



OFFICE OF BUSINESS OPPORTUNITY

FY2023

Budget Workshop Presentation

May 16, 2022

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Mission



The Office of Business Opportunity is committed to cultivating a competitive and diverse economic environment in the City of Houston by promoting the success of small businesses and developing Houston's workforce, with a special emphasis on historically underutilized businesses and disenfranchised individuals.

Key Objectives:

Educate, Connect & Grow

Program Organizational Chart General Fund (\$ in thousands)



General Fund
\$5,482
FTEs: 43.1

Executive Oversight	Certification	Contract Compliance	HPW Contract Compliance	OBO Solutions Center (External Affairs and Workforce Development)
<p>\$1,936 FTEs: 8</p>	<p>\$1,054 FTEs: 12</p>	<p>\$570 FTEs: 6.1</p>	<p>\$1030 FTEs: 9.0</p>	<p>\$891 FTEs: 8.0</p>
<ul style="list-style-type: none"> ➤ Executive Leadership: <ul style="list-style-type: none"> • Sets & implements strategic direction, policy and long-term goals of the department. • Manages all budget and personnel matters. • Directly engages with the Administration, City Council and the general public in the execution of OBO's mission. ➤ Citywide Title VI Compliance Coordinator ➤ Department-wide analytics, reporting, and policy making. 	<ul style="list-style-type: none"> ➤ Certifies businesses for participation on City projects. ➤ Certification Types: <ul style="list-style-type: none"> • Minority, Women, Small, and Persons with Disabilities Business Enterprises (MWSBE and PDBE). • Disadvantaged Business Enterprises/Airport Concessionaire Disadvantaged Business Enterprise (DBE/ACDBE) • LGBT Business Enterprises (LGBTBE) – Certified by the NGLCC; recognized by COH. • Historically Underutilized Businesses (HUB) - certification facilitated on behalf of the State of 	<ul style="list-style-type: none"> ➤ Monitors City contracts, with the exception of HCDD and HAS contracts, to ensure that Good Faith Efforts are made to meet MWSBE Goals. ➤ Enforces local and federal labor standards, including prevailing wage compliance, and prompt payment. requirements on contracts. ➤ Works with City departments to set MWSDBE goals, including waivers, on City contracts. ➤ Provides periodic training/informational sessions to City departments and the 	<ul style="list-style-type: none"> ➤ Monitors HPW contracts to ensure that Good Faith Efforts are made to meet MWSDBE goals on City contracts. ➤ Enforces local and federal labor standards, including prevailing wage compliance, and prompt payment. ➤ Provides periodic compliance informational sessions to the contracting community. 	<ul style="list-style-type: none"> ➤ Raises awareness of OBO's services and City contracting opportunities. ➤ Provides services including: <ul style="list-style-type: none"> • Access to Financial Resources • Business Management Counseling • One-on-One Business Development • International Exporting Resources ➤ Facilitates workforce development initiatives such as Turnaround Houston. ➤ Administers Business Development and Capacity Building programs.

Program Organizational Chart

Pay or Play (\$ in thousands)



Fund 2424 \$1,205 FTEs: 2.0
Contractors Responsibility Fund (CRF) (Pay or Play)
\$1,205 FTEs: 2.0
<p>This program area supports the administrative and programmatic operations of the City's Pay or Play (POP) program. POP's administrative functions are responsible for financial and program oversight and revenue collection.</p> <p>The following programs are supported by the CRF:</p> <ul style="list-style-type: none">• Emergency Telehealth and Navigation Program (ETHAN)• HPD's Crisis Call Diversion• HHD's Client Access Program





Department Programming

The Office of Business Opportunity facilitates three (3) primary business functions to support the mission: Certification & Designations, Contract Compliance, and External Affairs & Workforce Development.

Certification and Designation:

- The City's Certified Firm Directory has approximately 4,814 businesses that serve as a pipeline for City and federally funded projects.
- The **Hire Houston First** program has designated 3,383 businesses; however, local companies have proven to be competitive without the local preference.

Citywide Compliance

Contract Compliance	Pay or Play Program	Title VI
<p>Monitors approximately 1,300 City contracts valued at approximately \$8.78 Billion with a team of seven (7) Compliance Specialists and one Contract Administrator.</p> <p>OBO's Compliance Administrator monitors HPW's \$1.5B Northeast Water Purification Plant (NEWPP) project, which currently has 930+ subcontractors.</p>	<p>Aims to level the playing field for contracts between bidders that choose to offer health benefits to their workforce and those that do not, and offset the cost of providing healthcare to uninsured people in the Houston / Harris County area.</p>	<p>Oversees Citywide compliance with Title VI of the Civil Rights Act of 1964, 42 U.S.C. 2000d et seq. ("Title VI"). Title VI prohibits discrimination on the basis of race, color, or national origin in any program or activity that receives Federal funds or other Federal financial assistance.</p>



Department Programming

External Affairs and Workforce Development

OBO Solutions Center

- Serves approximately 200 customers per month, providing information about requirements for starting a new business, relevant permits, licenses and fee schedules, as well as referrals to appropriate agencies and resources. Connects 10,000+ small businesses to networking, educational and contracting opportunities through weekly e-blasts.

Business Development & Capacity Building Programs

- Liftoff Houston Startup Business Plan Competition
- Turnaround Entrepreneurship Program
- Turner School of Construction Management
- Build Up Houston
- Interagency Mentor Protégé Program

Workforce Development

- Hosts the Turnaround Houston Job & Readiness Fairs, which has connected more than 5,000 individuals to job opportunities and resource organizations since its inception in 2016.
 - Spring 2022 Virtual Fair assisted more than 900 individuals, with access to more than 1,000 jobs.
 - Plans to bring in-person component in FY23 with introduction of hybrid format in Houston Complete Communities location (TBD).
- Assists MWSBE firms with workforce development through introduction to registered apprenticeship and on-the-job training programs, as well as assistance in upskilling employees.

Department Programming

Statutory Requirements of Service Delivery



	Title VI	Certification and Designation	Contract Compliance
Statutory Requirements	OBO oversees Citywide compliance with Title VI of the Civil Rights Act of 1964, 42 U.S.C. 2000d et seq. ("Title VI"). Title VI prohibits discrimination on the basis of race, color, or national origin in any program or activity that receives Federal funds or other Federal financial assistance.	<p>The Certification and Designation Division administers certification pursuant to: Chapter 15, Articles V & VI of the City Code of Ordinances, which consists of Ordinances 84-1309, 95-336, 98-1213 and 06-657; Executive Order 1-2; 49 Code of Federal Regulations, Parts 23 and 26; and 13 Code of Federal Regulations, Part 121.</p> <p>In addition, the division also administers designations for the City's Hire Houston First local preference procurement program pursuant to: Chapter 15, Article XI HIRE HOUSTON FIRST.</p>	<p>Performs its core functions pursuant to Chapter 15, Articles V & VI of the City Code of Ordinances and Ordinances 78-1538, 84-1309, 85-2070, 85-2071, 06-91 and 08-665.</p> <p>The Division enforces Prevailing Wages compliance pursuant to Federal requirements and Texas Government Code - Chapter 2258.</p>
Penalty for Failure to Comply	Loss of Federal Funding	As a recipient of FTA funding in excess of \$250k in a Federal fiscal year, the COH is required to have a DBE program to ensure non-discrimination in the award and administration of DOT-assisted contracts in the Department's highway, transit, and airport financial assistance programs. Failure to properly administer the program could result in a loss of federal funding.	<p>Loss of Federal / grants received by City departments for City projects.</p> <p>OBO performs compliance monitoring on behalf of the following departments that receive Federal grant dollars.</p>

Department Programming

Financial and Societal Impact of City Service Delivery



- **Contract Compliance**
 - Advocates for and enforces the rights of certified firms on contracts with MWSDBE goals.
 - Ensures that employers of COH contractors are properly classified, paid prevailing wage rates, and ensures that employers comply with EEO provisions.
- **Pay or Play**
 - Ensures that all employees working on City projects have access to health insurance benefits via their employer or via City programming, and levels the playing field for contracts between bidders that choose to offer health benefits to their workforce and those that do not. Additionally, revenues collected from contractors that choose to pay into the Contractor Responsibility Fund offsets the cost of providing healthcare to uninsured Houstonians.
- **Title VI**
 - Ensures equal access to City facilities and programming by all Houstonians.
- **Certification**
 - OBO's Certifications, both local and Federal, create the City's supplier diversity pipeline. Certified firms can be utilized on COH projects and on projects with other area agencies and private companies. Approximately 20% of certified firms participate on COH projects.

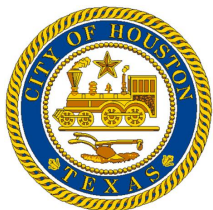




➤ **Anticipated growth in populations served:**

- In FY2022, an average of 62 certification applications were submitted monthly. Increases are anticipated related to the following:
 - NEW Regional MWBE Programs
 - Houston-hosted Final Four in 2023
 - Infrastructure projects based upon federal legislation and the proposed I-45 expansion
- Additional TXDOT and SRF projects (let by HPW) forecasted, with additional potential increases funded by the Federal Infrastructure Bill, will increase OBO's overall compliance monitoring workload.
- The Northeast Water Purification Plant Project (NEWPP) is valued at approx. \$1.8B and has ~930 subcontractors participating (and growing...).
- Increased number of small businesses served through virtual or hybrid webinars and workshops.

Department Programming



Revenues By Funds (\$ in thousands)



Category	FY21 Actual	FY22 Budget	FY22 Estimates	FY23 Proposed	Variance FY23 Prop/FY22 Estimates	% Change
General Fund	392	613	593	1,030	437	74%
Special Revenue	705	653	718	775	57	7.94%
Total	1,097	1,266	1,311	1,805	494	37.68%

Department Programming FY2023 – Revenue Highlights



Fund 1000 (General Fund)

The FY 2023 Proposed Budget reflects a 74% increase from the FY 2022 Budget Estimates - an approximate increase of \$437,000. The increase can be attributed to three (3) additional FTEs transferring from HPW.

Fund 2424 (Special Fund: Pay or Play / Contractor Responsibility Fund)

The FY 2023 Budget reflects a 7.94% increase of \$57,000 from the FY 2022 Budget Estimates. The increase can be attributed to anticipated increases to the revenue that supports Fund 2424.

– Of Note:

- HPW projects revenue to increase 6% due to an increase in PAY vendors working on the Northeast Water Purification Plant (NEWPP) Project.
- HAS projects revenue to increase due to projects moving from design to construction phase and more projects/contracts awarded using the “Pay” option.
- HCD anticipates more contracts in FY2023, which will increase revenue to 15% or 20%. Collectively, contracting department POP Liaisons have projected \$760,719 for revenue collections based on "Pay" option vendors for FY2023.

Expenditures By Funds (\$ in thousands)

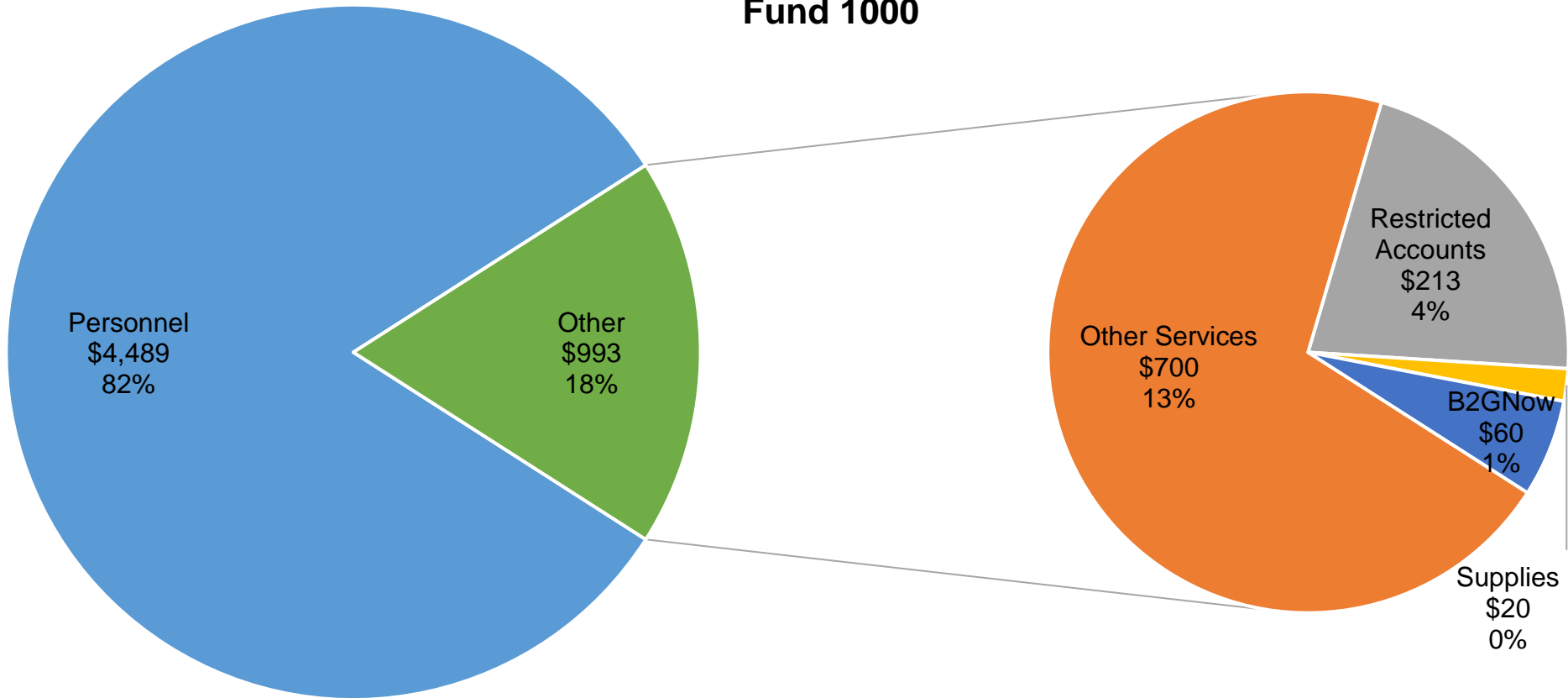


Category	FY21 Actual	FY22 Budget	FY22 Estimates	FY23 Proposed	Variance FY23 Prop/FY22 Budget	% Change
General Fund	3,482	4,135	4,135	5,482	1,347	32.58%
Special Revenue	1,068	1,754	1,754	1,205	-549	-31.30%
Total	4,550	5,889	5,889	6,687	798	13.55%

FY2023 Personnel vs Non-Personnel (\$ in thousands)



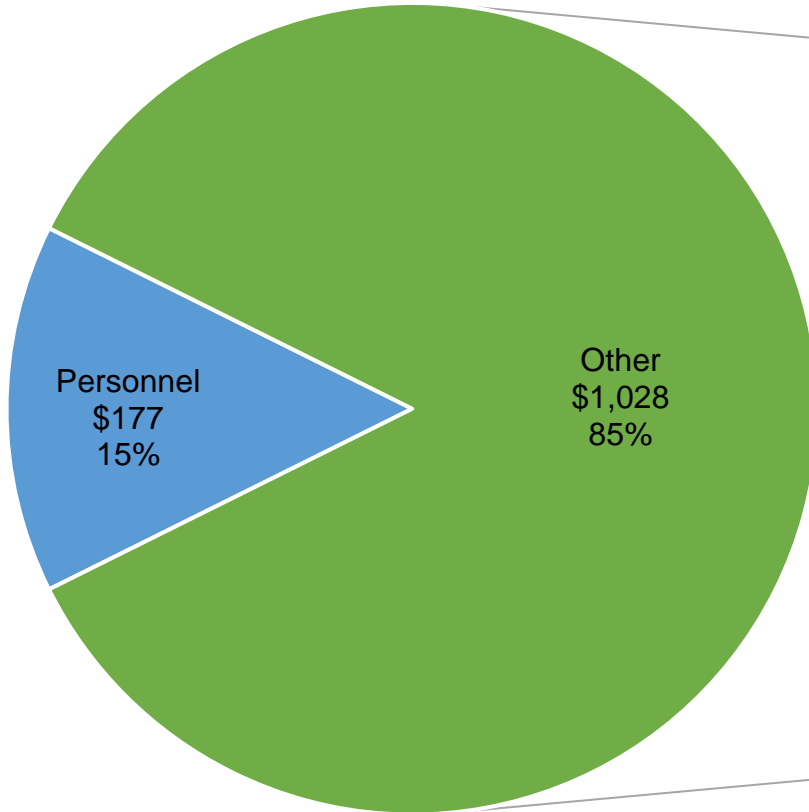
FY2023 Projected Budget
\$5,482
Fund 1000



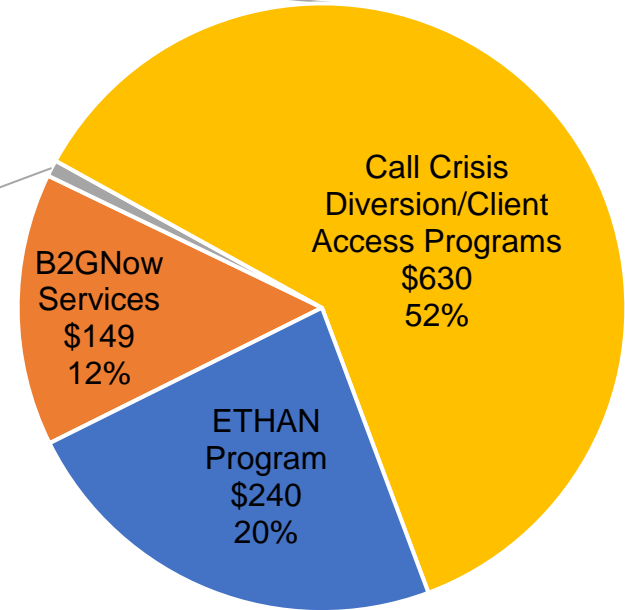
FY2023 Personnel vs Non-Personnel (\$ in thousands)



FY2023 Projected Budget
\$1,205
Fund 2424



Restricted
Accounts/Other
\$9
1%



FY2023 Budget Expenditures Net Change (\$ in thousands)



OFFICE OF BUSINESS OPPORTUNITY

\$ in Thousands

FY2023 General Fund Budget Expenditures Net Change to FY2022 Current Budget		
FY2022 Current Budget		Notes
Operating Budget	\$ 3,757	
Restricted Accounts	189	1
FY2022 HOPE Adjustment	\$ 67	2
Restricted Accounts Adjustments	\$ (27)	
FY2022 Budget Adjustments/Additional FTEs and Adjustments	\$ 149	
Total FY2022 Budget Adjustments	<u>\$ 189</u>	
FY2022 Current Budget + Adjustments	\$ 4,135	
Explanation of FY2023 Incremental Increase/(Decrease)		
Operating Budget Adjustments		
Contract Compliance Project	\$ 527	
2 additional FTEs	\$ 37	
2 additional FTEs (OBO Solutions Center)	\$ 249	
3 additional HPW FTES transfer to Contract Compliance Div. & pay adjustments	\$ 399	
Total Operating Budget Changes	\$ 1,212	
% Change from FY22 Operating Budget	32.3%	
Contractual or Mandated Adjustments:		
Health Benefits Active Civilian	\$ 10	
HOPE FY2022 Remaining Full-Time Allowance	\$ 22	
HOPE FY2023 Full-Time Allowance	\$ 77	
Restricted Accounts	24	1
Total Contractual/Mandated Increases	\$ 133	
FY2023 Proposed Budget		
FY2023 Proposed Budget	\$ 5,480	
% Change from FY2022 Current Budget	32.5%	
Notes:		
1. Restricted Budget includes service chargeback accounts for items such fuel, electricity, IT accounts, etc.		
2. FY2022 3% HOPE Pay Increases		
3. FY2022 Annualized 3% Hope Pay Increases & FY2023 3% Hope Pay Increases.		



FY2023 Budget Highlights

Fund 1000 (General Fund)

- This Fund reflects a 32.58% (\$1,347,000) increase from the FY2022 Budget due to the below:
 - The FY2023 Budget provides funding for health benefits, pension contribution, and municipal employees' contractual pay increases.
 - The FY2023 Budget includes funding for: (a) two additional positions for the OBO Solutions Center to manage new business programs and increase the visibility of department services, (b) three employees' transferred from HPW to the Contract Compliance Division to assist in managing HPW contracts, and (c) two additional positions for the Certification Division.
 - The FY2023 Budget includes a one-time funding for augmentation of contract compliance monitoring services.



FY2023 Budget Highlights

Fund 2424 (Special Fund: Pay or Play / Contractor Responsibility Fund)

- This Fund reflects a 31.30% decrease (-\$549, 000) from the FY2022 Budget due to:
 - The one-time funding in FY2022 for ETHAN HFD Personnel is not included in the FY2023 Budget.

- **Highlights**
 - Funding for health benefits, pension contribution, and municipal employees' contractual pay increases.
 - The FY2023 Budget includes funding to maintain an electronic management system to effectively track all Pay or Play activities.
 - The FY2023 Budget continues to support the Contractor Responsibility Fund initiatives such as the Client Access Program, Crisis Call Diversion Program, and the Emergency Tele-Health and Navigation (ETHAN) Program.

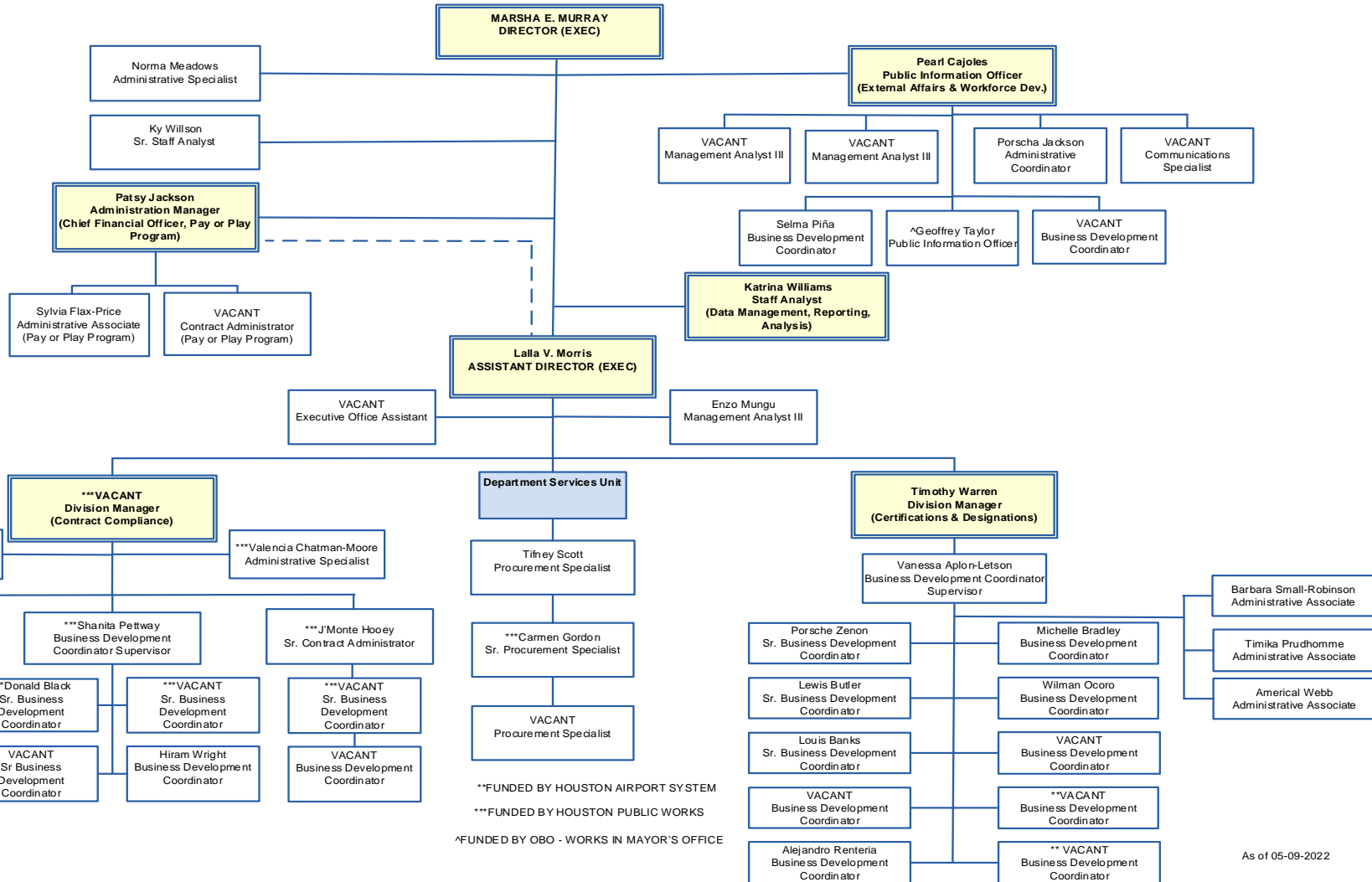


Questions



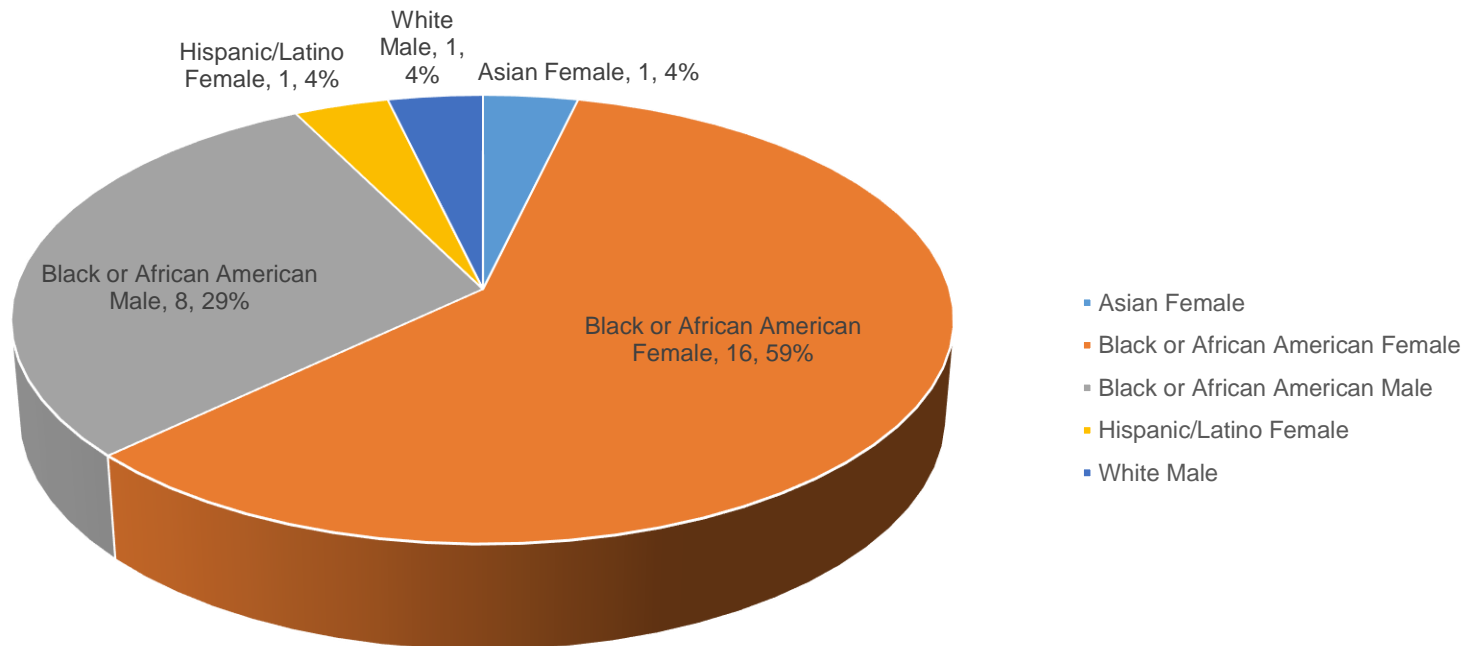
Appendix

Organizational Chart



As of 05-09-2022

OBO DEMOGRAPHICS





OBO's Unmet Needs

- Based on approximately 1,300 contracts, including the \$1.8B Northeast Water Purification Plant Project, that has 900+ subcontractors, a time study revealed the following staffing needs for effective compliance:
 - **# of Compliance Specialists Needed:** 30-37
 - **Current # of Compliance Specialists:** 7 budgeted; 2 positions filled
 - **Challenges:** Attrition and challenges recruiting new staff due to workload and compensation.
 - **Short-term Solution:** Vendor-augmented monitoring services to ensure compliance with statutory requirements.
- Improve and modernize program-related technology to increase productivity and enhance customer experience.
- Revenue generation or fundraising to support programs, including Capacity Building Programs, Business Development Programs, and Workforce Development Programs. No funding exists for these in our budget.

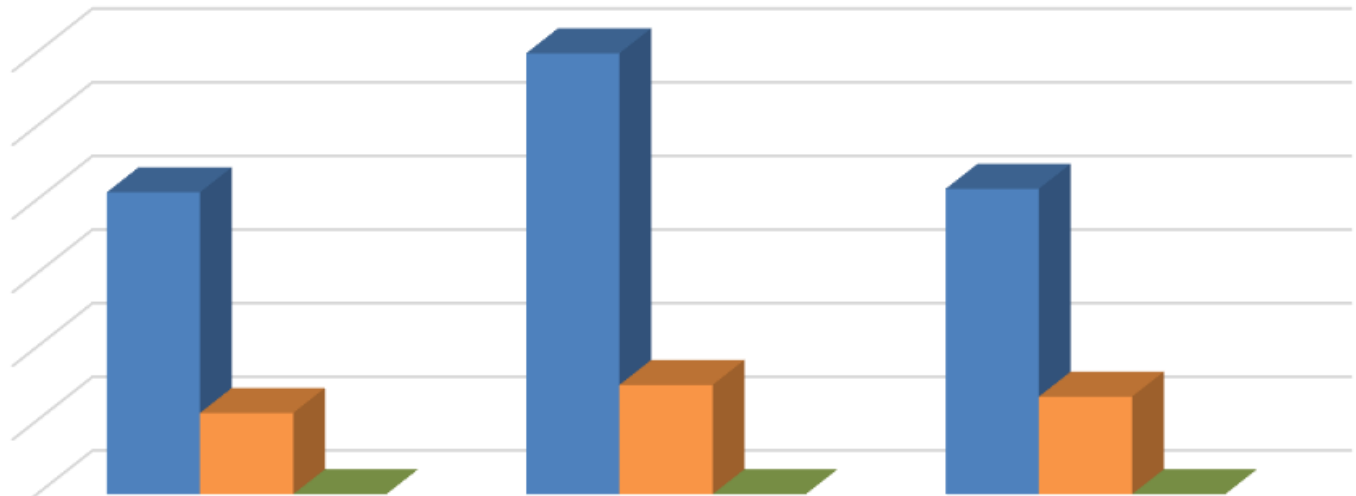
Department FY2022 Accomplishments



Certification Division Highlights

- *Number of Certified Firms: 4,814 Number of firms certified in FY21 YTD: 300*
- *Average number of new applications received /month: 62 (600 applications received thru April 2022)*

Historical Awards to MWSBE Firms



	FY2019	FY2020	FY2021
Total Awards	\$2,049,721,105	\$2,993,569,102	\$2,073,223,195
MWSBE Awards	\$551,411,136	\$741,732,397	\$662,102,558
MWSBE %	26.9%	24.8%	31.9%

Department FY2022 Accomplishments



Capacity Building

- Graduated the most industry-diverse cohort since the inception of **Build Up Houston**.
- Returned **Turner School of Construction Management** to an in-person format, including a visit to a Turner Construction site. This 30-year partnership with Turner Construction graduated 17 businesses.
- **OBO Solutions Center**: Successfully designed the OBO Virtual Lobby, a supplement to OBO's main website that will provide quick answers to customer inquiries (similar to an in-person visit at the OBO office).
- **NEW**: Certified prime contractors may count their self-performance on City-projects to meet a portion of the total advertised MWBE goal.

Success through Partnerships. Leveraged relationships locally and nationally to support our small businesses.

- In collaboration with SPD, launched the Procurement 101 Digital Procurement Assistance Tool, an on-demand training module that walks businesses through the City's procurement process.
- Partnered with private entities to promote utilization of City-certified firms to augment their supplier diversity programs.

Department FY2022 Accomplishments



Success through Partnerships – Continued

- Partnered with **Chase Bank** to provide an interactive monthly webinar series, entitled "Money Talks," which educates business owners on topics centered on understanding, accessing and using capital to start and grow their business. The goal of this partnership is to break down barriers to capital through real conversations and exercises that educate and build positive banking relationships.
- **Received \$15K grant from National League of Cities** to support Investment Crowdfunding Initiative. Funds will be used to build a tool that will connect small business owners to traditional and non-traditional forms of capital and financial education. As part of the NLC Initiative, OBO will identify at least five viable businesses that will receive fundraising assistance through the equity investment crowdfunding platform, Wefunder.

Job Readiness & Entrepreneurial Skills

- Through partnership with Workforce Solutions, successfully hosted two virtual Turnaround Houston Job & Readiness Fairs, which more than doubled attendance numbers from the previous year.
- **Turnaround Entrepreneurship Program:** Partnered with the HHD's Community Re-Entry Network Program, Capital One Bank and The BridgePath to assist previously incarcerated individuals start their own businesses and improve their credit for better access to capital.

Department FY2022 Accomplishments



Job Readiness & Entrepreneurial Skills - Continued

- Increased ***Liftoff Houston Startup Business Plan Competition*** attendance in the Educational Pathway, which offered business education benefits and certificates of completion to participants who did not qualify to join the competition. In FY 2022, 96% of participants identified as people of color, 70% were female and 56% had no college degree.

Title VI Program

- Provided guidance and support to departments regarding the terms of the City of Houston Title VI policies, including providing general and customized training sessions.
- Directly engaged with Houston residents and COH subcontractors to address Title VI concerns.
- Performed City department-level assessment of compliance with both the expressed laws and intention of the Title VI policy, as required by federal agencies.
- Updated City of Houston Title VI Policy requirements for federal submission.
- Initiated review and implementation of HPD Title VI Plan and assisted HAS with completion of Language Access Program and communication strategy.
- Facilitated posting of the City of Houston Title VI Policy poster in public City facilities by department Title VI Liaisons.



Restricted Account Details

GL Description	Justification & Cost Drivers
Fuel	Fuel Program operates and manages all City owned fuel sites. Expense explanation - Fuel services are driven primarily by market pricing
Application Services	Costs include Microsoft Enterprise licenses, 3-1-1 maintenance support and applications, SAP licenses maintenance and support, various Enterprise Application and Server support personnel, CSMART (MCD Only), eSignature, Project Management, Infor, eDiscovery, Cyber Security Office software and support, HITS Budget support via the Finance Department, eSignature
Insurance Fees	Cost increase for property insurance premium.
Electricity	Responsible for administering the electricity accounts for the City. Program is responsible for overseeing procurement contracts, forecasting, providing price certainty, and financial reporting. Electricity expenses are projected to be lower than the previous year as a function of the competitive bidding process.
Natural Gas	Responsible for administering the natural gas accounts for the City. Program is responsible for overseeing procurement contracts, forecasting, providing price certainty, and financial reporting. Natural gas expenses are projected to be lower than the previous year due to current market conditions and locking in a rate favorable to the City.
Data Services	Costs associated with software and maintenance support contracts required to maintain city networks, applications, desktop devices, servers, payment card industry security, storage devices, cloud services, telephone systems and network equipment including Phonoscope circuits. Contracts cover Antivirus, Firewall and Network backup systems. Also, the Data Center costs are included in the Data Services restricted account.
Voice Services	Monthly costs for Voice/Communication Services. The services include: Local landlines, voice/data circuits, long distance, 1-800 numbers, calling cards, language lines, Citywide ISP/Internet Access. The major vendors are ATT, Department of Information Resources (DIR), Verizon and Century Link.
Voice Labor	Labor costs and parts needed to perform work associated with installation and/or upgrades of telephone systems and cabling. The sole vendor is Selrico.
GIS Revolving Fund Services	Personnel, software licenses and maintenance costs associated with the city of Houston's Enterprise Geographic Information System (EGIS)
Voice Services - Wireless	Monthly charges for Verizon Business services and mobile devices including cell phones, air cards and tablets.
Interfund HR Client Services	Include HR operation cost reflecting health benefits and restricted accounts increase.
KRONOS Service Chargeback	Software license and maintenance costs associated with the city of Houston's Time and Attendance System (KRONOS)
Drainage Fee Service Chargeback	Fee is based on impervious service.
Interfund Permit Center Rent Chargeback	The cost include the HPC Point of Sale cost increase for credit card merchant fee, and lease cost increase.
Interfund Vehicle Services	Provides repair, maintenance, and administrative support for all city departments' rolling stock equipment. Expense explanation - Vehicle Services are projected to increase driven by part cost, contractual increases, and an aging vehicle population.
Interfund Radio System Access	Due to the consolidation of the radio group in General Fund to revolving fund for HITS. This group is responsible for the operation and maintenance of the City's public safety radio system.