleven action items to sustain and enhance the viability of the business community.

The Local Small Business Reserve Program (LSBRP) is one measure that helps sustain economic growth. Passage of the Local Small Business Reserve Program was the result of cooperation between my office, the County Council and stakeholders in the business community. Under the LSRBP program, Montgomery County Government's departments and agencies must commit to allocate 20% of their purchases of goods and services from the small business community. In FY17, the County spent \$93.4 million with local small businesses, an amount equal to 24.88% of total eligible spending for LSRBP.

Please take a few minutes to read this report. If you are a small business owner who is not registered as an LSRBP, please visit the <http://www.montgomerycountymd.gov/dbrc> website to determine your eligibility. If you are eligible, please register your business. We want to work with you.

Message from the Director



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

In FY17, we took additional steps to strengthen the Program by enhancing our outreach efforts. We hosted our first annual Procurement Forum and welcomed 400 participants. We also developed a Procurement Pocket Guide to make it easier for small businesses to understand the County's Procurement processes and requirements. These outreach efforts have provided the LSRBP vendors information they need to compete for contracting opportunities.

This year's LSRBP Annual Report reflects a consistent level of participation in the program since its inception. I look forward to increasing our efforts and strengthening linkages between the business community and county departments to support growth in County contract activity with local small businesses. If you have comments or questions about the report, the LSRBP program, or any of the Office of Procurement's upcoming outreach activities, please contact us at dbrc@montgomerycountymd.gov.



Montgomery County's Local Small Business Reserve Program

Executive Summary

In FY17, the Local Small Business Reserve Program continued to show growth. The County spent \$93.4 million with local small businesses. This amount comprises 24.88% of total eligible spending for LSBRP. As an indication of increased contracting opportunities for local small businesses that participate in the program, a second LSBRP vendor reached the statutory limit (cumulative awards of 10 contracts with a dollar value of \$10 million since 2006) and was graduated from the program. The Program hosted several open house events targeted at specific industry sectors to give local small and minority businesses an opportunity for face-to-face interaction with key staff from County departments and with prime contractors.

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

In FY17, we are continuing our focus on fully certifying LSBRP vendors and increased the number of fully certified LSBRP vendors from 504 to 619. Certified vendors are encouraged to display the "LSBRP Certified" logo on their websites and marketing materials.



Background

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

1. Local Small Business Reserve Bill #3-09 (April 30, 2009) -- Established the DGS Director as the evaluator of a business's capacity to contractually perform
2. County Executive Regulation #2-09 (April 28, 2009) -- Doubled the earnings and employee thresholds for small businesses



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3. Contracts & Procurement Amendments Bill #45-09 (April 1, 2010) -- Made it easier for small businesses to compete for contracts
4. County Executive Regulation #19-09AM (March 23, 2010) -- Revised Procurement Regulations
5. Expedited Bill #7-15 (March 26, 2015) --- Established the Office of Procurement as a Principal Office of the Executive Branch.
6. Expedited Bill #23-15 (May 23, 2015) – Amended LSBRP eligibility criteria for small businesses in the service sector.
7. County Executive Regulation #6-15 (June 30, 2015) – Amendment to the LSBRP Program

Eligibility Requirements

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

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

*Services vendor threshold was increased in FY16



Continued Innovative Practices

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

- Ongoing training for department Contract Administrators on Procurement Compliance Programs including LSBRP, MFD and wage compliance programs.
- Developed a "Pocket Guide to Doing Business with Montgomery County" for vendors.
- Initiated annual Procurement Forum to keep vendors updated with the latest procurement information.
- Participating quarterly meetings with compliance officers from other jurisdictions, agencies and municipalities in the State.
- Distributed weekly newsletters to local small businesses to advertise active solicitations, upcoming contracting opportunities and networking events.
- Developed a social network platform and increased use of social media in communicating with local small businesses.
- Increased participation in industry association meetings and chamber matchmaking and networking sessions to promote the LSBRP program.
- Improved intranet functionality to reduce paper work for Contract Administrators and Procurement Specialists.
- Improved on-line forms and reporting tools for county departments.
- Encourage vendors to get fully certified prior to bid submission to streamline the award review process and to eliminate uncertainty in award eligibility.

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

Support and Advocacy

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



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Additionally, DBRC functions as an internal advocate and liaison, connecting the local business community with county departments to facilitate information exchange and contracting resource development. DBRC sends out weekly newsletters to advertise upcoming LSBRP opportunities as well as newly posted LSBRP solicitations.

Marketing and Outreach

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

Targeted events hosted by the Office of Procurement during FY17 to help inform small and minority vendors about County contracting opportunities included:

- Sept 26, 2016 – Russian Delegation Visit
- Oct 5, 2016 – 1st Annual Procurement Forum
- Oct 26, 2016 – MDOT Certification and Procurement Workshop (with African American Chamber of Commerce)
- Feb 1, 2017 – Panama Delegation Visit
- March 8, 2017 -- MDOT Certification and Procurement Workshop (with African American Chamber of Commerce)
- Mar 14, 2017 – Columbian Delegation Visit
- May 2, 2017 – SBA 8(a) Certification and Procurement Workshop (with African American Chamber of Commerce)

Networking Events: In FY17, the Office of Procurement, DBRC and the Division of Procurement Operations participated as panelists or key speakers in the following events:

- July 21, 2016 – Minority Business Economic Council 2nd annual conference
- Aug 25, 2016 – The Women Power Conference
- Sept 14, 2016 – 46th Annual Legislative Conference by Congressional Black Caucus Foundation, Inc.



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- Sept 28, 2016 -- Gaithersburg Chamber of Commerce networking event
- Oct 28, 2016 – Pro Biz Conference
- Nov 17, 2016 – Maryland Washington Minority Company Association (MWMCA) 2017 Economic Summit
- March 9, 2017 – Treasury Industry Day
- March 16, 2017 – Women Owned Businesses Certification Workshop by Maryland Women's Business Center
- March 31, 2017 – Super Match Maker Conference by Capital Region Minority Supplier Development Council (CRMSDC)
- March 31, 2017 – Women Business Owners Expo by WSSC
- April 18, 2017 – 8th Annual Minority Business Expo by Greater Washington Hispanic Chamber
- April 19, 2017 -- 27th Annual Government Procurement Conference by Federal Business Council
- May 12, 2017 -- MWMCA Annual Spring Expo
- May 24, 2017 -- CRMSDC MBE Academy Workshop
- June 8, 2017 -- SSA Small Business Procurement Conference
- June 15, 2017 -- AMEX Open Business Summit
- June 20, 2017 -- WMATA Procurement Fair
- June 20, 2017 – 11th Annual Caribbean American Heritage Month Proclamation



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FY14 – FY17 Comparative Program Measures

Contracts Awarded to LSBRP (Based on Contract Execution Date)

TABLE 2 - Major contracts (over \$100,000) awarded in FY17 to LSBRP (sorted by dollar amount)

DEPT	Vendor	Description	Amount
DOT	Bradley Technologies, Inc.	Security Guard Services	\$13,792,604
Sheriff	Bradley Technologies, Inc.	County-Wide Security Guard Services	\$12,500,000
DGS	CT Stanley & Son, Inc.	Snow Removal at County Facilities- Groups 3 and 8	\$1,556,142
DGS	CEEPCO Contracting LLC	Time and Material Custom Millwork	\$910,000
OHR	ATHENA Consulting LLC	Temporary Administrative Support Services	\$900,000
DGS	Professional Hispanic Contractors, Inc.	Snow Removal at County Facilities- Groups 6 and 7	\$681,440
DGS	E.A.R.N Contractors, Inc.	Snow Removal at County Facilities- Groups 4 and 5	\$483,924
DGS	Kiara's Landscaping, Inc.	Snow Removal at County Facilities- Groups 1 and 2	\$480,244
DGS	E.A.R.N Contractors, Inc	time and material carpentry and painting services first rotating basis	\$420,000
REC	Mimar DBA Crown Trophy	Trophies, Awards, Plaques, Ribbons, and Engraving	\$360,000
DGS	Duane, Cahill, Mullimeaux & Mullineaux, PA	ADA consulting services for various County Facility Projects	\$350,000
DGS	Universal Designers & Consultants Inc	ADA consulting services for various county facility projects first task order	\$350,000
DGS	OLBN, Inc.	ADA consulting task order based second	\$350,000
DOT	SFMS, LLC	Snow Removal at County Parking Facilities - Groups 2 and 6	\$200,000
DOT	E.A.R.N Contractors, Inc	Snow Removal at County Parking Facilities - Group 3	\$200,000
DOT	Professional Hispanic Contractors, Inc.	Snow Removal at County Parking Facilities - Groups 4 and 8	\$200,000
FRS	DrinkMore Delivery Inc.	Bottled Water and Dispensers	\$200,000
DGS	D&D Installations, LLC	Office Relocation and other Moving & Hauling Services	\$144,100
DOT	Atlantic Machinery Inc	Furnish Closed Circuit Television Pipe Inspection Unit.	\$117,091
DOT	Aquafree Facilities Services Inc	Window Cleaning Services at County Parking Facilities	\$100,000



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Procurement Awards in FY17:

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

Table 3: 4-year comparison on Eligible LSBRP Awards

Procurement Awards, FY14-FY17								
	FY14		FY15		FY16		FY17	
	Million \$	%	Million \$	%	Million \$	%	Million \$	%
Total Procurement Dollars	\$980.77		\$1,175.89		\$1,171.39		\$1,108.76	
Eligible for LSBRP Procurement	\$299.17	30.5%	\$312.52	26.6%	\$312.19	26.7%	\$375.45	33.87%
Procurement Expenditure to LSBRP	\$73.71	24.6%	\$74.78	23.9%	\$75.70	24.3%	\$93.4	24.88%

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

A Closer Look at Exempted LSBRP Awards

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

1. **Pre-existing Contracts** (highlighted in **YELLOW** in Table 4) - Many County contracts are for terms that exceed a single 12-month period, often extending for three to five years. Therefore, a contract is counted only once in the year of the award, and is not counted in the following years. In FY17 this “pre-existing contract” category equals \$669 million, accounting for 71% of contract expenditures.
2. **Procurements exceeding \$10 million** (highlighted in **GRAY** in Table 4) – Legislation creating the LSBRP initiative requires that all contracts valued under \$10 million will be reserved for competition among local small businesses unless specific exemption criteria apply. The majority of these contracts are construction projects such as constructions of libraries, community centers, recreation centers, etc. In FY17, the County awarded \$228 million in contracts valued over \$10 million, accounting for almost 24% of all contracting dollars awarded in FY17.

These two categories combined for \$897 million, or 95% of all LSBRP exemptions in FY17. This spending distribution is further illustrated in the following tables.



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In addition to Pre-existing Contracts and Procurements Exceeding \$10 million, approximately \$33 million in exemptions (highlighted in **GREEN** in Table 4) were for contracts for which no competition was possible since the contracts were with; (a) other public entities, (b) specific companies because of grant requirements, or (c) were non-competitive awards such as contracts with an Original Equipment Manufacturers, sole licensed service providers, or other non-competitive basis approved by the County's Contract Review Committee.

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

Exemption Categories	FY14		FY15		FY16		FY17	
	\$	%	\$	%	\$	%	\$	%
Chief Administrative Officer Waiver	\$0.00	0%	\$0.00	0%	0	0%	\$0	0%
Conflicts with law or grant	\$6.34	0.95%	\$4.51	0.53%	\$5.02	0.59%	\$9.60	1.02%
Public or Emergency Procurement	\$14.94	2.27%	\$17.62	2.07%	\$22.61	2.67%	\$2.52	0.27%
Non-competitive contract	\$51.61	7.83%	\$52.36	6.16%	\$45.08	5.32%	\$21.28	2.26%
Pre-existing Contract	\$407.54	61.84%	\$412.76	48.58%	\$377.38	44.53%	\$669.06	71.05%
Procurement Exceeds \$10 million	\$172.57	26.19%	\$338.26	39.81%	\$383.90	45.30%	\$228.60	24.28%
No LSBRP vendor deemed qualified	\$6.03	0.91%	\$24.10	2.84%	\$13.41	1.58%	\$10.58	1.12%
Total Procurement exempted from LSBRP	\$659.03	100%	\$849.61	100%	\$847.40	100%	\$941.64	100%

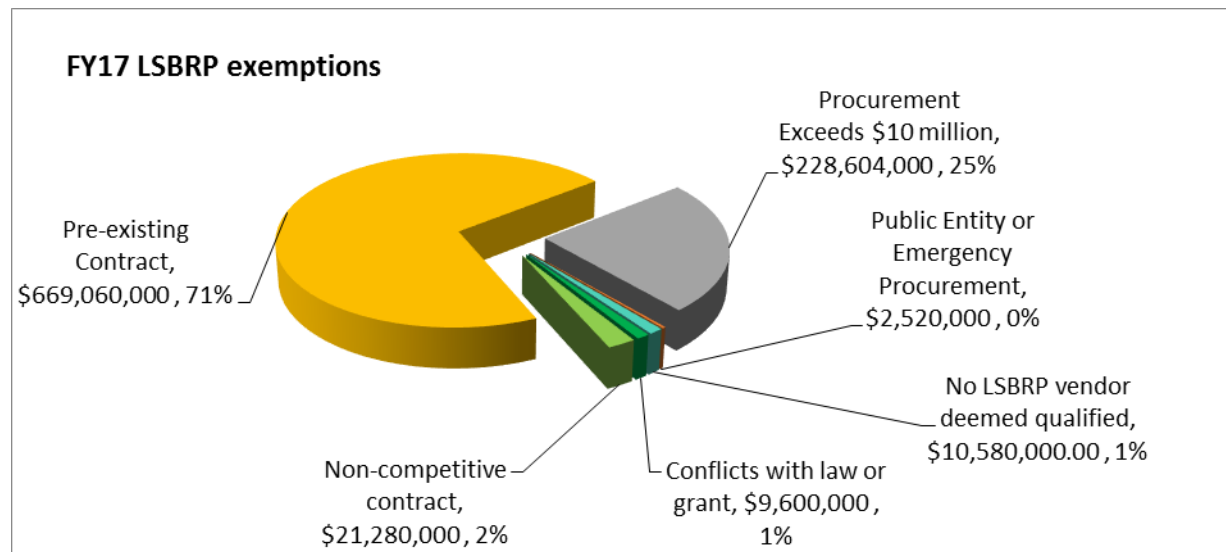


Figure 1: FY17 Exempted Awards breakdown



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Procurement Awards Summary

As shown in Table 5, a total \$93.4 million was awarded to LSBRP contractors in FY17. Of that, \$68.1 million of the County's FY17 competitive contract opportunities (highlighted in **YELLOW** in Table 5) could be considered available for LSBRP competition. These are opportunities in which it would be reasonably assumed that sufficient competition exists to support a competitive solicitation under the LSBRP as program enrollment increases and resources can be further devoted to identifying companies qualified to meet County requirements.

Table 5: FY17 Procurement Awards Summary

Categories			# of PO	\$ amount value	Sub Total	Exemption Y/N	Awarded LSBRP	Potential Market
Not Exempted	Non exempt and Awarded non LSBRP	Non exempt and Awarded non LSBRP	3138	\$73,718,411	\$73,718,411	\$99,033,346		\$177,710,364
	Non-exempt and Awarded LSBRP	Under \$10,000 solicitation, awarded LSBRP	0	\$0	\$25,314,935			
		Non-exempt but Awarded LSBRP	578	\$18,212,461				
		Advertised LSBRP Solicitation and Awarded LSBRP	210	\$7,102,474				
Exempted from LSBRP	Exempt and Awarded LSBRP	N/A	1015	\$68,093,236	\$68,093,236	\$1,009,733,646		\$931,056,628
	Exempt and Awarded non LSBRP	No LSBRP vendor deemed qualified	210	\$10,583,782	\$941,640,410			
		Conflicts with law or grant	14	\$9,592,636				
		Non-competitive contract	261	\$21,277,878				
		Pre-existing Contract	4592	\$669,060,828				
		Procurement Exceeds \$10 million	154	\$228,604,038				
		Public Entity or Emergency Procurement	30	\$2,521,248				
	Total			\$1,108,766,992				



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As illustrated in Figure 2, of the \$177.7 million potential LSBRP opportunities, \$93.4 million (\$25.3 m + \$68.1 m), or 52.74%, was awarded to local small businesses. This shows that 47.26% of \$177.7 million may present potential contracting opportunities for the LSBRP vendors. New local, small businesses may seek to examine the potential for expansion or establishment in these untapped areas.

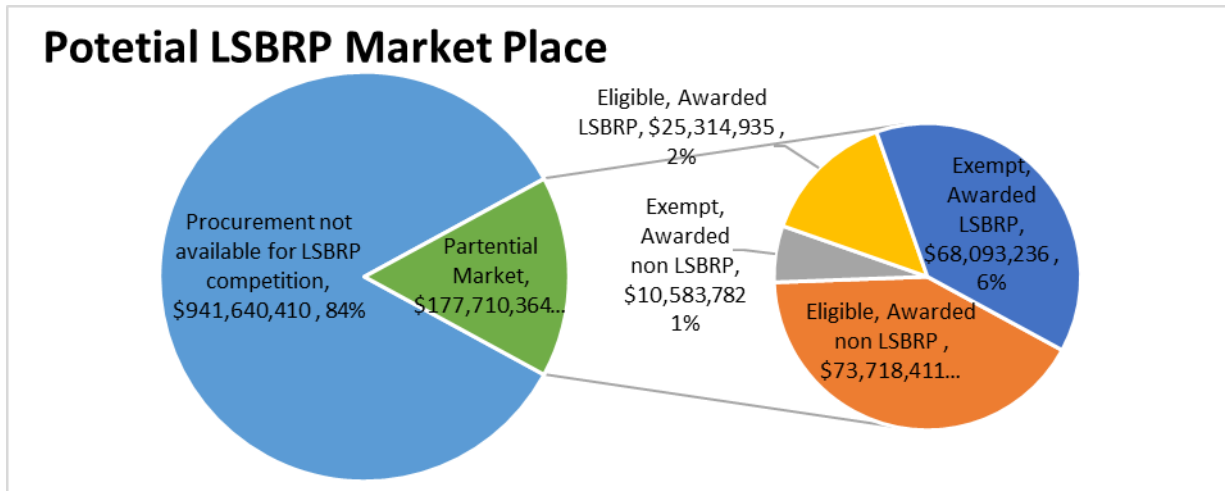


Figure 2: Procurement awards available to LSBRP competition

A total of \$93.4 million was awarded to LSBRP contractors as prime contractors in FY17. As shown in Figure 3, over the last 7 years, awards to LSBRPs have greatly expanded.

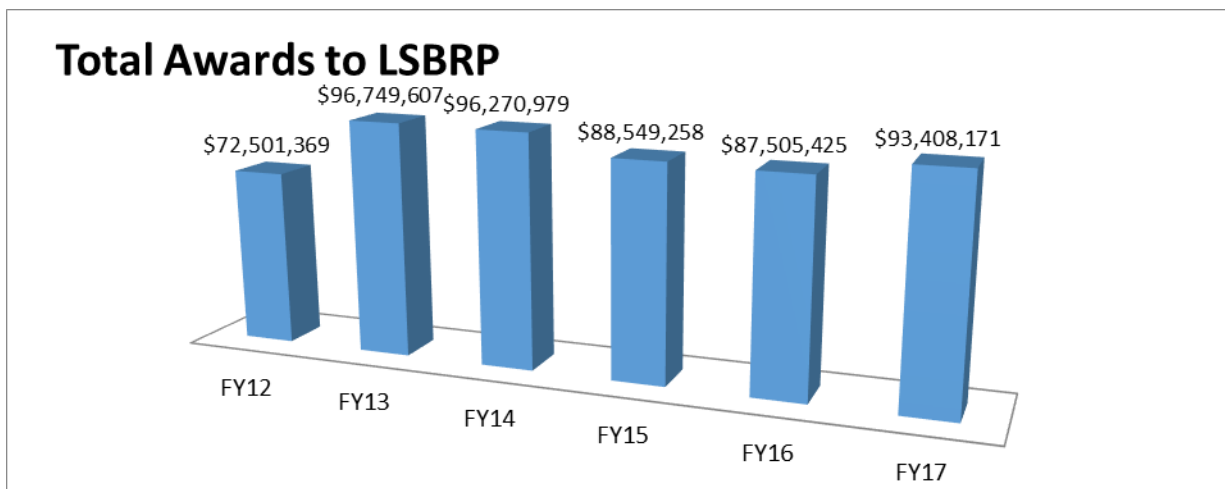


Figure 3: 7-year comparison on Procurement awards to LSBRP vendors



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LSBRP Awards by Department

Table 6: Department spending with LSBRP vendors in FY17

Department	LSBRP spending	% to Eligible
Board of Investment Trustees	\$995,130	14
Circuit Court	\$32,154	23
Community Engagement Cluster	\$132,128	27
Community Use of Public Facilities	\$175,245	79
Department of Correction and Rehabilitation	\$1,852,231	82
County Council	\$145,516	84
Department of Homeland Security	\$196,613	54
Department of Environmental Protection	\$3,089,323	53
Department of Finance	\$204,317	48
Department of Fire & Rescue Services	\$2,583,470	51
Department of General Services	\$33,347,799	52
Department of Health & Human Services	\$8,151,704	64
Department of Housing & Community Affairs	\$611,557	34
Office of Human Resources	\$167,776	11
Department of Liquor Control	\$3,604,983	97
Department of Permitting Services	\$384,015	93
Department of Police	\$2,516,803	55
Public Information Office	\$129,540	24
Department of Public Libraries	\$86,883	14
Department of Recreation	\$948,337	51
Sheriff' Office	\$487,900	96
Department of Technology Services	\$6,161,072	89
Department of Transportation	\$22,218,230	61

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

	FY14	FY15	FY16	FY17
# of Departments that met requirement	17	19	15	20
# of Departments that did not meet requirement	7	5	8	3
Total	24	24	23	23

Concluding Insights

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