

UNIVERSITY OF CALIFORNIA

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December 18, 2017

The Honorable Holly J. Mitchell
Chair, Joint Legislative Budget Committee
1020 N Street, Room 553
Sacramento, California 95814

Dear Senator Mitchell:

Pursuant to Section 10500.5 of the Public Contract Code, enclosed is the University of California's annual report to the Legislature on *Small Business Utilization*.

If you have any questions regarding this report, Associate Vice President David Alcocer would be pleased to speak with you. He can be reached by telephone at (510) 987-9113, or by email at David.Alcocer@ucop.edu.

Yours very truly,

A handwritten signature in black ink, appearing to read "Janet Napolitano", with a horizontal line extending to the right.

Janet Napolitano
President

Enclosure

cc: Senate Budget and Fiscal Review
The Honorable Anthony J. Portantino, Chair
Senate Budget and Fiscal Review Subcommittee #1
(Attn: Ms. Anita Lee)
(Attn: Ms. Cheryl Black)
The Honorable Kevin McCarty, Chair
Assembly Budget Subcommittee #2
(Attn: Mr. Mark Martin)
(Attn: Mrs. Katie Sperla)

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Mr. Danny Alvarez, Secretary of the Senate
Ms. Tina McGee, Legislative Analyst's Office
Ms. Amy Leach, Office of the Chief Clerk of the Assembly
Mr. Jim Lasky, Legislative Counsel Bureau
Mr. E. Dotson Wilson, Chief Clerk of the Assembly
Mr. Jeff Bell, Department of Finance
Mr. Christian Osmena, Department of Finance
Mr. Jack Zwald, Department of Finance
Ms. Tina McGee, Legislative Analyst's Office
Mr. Mac Taylor, Legislative Analyst's Office
Mr. Jason Constantouros, Legislative Analyst's Office
Executive Vice President and Chief Financial Officer Nathan Brostrom
Associate Vice President and Chief Procurement Officer William Cooper
Associate Vice President David Alcocer
Associate Vice President and Director Kieran Flaherty
Chief Policy Advisor and Executive Director Jenny Kao
Chief of Staff to the Chief Financial Officer Oren Gabriel

UNIVERSITY OF CALIFORNIA

Small Business Utilization (July 1, 2016- June 30, 2017)

Legislative Intent

This report on small business utilization at the University of California presents a summary of dollars awarded by campuses, medical centers, and the University-managed Department of Energy (DOE) Lawrence Berkeley National Laboratory to small (SBE), disadvantaged (DBE), women-owned (WBE), and disabled veteran (DVBE) business enterprises in purchasing, construction, and design. It is submitted to the Legislature pursuant to the California Public Contract Code Section 10500.5 which states in relevant part:

“It is also the intent of the Legislature that the Regents of the University of California report annually to the Legislature, commencing July 1, 1985, on the participation of small disadvantaged businesses, particularly disadvantaged business enterprises, and women’s business enterprises in university business contracting.”
(Note: Approval was granted to change the annual submittal date to January 1).

POLICY TO ENSURE EQUAL OPPORTUNITY IN UNIVERSITY BUSINESS CONTRACTING

- A. It is the policy of The Regents of the University of California that race, religion, sex, color, ethnicity, and national origin will not be used as criteria in its business contracting practices except as provided in section B., below. Every effort will be made to ensure that all persons, regardless of race, religion, sex, color, ethnicity, and national origin have equal access to contracts and other business opportunities with the University.

- B. Nothing in this policy shall prohibit any action which is necessary to comply with state and federal law, or to maintain eligibility for any federal or state funded program, where ineligibility would result in a loss of funds to the University. Example of program elements that may be required are:
 - (1) Establishment of annual goals for use of small, disadvantaged, women-owned, and disabled veteran business enterprises as appropriate; and

 - (2) Appropriate record-keeping and preparation of annual statistical reports on the participation of small, disadvantaged, women-owned, and

disabled veteran business enterprises, as suppliers, general contractors, and subcontractors.

- C. The University shall establish effective outreach programs to assure equal opportunity in business contracting.

Compliance with State and Federal Law or Regulation

California Public Contract Code Section 10500.5 requests The Regents to adopt policies and procedures to facilitate the participation of small businesses, particularly small, disadvantaged, women-owned, and disabled veteran business enterprises in business contracting with the University. California Proposition 209 was passed into law by the electorate and provides similar requirements prohibiting the use of race and gender on a statewide basis. However, The Regents' policy to ensure equal opportunity in University business contracting and California law do not prohibit the consideration of business size or disabled veteran status as criteria in University business contracting practices. Pursuant to The Regents' policy and state law, the University will comply with the provisions of Public Contract Code Section 10500.5 only in University business contracting with small or disabled veteran business enterprises; continue to set goals and timetables for small disadvantaged and women-owned business enterprises where such goals and timetables are required as a condition of federally funded contracts or grants; maintain statistics on utilization of such businesses; and rely on self-certification or Small Business Administration certification as required by federal regulation. In addition, the University will continue to utilize outreach programs to assure equality of opportunity.

Small Business Outreach

Small business is vital to the success of the University of California and its missions. We have maintained a strong institutional commitment to small business over the years, but it is our intention to expand upon our commitments and ensure that small businesses have equal access to work with UC whenever possible. We work together as an institution with the community to develop acquisition strategies that maximize small business participation without compromising UC business requirements, while ensuring that we meet the needs of our internal customers. This includes the establishment of a new University of California Small & Diverse Business Advisory Council, which began meeting in April of 2017, is chaired by University of California Chief Procurement Officer William Cooper and includes membership from the Small Business Administration, State of California Department of General Services, business leaders from throughout the state and Chamber of Commerce leaders.

UC and each individual campus utilizes a broad range of outreach activities designed to improve the University's access to qualified small business suppliers, including disadvantaged, women-owned and disabled veteran business enterprises. Utilization of small businesses allows us to foster competition, which in turn strengthens our economy and builds goodwill in the community in support of the University's

commitment to access and opportunity. Each campus runs its own outreach program and designs new ones as needed. Small business activities may include but are not limited to:

1. Brochures and/or other instructional materials in hard copy and electronic format on University websites designed to convey information about the University's supplier diversity and contracting programs. The material may contain a directory of information on how to access the University's purchasing and contracting systems.
2. Sponsorship of trade fairs enables small businesses affordability in demonstrating their abilities and meeting potential customers/buyers.
3. Attendance at trade fairs and business opportunity events *presented* by other organizations for the purpose of meeting new qualified small businesses, including DBE, WBE and DVBE and discussing common concerns and best practices with procurement professionals and organizations.
4. Seminars for groups of small business suppliers including DBE, WBE and DVBE for the purposes of instructing them on how to do business with the University.
5. Meetings with small business suppliers on an individual basis to understand their capabilities and qualifications.
6. Visits to small business locations to tour their facilities, to better understand their capabilities and to ensure satisfactory business practices in line with the needs of the University.
7. Participation in local organizations, which support small business interests, including groups oriented toward small businesses including DBE, WBE and DVBE.
8. Maintenance of small business information pages on UC Office of the President and campus websites to provide information on University contracting and outreach programs to interested small businesses and campus contracting personnel.
9. Access to a supplier locator database so that Supplier Diversity Program Coordinators and Buyers at each campus can search for potential suppliers holding either federal or state diversity classifications.

The following page displays utilization figures for fiscal year 2016-17 with a summary of University addressable business contracting spend for all contracting categories (Purchasing, Construction and Design Professionals). The subsequent two pages show the activity for each contracting category by Campus, Medical Center and National Lab.

Key Reporting Changes

With UC Procurement’s expansion into non-traditional spend categories in FY17, this year’s reporting will reflect an increase of over \$2.5B in addressable spend from the previous year. Suppliers previously excluded from UCOP addressable spend included UC’s systemwide healthcare and insurance providers. Please also note that in this year’s report requirements have been clarified for two categories:

1. In previous years, reporting on women-owned business (WBE) spend was inconsistent in including or excluding non-small WBE’s. In order to better align with the intent of this report, which is to represent the University of California’s small business utilization, we are only including Women-owned Small Business spend and have retitled the reporting category as “WOSB.”
2. In previous years, reporting on disabled veteran-owned business (DVBE) spend was inconsistent in including or excluding non-small DVBE’s. In order to better align with the intent of this report, which is to represent the University of California’s small business utilization, we are only including Disabled Veteran-owned Small Business spend and have retitled the reporting category as “DVOSB.”

Small Business Utilization Report, FY 2016-2017

SUMMARY

Location	Total \$ Expenditure	SBE	%	DBE	%	WOSB	%	DVOSB	%
Purchasing									
Campuses & Med Ctrs	\$ 8,686,249,829	\$ 737,612,048	8.49%	\$ 58,842,145	0.68%	\$ 97,377,363	1.12%	\$ 14,397,280	0.17%
National Labs	\$ 229,593,559	\$ 126,399,771	55.05%	\$ 12,201,162	5.31%	\$ 11,819,495	5.15%	\$ 270,967	0.12%
PURCHASING TOTAL	\$ 8,915,843,388	\$ 864,011,818	9.69%	\$ 71,043,307	0.80%	\$ 109,196,858	1.22%	\$ 14,668,247	0.16%
Design & Construction									
Campuses & Med Ctrs	\$ 1,378,395,036	\$ 238,503,324	17.30%	\$ 13,373,012	0.97%	\$ 42,748,530	3.10%	\$ 1,948,581	0.14%
National Labs	\$ 58,441,099	\$ 24,955,395	42.70%	\$ 369,988	0.63%	\$ 412,358	0.71%	\$ 977,228	1.67%
D & C TOTAL	\$ 1,436,836,136	\$ 263,458,719	18.34%	\$ 13,743,000	0.96%	\$ 43,160,888	3.00%	\$ 2,925,809	0.20%
Grand Total	\$ 10,352,679,523	\$ 1,127,470,537	10.89%	\$ 84,786,307	0.82%	\$ 152,357,746	1.47%	\$ 17,594,056	0.17%

Small Business Utilization Report, FY 2016-2017

PURCHASING

Location	Total \$ Expenditure	SBE	%	DBE	%	WOSB	%	DVOSB	%
Berkeley Campus	\$ 430,195,449	\$ 48,432,644	11.26%	\$ 439,285	0.10%	\$ 4,516,181	1.05%	\$ 323,653	0.08%
Davis Campus	\$ 415,514,310	\$ 63,617,373	15.31%	\$ 1,228,616	0.30%	\$ 3,676,443	0.88%	\$ 922,013	0.22%
Davis Medical Ctr.	\$ 754,270	\$ 24,373	3.23%	\$ 10,772	1.43%	\$ 10,772	1.43%	\$ 708,354	93.91%
Irvine Campus	\$ 212,800,048	\$ 26,871,905	12.63%	\$ 168,793	0.08%	\$ 1,439,725	0.68%	\$ 3,381,368	1.59%
Irvine Medical Ctr.	\$ 337,389,680	\$ 66,245,893	19.63%	\$ 620,342	0.18%	\$ 7,607,634	2.25%	\$ 128,747	0.04%
Los Angeles Campus	\$ 889,813,743	\$ 108,723,166	12.22%	\$ 6,432,823	0.72%	\$ 12,273,866	1.38%	\$ 2,012,355	0.23%
Los Angeles Medical Ctr.	\$ 839,545,130	\$ 49,203,866	5.86%	\$ 44,372,579	5.29%	\$ 12,325,716	1.47%	\$ 152,816	0.02%
Merced Campus	\$ 60,350,754	\$ 8,130,795	13.47%	\$ 803,069	1.33%	\$ 1,173,001	1.94%	\$ 254,735	0.42%
Riverside Campus	\$ 160,138,228	\$ 26,907,646	16.80%	\$ 895,210	0.56%	\$ 1,846,986	1.15%	\$ 300,206	0.19%
San Diego Campus	\$ 866,505,877	\$ 79,267,517	9.15%	\$ 877,615	0.10%	\$ 7,386,019	0.85%	\$ 1,298,404	0.15%
San Diego Medical Ctr.	\$ 564,881,812	\$ 132,525,713	23.46%	\$ 389,539	0.07%	\$ 15,727,973	2.78%	\$ 151	0.00%
San Francisco	\$ 536,355,453	\$ 69,625,070	12.98%	\$ 1,399,142	0.26%	\$ 9,552,869	1.78%	\$ 4,339,790	0.81%
San Francisco Med. Ctr.	\$ 383,275,306	\$ 21,374,068	5.58%	\$ 829,942	0.22%	\$ 16,816,969	4.39%	\$ 2,330	0.00%
Santa Barbara Campus	\$ 105,630,482	\$ 12,593,955	11.92%	\$ 68,753	0.07%	\$ 1,211,039	1.15%	\$ 48,494	0.05%
Santa Cruz Campus	\$ 108,174,212	\$ 14,708,554	13.60%	\$ 244,488	0.23%	\$ 1,660,143	1.53%	\$ 7,603	0.01%
Office of the President	\$ 2,774,925,074	\$ 9,359,508	0.34%	\$ 61,178	0.00%	\$ 152,029	0.01%	\$ 516,263	0.02%
Berkeley Lab	\$ 229,593,559	\$ 126,399,771	55.05%	\$ 12,201,162	5.31%	\$ 11,819,495	5.15%	\$ 270,967	0.12%
PURCHASING TOTAL	\$ 8,915,843,388	\$ 933,636,888	10.47%	\$ 72,442,449	0.81%	\$ 118,749,727	1.33%	\$ 19,008,037	0.21%

Small Business Utilization Report, FY 2016-2017

DESIGN & CONSTRUCTION

Location	Total \$ Expenditure	SBE	%	DBE	%	WOSB	%	DVOSB	%
Berkeley Campus	\$ 124,563,671	\$ 13,295,223	10.67%	\$ 451,837	0.36%	\$ 1,573,190	1.26%	\$ 25,881	0.02%
Davis Campus	\$ 108,321,788	\$ 17,719,596	16.36%	\$ 34,529	0.03%	\$ 59,262	0.05%	\$ 354,839	0.33%
Davis Medical Ctr.	\$ 50,638,051	\$ 12,675,229	25.03%	\$ 1,477,247	2.92%	\$ 1,720,216	3.40%	\$ 219,200	0.43%
Irvine Campus	\$ 51,428,426	\$ 9,099,101	17.69%	\$ 30,352	0.06%	\$ 259,786	0.51%	\$ -	0.00%
Irvine Medical Ctr.	\$ 20,296,511	\$ 4,240,915	20.89%	\$ 20,600	0.10%	\$ 24,387	0.12%	\$ -	0.00%
Los Angeles Campus	\$ 265,256,311	\$ 28,999,964	10.93%	\$ 1,541,987	0.58%	\$ 4,689,519	1.77%	\$ 154,797	0.06%
Los Angeles Medical Ctr.	\$ 101,331,458	\$ 60,182,721	59.39%	\$ 7,904,274	7.80%	\$ 27,912,763	27.55%	\$ 423,744	0.42%
Merced Campus	\$ 18,301,004	\$ 907,677	4.96%	\$ -	0.00%	\$ -	0.00%	\$ 7,482	0.04%
Riverside	\$ 39,086,554	\$ 13,643,153	34.90%	\$ 48,956	0.13%	\$ 6,794	0.02%	\$ -	0.00%
San Diego Campus	\$ 276,012,785	\$ 43,801,785	15.87%	\$ 949,500	0.34%	\$ 1,859,493	0.67%	\$ 305,958	0.11%
San Diego Medical Ctr.	\$ 4,646,529	\$ 480,827	10.35%	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%
San Francisco	\$ 70,406,725	\$ 10,207,649	14.50%	\$ 136,865	0.19%	\$ 537,564	0.76%	\$ 4,000	0.01%
San Francisco Med. Ctr.	\$ 73,220,671	\$ 12,420,382	16.96%	\$ 772,582	1.06%	\$ 2,902,372	3.96%	\$ -	0.00%
Santa Barbara Campus	\$ 67,274,532	\$ 1,697,787	2.52%	\$ -	0.00%	\$ 83,632	0.12%	\$ -	0.00%
Santa Cruz Campus	\$ 102,508,656	\$ 8,752,559	8.54%	\$ 159	0.00%	\$ 1,118,636	1.09%	\$ 445,969	0.44%
Office of the President	\$ 5,101,364	\$ 378,756	7.42%	\$ 4,125	0.08%	\$ 916	0.02%	\$ 6,713	0.13%
Berkeley Lab	\$ 58,441,099	\$ 24,955,395	42.70%	\$ 369,988	0.63%	\$ 412,358	0.71%	\$ 977,228	1.67%
CONSTRUCTION TOTAL	\$ 1,436,836,136	\$ 263,458,719	18.34%	\$ 13,743,000	0.96%	\$ 43,160,888	3.00%	\$ 2,925,809	0.20%