



SENT TO COUNCIL: \_\_\_\_\_

# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Paul Krutko

**SUBJECT:** **Small Business Participation  
in City Bids and Contracts**

**DATE:** August 26, 2004

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Approved

Date

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## INFORMATION

### BACKGROUND

On May 4, 2004, Council adopted a new Local Preference Policy and directed that tracking City implementation begin on July 1, 2004. Under the policy, when seeking bids for goods and services the City of San Jose views those from local (within Santa Clara County) and small businesses (with 35 or fewer employees) more favorably than non-local competitors while still including factors such as cost and experience.

The following preliminary results of the tracking system are provided to assist with the Council discussion associated with the "Getting Families Back to Work" study session scheduled for August 27, 2004.

### PRELIMINARY RESULTS

Out of the 2,502 companies shown in FMS as doing business with the City (suppliers) in FY 03/04, 618 (25%<sup>i</sup>) provided responses to the initial mailing regarding their business license number and related information. In addition, the tracking system reflects the addition of 11 newly active suppliers since the beginning of the 04/05 fiscal year.

Based on this information, the following estimates can be made about the numbers of suppliers that the City does business with for nearly all the goods and services purchased by the City.

#### **Percentage local and small suppliers (from responding active suppliers - FY 03/04)**

- Local suppliers: 46% (284)
- Local, small suppliers: 31% (192)
- Small (local or not) suppliers: 62% (383)

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Page 2 of 2

The following estimates can be made regarding the City's percentage of expenditures with local and small suppliers so far this fiscal year.

**Percentage of expenditures with local and small suppliers<sup>ii</sup>**

- Local suppliers: 60%
- Local, small suppliers: 21%
- Small (local or not) suppliers: 30%

PAUL KRUTKO

Director, Office of Economic Development

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<sup>i</sup> This number will rise as vendors are required to provide their business license information to receive contracts.

<sup>ii</sup> City expenditures with suppliers tracked through FMS are included (the large majority). Other payments such as credit cards, petty cash, one-time payments and department checking accounts are not represented.