



CITY OF
Tulsa
A New Kind of Energy.™



ANNUAL REPORT

Small Business Enterprise Program

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Tulsa Authority for Economic Opportunity

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Section 1

EXECUTIVE SUMMARY



**\$10.5
million**

Total Business



**40
Firms**

SBEs Earning Business



**15.8
Percent**

SBE Utilization



**83
Percent**

Projects on Target

In Tulsa and nationwide, small businesses create about two out of three new jobs. To promote the growth of these small businesses, the City of Tulsa created the Small Business Enterprise (SBE) Program in 2016. The SBE Program ensures small, local firms provide goods and services to the City and helps them develop successful partnerships with larger enterprises.

The SBE Program has accomplished its high-level goal of having SBE businesses subcontract to perform 10 percent of work on City Engineering Services and Streets & Stormwater projects. Of the 47 City projects that have been completed since 2018, 39 projects (83.0 percent) have met their project-specific SBE participation goal. Forty SBE firms have earned \$10.5 million (15.8 percent) of the City's total project expenses of \$66.2 million.

While the Citywide 10 percent goal has largely been met, expenses were concentrated amongst a small number of firms. Four firms received over half of the \$10.5 million, and ten firms represented 82 percent of all expenses. The thirty firms with the smallest amounts received through SBE subcontracting received \$1.9 million, 18 percent of all expenses.

Based on research of comparable programs nationwide, the Tulsa SBE Program's policies and practices are in line with other programs. These policies include creating a directory of certified firms, setting subcontracting goals for projects, and including SBE policies as part of standard project bid packages. Programs in states with comparable laws to Oklahoma's SQ 759 did provide additional policies the City of Tulsa's SBE Program could explore to advance certain goals. These include:

1. **Explore Minority- and Women-Owned Business Enterprise programs in states with similar laws to OK SQ759**
2. **Expand SBE implementation to Purchasing and other City projects**
3. **Implement project-based goals instead of a single goal for all projects**
4. **Implement ongoing monitoring of SBE utilization throughout the life of projects**
5. **Provide a bid discount or rating bonus for higher SBE utilization**
6. **Provide priority bid opportunities for SBE firms**
7. **Award participation for prime SBEs on a contract**
8. **Develop a mentor/protégé program**
9. **Allow prime contractors to certify SBEs through the bid process**
10. **Create a no nepotism rule**

Finally, process improvements and programmatic structural changes have the potential to streamline processes, enhance businesses' experiences, and improve targeted outcomes. Key process improvements include simplifying the application process, developing an easier-to-use SBE Membership Directory, creating an SBE interest survey, and streamlining data collection and processes. Additionally, amending the Executive Order to allow the Oversight Committee to recommend policy changes and the Mayor to approve those proposals will expedite future policy changes and eliminate the need for cumbersome amendments to the Executive Order. Together, these improvements aim to increase the number of certified SBEs, increase the number of SBEs earning business, and improve the experience of both SBEs and prime contractors.

Section 2

INTRODUCTION

In Tulsa and nationwide, small businesses create about two out of three new jobs. Small firms serve as a foundation of employment for the Tulsa economy and have the largest potential for regional job growth and economic gains. Investing in small firms is critical to a robust Tulsa economy, and the Small Business Enterprise (SBE) Program is one City effort to support these small businesses.

The SBE Program provides four main benefits to Tulsa and its residents. First, local spending keeps money in Tulsa. Local contracts and agreements with SBEs drive future local purchases by SBEs and their employees. Second, small, local businesses have the potential to grow into larger businesses serving communities outside of Tulsa and expanding the Tulsa economy. Third, small businesses create the majority of new jobs in Tulsa. Finally, small businesses generate wealth for current Tulsans that has the potential to benefit future generations as well.

Program Goals and Scope

The SBE Program is designed to support the development and growth of small enterprises by promoting opportunities for those businesses to provide goods and services to the City of Tulsa, and by helping them develop successful partnerships with larger enterprises and general contractors.

In addition to supporting small and local businesses, keeping City expenses within Tulsa has two benefits. First, City funds spent in Tulsa go to Tulsa firms who are more likely to use those revenues on expenses within City limits. These secondary expenses generate additional sales tax revenues for the City. Additionally, while some residents may commute outside of the City for work, Tulsa firms are likely employing more Tulsa residents than firms outside of Tulsa. By employing Tulsa residents, who are more likely to spend within the City limits, firms within Tulsa City limits generate additional sales tax through employment. While the size of the multiplier effect due to business spending and employee spending is unknown, keeping City expenses in the City of Tulsa have obvious benefits to the City government and economy as a whole.

Under the original Executive Order (2018-01), the City pursued an initial overall goal for SBE utilization of 10 percent of all agreements and contracts with the private sector for services, goods, supplies, and construction activities. The SBE Oversight Committee may review and recommend adjustments to the overall goal for utilization annually.

Eligibility

To qualify as an SBE, a small business must:

1. **Be in the Tulsa Metropolitan Statistical Area (MSA includes Tulsa, Osage, Rogers, Pawnee, Wagoner, Creek, and Okmulgee Counties)**
2. **Have the training, expertise, ability, and workforce to perform the work required, including all necessary licenses and certificates issued in their name**
3. **Have average gross receipts or sales over the previous three years of less than \$3.0 million, or \$5.0 million for construction firms**
4. **Be independently owned, operated, and controlled at a physical address in the Tulsa MSA; SBE participants cannot manage multiple firms under one parent company**

Additionally, Oklahoma Department of Transportation Disadvantaged Business Enterprises (DBEs) in the Tulsa MSA receive reciprocity of membership with the SBE program.

SBE Oversight Committee

Based on the original Executive Order creating the SBE Program, the SBE Oversight Committee (the Committee) provides guidance to staff and makes recommendations to the Mayor on the program. The original language provided flexibility for the role of the Committee. This report outlines more defined processes and purposes for the Committee in a later section, which should be pursued through an amendment to the Executive Order.

Based on the Executive order, the Committee consists of the following individuals or their designees:

1. **The Mayor**
2. **The Chief of Economic Development**
3. **Director of the Mayor's Office of Human Rights**
4. **Director of Engineering Services**
5. **City's Purchasing Agent**
6. **SBE Program Participant**
7. **Representative from either the Association of General Contractors OR Associated Builders and Contractors**

The Committee must meet at least quarterly and receive quarterly reports regarding SBE utilization, recruitment, and programming. Additionally, the Committee must review the overall goal for SBE utilization annually and may recommend adjustment of this goal to the Mayor.

Section 3

IMPACT REVIEW

History

The SBE Program launched in December 2016 under Mayor Bartlett and was placed under the administration of the Mayor's Office of Human Rights. Originally intended to "help strengthen small businesses and provide opportunities to use their goods and services in city government," the program has maintained a similar goal throughout its life.

The original small business utilization goal was 6-10 percent of expenses for goods and services, either through direct purchasing and contracts or with small businesses serving as subcontractors for larger companies. The qualifying criteria were:

1. **Have been operating for at least one year prior to application**
2. **Have 25 or fewer employees and annual revenues of less than \$3 million (or \$5 million for construction firms)**
3. **Be a for-profit business, independently owned with a physical address in the Tulsa MSA (Tulsa, Rogers, Wagoner, Osage, Creek, Okmulgee, and Pawnee Counties)**
4. **Have the capacity to perform work independently or as a subcontractor relative to field of operations, and if required, have a license or certificate**
5. **Be owned by U.S. citizen(s) or lawful, permanent resident(s) of the United States**

In the four years since its inception, the SBE Program has undergone several administrative and oversight changes. Mayor Bynum signed Executive Order (EO) 2018-01 in January 2018 establishing the SBE Program and the SBE Oversight Committee. The criteria to participate in the new SBE Program remained largely the same, but the new EO raised the target SBE participation rate to 10 percent. The Mayor's Office of Resilience and Equity (MORE) took over administration of the SBE Program when it replaced the Mayor's Office of Human Rights in July 2018. Most recently, the Mayor's Office of Economic Development (MOED) took on the SBE Program in July 2020, placing it under the new Senior Policy Advisor on Small Business, Entrepreneurship, and Innovation role. Finally, the transition of MOED into the Tulsa Authority for Economic Opportunity (TAEO) has placed the SBE Program under TAEO's oversight.

While administration of the program has shifted over its first five years, Engineering Services (ES) has overseen implementation of SBE subcontracting requirements throughout its life. ES staff oversee bidding opportunities, communicate with prime contractors about SBE requirements, and monitor final SBE utilization.

Despite the structural and administrative changes to the program during its early years, the SBE Program has had major successes and has met its established high-level goals. The following section identifies key findings of program outcomes based on multiple data analyses.



Businesses in the SBE Program

In total, 152 businesses are currently certified as SBEs or have previously earned business through the program, either as an SBE or state DBE. Table 1 below shows geographic and ownership demographic information of SBE Businesses. Figures 1 and 2 map the data for the MSA and City, respectively.

Table 1. Location and Ownership Demographics of SBE Businesses*

	Person Of Color (Poc)	Woman	Woman (POC)	Neither	DBE	Unknown	Total
City Of Tulsa	7	2	3	75	2	2	91
MSA	3	2	1	54	0	1	61
Total	10	4	4	129	2	3	152
Percentages	6.6%	2.6%	2.6%	84.9%	1.3%	2.0%	100.0%

**Note: Location information is based on address of the business. Demographic information is based on staff knowledge and post-participation information; therefore, the demographic data is incomplete and may have inaccuracies. While this data may have inaccuracies, it is the best source of demographic information until new data collection systems are put in place, and it provides useful patterns when analyzed at the full SBE population-level.*

Figure 1. SBEs in Tulsa MSA with Demographics

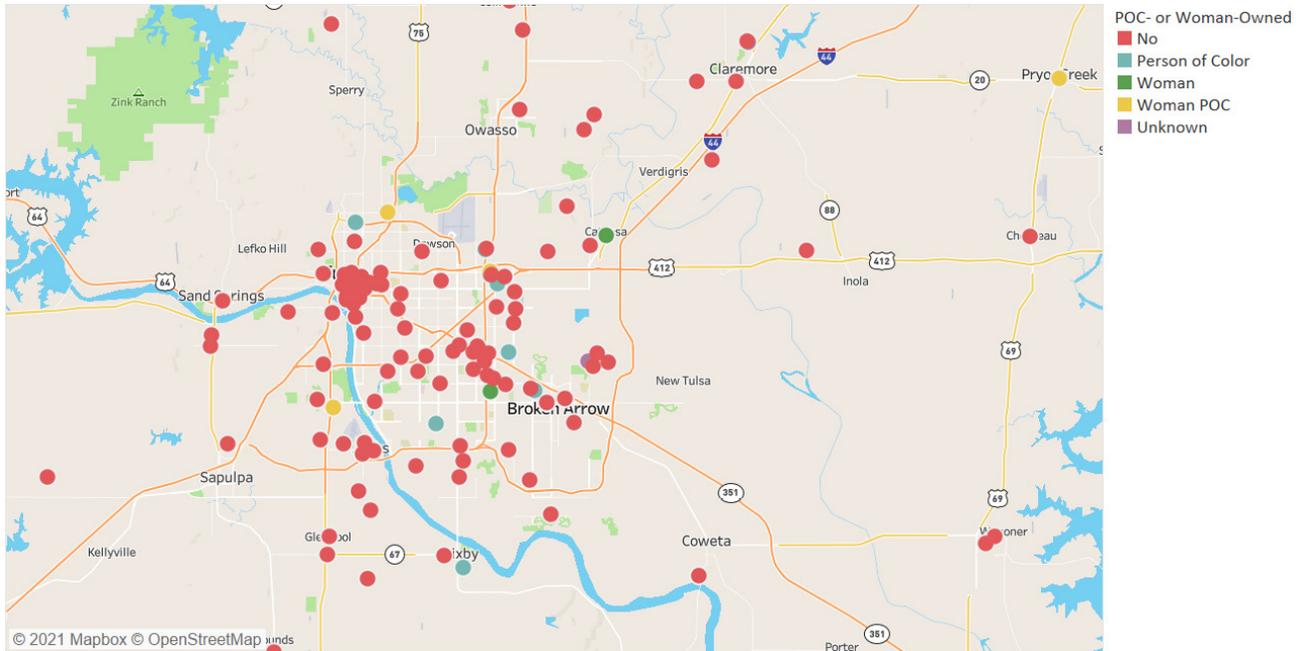
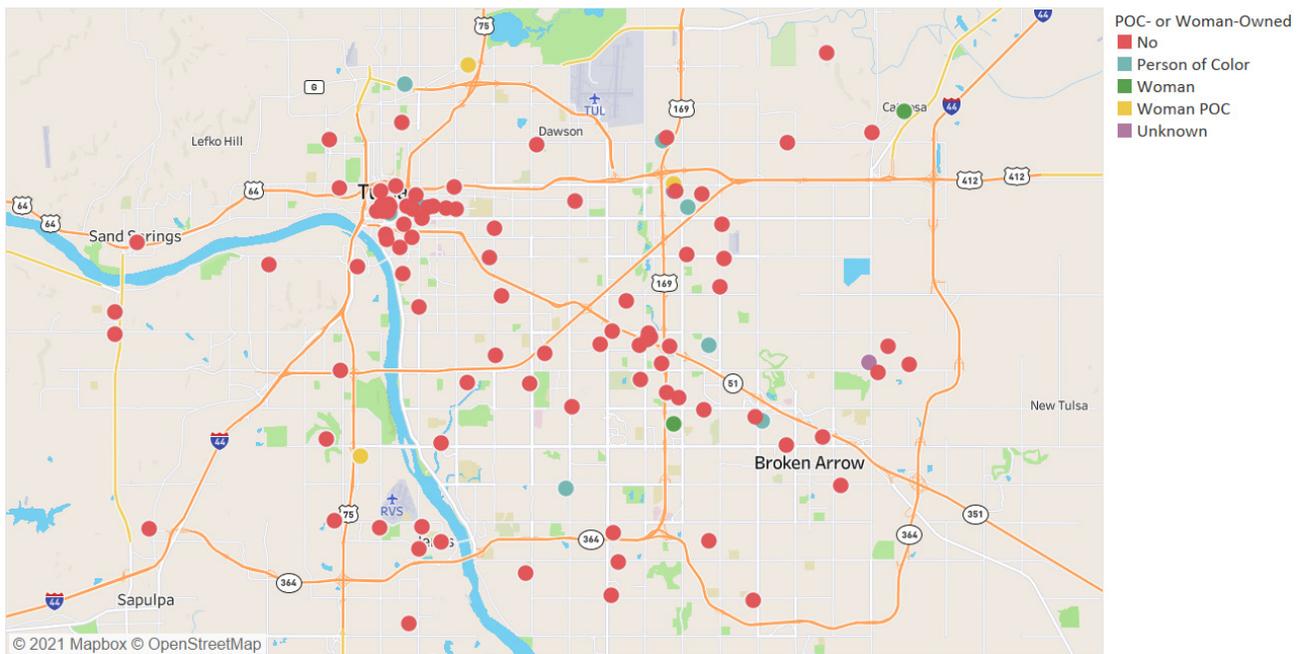


Figure 2. SBEs in Tulsa City with Demographics



SBE Participation is concentrated in the City of Tulsa but also geographically diverse. As the economic center of the Tulsa MSA, the City of Tulsa contains most business activity for the region, and this pattern also exists in SBE Program participation. Outside of the City of Tulsa, businesses are located throughout the MSA, with no major concentration in any single city or county.

A large majority (84.9 percent) of businesses were neither owned by Persons of Color (POC) nor Women. SBE Program participation was not representative of business ownership in Tulsa generally. Comparing SBE data to 2012 Census Data, SBE certified businesses were at least 91.5 percent male-owned versus 52.7 percent for the County. Additionally, SBE certified businesses were at least 87.5 non-POC-owned versus 73.9 percent for the County. Table 2 below provides data on the number of businesses in Tulsa with ownership details.

Table 2. Tulsa Business Ownership Statistics

Businesses*	Businesses (City)	Percentages (City)	Businesses (County)	Percentages (County)
All Firms, 2012	39,908	100.0%	60,309	100.0%
Men-Owned Firms, 2012	21,473	53.8%	31,808	52.7%
Women-Owned Firms, 2012	13,035	32.7%	19,933	33.1%
Minority-Owned Firms, 2012	9,216	23.1%	12,730	21.1%
Nonminority-Owned Firms, 2012	28,486	71.4%	44,541	73.9%
Veteran-Owned Firms, 2012	4,360	10.9%	6,109	10.1%
Nonveteran-Owned Firms, 2012	33,013	82.7%	50,654	84.0%

**Note: Categories require 51 percent or greater ownership to be considered majority. Businesses with non-majority ownership structures are categorized separately and not shown in the statistics above. Because of this categorization system, business counts and percentages above may not add to 100 percent where expected (e.g. Men-owned + Women-owned does not represent all business because some have split-ownership structures).*

Source: U.S. Census Bureau, 2012 Economic Census: Survey of Business Owners. Updated every 5 years. [Survey of Business Owners and Self-Employed Persons \(SBO\)](#)

City Expenses to SBE Businesses

While registering as a certified-SBE is important, the ultimate goal of the SBE Program is for these enterprises to earn business through City projects and contracts. Analyzing data based on actual expenses to SBEs provides an additional, and arguably more important, perspective to examine the success of the SBE Program.

Forty different firms have received a total of \$10.5 million by working as SBEs on completed City projects since the beginning of the program. Expenses were concentrated amongst a small number of firms. Four firms received over half of the \$10.5 million, and ten firms earned 82 percent of all expenses. The thirty firms with the smallest amounts earned through SBE subcontracting received \$1.9 million, 18 percent of all expenses. Table 3 below shows a summary of expenses by SBE. Appendix A shows the full list of all SBEs including all thirty firms in the Other category.

Table 3. Expenses by SBE Business

SBE Business	Projected SBE Amt (\$)	Actual SBE Amt (\$)	Percent Of Total SBE Amount
Brownco Manufacturing	2,252,994	2,155,242	20.6%
Advanced Workzone Services*	1,147,299	1,151,313	11.0%
Sooner Recon, LLC	924,448	1,038,638	9.9%
Mustang Trucking	371,677	956,390	9.1%
Direct Traffic Control*	775,529	763,387	7.3%
Hezinger Construction	75,000	674,233	6.5%
Ground Level LLC	315,000	576,403	5.5%
Southstone Construction	433,560	544,067	5.2%
Stevenson Plumbing	132,711	359,263	3.4%
Concrete Services Corp	354,286	348,730	3.3%
Other (30 firms)	2,058,585	1,885,548	18.0%
Total	8,841,090	10,453,214	100.0%

* Business participated through DBE reciprocity policy.

Geography of Expenses and Advantages of SBEs in the City of Tulsa

Firms located within the City of Tulsa received \$7.2 million while firms in the surrounding MSA received \$3.2 million, indicating the SBE Program has benefited firms within the City limit to a greater extent than firms in the surrounding MSA. Table 4 below shows City expenses by SBE location.

Table 4. City Expenses to SBEs by Location

Location	Number of Businesses	Projected SBE Expenses (\$)	Actual SBE Expenses (\$)	Percent of Actual Expenses
City of Tulsa	23	6,603,937	7,217,177	69.0%
Surrounding MSA	17	2,237,153	3,236,037	31.0%
Total	40	8,841,090	10,453,214	100.0%

Further analysis separated the City of Tulsa spending by City Council District. SBEs receiving business from the City were concentrated in three Council Districts: 3, 4, and 7. While many factors may drive this outcome, a primary reason is likely City zoning. The most common categories of SBE Business were all related to heavy construction, and Districts 3 and 7 both have large industrial zones (near the Airport in District 3 and along State Highway 51 in District 7). District 4 contains the entire Downtown CBD, which has one of the largest business concentrations in the City. Table 5 below shows City expenses by Council District.

Table 5. City Expenses to SBEs by Council District

Council District	Number of Businesses	Projected SBE Amount (\$)	Actual SBE Amount (\$)	Percent of Actual Expenses
1	1	57,476	17,556	0.2%
2	2	159,659	55,543	0.8%
3	5	3,594,482	3,448,128	47.8%
4	5	1,356,755	1,691,488	23.4%
5	1	354,286	348,730	4.8%
6	3	115,286	31,960	0.4%
7	6	965,994	1,623,773	22.5%
8	0	0	0	0.0%
9	0	0	0	0.0%
Total	23	6,603,937	7,217,177	100.0%

City Expenses by SBE with Ownership Demographic Details

The City spent nearly \$6.2 million that went to POC- and women-owned firms through the SBE program. Approximately \$2.4 million went to POC-owned firms, \$1.8 million to women-owned firms, \$111k women POC-owned firms, and over \$1.9 million to firms through the state’s DBE program. Additionally, the City spent \$150k that went to SBEs with unknown ownership, potentially increasing the previous numbers.

However, as with the SBE Program overall, City expenses were concentrated in a small number of woman- and POC-owned firms. Four firms received \$5.7 million of the total \$6.2 million (92.0 percent), and two of those were DBEs. Table 6 below shows City Expenses to SBEs by ownership demographic. Figures 3 and 4 map expenses to SBEs for the MSA and City, respectively.

Table 6. City Expenses to SBEs by Ownership Demographic

Ownership	Number of Businesses	Percent of Businesses	Projected SBE Expenses (\$)	Actual SBE Expenses (\$)	Percent of Actual Expenses
Person of Color	6	15.0%	2,477,597	2,363,402	22.6%
Woman	3	7.5%	563,597	1,803,120	17.2%
Woman POC	2	5.0%	108,000	111,025	1.1%
DBE	2	5.0%	1,922,829	1,914,701	18.3%
Neither POC Nor Woman	24	60.0%	3,529,130	4,111,376	39.3%
UNKNOWN	3	7.5%	239,937	149,590	1.4%
Total	40	100.0%	8,841,090	10,453,214	100.0%

Figure 3. Expenses by SBE Location, Tulsa MSA

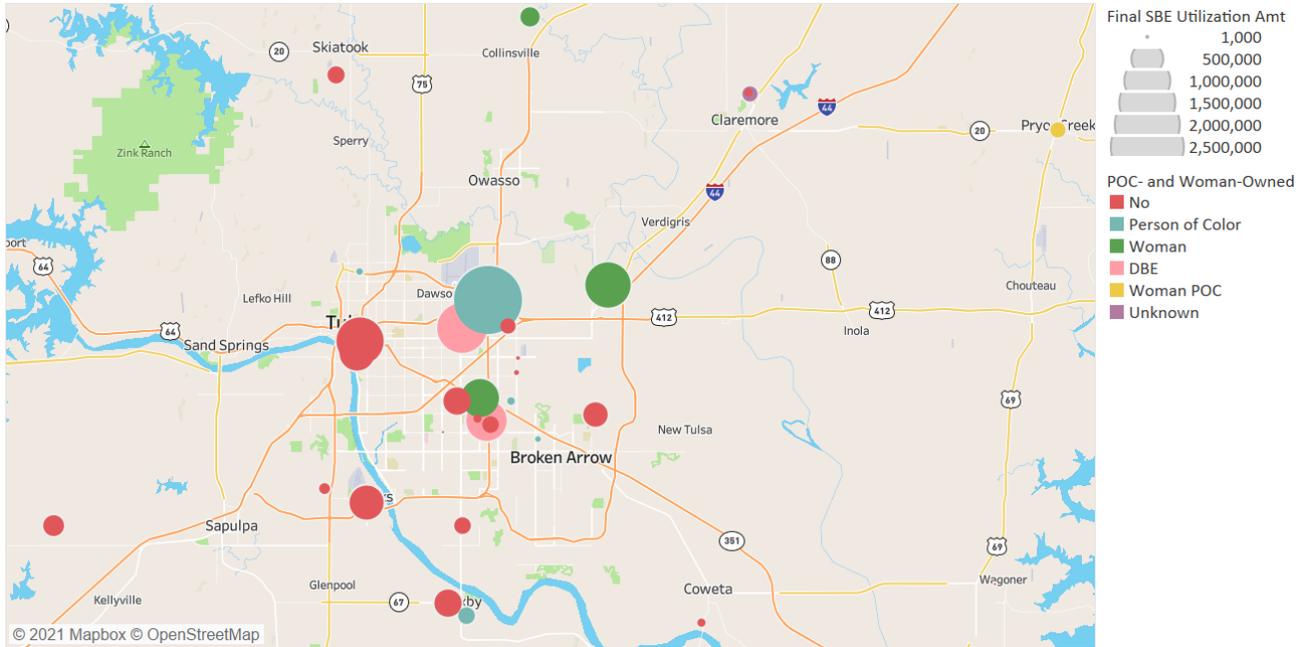
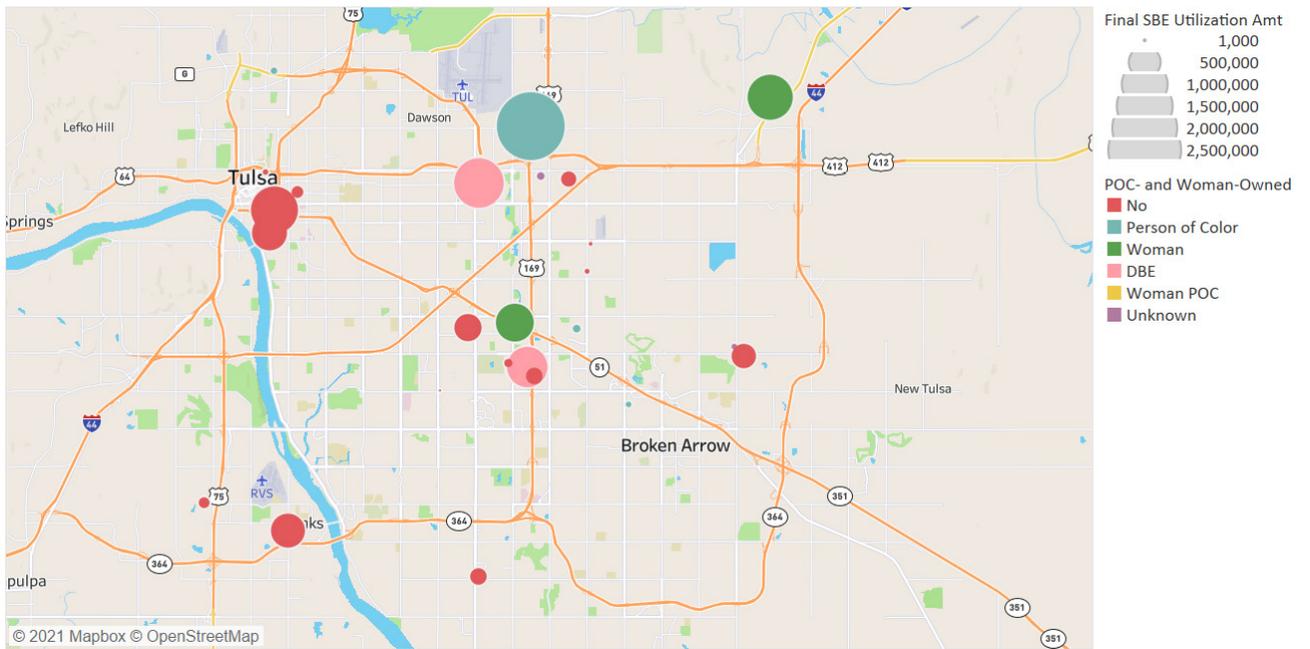


Figure 4. Expenses by SBE Location, City of Tulsa



City Spending by SBE Business Category

The five most common business categories were construction supplies, traffic control, dump truck hauling, concrete construction, and general contractor. Of the \$10.5 million total expenses, these five types of work represented \$7.5 million in expenses (71.6 percent of the total). The other two categories with over \$500k in expenses were residential roofing and grading services. While the large majority of expenses were represented by just seven categories, SBEs from a broad range of fields earned business through SBE subcontracting. Other business types included plumbing, electrical, landscaping, civil engineering, painting, land surveying and others. Further research is needed to determine if there is additional capacity within projects for more SBE participation in the areas below, or if SBE firms could build up capacity to subcontract in other areas of need. Expanding opportunities to new areas of business may also lead to greater participation by POC- and woman-owned firms. Table 7 below shows City expenses to SBEs by business type.

Table 7. City Expenses to SBEs by Business Type

Business Type	Projected SBE Expenses (\$)	Actual SBE Expenses (\$)	Percent of Actual Expenses
Construction Supplies	2,252,994	2,155,242	20.6%
Traffic Control	1,922,829	1,914,701	18.3%
Dump Truck Hauling	609,209	1,251,007	12.0%
Concrete Construction	849,963	1,095,694	10.5%
General Contractor	468,524	1,065,818	10.2%
Roofing	924,448	1,038,638	9.9%
Grading Services	689,369	855,683	8.2%
Plumbing Services	132,711	359,263	3.4%
Landscaping	248,713	208,580	2.0%
Other*	742,332	508,587	4.9%
Total	8,841,090	10,453,214	100.0%

* The Other category includes Electrical, Land Surveying, Civil Engineering, Painting, HVAC, and miscellaneous other business types.

City Purchasing

City Purchasing represents a potential major source of business for SBEs in addition to subcontracting on ES and Streets and Stormwater (SSW) projects. From July 2017 (start of Fiscal Year 2018) to date, the City has contracted for \$510.0 million of goods and services. From Jan 2018 to date, the City has contracted for \$397.6 million on ES and SSW projects (see note about chronology of data below; conclusion still likely remains the same). Thus, the City does as much if not more business with the private sector through Purchasing than City projects. Purchasing represents a major potential source of business for SBEs. See Table 8 below for details on City expenses through Purchasing (by Fiscal Year) and on public works projects (by calendar year).

Table 8. City Expenses for Purchasing and Public Works Projects

Year*	2018	2019	2020	2021	Total
Purchasing	111,152,457	146,649,725	158,410,932	93,798,010	510,011,125
Public Works Projects	80,042,283	71,673,095	243,621,097	2,228,000	397,564,475

**Note: Purchasing data is tracked by fiscal year (Jul – Jun) while Project data is tracked by calendar year. This inconsistency creates a less exact comparison, particularly for 2021 where the Project data only has one month of history. Nonetheless, comparing the two data sets provides key takeaways about the importance of Purchasing contracts as a potential source of business to SBEs.*

To date, the implementation of the SBE Program has focused on subcontracting on public works projects in the Engineering and Street and Stormwater Divisions. Certified SBE businesses can do business with the City by providing goods or services to the prime contractor for these projects. However, the drafting of the initial Executive Order indicates the intention of the program to extend to all City agreements and contracts. Section 4 (Utilization Goal) of EO 2018-1 reads as follows (emphasis not included in EO):

The City of Tulsa will pursue an initial overall goal for SBE utilization of ten percent (10%) of all agreements and contracts with the private sector for services, goods, supplies, and construction activities.

The goal does not target a subset of City projects and purchasing, rather it emphasizes all agreements and contracts for a range of items including services, goods, and construction work. Additionally, the inclusion of the City’s Purchasing Agent on the SBE Oversight Committee further indicates the intention of the SBE EO aimed to utilize SBEs for all non-personnel City activities with directly contracted or subcontracted businesses.

Due to a lack of information in the MUNIS system about Certified SBEs, the City has not tracked Purchasing expenses to SBEs to-date. However, MUNIS does identify vendor address for most contracts and agreements. Using this information, it is possible to categorize City Purchasing expenses by firm location, which indicates the City spends a significant amount of money locally.



**SPENT WITH FIRMS
IN THE CITY OF TULSA**



**AVERAGE SPENDING
PER YEAR***



**CITY PURCHASING
EXPENSES SINCE FY18**

From the start of FY2018, the City has spent \$213.3 million with firms in the city of Tulsa, an average of approximately \$59.5 million per year (assuming spending through seven months of FY21). The City has also spent an additional \$2.2 million with firms in the surrounding MSA and \$17.3 million with firms that did not have locations identified. The \$213.3 million spent with Tulsa firms represents 41.8 percent of all City Purchasing expenses since FY2018. Table 9 shows Purchasing Expenses by Location each FY since 2018.

Table 9. Purchasing Expenses by Firm Location

Firm Location	2018*	2019	2020	2021	Total
Tulsa	44,304,787	53,879,644	76,728,970	38,373,650	213,287,050
MSA	546,094	605,199	805,827	283,539	2,240,659
Unidentified	3,384,519	5,849,520	5,122,154	2,951,237	17,307,430
Non-Local	62,917,057	86,315,362	75,753,981	52,189,585	277,175,985
Total	111,152,457	146,649,725	158,410,932	93,798,010	510,011,125

**Note: Purchasing data is tracked by fiscal year (Jul – Jun).*

Collecting additional data on SBEs or identifying SBEs in the current MUNIS data will provide further insights into SBE expenses through City Purchasing contracts.

Finally, the City still spent \$277.2 million with non-local firms since the start of FY2018, the majority of Purchasing expenses. More analysis is required to determine if the City could have shifted these expenses to local firms to realize the benefits and multiplier effects of local spending discussed previously.

** Assuming spending through seven months of FY21*



Section 4

BEST PRACTICES IN SMALL BUSINESS ENTERPRISE PROGRAMS

To benchmark Tulsa's SBE Program against others nationally and identify potential policy improvements to the program, TAEO staff researched best practices in similar programs nationwide.

Many municipalities operate Minority- and Women-Owned Business Enterprise (MWBE) programs utilizing similar methods to the SBE Program. These programs were not researched extensively because OK SQ 759 (2012) bans the use of qualifying criteria based on race or gender.

Nine other states do have similar affirmative action bans. Based on a review of major municipalities in these states, staff identified similar programs in Los Angeles, San Francisco, Seattle, and Phoenix. Of note, all states reviewed had DBE or MWBE programs for transportation projects like Oklahoma's DBE program. These programs were not reviewed because of exceptions in each state law in situations where federal funding required utilization of MWBE or DBE businesses.

The City of Tulsa operates the SBE Program in line with most other municipalities operating an MWBE or similar SBE Program. The policies and practices throughout all programs included creating a directory of certified businesses, setting subcontracting goals for participation, and including SBE policies in project bid packages.

These four programs, as well as research into other programs, also provided ten policies and practices Tulsa may explore to advance certain goals of the SBE Program.

1. Explore MWBE programs in states with similar laws
2. Expand SBE implementation to Purchasing and other City projects
3. Implement project-based goals instead of a single goal for all projects
4. Implement ongoing monitoring of SBE utilization throughout the life of projects
5. Provide a bid discount or rating bonus for higher SBE utilization
6. Provide priority bid opportunities for SBE firms
7. Award participation for prime SBEs on a contract
8. Develop a mentor/protégé program
9. Allow prime contractors to certify SBEs through the bid process
10. Create a no nepotism rule

Explore MWBE Programs in States with Similar Laws

Seattle operates a [Women- and Minority-Owned Businesses \(WMBE\) program](#) even though Washington has a similar affirmative action ban. Based on initial research into the program, the Seattle program's efforts include maintaining a directory of WMBE businesses in the Seattle, outreach and engagement with WMBE firms, and setting aspirational WMBE utilization goals.

Further research is needed to determine how Tulsa can learn from Seattle's programs. Based on initial research, Seattle did not appear to rely on Federal DOT DBE requirements to set goals and targeted outreach. The program does not seem to offer any preference or advantage in actual Purchasing and bid processes, which may be how the program does not conflict with State law.

Expand SBE Program to Purchasing

All four municipalities offered some type of preference for SBEs in Purchasing in addition to public works subcontracting. Purchasing policies ranged from reserving certain contracts for SBEs to giving a preference for SBEs in competitive processes through bid discounts or bonus points. The specific policies the Tulsa SBE Program could implement are discussed in later subsections, but as previously shown in the Impact Review section, Purchasing contracts and agreements represent a significant opportunity to support SBEs.

Implement Project-Based Goals

Multiple comparison SBE programs used subcontracting requirements as the tool to ensure SBE participation in City work. However, all the programs surveyed that used participation goals (rather than bid discounts or bonus points) set project-based goals instead of having a universal goal for all projects. Project-based goals create advantages by raising goals where allowable and creating more reasonable goals for certain projects where subcontractors may not have the qualifications for specialized work.

Project-based goals do create minor administrative work as staff have to create goals and track multiple goals. To minimize the administrative burden of creating new goals for each project, the City can have a universal goal in place and only deviate for certain justifications. For an increase example, large development projects that require community outreach can utilize local vendors for outreach and communications efforts. As a decrease example, a road resurfacing project requires a specific asphalt material that only specialized contractors have experience using. A standardized data system will alleviate any significant burden of tracking multiple goals as any software tool could track projects at an individual level.

Implement Regular SBE Monitoring

Multiple programs had ongoing monitoring procedures requiring prime contractors to submit ongoing SBE expenses throughout the life of a contract. On a monthly or quarterly schedule, prime contractors submitted SBE expenses to date, projected SBE expenses, and an explanation of progress. Monitoring has two major benefits: 1) it identifies SBE shortfalls as they are occurring and allows remediation to occur, and 2) it increases actual utilization of SBEs by ensuring goals are met.

Ongoing contract monitoring does require administrative effort from staff. However, strong systems and procedures can significantly lessen this burden. Prime contractors can submit summary SBE utilization along with invoices from SBEs. City staff can then track information as they would otherwise using a standardized data system.

Bid Discount or Rating Bonus

Both the [City](#) and [County](#) of Los Angeles and San Francisco create bidding advantages for SBEs through a bid discount. Certified local businesses receive a discount of 8 – 15 percent on a contract up to a maximum discount. For contracts and agreements based on a points system rather than a low bid, adding bonus points for SBEs accomplishes the same goal of creating a preference for small, local enterprises.

While research did not show any similar system in LA for subcontracting, the bid discount/rating bonus preference could easily apply to subcontracting through a standard formula. For example, the SBE utilization percentage multiplied by 15 percent is the final bid discount (discount = 0.15 * SBE percent). This could also be applied with a minimum SBE requirement, where SBE utilization above the required percentage serves as the multiplier. Table 10 below provides an example bid with an SBE bid discount where Bidder B has the low bid because of the discount.

Table 10. Sample Bid Discount

Contractor	Proposed Bid	SBE Percentage	Discount (0.15*SBE %)	Bid for Scoring
A	\$ 3,700,000	100.0%	15.0%	\$ 3,145,000
B	\$ 3,200,000	40.0%	6.0%	\$ 3,008,000
C	\$ 3,700,000	12.0%	1.8%	\$ 3,633,400
D	\$ 3,100,000	10.0%	1.5%	\$ 3,053,500

Priority Bid for Small Contracts

Both [Phoenix](#) and [San Francisco](#) create priority or reserve bid programs to provide pools of business solely for SBEs. Both systems set aside certain types and sizes of Purchasing contracts to only allow SBEs to bid. If no SBE bids on the contract, then the contract is advertised to the larger vendor community.

Priority bid programs create significant benefits by guaranteeing business for SBE firms and creating flexible targets based on type of contract and types of certified SBE. However, priority bids also have multiple drawbacks. First, priority bids require City purchasing staff to identify potential SBE-priority contracts and move them into a separate workflow. Second, if no SBEs have capacity to fulfill the contract, purchasing staff must put the request out a second time to the broader vendor population. Finally, by limiting the pool of potential vendors, priority bid programs may decrease competition and increase costs.

Award Utilization to Prime SBEs

The current implementation of the SBE program only utilizes subcontracting, but the goal stated in the Executive Order is for “ten percent (10%) of all contracts and agreements for services, goods, supplies, and construction activities” to go to SBEs regardless of the mechanism (purchasing contract, prime contract, subcontracting). Presently, SBEs serving as prime contractors must still subcontract to SBEs for 10 percent of all work. This practice is not in line with other programs researched, which recognize SBE utilization for all contracting relationships.

SBE firms may not have the capacity and relationships to find other SBE subcontractors and still compete on bids. If the goal of the program is to help SBEs gain experience to become prime contractors, their own participation as an SBE should not be discounted. SBEs serving as prime contractors on contracts that put them above the revenue threshold for the program would graduate, which is the ultimate aim of the SBE program. As a limit on this policy, contracts above a certain threshold – perhaps the revenue limits for the program – could always require additional SBE subcontracting. These two policies combined recognize all SBE participation on smaller contracts while promoting participation from more firms on larger contracts.

Mentor/Protégé Program

San Francisco operates a [mentor/protégé program](#) that pairs SBEs with prime contractors or consultants in a similar field. Mentors and protégés prepare an Action Plan covering a range of topics, including:

1. **Organizational/Structural Needs**
2. **Leadership Development Needs**
3. **Financial/Business Infrastructure Needs**
4. **Insurance/Bond Needs**
5. **Networking/Business Community Engagement Needs**

City program managers pair mentors and protégés based on fit and guide the two-year relationship. The mentor and protégé enter into an MOU and report quarterly based on activities and outcomes of the relationship. At the end of the two years, the goal is for the protégé to graduate to serving as a prime contractor or consultant.

A mentor/protégé program has significant potential for guiding SBEs through the growth stages to serve as prime contractors. The established prime contractor provides guidance on the systems and operations needed to grow a business and provides a relationship to gain experience through partnerships. Mentor/protégé programs also have significant downside risk. Unsuccessful relationships will damage both the prime contractor's and SBE's views of the SBE program. These relationships are also unlikely to succeed without significant support from program staff, which requires a major administrative burden.

Allow Prime Contractors to Submit SBE Applications with Bids

The current list of certified SBEs includes about 150 businesses. However, many Certified SBE firms do not provide the types of goods and services prime contractors require for most City projects. City outreach and recruitment efforts are important and will expand this pool, but prime contractors can also serve as a valuable outreach tool. Allowing prime contractors to find SBEs and certify them as part of the bid will bring in more SBEs to the program. Prime contractors or their subcontractors could submit the SBE application as part of the bid, and the City could provisionally certify the firm based on an initial review of application documents.

Preference Community Wealth or Income Generation

State Question 759 prohibits discrimination or preferential treatment on the basis of race, color, sex, ethnicity, or national origin. Programs can create preferential treatment based on other criteria, however. For example, the SBE Program creates preferences for small and local businesses.

Wealth or income provide additional criteria for the SBE Program to support Tulsans who may have significant barriers to entry in starting and growing a business. Entrepreneurs require significant capital to start and grow their business, but those individuals and communities without wealth may not have the assets to invest in a business. Small businesses also serve as one of the most important wealth generators for individuals, and more equitable small business development can address major inequities between communities in Tulsa. Finally, small businesses drive job growth in Tulsa, and firms located in lower-income and lower-wealth communities create jobs where they are needed most.

Implementation of a wealth- or income-based preference requires two steps. First, TAEO will have to create an additional certification for these businesses. Second, the City will have to implement an additional preference in contracting and subcontracting.

Options to certify businesses include, but are not limited to:

1. **The business is located in a low-wealth or low-income (e.g. 60 percent of Area Median Income, AMI) areas of Tulsa (e.g. Census Tract, ZIP Code)**
2. **A certain percentage of employees reside in low-wealth or low-income areas**
3. **The owner demonstrates a net worth below a certain threshold**

Options to preference low-wealth or low-income business include, but are not limited to:

1. **Award additional utilization for these businesses (e.g. 1 percent utilization counts as 2 percent)**
2. **Require use of these businesses on certain projects**
3. **Have lower thresholds for these businesses**

No Nepotism Rule

The SBE Program requires prime contractors to utilize SBE firms as subcontractors. This requirement creates potential opportunities for businesses to take advantages of SBE preferences by creating multiple entities that fit the program requirements. The Tulsa SBE Program anticipated potential conflicts and structures by requiring independent ownership so larger firms could not create SBE subsidiaries, precluding an owner from having multiple SBEs, and not allowing sharing resources between SBEs.

An additional potential conflict is nepotism in the prime contractor – subcontractor relationship. Public officials and many public programs create no nepotism rules to prevent individuals from using public programs to benefit close kin.

Section 5

PROCESS IMPROVEMENTS

Regardless of policy changes to the program, process improvements to the administration of the SBE Program could potentially advance multiple goals, including:

- Increase the number of certified SBEs in the Program
- Increase the number of SBEs earning business as subcontractors through the program
- Increase the number of projects achieving SBE goals and the overall amount of business with SBEs
- Enhance the experience of SBEs and Prime Contractors
- Build trust with certified SBEs, potential SBEs, and other stakeholders



A business process analysis and research from What Works Cities identified multiple challenges with the SBE Program that inhibit the success of the above goals:

1. **A cumbersome application.** The current SBE application is a 7-page spreadsheet that requires a functional knowledge of Microsoft Excel, extensive personal and business financials, and additional attachments on certifications and tax information submitted via email. While no data is available to verify whether the application reduces the number of Certified SBEs, it is highly likely and worsens participants' experience.
2. **A lack of accessibility, project fit, and key information in the SBE Member Directory.** Through interviews, What Works Cities determined prime contractors frequently used the same SBEs because they struggled to find the right types of subcontractors for City projects in the SBE Member Directory. Contractors had to download the directory, were unable to sort through information easily, and could not identify key information about SBEs such as the type of work they perform and their experience. Additionally, prime contractors stated the list of SBEs lacked the types of businesses they could utilize as subcontractors on City projects.
3. **Non-standardized datasets and systems.** City staff in Engineering, Streets and Stormwater, Purchasing, and TAEO all utilize SBE data in different non-standardized manners. Engineering and Streets and Stormwater both track project utilization information but without standardized project information and without a raw data template. Purchasing has significant information about City expenses on agreements and contracts but lacks information in the MUNIS system to analyze data by SBE status. TAEO compiles these datasets together but has not implemented systems across all divisions for standardized data practices and systems.
4. **High barriers to express interest in the SBE Program.** The current SBE website provides a significant amount of information on the SBE Program, but no low-barrier manner to learn more. If a business was interested in learning more or contacting City staff, they must scroll to the bottom of the page and either complete the application or email SBE@cityoftulsa.org, which is not highlighted in any manner. While no data is available to verify whether potential SBEs have visited the site and not taken steps further in the process, it is likely this occurs, and the current state of web-based program information worsens participant experience.

The below sections outline process improvements to address these four challenges with the goals of increasing SBE utilization and enhancing prime contractor and SBE experiences.

Simplify the Application Process

TAEO should make the application itself easier to use and eliminate extraneous information from the forms. The current spreadsheet-based application requires a working knowledge of Microsoft Excel, is challenging to navigate, and does not have clear instructions on how to complete each page. An online application through a software such as Microsoft Forms would guide applicants through the process, ensure complete applications, and allow users to complete the application on a smartphone.

Additionally, the current application includes several sections irrelevant to the SBE Criteria such as personal tax information and certain business financials. A streamlined application should focus only on the following five criteria:

1. **Operating for at least one year**
2. **Revenues of less than \$3 million (or \$5 million for construction firms)**
3. **Be a for-profit business, independently owned with a physical address in the Tulsa MSA**
4. **Have the capacity to perform work independently or as a subcontractor relative to field of operations, and if required, have a license or certificate**
5. **Be owned by U.S. citizen(s) or lawful, permanent residents of the United States**

To accomplish this, the application need only collect basic business information and the following: 1) a recent tax return showing revenues; 2) a current business license with the Secretary of State; 3) proof of business location within the Tulsa MSA (e.g. a lease or deed); and 4) relevant licenses and certifications. The application should eliminate all other data collection fields.

Metrics: To determine if application changes positively impact the program, TAEO staff will track the number of SBEs participating in the program and the experiences of SBEs based on subjective survey responses.

Owner: TAEO, specifically the SBE Program Director, will create a new SBE application.

Develop an Easier-to-Use SBE Membership Directory

Prime contractors should easily be able to find the businesses they need to subcontract for any City project. The current SBE Membership Directory provides the relevant information but requires significant knowledge and effort to use. The following recommendations aim to enhance prime contractor use of the SBE Membership Database:

Make the Directory accessible on the web. Instead of an Excel download, the Directory should exist in a form that users can access directly through the web, such as a Tableau dashboard, Excel sheet through SharePoint, or a separate webpage.

Standardize business types. The Directory should have standardized business types so prime contractors can more easily identify the types of businesses they could possibly subcontract. If additional specificity of work is needed, the Directory could have multiple business sub-types.

Add key fields for experience, certifications, and other relevant information. Prime contractors need to know the capabilities of SBE subcontractors, and this section will aim to provide that critical information. If possible, the Directory should include information on SBEs qualifications and experience, either as a description, a link to a webpage, or a separate document download.

Metrics: TAEO staff will track the number of firms that earn business through subcontracting, the diversity of business types, and the experiences of prime contractors based on qualitative research or subjective survey responses.

Owner: TAEO, specifically the SBE Program Director, will create a new SBE Membership Directory.

Create an SBE Interest Survey at the Top of the Webpage

Small, local businesses who have learned of the SBE Program presumably visit the SBE website to learn more. However, many of them may not contact the City because there are no low-effort entry points on the website. A simple interest survey at the top of the page will allow visitors to determine if they likely qualify as SBEs and provide TAEO a source of potential SBEs.

Metrics: TAEO staff will track the number of firms participating as SBEs, the amount of business they earn through subcontracting, and the diversity of business types.

Owner: TAEO, specifically the SBE Program Director, will create an SBE Interest Survey.

Streamline Data Collection and Processing

A shared data system with standardized project and business name information will create consistency across all divisions tracking SBE utilization and allow for more efficient program analysis. Because of the structure of the data, tracking may require a relational database. However, adjusting the current database into a single spreadsheet would allow members of the public to more easily access the data and perform their own analysis.

Multiple options to create a standardized and streamlined data system exist. These include:

1. Utilizing subcontractor sections and information in MUNIS
2. An Access Database storing project data and subcontracting data separately
3. Two separate Excel spreadsheets
4. Restructuring the data into one Excel spreadsheet, if possible

A MUNIS-based system has significant advantages over Options 2-4 as it leverages citywide financial information and ensures consistency in structure and naming conventions. All the above options would most likely require tables presented in Tableau dashboard or summary tables to allow members of the public to view the data in an accessible format.

Metrics: TAEO staff will review if new systems eliminate duplicate and inconsistent information in the SBE data. Additionally, TAEO staff will collect qualitative data from other City staff to determine if the new system is accessible and easy-to-use.

Owner: TAEO, specifically the SBE Program Director, will create a new data system and architecture for the SBE Program. Engineering and Streets and Stormwater staff will use the system to track SBE utilization data.

Section 6

PROGRAMMATIC PROPOSALS

Amend Executive Order

Organizational restructuring and ongoing policy improvements have made the original draft of the Executive Order out-of-date. Additionally, some key processes and procedures have not been detailed either in the Executive Order or guiding policy documents. To address these issues, the Executive order should be amended and additional procedures outlined in the SBE Program Overview to accomplish the following goals:

1. **Align with actual programmatic management**
2. **Align to actual policy implementation**
3. **Provide high-level guidance on goals, management, and scope**
4. **Allow the SBE Oversight Committee the flexibility to recommend improvements to program policies and address operational challenges**

Create SBE Policies and Procedures Manual

Staff should expand the current [SBE Program Overview document](#) into a Policies and Procedures Manual. The Policies and Procedures Manual will provide detailed policy requirements and guidelines on programmatic processes. This structure allows the SBE Oversight Committee to recommend changes to minor procedures, set new program goals, and clarify instructions without requiring amendments to the Executive Order.

Formalize SBE Oversight Committee Procedures

The EO Section 5.C. SBE Oversight Committee outlines the membership and meeting requirements for the SBE Oversight Committee as excerpted below:

The SBE Oversight Committee shall consist of the following individuals or their designees: the Mayor, Executive Director of the Tulsa Authority for Economic Opportunity (TAEO), the Director of the Mayor's Office for Resilience and Equity, the Director of Engineering Services, the City's Purchasing Agent, one (1) SBE program participant, and one (1) representative from either the Association of General Contractors or Associated Builders & Contractors.

The SBE Oversight Committee shall meet at least quarterly and shall receive quarterly reports from TAEO regarding SBE utilization, recruitment, and programming. Additionally, the Committee shall review the overall goal for SBE utilization annually and may recommend adjustment of this goal to the Mayor. The Committee shall conduct a review and renewal process for all SBE participants on an annual basis. The SBE Oversight Committee shall also review and recommend to the Mayor policies and operating procedures for the effective implementation and growth of the SBE program.

In addition to the above guidance, the SBE Program should provide the below guidance in the Policies and Procedures Manual:

COMMITTEE MEETINGS

- The SBE Oversight Committee shall meet on a quarterly basis, on the second Thursday of the third month of the quarter at 10:00 AM.
- At each meeting, the Small Business & Entrepreneurship Program Director shall provide information on the following:
 - A memo summarizing updated utilization data
 - A list of all new registered SBEs
 - A description of all training and events in the last quarter

ANNUAL REPORT AND POLICY REVISIONS

- Once per year at the March meeting, the SBE Program Director shall prepare an annual report summarizing SBE utilization, programmatic outcomes, policy recommendations, and other relevant information
- Based on the annual report, the SBE Oversight Committee shall review overall utilization and make recommendations to the Mayor on the SBE Program. Recommendations can include:
 - Increases or decreases to the target SBE utilization percentage
 - Changes to the scope of SBE participation (e.g. expand to purchasing or prime contracting, limit to certain types of subcontracting)
 - Changes to the SBE Oversight Committee procedures (e.g. more/fewer meetings, creation | of formal commission)
- Within thirty business days, the Mayor shall review and either approve or reject the SBE Oversight Committee's recommendations
- TAEO will implement any Mayoral-approved changes in the next fiscal year

CERTIFIED SBE LIST

- Once per year at the June meeting, the SBE Program Director shall prepare an updated list of Certified SBEs for the next fiscal year
- The SBE Program Director and TAEO staff will re-certify all SBEs to compile this list
- Throughout the year, new SBEs may register for the program
- TAEO will regularly update (at least monthly) the online Certified SBE Directory with new SBEs; TAEO staff will regularly distribute (at least monthly) newly certified SBEs to relevant City staff as well

OVERSIGHT COMMITTEE MEMBER APPOINTMENT

The SBE Oversight Committee includes two appointed representatives: (1) the SBE program participant; and (2) the representative from either the Association of General Contractors or Associated Builders & Contractors. Each of these representatives shall be appointed by the Mayor with consultation from the SBE Oversight Committee and other stakeholders. A single term lasts two years, and a representative may serve a maximum of two terms either consecutively or non-consecutively.

If at any time a new representative must be appointed, the following process will guide the appointment:

1. TAEO staff shall inform the Mayor of the need for a new representative either thirty (30) calendar days before to the end of their term. If TAEO staff receive notice of a representative ending their appointment prior to the end of a term, TAEO staff shall inform the Mayor within seven (7) days.
2. The Mayor shall solicit input from stakeholders such as City Councilors, Certified SBE Members, General Contractors and related businesses, SBE Oversight Committee Members, and others. After consultation, the Mayor shall appoint a new representative.
3. Within thirty (30) days of appointment or seven (7) days prior to the next SBE quarterly meeting, whichever is sooner, SBE staff shall provide an overview of the SBE Policies and Procedures and Committee responsibilities to the new representative.

CONCLUSION

While still in its early stages, Tulsa's SBE Program has made significant strides in exceeding programmatic goals, aligning with best practices across the country, and supporting Tulsa's small business community. The process improvements outlined in this report will allow streamlined implementation of potential policy changes and are a key next step for the progress of the SBE Program. Nonetheless, the program still has opportunities to learn from additional best practices, implement new policies, and improve existing processes and administration.

The City of Tulsa and TAEO look forward to engaging in continuous improvement of the SBE Program and welcome feedback from prime contractors, SBEs, and other stakeholders. Please contact us at sbe@cityoftulsa.org to share your thoughts.





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