

WHEREAS, the CERT Collaborative is a partnership between Ramsey County, Hennepin County, the City of Minneapolis, and the City of Saint Paul; and

WHEREAS, the CERT Collaborative governs the CERT Program; and

WHEREAS, the CERT Program is a small business certification program striving to maximize benefits to local small businesses; and

WHEREAS, the CERT Program utilizes nationally-recognized size standards calculated by the United States Small Business Administration, known as the “Small Business Administration (SBA) Size Standards,” for the certification of small businesses; and

WHEREAS, small businesses certified within the CERT program are referred to as “Small Business Enterprises,” or “SBEs”; and

WHEREAS, the SBE size standard depends on the type of work done by the business; and

WHEREAS, the type of work done by a business is identified by the applicable North American Industry Classification System (NAICS) code; and

WHEREAS, the SBA size standards are determined by NAICS code at a national level¹; and

WHEREAS, within the CERT Program, a significant concentration of SBE’s falls substantially below the SBA Size Standard; and

WHEREAS, the Central CERT Collaborative members have found that contract awards to CERT-certified vendors were largely awarded to businesses dominant within their industry, meaning those with average annual revenues at the higher end of the applicable SBA Size Standard; and

WHEREAS, the Central CERT Collaborative intends to create a program to recognize and certify firms below the applicable SBA size standard in order to provide a platform for firms that are not dominant within their industry, and are “emerging” into the local marketplace; and

WHEREAS, there is precedent for similar programs, including, but not limited to, programs created by the SBA, the States of Oregon, New Jersey, Nevada, Louisiana, and the City of Los Angeles²; and

WHEREAS, the CERT Collaborative seeks to pilot an Emerging Small Business certification in several sectors that correspond to the types of purchases made by the CERT Collaborative partners, including, but not limited to, construction, architectural and engineering services; and

WHEREAS, the CERT Collaborative has analyzed the distribution of SBEs in the CERT program by average annual revenue, and has analyzed the distribution of SBEs by the top quartile of firms by average annual revenue and by the top tertile of firms by average annual revenue; and

¹ U.S. Small Business Administration, *SBA Size Standards Methodology*, page 12, April 2019, available at <https://www.sba.gov/sites/default/files/2019-04/SBA%20Size%20Standards%20Methodology%20April%2011%2C%202019.pdf>, last accessed Nov. 27, 2019.

² See generally, Rosenfeld, Michael, Memorandum to CERT Board, October 25, 2019 (discussing emerging small business programs in other jurisdictions in the United States).

WHEREAS, a copy of this analysis is on file with the City of Saint Paul, the Lead Agency of the CERT Collaborative; and

WHEREAS, the CERT Collaborative seeks to easily identify Emerging SBEs through the CERT Program in order to afford opportunities to a greater share of the CERT business list; and

WHEREAS, the adoption of an Emerging SBE size standard by the CERT Collaborative will allow the CERT Program to designate eligible firms as Emerging SBE firms and distinguish Emerging SBE firms from other SBE firms; and

WHEREAS, for ease of program administration and communication, and consistent with practices by the SBA, the CERT Collaborative has rounded the values for the Emerging SBE size standards to the nearest half million dollars;

NOW, THEREFORE, BE IT RESOLVED, consistent with its mission to maximize opportunities for CERT certified SBE firms, the CERT Collaborative by this resolution establishes Emerging SBE size standards through a method that excludes the dominant SBE firms within the applicable industry category. The decision concerning which large firms are to be excluded from the Emerging SBE Program will be made by excluding either the top quartile or top tertile of firms within the applicable industry group, by size. The decision whether to exclude the top quartile or top tertile of SBE firms within an industry group will be made by analyzing the following:

1. The capacity of the included firms to perform typical contract values
2. The degree of difference between the values of the top tertile and top quartile of firms
3. Whether the ESBE size standard provides sufficient time for included firms to develop prior to graduation from the ESBE program
4. A comparison of potential ESBE size standards to SBA size standards; and

BE IT FURTHER RESOLVED, the CERT Collaborative adopts the following Emerging SBE size standards:

- a. For Sector 23, NAICS codes with an SBA size standard of:
 - i. \$16.5 million, the ESBE size standard is \$3.0 million
 - ii. \$30.0 million, the ESBE size standard is \$ 2.0 million
 - iii. \$39.5 million, the ESBE size standard is \$4.0 million
- b. For Sector 53, NAICS codes with an SBA size standard of:
 - i. \$8.0 million, the ESBE size standard is \$500,000
- c. For Sector 54, core NAICS codes with an SBA size standard of:
 - i. \$8.0 million, the ESBE size standard is \$2.0 million
 - ii. \$16.5 million, the ESBE size standard is \$3.0 million
- d. For Sector 54, non-core NAICS codes with an SBA size standard of:
 - i. \$8.0 million, the ESBE size standard is \$500,000
 - ii. \$12.0 million, the ESBE size standard is \$500,000
 - iii. \$16.5 million, the ESBE size standard is \$500,000
 - iv. \$30.0 million, the ESBE size standard is \$3.0 million
- e. For Sector 56, NAICS codes with an SBA size standard of:
 - i. \$22.0 million, the ESBE size standard is \$1.5 million
 - ii. \$41.5 million, the ESBE size standard is \$3.5 million

BE IT FURTHER RESOLVED, that the CERT Board may review other industry groups and develop additional ESBE size standards by the methods outlined in this resolution and program policy, and such changes may be adopted by resolution referencing this resolution; and

BE IT FURTHER RESOLVED, that effective January 1, 2020, the CERT Program shall automatically designate all SBEs eligible for an Emerging SBE certification as an ESBE firm; and

BE IT FURTHER RESOLVED, that the Lead Agency shall revise the CERT Program Policies and Procedures Manual to account for the new ESBE designation.