Introduction to STATE GOVERNMENT CONTRACTING

02172017

Objective

- To provide certified small businesses (SBs) and Disabled Veteran Business Enterprises (DVBEs) with a better understanding of the state procurement process and tips on how to be successful.

Topics

- How the State Buys
- Finding & Receiving Solicitations
- Small Business Preference
- DVBE Incentive
- Commercially Useful Function
- Contract Readiness
  - Tips for Success
  - Common Mistakes
- Resources

How The State Buys

- Contracts Exempt from Advertising
  - Fair and Reasonable - Less than $5,000
  - SB/DVBE Option
  - Emergency purchases
- Request for Information (RFI)
- Invitation for Bid (IFB)
- Request for Proposal (RFP)
- Request for Quotation (RFQ)

Fair And Reasonable – Less Than $5,000

- Non-IT Goods and IT Goods and Services
- Five techniques:
  - Price Comparison
  - Catalog/market pricing
  - Prices set by law or regulation
  - Historical comparison
  - Cost/benefit analysis

SB/DVBE Option

- Certified SB *or* DVBE
- Goods, Services, & IT goods and services - $5,000.01 to $249,999.99
- Public Works - $5,000.01 to $291,000.00
- At least two price quotes (2 SBs or 2 DVBEs)
- Reference:
  - GC Sections 14838.5 (a) and (b)

Emergency Purchases

An emergency purchase as defined by PCC section 1102 is *“ a sudden, unexpected occurrence that poses a clear and imminent danger, requiring immediate action to prevent or mitigate the loss or impairment of life, health, property or essential public services”*

Request For Information (RFI)

- May be used to “survey” the marketplace.
- To understand what products or services may be available.
- To project the dollars that may be needed for the procurement.
- RFI can also be referred to as Request for Interest.

Invitation For Bid (IFB)

- The IFB is used to obtain simple, common, or routine services that may require personal or mechanical skills.
- It follows a formal bidding process.
- Seeks an answer to the following:
  - “Here is exactly what we need to have done. Here are the qualification requirements, performance specifications, time frames, and requirements that must be met. How much will you charge us?”

Request For Proposal (RFP)

- Primary RFP – is used to obtain complex services in which professional expertise is needed and may vary.
- Secondary RFP – is used to obtain very complex and/or unique services in which professional expertise and methods may vary greatly.
- RFPs are awarded based on the weighted criteria identified in the bid package. The RFP award is a **"*Best Value*"** award.
- Not based on low bid or cost alone.

Request For Quotation (RFQ)

- The most common written solicitation format.
- Informal competitive solicitations.
- Lists what is needed by item, quantity, and price.
- State agencies may administer RFQs in the following formats:
  - Written (fax, email or mail)
  - Verbal (telephone quote)

Finding & Receiving Solicitations

- Register with Cal eProcure
  - Create your business profile
- Make sure you are certified as a SB, DVBE or both.
- View upcoming solicitations
  - www.caleprocure.ca.gov
- State Contract and Procurement Registration System (SCPRS)
- California State Contracts Register (CSCR)

Small Business Preference

- Departments granted competitive purchasing authority shall offer a five percent preference to California certified SBs.
- Applies to competitive solicitations regardless of the solicitation format (RFQ, IFB, RFP) or dollar value with few exceptions. (GC 14838)
- SB preference is not applicable when using the SB/DVBE Option.

Applying The SB Preference

Bidder A *Not a Certified SB*	Bidder B *Is a Certified SB*
Bids $100,000	Bids $102,000
$100,000 x .05 (5%) **$ 5,000**	$102,000 - **5,000** $ 97,000
Bidder A Bid = $100,000	Adjusted Bidder B Bid =$97,000

Bidder B wins the contract for the <u>original</u> amount of $102,000. It pays to get certified!!!

DVBE Incentive

- The DVBE incentive applies to all competitive solicitations that include the DVBE Program Requirement.
- Incentive percentage must be identified in the solicitation.

Additional Contracting Methods

- Leveraged Procurement Agreements (LPA)
  - California Multiple Awards Program (CMAS)
  - Master Service Agreements (MSA)
  - Statewide Commodity Contracts
  - State Price Schedules (SPS)
  - Software Licensing Program (SLP)

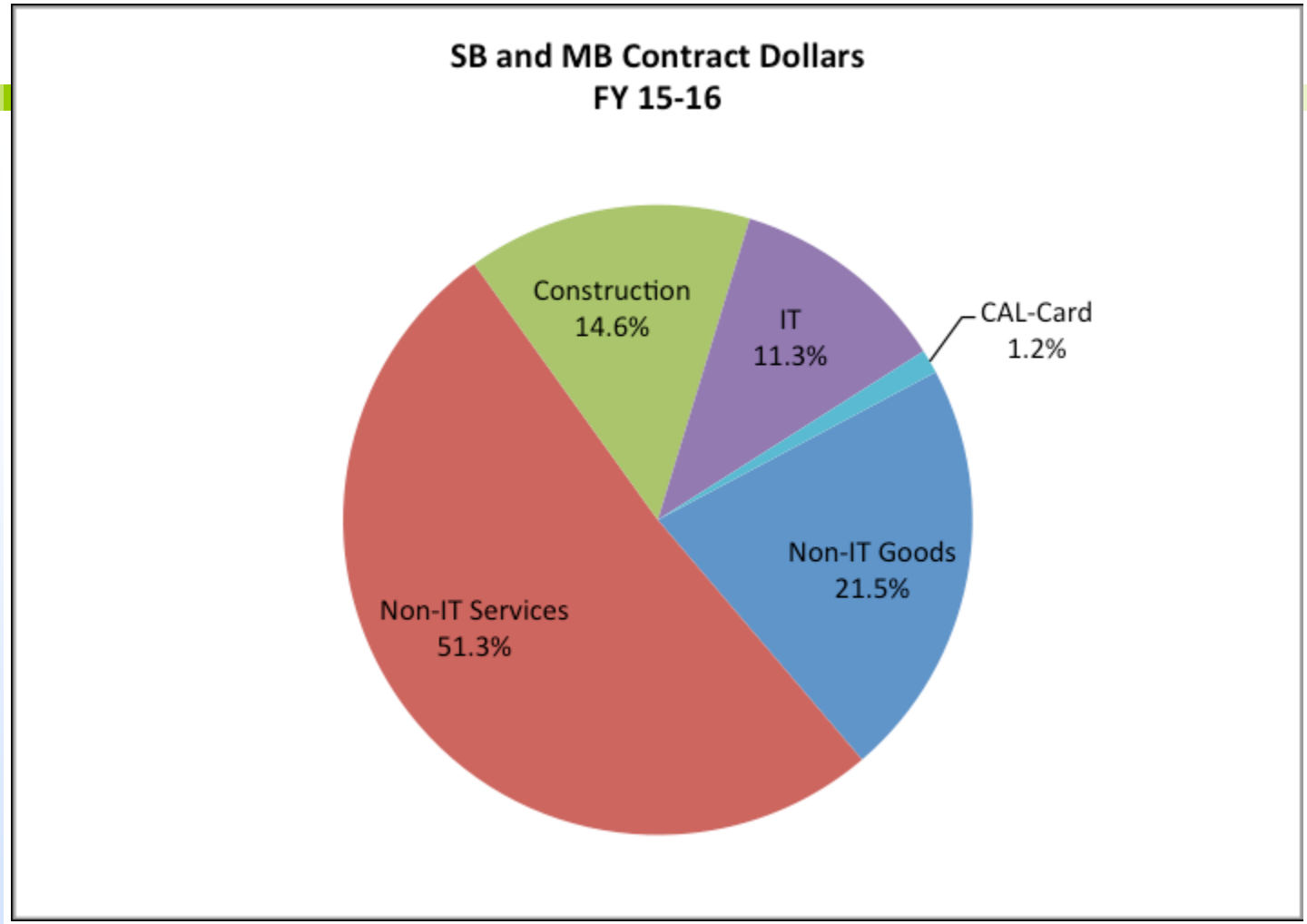
For more information visit:
http://www.dgs.ca.gov/pd/Programs/Leveraged.aspx

How Much Does the State Spend?

- In Fiscal year 2015-16, the State awarded $8.1 billion for goods, services and construction.

  - $2.5 billion to SBs (30.4%)
  - $349 million to DVBEs (4.3%)

  - http://www.documents.dgs.ca.gov/pd/smallbus/ReportsPage/FY2015-16/FY2015-16AnnualReport.pdf


SB and MB Contract Dollars
FY 15-16
Construction
14.6%
IT
11.3%
CAL-Card
1.2%
Non-IT Goods
21.5%
Non-IT Services
51.3%

Commercially Useful Function (CUF) Applicability

All California-certified SBs and DVBEs (contractors, subcontractors and suppliers of goods/services) bidding on / participating in a state contract, regardless of the procurement approach or the payment method used, must perform CUF!

For Small Business: Government Code 14837(d)(4)(A)

For DVBEs: Military and Veterans Code 999(b)(5)(B)

- Executing a distinct element of the work of the contract.
- Performing, managing, or supervising the work.
- Performing work that is normal for the firm's business services and functions.
- Negotiating price, determining quality and quantity, ordering, installing, and making payment.
- Not subcontracting a portion of the work greater than expected by industry practices.

CUF – Related Penalties and Sanctions

Military and Veteran Code 999.9

MVC 999.9(a) Violations, including CUF-related

MVC 999.9(b) Penalties and sanctions:

- **Misdemeanor: jail and/or $1,000 fine**
- **Civil penalties:**
  - **1st violation: $10,000 - $30,000**
  - **2nd violation +: $30,000 - $50,000/each**
- **Costs and attorney's fees**

MVC 999.9(c) DGS authority to:

- **Suspend from doing business with the state 3-10 years**
- **Revoke SB and/or DVBE certification for :**
  - **1st violation : 5 years**
  - **2nd violation: 10 years**
- **Refer to Attorney General for civil penalties if sufficient grounds**

Are You Contract Ready?

- Does the project fit your core business strategy?
- Are you ideally positioned to respond?
- Do you understand your client's goals, issues, and biases?
- Do you have the financial capacity?
- Can you deliver on the contract?

Tips For Success – Prior to Bidding

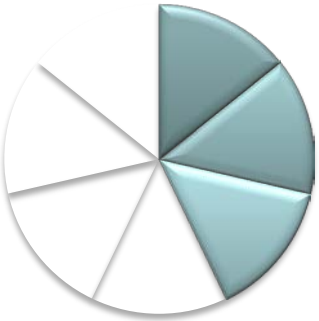
- Keep your profile information up-to-date to ensure you receive important information.
- Don’t miss out on a business opportunity by letting your SB/DVBE certification lapse.
- Ask questions early on, do not wait until the last minute.
- Make sure you read and understand the scope of work and requirements set forth in the solicitation.

Tips For Success – Prior to Bidding

- Forecast your operating costs before solicitation is submitted. Request the incumbent contract early.
- Make sure you have funding available to provide goods/services and be prepared to wait 45 days for payment.
- Understand what Commercially Useful Function (CUF) means and how it applies to the solicitation.

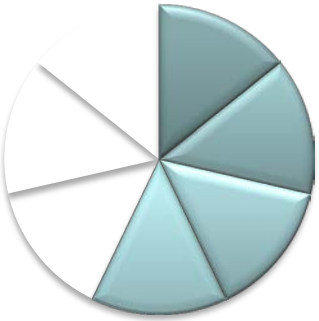
Tips For Success – Prior to Bidding

- Be sure you have the correct DGS SB/DVBE certification-this could result in a disqualification of award.
- Make sure you are properly licensed and insured.
- Read the entire bid; note mandatory requirements, specifications, delivery requirements, locations, etc.
- Note the specific date and time the bid is due.



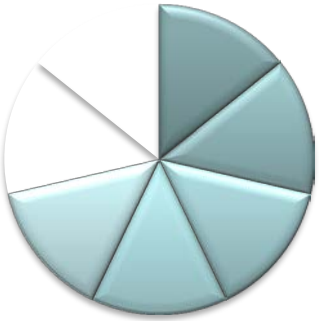
Tips For Success When Preparing Your Bid

- Respond to every item in the order requested.
- Stay within page limits. Avoid clichés and repetition.
- Stay clear and consistent.
- If the bid includes a response checklist, use it.



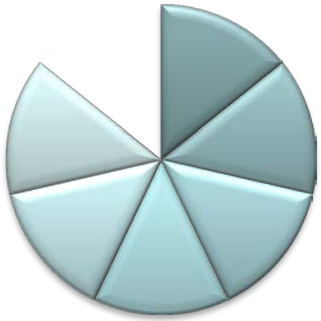
Tips for Success When Preparing Your Bid

- Read the instructions carefully.
- Determine whether the bid must be received by a specific date and time.
- Send your response early to avoid missing the bid due date.
- Complete and return all required documents in the solicitation.



Tips For Success – Post Bid Award

- Be Responsible :
  - Demonstrate how you will fulfill the solicitation's requirements and specifications.
  - Show how your proposal gives the State the best value regarding product pricing, quality and delivery.
  - Keep performance positive for future opportunities.
  - Communication is the key to success. Have a clear understanding of your responsibilities.



Tips For Success – Post Bid Award

- If your business secures a State contract:
  - You are legally bound to deliver as promised.
  - Many contracts do not pay until the job is completed.

  For example: *"lump sum"* means that invoice will be paid after the project or phase is complete.

Common Mistakes

- Overpricing
  - Common when utilizing the SB/DVBE Option. This can result in a formal solicitation.
- Lacking contracting requirements (i.e. insurance, bonding).
- Bidders assume each solicitation is the same, even if it is for something you have bid on in the past.
  - Read the “REQUIREMENTS” carefully.

Common Mistakes

- Forgetting required signatures.
- Submitting a bid price based on conditions or requirements identified in the bid document.
- Forgetting to respond to information requests.
- Forcing private sector business practices to fit the government contract environment.

Common Mistakes

- Failure to ask contract administrator questions about the solicitation.
- Misunderstanding the performance expectations for the term of the agreement.
- Failure to follow instructions.

Resources

- Cal eProcure
  - *https://www.caleprocure.ca.gov/pages/index.aspx*
- Outreach Section
  - *http://www.dgs.ca.gov/pd/Programs/OSDS/Outreach.aspx*
- Business Development
  - *http://www.dgs.ca.gov/pd/Resources/BusinessDevelopment.aspx*
- Small Business Administration (SBA)
  - *https://www.sba.gov/*

Resources

- Small Business Development Center (SBDC)
  - *https://www.sba.gov/tools/local-assistance/sbdc*
- Procurement Technical Assistance Centers (PTAC)
  - *https://www.sba.gov/tools/local-assistance/ptac*
- Service Corporation of Retired Executive (SCORE)
  - *https://www.score.org/*

Contact Information

Department of General Services
Procurement Division
Certification and Outreach Branch
707 3rd Street
West Sacramento, CA 95605

General Questions

We wish you success!

If you have any questions please email us at:

Advocate@dgs.ca.gov

Thank you for participating