

Small Business Utilization Council Meeting

MINUTES OF REGULAR MEETING

December 13, 2007

No. 1 Capitol District Building – Conference Room 410

1. Call to Order - Chair Liu called the meeting to order at 1:36 p.m., with a quorum present.

MEMBERS PRESENT:

- Theodore E. Liu
- Russ K. Saito
- Brennon Morioka
- Kalbert Young
- Wallace Rezendes
- William Takaba

ATTENDEES:

- Patricia Ohara
- Jessica Horiuchi
- James Tollefson
- Wendy Imamura
- Richard Kane
- Justin Fo
- Dori Palcovich
- Ilene Deutsch

ABSENT MEMBERS:

- Mary Patricia Waterhouse
- Aaron Fujioka

2. Welcome and introduce Brennon Morioka, Department of Transportation – Members welcomed Mr. Brennan Morioka, Acting Director of the Department of Transportation (DOT) and new member to the Small Business Utilization Council, having replaced member Mr. Barry Fukunaga.
3. Approval of November 5, 2007 Minutes – Minutes of the November 5, 2007 SBUC meeting were approved as presented.
4. Follow-up on the recommendation to the Procurement Policy Board to approve Messrs. Kalbert Young, William Takaba and Wallace Rezendes as voting members of the Small Business Utilization Council – Vice Chair Saito reported that the recommendation made to the State's Procurement Policy Board (PPB) to nominate Messrs. Young, Takaba and Rezendes as voting members of the SBUC was approved. On behalf of the SBUC, Chair Liu welcomed the new members, was grateful to the respective mayors for assisting in designating these members and looked forward to working with each of them.

Vice Chair Saito provided the new members with a brief summary as to how the SBUC came about. He stated that the purpose of the rules was to create the law that allows the SBUC to establish set-asides within the small business preference program where procurement officers can set-aside certain procurements for competition only among small business. Where such contracts are not suitable for small businesses, the procurement officers will have the ability to establish criteria for evaluating contractors' offerings on the basis of their usage. He further stated that because the laws, which went into effect a year ago, are not specific, the SBUC agreed to utilize the Small Business Administration's definition of small business. The primary purpose of the SBUC therefore is to make recommendations to the PPB for approval of specific set-asides.

5. Discussion by Vice Chair Saito regarding the availability of video-conferencing for this Council – Vice Chair Saito explained that in order for video-conferencing to work effectively, each neighbor island member would need to physically attend a State video-conferencing center. Such centers are located in Lihue, Wailuku and Hilo; when using a State center there would be no usage charge. Chair Liu added that an alternative option to the State's video conferencing is a telephonic audio feed called Skyte, which

would suffice under State sunshine laws requiring both an audio and video feed to be official. This is a free service that can be found on www.skype.com where one can download the information onto a computer. While the sound is not very clear because one would be talking on a telephone, it is very clear visually when projected on a screen. The neighbor island members provided Vice Chair Saito their availability as to when they would or would not be available for meetings.

6. Review and discussion of draft Governor's Administrative Directive encouraging state agencies to create set-asides and subcontracting work for small business – Chair Liu explained that part of the SBUC's role is to get the word out about the preference program to all the procurement agencies. In order to accomplish this, an initiative was discussed at the last SBUC meeting to prepare a Governor's Administrative Directive (AD). The AD is intended to explain exactly what the small business preference program entails and what is required from the agencies. A very rough draft AD was distributed; Vice Chair Saito will share it with member Fujioka for assistance in finalizing it.

Vice Chair Saito distributed a proposed supplement to the existing HAR Chapter 124, Subchapter 9 "Small Business Preference Rules." He explained that because the procurement officers require explicit guidelines and instructions regarding the preference program, a supplement to the rules was needed. This supplement, to be included as Section 3-124-73.1, and entitled "Implementation of Small Business Preference by Heads of Purchasing Agencies," will be reviewed and discussed at the next PPB meeting for approval. Once approved, the supplement will go into affect as interim rules. He explained that the PPB is able to approve interim rules for an eighteen-month period whereas permanent rules are required by law to proceed via official rule-making process. Once approved, the interim rules would go into affect. He also explained that he has submitted the proposed recommendation to the PPB as the Comptroller of the Department of Accounting & General Services and will report the results at the next meeting.

7. Follow-up on the Department of Accounting & General Services and the Hawaii Procurement Institute's proposed training course on procurement processes and procedures – Vice Chair Saito received a written proposal for training of the State procurement process from Hawaii Procurement Institute (HPI). Because HPI is associated with the University of Hawaii's (UH's) Richardson School of Law, UH may request to procure the training service. Training will focus on the conceptual framework of the processes and procedures of State procurement and aimed towards the decision makers. He noted that the relevance of this training is for procurement officers who currently understand the mechanics of the forms, but would benefit from learning the conceptual aspects of procurement. Chair Liu suggested that training be made available to division managers of agencies and attached agencies. Vice Chair Saito stated that he approached the Department of Human Resources Development which is in support of such training. The only issue at hand is the lack of funding; all those enrolled in the training would be required to pay for the classes up-front.
8. Follow-up on discussion of potential pilot programs – Chair Liu explained that the SBUC is currently considering choosing pilot programs within the preference program. While general concepts have been previously discussed, the members have yet identified exact pilots within the program. Much discussion ensued regarding what type of companies should be chosen.

Ms. Horiuchi, Executive Director of HPI, explained the federal government's procurement program process to the new members. Vice Chair Saito stated that based on the current administrative rules, even if no further directions were given, the procurement officers can create their own agency's set-asides.

9. Update on budgetary issues – It was clarified that a budget for the SBUC has not been provided for. Vice Chair Saito stated that if the Counties are amenable to funding the neighbor island members' travel expenses, any remaining costs will be absorbed by DBEDT, DAGS, and DOT.
10. Public input and discussion – Mr. Richard Kane from Pacific Resource Partnership explained that he works with the carpenter's union where there are 350 members. He questioned whether self-reporting small businesses with certain types of licensing, as opposed to companies under a central contractor registration, would be qualified under the preference program. He also questioned and expressed concerns whether it is a restraint of trade if the State's preference program is utilized only in HUB zones. Chair Liu explained that if HUB zones are utilized, under the Federal definitions, every company qualifies statewide. He also explained that if the SBUC can justify utilizing certain types of geographic sub-zones that are economically under-utilized and deserving of additional support that do not match up with the

HUB zones, the SBUC may very well want to encourage economic activity in those areas. These issues will be researched and discussed further.

11. Next Meeting: Monday, January 7, 2008, No. 1 Capital Building, Room. 410, 1:00 to 3:00 p.m. - A memorandum was distributed to the members with the 2008 scheduled SBUC meetings. It was clarified that the meetings are held from 1:00 p.m. to 3:00 p.m.
12. Executive session under HRS 92-5(4) to consult with Council's attorney on issues pertaining to the Council's powers and duties regarding HAR 3-124-71(c) and 3-124-72 – A motion was made by Vice Chair Saito, seconded by Member Rezentes and passed unanimously to go into Executive Session under the provisions of Section 92-5, Exceptions, Subsection (a), Paragraph (4). The SBUC moved into Executive Session at 2:36 p.m. The Executive Session ended at 2:42 p.m.
13. Adjournment – Chair Liu adjourned the meeting at 2:53 p.m.