

Small Business Utilization Council Meeting

MINUTES OF REGULAR MEETING

July 16, 2007

No. 1 Capitol District Building – Conference Room 436

1. Call to Order - Chair Liu called the meeting to order at 1:05 p.m., with a quorum present.

MEMBERS PRESENT:

- Theodore E. Liu
- Russ K. Saito
- Barry Fukunaga
- Aaron Fujioka

ATTENDEES:

- Patricia Ohara
- Jessica Horiuchi
- Dori Palcovich
- Lisa Gibson
- Jeff Bloom
- Anthony Marlin
- Richard Kane
- Jon Park
- Justin Fo
- Mike Kido

2. Approval of June 12, 2007 Minutes – Minutes of the June 12, 2007 Small Business Utilization Council (SBUC) meeting were approved as presented.
3. Update of letters sent to County Mayors for representation on the SBUC – Vice Chair Saito received a letter from Honolulu Mayor Hannemann designating Ms. Mary Patricia Waterhouse, Director of Budget and Fiscal Services, as a voting member to the SBUC. She will be invited to attend the next Council meeting. Chair Liu will send out reminder letters to the remaining mayors.

Vice Chair Saito reiterated that the Procurement Policy Board (PPB) approves the SBUC's recommendations for designees as members to this Council. He suggested that the SBUC vote on the recommendation of a designee and submit it to the PPB each time a name has been provided by the respective mayor. Chair Liu requested that an action item be included on next month's agenda to recommend to the PPB additional members for the SBUC.

Update of memorandum to Procurement Policy Board regarding adoption of SBA Table of Small Business Size Standards – Vice Chair Saito submitted the SBUC's memorandum to the PPB. He stated that the PPB considered the SBUC's request to adopt the SBA's Table of Small Business Size Standards to be a legitimate request in terms of changing the rules. Member Fujioka, however, explained that the request is not effective or implementable in the form it was received. The PPB would need further guidance with more substantive information to adopt the request as an interim rule. He suggested that this Council provide the PPB with clearly defined small business size standards and guidelines in proper Hawaii Administrative Rules format.

Vice Chair Saito suggested that the SBUC accept the SBA's definitions subject to the set-asides. He stated that once the small business size standards are issued as rules, the individual procurement officers would then be able to create set-asides against those standards. Thus, the size standards recommended by the SBUC would simply be criteria against which they could choose to exercise the set-asides of the subcontractors. Ms. Horiuchi explained that it appears clear in the initial rules that the intent is to provide framework, and to allow the individual chief procurement officers to have the discretion and authority to proceed with their small business purchases using particular clauses in the initial rules. She further explained that the intent of the SBUC in its recommendation to the PPB last month was to provide additional guidance in using the SBA's size standard definitions. Vice Chair Saito stated that the SBUC

does not need to replicate the SBA's size standards but only to make reference to it, however, that alone is not sufficient. The PPB should also be provided with a draft of the Hawaii Administrative Rules to essentially describe exactly how the small business criteria will be used to create the set-asides and how to establish requirements of the subcontractor. After much discussion, Vice Chair Saito offered to draft additional procedural guidance for recommendation by the SBUC to present to the PPB.

4. Recommendation on initial set-asides – Vice Chair Saito recommended computer applications development as an initial set-aside. The industry sector is information technology, which includes anything related to computers. Member Fukunaga recommended custodial-type work as an initial set-aside. Much discussion ensued about this issue with Vice Chair Saito explaining that the federal government's process includes setting objectives with "across the board" percentages, which gives discretion to the procurement officers to achieve certain goals. He explained that creating a set-aside only limits the size of a company.

Mr. Jeff Bloom discussed examples of the Federal guidelines. He stated that based on these guidelines, most Hawaii small businesses will be defined as a small business pursuant to the SBA standards. He explained that whenever a company applies for a Federal contract it is asked whether it is a small business; this information is tracked. He also explained that a Federal contract allows a small business to partner with a large company. He confirmed that the rules will be important when the procurement officers understand what it is the SBUC is attempting to do to meet certain guidelines.

It was suggested that the members of this Council bring to next month's meeting criteria suggestions for a potential pilot program. Vice Chair Saito stated that as other members are added on to this Council, they should be solicited for additional suggestions for the pilot program. It was noted that Chair Liu will have a conversation with the directors of the departments of Education and Human Services to discuss having a procurement representative from their agencies to be considered as members of this Council.

5. Discussion of evaluation criteria for subcontracting to small businesses – This discussion has been incorporated into Agenda item 4.
6. Public input and discussion – Mr. Richard Kane inquired into this Council's pilot program's objectives. It was explained that the objectives are both sustainable economy and the nurturing of new business. Chair Liu stated that fundamentally, the small business preference program is about helping small business. Mr. Mike Kido, representing Ms. Caroline Kim, Center Director of the Small Business Development Center (SBDC), provided the following information as it may relate to creating potential categories for set-asides. The SBDC's clients consist of 28 in the arts and entertainment industry, 28 in manufacturing, and 116 in service and establishment.
7. Next Meeting: Monday, August 6, 2007, No. 1 Capital Building Rm. 436, 1:00 to 3:00 p.m.
8. Adjournment - Chair Liu adjourned the meeting at 2:24 p.m.