



CITY OF FAYETTEVILLE

**SMALL DISADVANTAGED BUSINESS
ENTERPRISE PROGRAM
FOR
CONSTRUCTION, PROCUREMENT, AND
PROFESSIONAL SERVICES**

**FAYETTEVILLE CITY COUNCIL
433 HAY STREET
FAYETTEVILLE, NORTH CAROLINA 28301**

SMALL DISADVANTAGED BUSINESS ENTERPRISE PROGRAM

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SMALL DISADVANTAGED BUSINESS ENTERPRISE PROGRAM

I. Applicability.

(a) This program shall apply to all construction and repair work involving the expenditure of City funds, regardless of the sources of other funds, in the amounts set forth in G.S. 143-129 and G.S. 143-131; this program shall also apply to the procurement of architectural, engineering and surveying services as outlined in G.S. 143-64.31. This program shall not apply to contracts established by the State or any agency of the State.

(b) If any section, subsection, clause or provision of this chapter, including those groups found to be presumptively socially disadvantaged, is held to be invalid by a court of competent jurisdiction, the remainder of the chapter shall not be affected by such invalidity.

II. Definitions.

As used in this part, the following terms shall have the following meanings:

Affiliation - One firm controls or has the power to control the other, or a third party or parties controls or has the power to control both, or an identity of interests exists between such firms. In determining whether firms are Affiliates, the City shall consider all appropriate factors, including common ownership, common management, and contractual relationships. Affiliates must be considered together in determining whether a firm is a Small Business Enterprise.

Bidder/Participant - Any person, firm, partnership, corporation, limited liability company, association or joint venture seeking to be awarded a public contract or subcontract.

Brokering - Filling orders by purchasing or receiving supplies from a third party supplier rather than out of existing inventory, and providing no Commercially Useful Function other than acting as a conduit between a supplier and a customer.

City - The awarding authority for contracts awarded by the City of Fayetteville and the City of Fayetteville Public Works Commission.

City's Marketplace - The geographic and procurement areas in which the City contracts on an annual basis.

Commercially Useful Function - Responsibility for the execution of a distinct element of the work of the contract which is carried out by actually performing, managing, and supervising the work involved, or fulfilling responsibilities as a joint venture.

Contract - A mutually binding legal relationship or any modification thereof obligating the seller to furnish equipment or services and obligating the buyer to pay for them, not including leases or emergency procurements.

Doing Business - Having a physical location from which to engage in for profit activities in the scope(s) of expertise of the firm.

Economically Disadvantaged - An individual whose Personal Net Worth is less than the amount identified in 49 CFR Part 26

Equipment - Materials, supplies, commodities and apparatuses.

Expertise - Demonstrated skills, knowledge, or ability to perform in the field of endeavor in which certification is sought by the firm as defined by normal industry practices, including licensure where required.

Good Faith Efforts - Actions undertaken by a Bidder/Participant to achieve a SDBE goal which, by their scope, intensity, and appropriateness to the objective, can reasonably be expected to fulfill the Program's requirements.

Joint Venture - An association of two or more persons, or any combination of types of business enterprises and persons numbering two or more, proposing to perform a single for profit business enterprise, in which each joint venture partner contributes property, capital, efforts, skill and knowledge, and in which the SDBE is responsible for a distinct, clearly defined portion of the work of the contract and whose share in the capital contribution, control, management, risks, and profits of the joint venture is commensurate with its ownership interest. Joint ventures must have an agreement in writing specifying the terms and conditions of the relationships between the partners and their relationship and responsibility to the contract.

Managers - The City Manager.

Manufacturer - A firm that operates or maintains a factory or establishment that produces, on the premises, the materials, supplies, articles, or equipment required under the contract and of the general character described by the specifications.

Personal Net Worth - The net value of the assets of an individual after total liabilities are deducted. An individual's Personal Net Worth does not include the individual's ownership interest in an applicant or the individual's equity in his or her primary place of residence. An individual's Personal Net Worth includes only his or her share of assets held jointly with the individual's spouse.

Program - The SDBE Program.

Project Specific Goal - The Goal established for a particular project or contract based upon the availability of SDBEs in the scopes of work of the Contract.

Regular Dealer - A firm that owns, operates, or maintains a store, warehouse, or other establishment in which the materials, supplies, articles or equipment of the general character described by the specifications and required under the contract are bought, kept in stock, and regularly sold or leased to the public in the usual course of business. To be a Regular Dealer, the firm must be an established, regular business that engages, as its principal business and under its own name, in the purchase and sale or lease of the products in question. A firm may be a Regular Dealer in such bulk items as petroleum products, steel, cement, gravel, stone, or asphalt without owning, operating, or maintaining a place of business if the firm both owns and operates distribution equipment for the products. Any supplementing of a Regular Dealer's distribution equipment shall be by a long-term lease agreement and not on an *ad hoc* or contract-by-contract basis. Packagers, manufacture representatives, or other persons who arrange or expedite transactions are not Regular Dealers.

Schedule of Participation - The list of SDBEs that the Bidder/Participant commits will be utilized, their scopes of the work, and dollar value or the percentage of the project they will perform.

Socially Disadvantaged - An individual who has been subjected to racial or ethnic prejudice or cultural bias within American society because of his or her identity as a member of a group and without regard to individual qualities. Social disadvantage must stem from circumstances beyond the individual's control. A Socially Disadvantaged individual must be a citizen or lawfully admitted permanent resident of the United States who is either:

- (a) A person whose lifelong cultural and social affiliation is with one of the following groups, which are rebuttably presumed to be Socially Disadvantaged:
 - (i) Blacks/African - Americans (persons having origins in any of the Black racial groups of Africa);
 - (ii) Hispanic - Americans (persons of Mexican, Puerto Rican, Cuban, Dominican, Central or South American, or other Spanish or Portuguese culture or origin, regardless of race);

- (iii) Native - Americans (persons having origins in the original groups of North America);
 - (iv) Asian - Americans (persons having origins in any of the original groups of the Far East, Southeast Asia, the islands of the Pacific or the Indian Subcontinent);
 - (v) Women; or
- (b) Any socially disadvantaged individual as defined by 15 U.S.C. 637.

Small Disadvantaged Business Enterprise (SDBE) - Means a business, including a sole proprietorship, partnership, corporation, limited liability company, joint venture or any other business or professional entity:

- (a) Which is at least 51 percent owned by one or more Socially and Economically Disadvantaged individuals, or in the case of a publicly owned business, at least 51 percent of all classes of the stock of which is owned by one or more Socially and Economically Disadvantaged individuals;
- (b) Whose management, policies, major decisions and daily business operations are independently managed and controlled by one or more such Socially and Economically Disadvantaged individuals;
- (c) Which is a Small Business Enterprise as defined by 13 CFR Part 121;
- (d) Which is Doing Business in the City's Marketplace; and
- (e) Which is certified as a SDBE by the City of Fayetteville.

SDBE Program Coordinator - The person designated by the Managers to administer the Program.

III. SDBE Program Administration.

The Coordinator shall administer the SDBE Program, which duties shall include:

- (a) Formulating, proposing, and implementing rules and regulations for the further development, implementation, and monitoring of the Program.
- (b) Informing SDBEs of City contracting opportunities through outreach activities.
- (c) Providing information and assistance to SDBEs relating to City procurement practices and procedures, and bid specifications, requirements, and prerequisites.
- (d) Certifying businesses as SDBEs, maintaining certification records, and ensuring that all City departments have current certification listings.
- (e) Establishing Project Specific Goals.
- (f) Evaluating Bidder/Participant's achievement of Project Specific Goals or Good Faith Efforts to meet Project Specific Goals.
- (g) Working with City departments to monitor Contracts to ensure prompt payments to SDBEs, compliance with Project Specific Goals and commitments and the Program's operations and objectives.
- (h) Receiving, reviewing, and acting upon complaints and suggestions concerning the Program.

- (i) Collecting data to evaluate the Program.
- (j) Monitoring the Program and reporting to the Managers, the Mayor and the City Council on the administration and operations of the Program.

IV. Race- and Gender-Neutral Measures to Ensure Equal Opportunities for All Bidders/Participants.

The City shall develop and use measures to facilitate the participation of all firms in City contracting activities. These measures shall include, but are not limited to:

- (a) Arranging solicitation times for the presentations of bidding opportunities, which includes quantities, specifications and delivery schedules so as to facilitate the participation of interested firms.
- (b) Dividing requests for bids or proposals into work elements to facilitate the participation of small firms.
- (c) Providing timely information on specific contracting opportunities, contracting procedures, and bid preparation.
- (d) Holding pre-bid conferences, where appropriate, to explain the projects.
- (e) Enforcing prompt payment requirements and procedures, including requiring by contract that prime contractors promptly pay subcontractors.
- (f) Reviewing bonding and insurance requirements to eliminate unnecessary barriers to contracting with the City.
- (g) Maintaining information on all firms bidding on City prime contracts and subcontracts.

V. SDBE Program Eligibility.

- (a) Only businesses that meet the criteria of SDBEs may participate in the Program.
- (b) The City shall apply the certification criteria and procedures of 49 CFR Part 26 to applicants for participation in the Program.
- (c) The City shall certify the eligibility of joint ventures involving SDBEs and non-SDBEs.
- (d) In lieu of conducting its own certifications, the Coordinator may accept formal certifications by other entities as meeting the requirements of the Program, if the eligibility standards of such entities are comparable to those of the City. Certification decisions, including decertification and graduation determinations, by those other entities shall be accepted by the City in its discretion.
- (e) It is the responsibility of the SDBE to notify the Coordinator of any change in its circumstances affecting its continued eligibility for the Program. Failure to do so may result in the firm's decertification.
- (f) A SDBE may be decertified if it submitted inaccurate, false, or incomplete information to the City or failed to comply with requirements of a contract with the City or with the requirements of the Program.
- (g) A third party may challenge the eligibility of a certified firm:
 - (1) The challenge shall be made in writing under oath and shall include all information relied upon by the challenging party.

- (2) The Coordinator shall provide an opportunity to the parties for an informal hearing. The parties may appear and provide documentation or other evidence and be represented by counsel.
 - (3) The Coordinator shall render a written decision within 15 days of the hearing.
 - (4) If the Coordinator determines that the firm is not eligible, it may appeal the determination to the Manager in writing within 7 days of receipt of the written decision. The challenging party shall have no right of appeal from the Coordinator's determination.
 - (5) The Manager shall issue a written decision within 15 days of receipt of the appeal. The Manager's determination shall be final.
- (h) A firm that has been decertified may not reapply for certification for one year from the effective date of its decertification.

VI. SDBE Goal Setting.

The Coordinator shall establish a Project Specific Goal for appropriate Contracts based on normal industry practice as determined in consultation with the appropriate Department, the availability of SDBEs to perform the functions of the Contracts and the City's utilization of SDBEs to date.

VII. Counting Participation of SDBEs.

(a) The entire amount of that portion of a construction Contract that is performed by the SDBE's own forces shall be counted, including the cost of equipment obtained by the SDBE for the work of the Contract, and equipment purchased or leased by the SDBE (except equipment the SDBE subcontractor or Joint Venture partner purchases or leases from the prime contractor or its Affiliate).

(b) The entire amount of fees or commissions charged by a SDBE for providing a *bona fide* service, such as professional, technical, consultant or managerial services, or for providing bonds or insurance specifically required for the performance of the Contract, shall be counted, provided the fee is reasonable and not excessive as compared with fees customarily charged for similar services.

(c) When a SDBE performs as a participant in a Joint Venture, only the portion of the total dollar value of the Contract equal to the distinct, clearly defined portion of the work of the Joint Venture's Contract that the SDBE performs with its own forces and for which it is separately at risk shall be counted.

(d) Only expenditures to a SDBE that is performing a Commercially Useful Function shall be counted. To determine whether a firm is performing a Commercially Useful Function, the City will evaluate the amount of work subcontracted, industry practices, whether the amount the firm is to be paid under the Contract is commensurate with the work it is actually performing and other relevant factors. To perform a Commercially Useful Function, the SDBE must be responsible, with respect to equipment used on the Contract, for negotiating price, determining quality and quantity, ordering the material, installing (where applicable) and paying for the material itself. A SDBE does not perform a Commercially Useful Function if its role is limited to that of an extra participant in the Contract through which funds are passed in order to obtain the appearance of SDBE participation. If a SDBE subcontracts a greater portion of the work of a Contract than would be expected on the basis of normal industry practice, it is presumed not to perform a Commercially Useful Function. When a SDBE is presumed not to be performing a Commercially Useful Function, the SDBE may present evidence to rebut this presumption.

(e) One hundred percent of the cost of the materials or supplies obtained from a SDBE Manufacturer or Regular Dealer shall be counted. One hundred percent of the fees or transportation charges for the delivery of materials or supplies required on a job site shall be counted only if the payment of such fees is a customary industry

practice and are commensurate with fees customarily charged for similar services. The cost of the materials and supplies shall not be counted.

(f) If a firm is decertified during performance of a Contract, the dollar value of work performed under a Contract with that firm after it has been decertified shall not be counted.

(g) In determining achievement of a Project Specific Goal, the participation of a SDBE shall not be counted until that amount has been paid to the SDBE.

VIII. Procurement of Architectural, Engineering and Surveying Services (G.S. 143-64.31)

(a) The City shall use good faith efforts to notify minority firms of the opportunity to submit qualifications for architectural, engineering, surveying and construction management at risk services.

IX. Informal Construction and Repair Work (G.S. 143-131)

(a) The City shall solicit minority participation for construction and repair projects in the amount of five thousand dollars (\$5,000) or more, but less than three hundred thousand dollars (\$300,000). The City shall maintain a record of contractors solicited and shall document efforts to recruit minority business participation in these contracts.

X. Formal Construction and Repair Work (G.S. 143-129)

(a) For all solicitations, the Bidder/Participant shall submit a Schedule of Participation detailing all subcontractors from which the Bidder/Participant solicited bids or quotations, and if a Project Specific Goal has been established, its achievement of the Goal or its Good Faith Efforts to do so. The list of SDBEs provided by the City to a Bidder/Participant establishes the minimum universe from which a Bidder/Participant must solicit SDBEs. The Schedule of Participation shall be due at the time set out in the solicitation documents.

(b) Any agreement between a Bidder/Participant and a SDBE in which the Bidder/Participant requires that the SDBE not provide subcontracting quotations to other bidders/proposers is prohibited.

(c) SDBEs shall respond to relevant requests for quotations.

(d) Where the Bidder/Participant cannot achieve the Project Specific Goal, the Coordinator will determine whether the Bidder/Participant has made Good Faith Efforts. At a minimum, the Bidder/Participant must engage in the following Good Faith Efforts that total at least 50 points for the bid or proposal to be responsive.

(1) Contacting SDBEs from the list provided by the City at least ten days before the bid or proposal date and notifying them of the nature and scope of the work to be performed. The Bidder/Participant shall provide interested SDBEs with timely, adequate information about the plans, specifications, and requirements of the Contract to allow SDBEs to respond to the solicitation. The Bidder/Participant must follow up initial solicitations with interested SDBEs. 10 points.

(2) Providing or making the construction plans, specifications, and requirements available for review by SDBEs at least ten days before the bid or proposals are due. 10 points.

(3) Breaking down or combining elements of work into economically feasible units to facilitate minority participation. 15 points.

(4) Working with SDBE, minority, women, trade, community or contractor organizations identified by the City in the bid documents that provide assistance in recruitment of SDBEs. 10 points.

(5) Attending any prebid meetings scheduled by the City. 10 points.

- (6) Providing assistance in getting required bonding or insurance or providing alternatives to bonding or insurance for subcontractors. 20 points.
- (7) Negotiating in good faith with interested SDBEs and not rejecting them as unqualified without sound reasons based on their capabilities. Evidence of such negotiation includes the names, addresses, and telephone numbers of SDBEs that were contacted; a description of the information provided regarding the plans and specifications for the work selected for subcontracting; and why agreements could not be reached with SDBEs. The Bidder/Participant may not reject SDBEs as being unqualified without sound reasons based on a thorough investigation of their capabilities. Any rejection of a SDBE based on price or lack of qualifications must be documented in writing. 15 points.
- (8) Providing assistance to an otherwise qualified SDBE in need of equipment, loan capital, lines of credit, or joint pay agreements to secure loans, supplies, or letters of credit, including waiving credit that is ordinarily required. Assisting SDBEs in obtaining the same unit pricing with the bidder's suppliers in order to help minority SDBEs to establish credit. 25 points.
- (9) Negotiating joint venture and partnership arrangements with SDBEs to increase opportunities for SDBE participation. 20 points.
- (10) Providing quick pay agreements and policies to enable SDBEs to meet cash-flow demands. 20 points.

(e) In determining whether a Bidder/Participant has made Good Faith Efforts, the performance of other bidders/proposers in meeting the Project Specific Goal may be considered. For example, when the apparent successful Bidder/Participant fails to meet the Project Specific Goal but others meet it, it may be reasonably questioned whether, with additional reasonable efforts, the apparent successful Bidder/Participant could have met the Goal. Similarly, if the apparent successful Bidder/Participant fails to meet the Goal, but meets or exceeds the average SDBE participation obtained by other bidders/proposers, this may be evidence that the apparent successful Bidder/Participant made Good Faith Efforts.

(f) The Coordinator shall timely review the Schedule of Participation prior to award, including the scope of work and the letters of intent from SDBEs. The Coordinator may request clarification in writing of items listed in the Schedule of Participation, provided such clarification shall not include the opportunity to augment listed SDBE participation or Good Faith Efforts.

(g) The Schedule of Participation and supporting documents shall be reviewed by a Bid Selection Committee, composed of the operating departments, Purchasing Department, Coordinator and other representatives as appropriate. If the Bid Selection Committee initially determines the bid to be responsive, it shall recommend award of the Contract to the Managers. If the Bid Selection Committee determines the bid to be non-responsive, it shall confer with the City Attorney prior to recommending the rejection of the bid.

(h) A Bidder/Participant found to be non-responsive may appeal this determination pursuant to the City's bid protest procedures.

XI. Contract Performance Compliance Procedures.

(a) Upon award of a Contract by the City that includes a Project Specific Goal, the Goal becomes a covenant of performance by the Bidder/Participant in favor of the City.

(b) The Bidder/Participant shall provide a listing of all subcontractors to be used in the performance of the Contract, and subcontractor payment information to the City with each request for payment submitted to the City. The Coordinator and the operating department shall monitor subcontractor participation during the course of the Contract and shall have reasonable access to all Contract-related documentation held by the Bidder/Participant. The Bidder/Participant shall submit reports at such times and in such formats as requested by the City.

- (c) The Bidder/Participant shall cooperate with the City in studies and surveys related to the Program.
- (d) The Bidder/Participant cannot make changes to the Schedule of Participation or substitute subcontractors named in the Schedule of Participation without the prior written approval of the Coordinator. Unauthorized changes or substitutions shall be a violation of this program, and may constitute grounds for rejection of the bid or proposal or cause termination of the executed Contract for breach, the withholding of payment and/or subject the Bidder/Participant to Contract penalties or other sanctions.
- (1) All requests for changes or substitutions of the subcontractors named in the Schedule of Participation shall be made to the Coordinator in writing, and shall clearly and fully set forth the basis for the request. A Bidder/Participant shall not substitute a subcontractor or perform the work designated for a subcontractor with its own forces unless and until the Coordinator approves such substitution in writing.
- (2) The facts supporting the request must not have been known nor reasonably should have been known by either party prior to the submission of the Schedule of Participation. Bid shopping is prohibited.
- (3) Substitutions of the subcontractor shall be permitted only on the following basis:
- (i) Unavailability after receipt of reasonable notice to proceed.
 - (ii) Failure of performance.
 - (iii) Financial incapacity.
 - (iv) Refusal by the subcontractor to honor the bid or proposal price.
 - (v) Mistake of fact or law about the elements of the scope of work of a solicitation where agreement upon a reasonable price cannot be reached.
 - (vi) Failure of the subcontractor to meet insurance, licensing, or bonding requirements; or
 - (vii) The subcontractor's withdrawal of its bid or proposal.
- (4) Where the Bidder/Participant has established the basis for the substitution to the satisfaction of the Coordinator, the Bidder/Participant shall make Good Faith Efforts to fulfill the Schedule of Participation if the Project Specific Goals will not otherwise be met. The Bidder/Participant may seek the assistance of the SDBE Office in obtaining a new SDBE subcontractor. If the Project Specific Goal cannot be reached and Good Faith Efforts have been made, the Bidder/Participant may substitute with a non-SDBE.
- (e) If a Bidder/Participant plans to hire a subcontractor on any scope of work that was not previously disclosed in the Schedule of Participation, the Bidder/Participant shall obtain the approval of the Coordinator to modify the Schedule of Participation and must make Good Faith Efforts to ensure that SDBEs have a fair opportunity to bid on the new scope of work.
- (f) The SDBE Compliance Committee, comprised of the Coordinator as the Chair and a representative from the Purchasing Department or any requested representative, shall be responsible for evaluating and reviewing issues and concerns concerning the Program, including whether a Bidder has complied with the Good Faith Efforts.
- (g) If the Bidder/Participant is found to be in noncompliance with the Program or the Contract and fails to correct such noncompliance within ten working days after written notification, the City will withhold 5

percent of the amount of completed work on all monthly payments until the Bidder/Participant has come into compliance.

XII. Protest Procedure.

A Bidder/Participant may protest a decision regarding the implementation of the Program, including the determination that it has not made Good Faith Efforts, by filing a written grievance with supporting evidence with the Coordinator. The Coordinator shall provide a written response within ten working days of receipt of the grievance. The Bidder/Participant may appeal the Coordinator's determination in writing within ten working days of receipt to the Purchasing Director. The Director shall refer the grievance to the SDBE Compliance Committee, which shall hold a hearing and issue a written recommendation within ten working days. The Manager, upon receipt of the SDBE Compliance Committee's recommendation, shall make a final determination within ten working days.

XIII. Dispute Resolution.

Notwithstanding the protest procedures outlined above, mediation shall be required for all parties involved in a dispute under this program prior to initiating litigation concerning the dispute. The procedures for mediation shall be those adopted by City Council Resolution #2002-066 which is incorporated herein by reference as if fully set forth herein.

XIV. Penalties.

(a) Providing false or misleading information to the City in connection with an application for or challenge to certification, recertification or decertification as a SDBE, submission of a bid, responses to requests for qualifications or proposals, Good Faith Efforts documentation, post-award compliance, or other actions in violation of this program may render any bid award or contract void. A contract that is void under this section may continue in effect until an alternative can be arranged when immediate termination would result in harm to the public health or welfare.

(b) A Bidder/Participant is subject to withholding of payments under the Contract, termination of the Contract for breach, Contract penalties, decertification as a SBDE, or being barred or deemed non-responsive in future City solicitations and Contracts for up to two years, if it is found to have:

- (1) Provided false or misleading information in connection with the submission of a bid or proposal or documentation of Good Faith Efforts, post-award compliance, or other Program operations.
- (2) Failed in bad faith to fulfill the Project Specific Goal, thereby materially breaching the Contract.
- (4) Repeatedly failed to comply in good faith with substantive provisions of this program.

(c) The City reserves the right to pursue all remedies available in law or in equity for violations of this program.

XV. Program Review.

(a) The Managers, the Mayor, and the City Council shall receive an annual report from the Coordinator detailing the City's performance under the Program.

(b) The Managers, the Mayor, and the City Council will review this report, including the City's progress towards eliminating discrimination in its contracting activities and marketplace, and revise the Program as necessary to meet legal and Program requirements.

(c) If the Managers, the Mayor, and the City Council find that the objectives of the Program have been achieved, the City Council shall sunset the Program.