Caltrans Statewide Small Business Council
August 18, 2006 meeting minutes

Caltrans, Office of Civil Rights
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Sacramento, CA 95814
Telephone: (916) 324-0449

Guests Present:

Alston, Steve Corrections
Davis, Sarah GCAP

Welcome/Introductions/Opening Remarks:

Chair Fonseca began the meeting by welcoming and thanking all present for their attendance. Introductions were made around the room. Councilmembers Lau, Chaudhary, and Hou presented Steve Alston with an award, thanking him for his dedication to the SBC.

Chair Fonseca handed out framed copies of the Partnership Agreement to Councilmembers Guerrero, Llewellyn and Lau. Chair Fonseca asked the members who attended the Executive Order signing on July 21, 2006 if they had any comments to provide to the membership. Councilmemeber Guerrero expressed he wants to see the Order implemented. Chair Fonseca responded by announcing the Governor reaffirmed his commitment to small businesses, including DBEs. Chair Fonseca identified the three important actions Caltrans will be taking to implement the Order.

Director Kempton thanked the members who attended the Executive Order signing and he elaborated on what the Executive Order directed. He further elaborated on the Partnership Agreement signed by 15 individuals representing prime construction contractors, prime professional services and minority and women business organizations. He indicated Caltrans and the Business, Transportation and Housing Agency (Agency) were actively pursuing a Legislator to carry the Bonding Guarantee Program legislation. He further indicated once the legislative bill number is identified, Caltrans would provide the Council membership and small businesses including DBE organizations with the legislation. Councilmember Hou asked what does Caltrans expect from the signatories of the Partnership Agreement. Director Kempton answered that Caltrans is preparing a work plan to engage the 15 signatories to meet with Caltrans to discuss and find collaborative resolutions to issues such as bonding, insurance, prompt payment and including small businesses and DBEs on contracts. Councilmember Llewellyn thanked Mr. Kempton on his dedication and commitment to the DBE Program. Councilmember Guerrero mentioned that prompt payment continues to be a priority issue for small businesses. Director Kempton responded he acknowledges prompt payment has been a concern of all small businesses. He indicated that Caltrans continues to look at its own procedures for prompt payment and also recognizes that the fix may require legislation. Councilmembers, Guerrero, LaCome, Llewellyn, Lau and Hou all expressed their concern that several local government agencies are completing Disparity Studies and the minority/women communities will be inundated with surveys, public forums, hearing, etc. The request was for Director Kempton to contact these agencies and obtain agreements to share information among each other and to collaborate. Director Kempton agreed that governments should make efforts to share the Disparity information and he committed to sending at minimum a letter to the agencies requesting collaboration on the Disparity Study information they obtain. Director Kempton introduced Jim Bourgart, Deputy Secretary of Transportation, at Agency. Mr. Bourgart also acknowledged Councilmember Guerrero's expressed concern on the prompt payment issue. Mr. Bourgart announced that Agency appointed Sam Wallace as the Small Enterprise Officer. Mr. Wallace is preparing a strategic plan for the Agency Secretary on how Agency and Caltrans will outreach to small businesses, increase small business participation and share the outcomes of the Executive Order to the small businesses. The 4 million loan and lines of credit program will be administered by Agency, Glenn Stober. Caltrans held telephone conferences with small businesses and Surety companies. Based on the input from the businesses and the Surety companies, Agency will form an advisory group that will provide advice to Agency on to improve the existing Bond and Loan Guarantee Program. Mr. Bourgart also expressed that Agency, through Curt Augustine is seeking a Legislator to carry the Bonding Guarantee Program language. Caltrans has prepared the legislative proposal language and the language basically identifies that the $40 million will be authorized in Revenue and Taxation Code 7102 pertaining to spillover funds and the funds will return to the Public Transportation Account in the year 2011. Mr. Bourgart assured the Councilmembers that once a legislative bill number is identified, the information will be released to all the

Councilmembers. Chair Fonseca indicated the 2006 Legislative Sessions ends on August 31, 2006. Chair Fonseca indicated the Loan Guarantee and Bonding Guarantee programs are specifically for small businesses bidding on transportation related contracts. Councilmember Guerrero suggested that Caltrans define "transportation related contracts" when the program is finally implemented. Mr. Bourgart indicated Agency and Caltrans will promote and market the programs to small businesses. Councilmember Lau asked who will issue the bonds and loans and what is the maximum amount a business can borrow. Mr. Bourgart indicated there are 11 Financial Development Corporations in the California that are authorized in statute to issue the loans and bonds and the maximum amount that can be borrowed or bond is $500,000.

ITEM #1: Approval of June 16, 2006 Statewide SB Council Meeting Minutes

Motion: Motion by Councilmember Hou to approve the minutes
Second: Seconded by Councilmember Llewellyn
Approved by consensus.

ITEM #2: Insurance Specification

Victor Salazar from the Caltrans Office of Risk Management provided an update on the proposed insurance specifications. A handout was provided. See attached.

Mr. Salazar stated Navigant is completing its study with recommendation on Caltrans insurance requirements. Mr. Salazar indicated a copy of the study would be provided to the Construction Committee members. Councilmember Guerrero stated the Executive Order indicates Caltrans will look for ways to reduce the insurance requirements for more small business participation, yet the handouts indicates Caltrans is raising insurance requirements. He believes it is difficult for small businesses to obtain a $5 million insurance policy on projects under $1 million. Mr. Salazar stated that the study findings indicate Caltrans has not changed its insurance required in a long time and an insurance increase is over due so Caltrans looked at what levels should the Department increase or leave the same. Councilmember Llewellyn asked how much money has Caltrans paid in claims that would have the Department increase the insurance requirements. Mr. Salazar indicated he did not know the amount paid out on claims. She wanted to know if the people doing the study were representing the insurance industry. She was interviewed by Navigant. Mr. Salazar indicated Navigant is a consultant and not an insurance company. She acknowledged small businesses cannot pay the high insurance premiums and Caltrans should adopt OCIP. Mr. Salazar indicated small business contractors provided pros and cons on OCIP and not all of them favored OCIP. Councilmember Llewellyn believes OCIP should be adopted and the language should be the same on all contracts. Councilmember Guerrero indicated District 4 has OCIP on some small contracts on the Bay Bridge Project. He further indicated OCIP might work to eliminate multiple insurance umbrellas. Councilmember Lau voiced that Caltrans should not have the same insurance level requirements for contracts under $120,000 and that subcontractors should not be required to insure the entire amount and duration of the contract, but only insurance the subs portion of work. Mr. Salazar indicated he would look into Councilmember Lau's recommendation. Mr. Bourgart thanked the Councilmembers for their comments on the insurance requirements and said he will share the information with the Agency Secretary. Chair Fonseca commented that the insurance issue would be a discussion point at the Partnership Agreement meeting. Councilmember Guerrero asked Mr. Salazar to provide the membership with the insurance specifications when they are ready. Mr. Salazar indicated he would provide Chair Fonseca with the web address to obtain the insurance specifications.

ACTION ITEMS: Mr. Salazar to provide the Council with 1) the web page address for the insurance specifications; 2) copy of the Insurance Requirements study report to the Construction Committee members; 3) identify the total dollar amount of insurance claims placed on contracts; 4) consider alternate insurance requirements for the portion of the work performed by a subcontractor; 5) consider reducing insurance requirements on contracts under $120,000; and 6) consider OCIP for contracts under $120,000.

Chair Fonseca to place on the Partnership Agreement agenda, discussions on prompt payment and insurance requirements.

ITEM #3: Update on Disparity Study

Chair Fonseca announced the appointment of Robert Padilla as the Disparity Study Project Manager. Mr. Padilla introduced Kazem Attaran who was the Caltrans economist for 30 years. Mr. Attaran will be working on the Disparity Study with Mr. Padilla. Mr. Attaran explained he sees himself as the watchdog for the Disparity Study. He will be a technical advisor. Mr. Padilla indicated his job will be to ensure the contract scope is met. Councilmember Lau asked if the Availability Study would be completed in four months. Chair Fonseca indicated the consultant would deliver a report by the fourth month. Councilmember Llewellyn recommended we alert the minority and women business community that Caltrans is completing the study and any written material we send to the community we should have the envelope stamp on front with a statement such as "Important – Disparity Study – Your participation is critical."

Chair Fonseca reminded the members that at the June 18 Council meeting a motion was passed, "…to select a Council member to work with the Disparity Study Project Manager to provide input as appropriate." Chair Fonseca asked for a volunteer from the Council membership. Hearing no offers to volunteer, Chair Fonseca offered an "open door" to all members to provide input as appropriate to Mr. Padilla at any time.

ITEM #4: District Updates and Update on SR 125 Project

District 4: District Director Sartipi announced that the District is planning a "Look Ahead" outreach forum to increase small business participation on District 4 contracts. On October 5, 2006, the AGC is hosting an "Emerging Business Enterprise" forum, which is the kick-off meeting of establishing a Mentor Protégé program for construction contractors. Derek Poole was hired as the Toll Bridge Program Small Business Liaison and he will conduct outreach to small businesses in the Bay Area. Sam Wallace attended the District 4 Small Business Council and shared with the members his role as the Small Enterprise Officer. He plans to be in the Bay Area one day a week and the District has provided Sam with a room to conduct business while in the District.

District 7: Deborah Robertson reported on the District's attendance at the Construction Expo. The Expo was well attended by small businesses. The District is hosting its Procurement Fair in October and the fair will be expanded to include procuring miscellaneous services, such as photographic services, and printing. The District 7 Small Business Council is scheduled for September 21st. Members of the A&E Mentor Protégé team gave a presentation at the August monthly Director's Meeting and Ms. Robertson understood the District Directors applauded the program's success. The A&E Mentor Protégé program will be replicated in each District. A Guide on implementing the A&E Mentor Protégé program will be given to Civil Rights to provide to the districts. The A&E Mentor Protégé program one year anniversary is in November. The District is planning a workshop with other government agencies on what and how does

CMAS works. DGS is the keynote speaker. Ms. Robertson shared information on a presentation that she attended on a State Proposition. Members were asked to read and become educated on the proposition.

District 11: Sony Oloso reported on behalf of District 11 Director Pedro Orso-Delgado. In June the District hosted along with other government agencies, an A&E Networking forum. Approximately 20-25 prime consultants attended and all together there were approximately 300 attendees. The event was successful. The District 11 Council is forming a Professional Services Committee with Steve Sullivan as the Chair of the Committee. The District will host its Second Annual Prime Contractors Award Breakfast in December. New to the awards is presenting an award to a Professional Services Consultant. In addition, the District is looking at initiating its own A&E Mentor Protégé program.

There was no representative to provide an update on the SR 125 project.

ITEM 5: Statewide Committee Reports

COMMODITIES:

There was no report.

PROFESSIONAL SERVICES:

The Professional Services Committee met the night before. The discussion items were:

- Training for small businesses on InRoads;
- Looking to partner with the California State University at Sacramento to provide the InRoad training for a small fee;
- Governor should look at enacting the Micro-business program; and
- DBE substitution. DPAC is now sending a letter with each A&E contract letting the subs know they are listed on the consultant contract;
- See Action Item listing for updates.

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CONSTRUCTION

The Construction Committee met the night before. Armando Garcia, District 11 joined the group discussion.

- Recommend all Minor B contracts be handled by Districts rather than through DPAC.
- Wood Post treatment. Is Caltrans ensuring the wood is pressure treated or not?
- Homeland Security has placed additional conditions on insurance issuance's making it more difficult for small businesses who are working on a "Homeland Security" funded contract to obtain insurance.
- See Action Item listing for the Construction Committee.

DBE ANNUAL GOAL SUBCOMMITTEE

The DBE Annual Goal Subcommittee did not meet.

EXECUTIVE COMMITTEE

Councilmember Guerrero and Chair Fonseca met with Director Kempton on August 14, 2006.

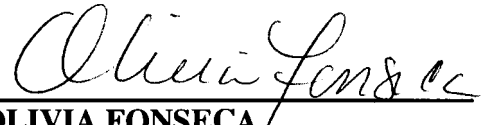
- Caltrans Local Program office will amend the Local Programs Manual (LPM) reference to 49 Code of Federal Regulations Part 26, to ensure the regulation language in Section 26.51 is verbatim in the LPM. The change will be sent to all local agencies the week of September 5, 2006.
- The Subcontractor Substitution process in the contract specifications will be reviewed for compliance with new law requirements.
- Director Kempton indicated the prompt payment issue may need legislation and Caltrans will look at language in current specifications.
- The prompt payment issue will be a discussion item at the Partnership Agreement meeting to be held in early October.

ITEM #6: Public Comment/Good of the Order

Chair Fonseca announced that Councilmember Lau challenged her to look at ways to provide the Councilmembers with an individual Caltrans identification badge. Chair Fonseca accepted the challenge and the good news is that the Councilmember will receive a Caltrans identification badge. The badge comes with a couple of conditions: 1) the members must send a letter from their organization/association reconfirming their organization/association meets the membership criteria identified in the Council guidelines and to provide the name of the primary member representative to the Council. The representative will sign a letter prior to the obtaining the badge, assuring Caltrans that its membership on the Council nor the Caltrans identification badge will be used for personal gain or influence to obtain preliminary access to or obtain privileges. Chair Fonseca indicated a letter would be sent to the Statewide Council member organizations/associations. Chair Fonseca also recommended to the District Directors with Small Business Councils to acknowledge the Caltrans badges and further to recommend they send out reaffirming letters to their District Council members. Chair Fonseca asked the Councilmembers to share the Council membership criteria with other organizations for their consideration to become Caltrans Small Business Council members.

Next Meeting: Friday, September 15, 2006 in San Diego

Approved by:



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