



CITIZENS' GUIDE TO THE SMALL BUSINESS RESERVE PROGRAM

navigating metro government's small business marketplace.

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Background

In June 2017, Metro Government contracted with an independent third-party to conduct the triennial disparity study. As part of that effort, a threshold analysis determined the average Metro Government contract was small enough for businesses to perform as prime contractors.

Among ten policy recommendations from the disparity study is the establishment of a small business reserve program. This race and gender-neutral approach establishes a dollar amount under which certain contracts are eligible to be bid on only by small businesses. This is a long standing best practice to increase small business participation, ensuring that small firms are not competing directly with very large companies.

Most minority and woman-owned firms are also small businesses. Therefore, black, brown, and woman owned firms have a better chance of being awarded prime contracts when competing in a reserve program.

Authority

While the City of Richmond vs. Croson decision disallows quotas or set asides, race and gender neutral small business prime programs are permissible and a long standing industry best practice.

Locally, the purchasing agent is authorized by R4.44.020.03 of the [regulations to the procurement code](#) to enact set asides for small businesses.

Overview

Generally, solicitations in the small business reserve program will be no more than \$250,000 in value and in one (1) of three (3) work categories:

- Construction;
- Architecture and Engineering;
- Professional Services.

The goal is to increase participation levels for small firms in government contracting. Participants in the small business reserve program must meet certain requirements and may be required to partake in certain training as directed by the business development officer.

By bidding through the small business reserve program, the applicant is accepting the governing policies and procedures and accepting the responsibilities that condition participation in the program.

Goals & Objectives

Goals:

1. Increase the number of prime contracts awarded to small businesses.
2. Build a supplier network increasingly reflective of Metro Nashville's population.
3. Support the equal business opportunity program's equity and inclusion goals.

Objectives:

1. Partner with resource organizations to build participant capacity.
2. Align business development and outreach capacity building offerings with small business reserve program participant needs.
3. Record, report, and realign small business reserve program as necessary to ensure maximum participation of Metro Government departments and agencies.

Program Performance Measures

In order to evaluate the effectiveness of the small business reserve program, the following metrics are established and will be tracked annually by the procurement data officer:

1. Solicitations:

- Number of solicitations placed into the program vs. open market.
- Average number of bids received for solicitations in the program vs. average number of bids received for solicitations received in the open market.
- Percentage of solicitations in the program resulting in an award to small businesses.

Success: More solicitations in the program > than not in the program.

Success: Between 1-3 bids, contingent on availability.

Success: > 75 percent awarded to small business.

2. Equity:

- Percentage of solicitations in the program receiving bids from:
 - Minority owned businesses.
 - Woman owned businesses.
- Percentage of projects/solicitations in the program awarded to:
 - Minority owned businesses;
 - Woman owned businesses.

Success: Percentage equal or greater than availability for project/solicitation work category availability estimate.

3. Information:

- Number of projects/solicitations by work category.
- Number of projects/solicitations by department/agency.

Success: Ratios consistent with availability estimates and solicitation issuance.

Equity & Inclusion

Equity and inclusion are vital parts of all program evaluation metrics in the division of purchases. In conjunction with the equal business opportunity program, Metro Government will use the small business reserve program to ensure these overarching goals are being met.

Specifically, the success of the program in this regard will be assessed as follows:

1. Does the small business reserve program increase or decrease opportunities available to black, brown, and women participants?
2. Does the small business reserve program have adverse or unintended consequences for certain populations?
3. Does the program promote a more diverse, equitable, and inclusive purchasing process

Since most minority owned and woman owned firms are also small businesses, this is both a reasonable desirable outcome.

Standards & Processes

Eligibility

Any Metro approved small business (SBE) may bid through the small business reserve program. To become a Metro approved small business, a firm must:

- ✓ Register [to do business](#) with Metro Government.
- ✓ Email (bao@nashville.gov) the following documents:
 - [Letter of affirmation](#) on company letterhead signed by the principal.
 - Two (2) most recent business tax returns.
 - Two (2) most recent IRS 941 quarterly filings.
 - For the letter of affirmation, please review the [eligibility standards](#) and include the appropriate industry classification in the designated space.

Questions about small business status? Email jerval.watson@nashville.gov.

General Guidelines

While not strictly required, except where specified by a solicitation, firms bidding through the reserve should generally meet the following criteria to maximize their chances for award:

- ✓ Credit line of no less than \$50,000.
 - Business may be asked to provide *Proof of Funds Letter* from bank(s) or other financial institution(s).
- ✓ Bonding capacity of no less than \$100,000, where appropriate.
 - Business may be asked to provide *Certificate of Bonding*.
- ✓ Professional liability insurance of no less than \$1,000,000.
 - Business may be asked to provide *Certificate of Insurance*.
- ✓ Licensed for commercially useful function, where applicable.
 - Business may be asked to provide *Copy of License(s)* issued by the state of Tennessee.
- ✓ In good standing with Metro Government.

The small business reserve is discretionary program. Participation is subject to revocation at any time by the purchasing agent.

More information on registering to do business with Metro and the small business approval process is available online: <https://www.nashville.gov/Finance/Procurement/How-To-Do-Business-With-Metro.aspx>

General Program Requirements

In order to remain in the program, participants must adhere to the following general requirements:

- ✓ Commit to performing as a prime contractor.
- ✓ Maintain license or certification for commercially useful function, where applicable.
- ✓ Maintain and update-as-necessary registration with iSupplier.
- ✓ Maintain approval by Metro Government as a small business (SBE).
- ✓ Perform no less than 51 percent of the work on any award.
- ✓ Solicit subcontracting opportunities, where appropriate, from minority and women-owned businesses (M/WBEs) to meet Metro Government's equal business opportunity program (EBO) subcontracting goals.
- ✓ Participate in an annual audit and any other requested meeting(s) with the business development officer and/or purchasing agent.
- ✓ Agree to help future small business reserve participants by becoming a mentor in the mentor/protégée program.
- ✓ Comply with all federal, state, and local contracting laws, policies, and procedures.
- ✓ Remain in good standing with Metro Government.

Prohibited Participation

The purchasing agent may, at her sole discretion, prohibit the participation of any firm in the small business reserve program on either a temporary or permanent basis. Behavior which may result in such a prohibition includes, but is not limited to:

- ✓ Failure to maintain program requirements.
- ✓ Willful disregard for federal, state, or local contracting laws, policies, or procedures.
- ✓ Poor work performance and/or work-safety violations on a Metro Government project.
- ✓ Unfavorable results arising from the an audit.
- ✓ Subcontracting work in excess of the allowable limit.

- ✓ Failure, in the judgment of the purchasing agent, to remain a viable partner and participant in the small business reserve program.

Prior to removal from the program, a participant may be counseled by the business development officer and assigned to participate in a corrective action plan. Consistent with the code and regulations, any decision made by the purchasing agent is subject to the standard process of appeal.

Frequently Asked Questions

1. What is the Small Business Reserve Program?

The small business reserve is a unique marketplace where small businesses compete only against other small businesses for Metro Government contracts. Reserving certain solicitations increases the likelihood of small firms receiving prime contracting opportunities from Metro Government.

2. How does a supplier get into the small business reserve?

Any Metro approved small business (SBE) may compete for contracts through the small business reserve. See **Eligibility** (page 4) for more information.

3. How does the Small Business Reserve Program work?

Subject to sufficient program availability, generally, contracts under \$250,000 in value will be set aside in a marketplace where only small businesses may bid for the work.

4. How will Metro decide what procurements to put in the small business reserve?

Generally, contracts at or below \$250,000 in value will be placed in the reserve.

In determining whether to place a solicitation in the small business reserve, the availability of firms in program area that are ready, willing, and able to perform the work will be evaluated. Sufficient availability must be present to ensure a competitive bidding process.

5. How will an offeror know a solicitation is designated for the small business reserve?

The solicitation will state clearly that it is issued pursuant to the small business reserve program and that only offers received Metro approved small businesses (SBE) will be deemed responsive.

The following is an example of language which may be included in any solicitation issued pursuant to the small business reserve:

This solicitation is issued pursuant to the small business reserve program. Contracts arising from this solicitation may only be awarded to small business enterprises. Offers from suppliers not meeting this criterion may be deemed non-responsive.

6. Do equal business opportunity (EBO) program goals apply to solicitations placed in the small business reserve program?

Participants in the small business reserve are expected to solicit subcontracting opportunities, where appropriate and available, from minority-owned (MBE) and woman-owned (WBE) enterprises. The inclusion of specific EBO goals will be determined, by the purchasing agent, on a case by case basis and stated clearly in the solicitation.

Because contracts included in the small business reserve will generally be under \$250,000, it may be reasonable to assume that the awarded prime contractor will perform a majority of the work.

7. What is the difference in the small business reserve program and the equal business opportunity program?

The small business reserve program is race and gender neutral, prime contracting program. Suppliers must be willing to function as the prime contractor, which means being paid directly, managing the entire contract, and reporting directly to compliance staff at Metro Government.

The equal business opportunity program is a race and gender conscious, subcontracting program. Suppliers must be certified as minority or women-owned firms and willing to work as sub-contractors. This means being paid by the prime contractor and reporting to the prime contractor for compliance.