

Office of Small Business Assistance:

*A Study to Evaluate the
Capacity For Realignment
of Organizational Mission*

(Project No. 02-M-04)

This document is the result of a collaboration between the Office of Small
and Minority/Women Business Assistance and the Office of Financial
Management & Budget, Financial Management Division

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Executive Summary

Report Highlights . . .

Our review of the mission and workload of OSBA reveals:

- A small business certification program will likely have a manageable impact on workload***
 - No change in organization structure is required to meet such certification changes***
 - Current OSBA staffing complement is adequate***
 - Initial demand for small business certification may have an adverse effect on other program activities, but this early demand will likely wane over time.***
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For more than a decade since the passage of ordinance no. 91–34, county policy has provided for awarding certain bid preferences and contract participation targets to minority- and women-owned companies doing business with the county government. Since that time, the county’s Office of Small and Minority/Women Business Assistance (OSBA) has had responsibility for administering these race- and gender-based incentive programs on behalf of the Board of County Commissioners. However, that policy is scheduled to expire at the end of September 2002.

In response to a request from county administration, the Management and Program Analysis Section conducted a study to assess the capacity of the Office of Small and Minority/Women Business Assistance to transition from its historical role with race and gender preferences to one that focuses on small businesses in general. This report contains the results of that study, in the form of our findings and conclusions. Denis J. Krajec, Senior Management and Operations Consultant, was the lead analyst assigned to this project.

The study found that the same processes currently used to evaluate M/WBE program applications can also be used to accomplish certification of small businesses generally, and that the existing organizational structure of OSBA can accommodate the new certification target without modification. However, the size of the potential group of businesses that might qualify for small business certification is as yet unknown, so no reliable forecast of workload can be made. Indeed, it is likely that a new certification regime will attract an influx of companies seeking contract preferences, but that this initial interest will subside in time, as it has with race- and gender-based preferences before it. For that reason, the consulting team believes that no increases in staffing or other resources are required to deal with a realignment of OSBA’s mission, should the Board of County Commissioners concur with that mission.

Office of Small Business Assistance: Realignment and Transition Review

A study to assess the capacity of the Office of Small and Minority/Women Business Assistance to assume a new mission focused on small businesses

When the ten-year old ordinance establishing race and gender preferences in county bidding and procurement expires in September 2002, the Office of Small and Minority/Women Business Assistance (OSBA) will no longer evaluate businesses for certification under that ordinance. If the Board of County Commissioners determines that the ordinance will not be renewed, the continued role of the Office in respect of minority- and women-owned businesses will be in question.

The purpose of this report is to provide county administration and the Board of County Commissioners with insights into the capacity of the Office of Small and Minority/Women Business Assistance to transition from its established mission to one focusing on small businesses generally, while still maintaining a capability for certifying and monitoring minority and women participation.

This was not an efficiency study; it did not set out to evaluate the efficiency or effectiveness of existing programs or staff. It sought only to evaluate the adequacy of existing resources to accomplish the proposed new mission, should the Board decide to move in that direction. As a secondary objective, the mission and activities proposed for OSBA were contrasted with those of the county's Office of Economic Development, the Business Development Board, and the Small Business Development Center in order to identify possible duplication of effort.

In order to successfully reach the study objectives, the consulting team formulated seven principal questions to guide its research:

- What organization structure currently exists within the Office of Small Business Assistance and how are S/M/WBE program duties and responsibilities currently allocated among staff members?

- What additional activities or processes, if any, must be introduced to the OSBA organization to facilitate the proposed certification, preference and contract participation program for small businesses?
- By what criteria will a “small business” be defined for certification purposes, and how many businesses in Palm Beach County meet those criteria?
- Will County preferences and/or requirements for County contract participation aimed at small business result in more certification applications than existing OSBA staff and resources can handle?
- How often will local small businesses be required to apply for re-certification?
- Does the organizational structure of OSBA need to be changed in light of proposed changes to the Small Business Assistance Program?
- Does the mission or clientele of the proposed OSBA small business program overlap those of other government subsidized organizations such as the county’s Economic Development Office, the Business Development Board, and the Small Business Development Center of Florida Atlantic University?

The process used in this study to answer these questions included the following review procedures:

- Palm Beach County Code Sections 2–71 through 2–80.13 and BCC Resolution R98–1145 were reviewed.
- OSBA and the Economic Development Office annual budgets for fiscal year 2002 were reviewed including funding subsidies provided the Business Development Board of Palm Beach County, the Small Business Development Center at Florida Atlantic University.
- Annual reports on M/WBE certification activity were reviewed.
- Information regarding the number of small businesses with Occupational Licenses in Palm Beach County was obtained from the Tax Collector.
- Interviews were conducted with staff of the Office of Small and Minority/Women Business Assistance (OSBA).
- Interviews were conducted with representatives of the Business Development Board of Palm Beach County, the Small Business Development Center of Florida Atlantic University, and the county’s Economic Development Office.
- Other documents and publications available at the OSBA were reviewed in relation to the requirements of this project.

Introduction

OVERVIEW: OFFICE OF SMALL AND MINORITY/WOMEN BUSINESS ASSISTANCE

On September 17, 1991, the Board of County Commissioners (BCC) adopted Ordinance 91–34 which established the county’s Minority/Women Business Enterprise (M/WBE) program. Originally administered by the county’s Office of Equal Opportunity, program responsibility was reassigned to a newly-created M/WBE Office in February 1994 and organized under County Administration, where the program remains today.

Resolution R98–1145, adopted by the Board of County Commissioners on August 18, 1998, renamed the Office of Minority/Women Business Enterprises and expanded its role to include a new Small Business Assistance (SBA) program (*Appendix 1*). The renamed organization was to be known as the Office of Small and Minority/Women Business Assistance, commonly referred to as the Office of Small Business Assistance (OSBA). The purpose of the new Office of Small and Minority/Women Business Assistance, as stated in the Resolution, was:

“The Office of Small and Minority /Women Business Assistance is responsible for monitoring conditions affecting small business within the marketplace which can provide goods and services to Palm Beach County, thus creating an environment that encourages the growth and development of small businesses in Palm Beach County.”

The current mission of the Office of Small and Minority/Women Business Assistance, as stated in the Palm Beach County *Fiscal Year 2002 Annual Budget*, is as follows:

“The mission of the Palm Beach County Small/Minority/Women Business Program is to assist small/minority businesses by serving as a clearinghouse for business information and referral services; by providing technical assistance and training opportunities through a network of business resource partners; by monitoring, reviewing and evaluating local conditions affecting small/minority businesses; and making recommendations to promote an environment which encourages the growth and development of small businesses in the procurement of goods and services for Palm Beach County Government.”

The M/WBE program is now codified at Sections 2–71 through 2–80.13 of the Palm Beach County Code (*Appendix 2*). Section 2–80.13 provides that the program will sunset on September 30, 2002. In advance of that date, the Code also requires a review of the successes and failures of the M/WBE program, and it calls for the county to make a determination of the continuing need for such a program. The Board of County Commissioners is scheduled to meet in

workshop session on February 19, 2002 to address these Code requirements and to give consideration to staff proposals regarding restructuring the existing Small Business Assistance program. OSBA staff has indicated the intent to propose a restructure of the SBA program following most of the same policy and procedures now utilized in the M/WBE program. If approved by the BCC, the proposed changes would establish preferences and participation percentages for certified Small Business Enterprise clients with respect to county contract offerings while permitting continuation of the certification, monitoring and reporting elements of the existing M/WBE program.

Since August of 1998, the eight member staff of the Office of Small and Minority/Women Business Assistance has administered both the M/WBE program and Small Business Assistance program. With the exception of the Director, staff is assigned along program lines. While some clerical activities overlap due to the need for backup, generally four staff address the more structured M/WBE program, and the remaining three staff focus on developing the SBA program. The report sections that follow describe the operations of both programs. *Appendices 3 and 4* describe the current organization chart and assigned staff duties, respectively.

The Minority/Women Business Enterprise Program

The purpose of the M/WBE program has been to ensure full and equitable participation by minority- and women-owned businesses in the provision of goods and services to the county. Program staff certifies M/WBE businesses, monitors their ongoing participation in county contracts and periodically reports the results of program activities. Prior to the introduction of the SBA program into OSBA during 1998, the M/WBE Office maintained the following mission statement for the M/WBE program:

“To promote and facilitate the utilization of Minority and Women Owned Business Enterprises (M/WBE) in Palm Beach County by: responding to the needs of the M/WBE community; creating greater opportunities for M/WBE participation in the economic development of the County; working to eliminate discriminatory conditions that contribute to disparity; and creating an environment that will encourage the growth and expansion of M/WBEs.”

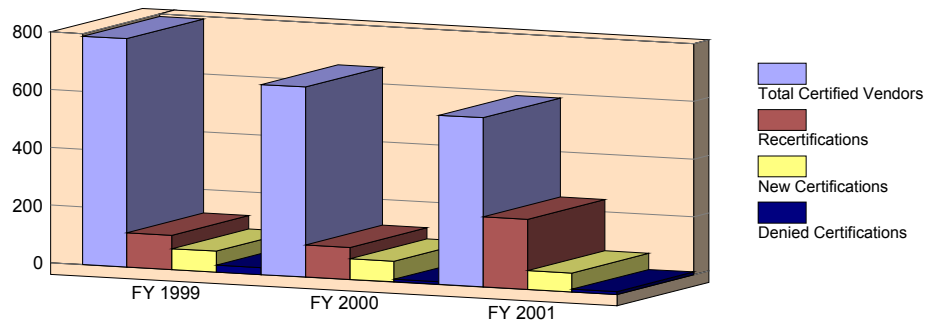
The operation of the M/WBE program is much the same today as it has been since its inception in 1991. Program staff is involved in a repetitive cycle that involves evaluation of business applicants for initial certification, periodic recertification of those businesses, ongoing monitoring of participation in county contracts, and the periodic reporting of both certification and participation activity. Program policies and procedures are detailed in sections 2-71 through 2-80.13, Palm Beach County Code. In particular, §2-73(pp) defines the criteria that M/WBE applicants must meet for certification by the county. That section reads:

“*Small business* means an independently owned and operated business concern that employs one hundred (100) or fewer permanent full-time employees and that, together with its affiliates, has a net worth of not more than three million dollars (\$3,000,000.00) and an average net income after federal income taxes, excluding any carryover losses, for the preceding two (2) years of not more than two million dollars (\$2,000,000.00). As applicable to sole proprietorships, the three million-dollar net worth requirement shall include both personal and business investments.”

Businesses seeking county M/WBE certification must first be registered as vendors with the county’s Purchasing Department. M/WBE certification is valid for a period of three years. To maintain continuous M/WBE status, certified businesses must re-apply for certification prior to the expiration of the three-year period. During the period September 30, 1999 through September 30, 2001, the total number of all vendors registered with the county’s Purchasing Department increased by 747, from 6,845 to 7,592; during that same period the number of M/WBE-certified businesses declined by 205 (from 791 to 586). The following chart presents M/WBE program certification activity over the past three years.

FIGURE 1

**M/WBE Program Certification Activity
by Category of Activity and Total
(FY 1999–FY 2001)**



Source: PBC Office of Small and Minority/Women Business Assistance (See also *Appendix 5*)
 Data: FY 1999: total certified vendors (791); new certifications (72); recertifications (119); denied certifications (24)
 FY 2000: total certified vendors (658); new certifications (72); recertifications (111); denied certifications (9)
 FY 2001: total certified vendors (586); new certifications (65); recertifications (243); denied certifications (9)

The Small Business Assistance Program

The OSBA Small Business Assistance Program was established on August 18, 1998 with the adoption of BCC Resolution R98–1145. The program was created to help small businesses obtain procurement and contracting opportunities from county government by providing information, referral, advocacy, technical assistance, and training services. The program’s mission is stated in documentation supporting Resolution R98–1145:

“Serve as a clearinghouse of business information and referral services to facilitate the establishment and growth of small businesses which can provide goods and services to Palm Beach County to make them competitive and economically self-reliant in the local, regional, national and global marketplaces.”

The resolution contained a definition of “small business” as a guideline specifically tailored to the SBA program, though it should be noted that these guidelines may be waived when it is deemed in the best interests of the county.¹ This guideline definition of “small business” established a size standard for the purpose of focusing limited program resources on the types of small businesses typically found in Palm Beach County.

“... a small business is one that is licensed and located in Palm Beach County, generally consisting of not more than (10) employees, and whose gross business receipts do not exceed an average of 7 million dollars over a three year period.”

While the current SBA program does not provide for the certification of small businesses, small business owners are encouraged to register information regarding their operations. Beyond this initial registration process, the assistance afforded small businesses by program staff can take a variety forms, and does not follow a predetermined or structured process. The types and levels of assistance are determined by the specific needs of the small business client. SBA program staff typically provides client services that:

- Assist in locating financial resources.
- Identify bid opportunities that enable small businesses to contract with the county.
- Make available technical assistance and information aimed at start-up and small businesses.

¹ The Small and Minority/Women Business Enterprise Advisory Board has endorsed a new definition of “small business” as it pertains to the Small Business Assistance Program. See *Appendix 6*.

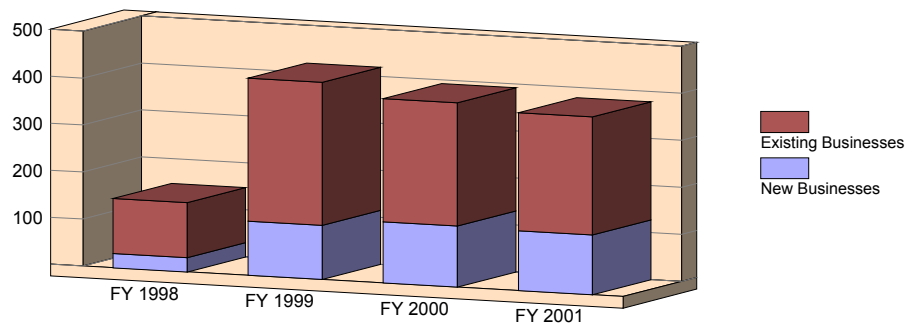
- Provide access to research and market information to facilitate business development.
- Help clients navigate through the requirements of municipal and county organizations.
- Refer clients to other public and private organizations for direct assistance.
- Facilitate workshops for networking, sharing of ideas and the development of solutions.

The M/WBE program is by now a mature program driven largely by repetitive processes. This has allowed the OSBA Program Coordinator to devote the majority of her available time to the SBA program, rather than to M/WBE activities. In the SBA program, the Program Coordinator is assisted by two other staff positions—one Program Reporting Technician and one Secretary. The job duties for each of these three positions are described in *Appendix 4*. In-house staff resources are augmented by a series of contracts funded through the OSBA budget that provide monetary support of \$80,000 annually to the Palm Beach County Resource Center (PBCRC) and an additional \$40,000 per year to the Small Business Development Center. Typically, SBA clients are referred to these contracted organizations to receive direct assistance.

Since inception of the SBA program in August 1998, OSBA staff has dealt with more than 1,300 new and existing small businesses in the county.

FIGURE 2

**Small Business Assistance Program Activity
(FY 1998–FY 2001)**



Source: PBC Office of Small and Minority/Women Business Assistance (See also *Appendix 7*)
 Data: FY 1998 (partial year): new businesses (30); existing businesses (117); total (147)
 FY 1999: new businesses (115); existing businesses (304); total (419)
 FY 2000: new businesses (130); existing businesses (262); total (392)
 FY 2001: new businesses (127); existing businesses (251); total (378)

In an effort to estimate the size of the existing group of possible applicants for SBA certification, OSBA staff sought data from Dun & Bradstreet's most recent *Market Place* report. That report puts the number of businesses in Palm Beach County that employ nine or fewer people and have average annual sales of less than \$9.9 million at 14,956.² To place this number into perspective, in all of fiscal year 2001 the OSBA M/WBE program processed 317 certification applications and the SBA program dealt with 378 small businesses.

For comparison, there were a total of 7,592 vendors of all types registered with the county Purchasing Department as of September 30, 2001. Because this number includes businesses of all sizes—as well as vendors based outside of Palm Beach County—it is indicative only of the number of companies seeking to do business with the county, and not of any size characteristic. It appears very likely that the number of businesses that might seek a small business certification will be far less than either the 15,000 local small businesses reported by Dun & Bradstreet or the 7,600 vendors registered with the Purchasing Department. Exactly what number of small business certification applications to expect cannot be accurately estimated with the data at-hand, but it is known that 80 percent—or 528—of the 661 M/WBE businesses currently certified under race and gender preference rules also qualify as small businesses. This may leave only a proportional subset of local small businesses that are neither owned by women nor by minorities to be certified under some form of a proposed SBA preference program.

OVERVIEW: COUNTY-FUNDED ORGANIZATIONS ASSISTING SMALL BUSINESS

Staff of OSBA has indicated its intent to propose an expanded role for the SBA program to replace M/WBE certification duties when the matter comes before the Board of County Commissioners for review at the February 19, 2002 workshop. As requested, the study team reviewed other county-funded organizations that already assist small businesses in the county. The intent of this review was to determine if there is duplication or overlap in client services provided by those organizations.

Palm Beach County Economic Development Office (EDO)

This agency implements, manages and monitors the Board of County Commissioners' economic development programs. Its responsibilities include county grant programs, state and county tax incentive programs, loan programs, and the small business incubation program. A primary activity of EDO is identifying and securing additional funding to enhance incentive









² Source: Market Place software (January-March 2002) published by Dun & Bradstreet, Inc. (See also *Appendix 8*)

programs that will require minimal (or no) county resources. EDO has budgeted direct monetary support of \$280,000 for small business loan assistance and \$240,000 for the incubator organizations during fiscal year 2002. Funding is allocated among the following organizations:

<u>Organization Name</u>	<u>Service(s) Provided</u>
Black Business Investment Corp.	Small business loan assistance
Business Loan Fund	Small business loan assistance
Enterprise Development for Glades Entrepreneurs	Incubator
Business for Economic Development & Revitalization	Incubator
Technology Enterprise and Development Center	Incubator
Enterprise Development Corp.	Incubator

The Black Business Investment Corporation (BBIC) and the Business Loan Fund (BLF) are both local, not-for-profit organizations that primarily focus on assisting clients with obtaining loans. SBA program clients may be referred to one or both of these organizations for assistance, but the county OSBA itself does not provide loans. In that respect, OSBA is merely a referral service to these two programs and does not duplicate their efforts.

INCUBATOR SERVICES

-  Technical and computer training
-  Counseling
-  Seminars and workshops
-  Business and financial planning
-  Business plan implementation
-  Identify lending sources
-  Loan package preparation
-  Administrative & support services

The four incubator organizations provide services that might duplicate some of the services of OSBA, particularly in those OSBA activities that are outside of its core mission of assisting small businesses to increase their participation in county procurement opportunities. But incubator organizations are geographically dispersed to serve specific business communities, including South County and the Glades areas. Because the SBA program has only limited staff and resources, and operates from a single West Palm Beach location, it relies on incubator organizations to augment its efforts. In that respect, there is more collaboration than duplication between OSBA and these groups, particularly if OSBA is restricted to its core mission.

Small Business Development Center (Florida Atlantic University)

The Florida Atlantic University Small Business Development Center (SBDC) offers small business assistance with the preparation of loan pre-qualification documents, by organizing training seminars and workshops, and by arranging

free one-on-one consultations with professional staff and volunteer business consultants. Additionally, the center offers:

- Introduction to local banks with available federal small business loan funds
- Referral to the Business Loan Fund of the Palm Beaches, Inc.
- An International Trade and Development Program
- Government contracting programs
- Market research assistance
- A referral network, and
- Access to the various Business Resource Centers.

The main office complex for the SBDC is located in Boca Raton on the campus of Florida Atlantic University. Its service area extends from Key West to St. Lucie County. It operates numerous one-person offices utilizing a diversified, but limited, mix of professional staff and volunteers. The West Palm Beach office of SBDC is staffed Wednesdays through Fridays weekly, and is co-located with the West Palm Beach Chamber of Commerce.

There is more collaboration than duplication between OSBA and other local business development organizations, particularly when OSBA restricts its activities to its core mission of assisting small companies to procure county business contracts.

The principal funding for SBDC comes from the U.S. Small Business Administration, exceeding \$800,000 annually. Palm Beach County government also subsidizes operation of the local SBDC with a grant of \$40,000 on an annual contract basis. Both the funding and contract monitoring are the responsibility of the county's Office of Small Business Assistance.

At first glance, it may appear that SBDC is already providing services that duplicate some of the services of the county SBA program. However, SBDC staff is spread thin over a large region of South Florida and its primary focus is on preparing clients to successfully access federal loan funds through the U.S. Small Business Administration. The county's Small Business Assistance program complements operations of SBDC through mutual client exchanges and joint cooperation in the production of training seminars and workshops.

Business Development Board

The Business Development Board (BDB) is a private, not-for-profit corporation designated by the state as Palm Beach County's official economic development organization. Its stated primary purpose is, "to attract and retain business investment and high quality jobs in Palm Beach County through corporate relocations, expansions and international trade."

Activities focus on attracting new business to Palm Beach County, assisting existing local business with expansion planning, and retaining established

businesses within the county. BDB programs are partially funded by the Board of County Commissioners on an annual contract basis. For fiscal year 2002, the contract calls for \$875,000 of county funding. While the BDB will work with smaller businesses on occasion, it generally targets established companies—those which are at least 5 years old that have the potential to generate 50 or more new jobs in the county within a two-year period. By definition, this target group excludes micro- and small- developing businesses in need of start-up assistance and funding. Specifically, the BDB assists companies with:

- Applying for state and county incentive grants
- Locating office, manufacturing and warehouse facilities
- Finding suitable land that is correctly zoned

By virtue of its operational mandate, OSBA is restricted to smaller companies than BDB would ordinarily address, thus limiting duplication of effort between these two organizations.

Findings and Conclusions

The preceding sections of this report have described the OSBA and its two programs, M/WBE and SBA. Background information regarding other county-funded organizations that assist businesses is presented to give the reader some understanding of the extent to which the efforts of OSBA may duplicate the services of others in the community.

Through a process that included personal interviews and a review of available documentation, the study team offers its assessment with respect to the anticipated effects that proposed changes to the Small Business Assistance program may have on county staffing and other resources. During the course of fieldwork the project consultant interviewed employees of the Office of Small and Minority/Women Business Assistance, as well as representatives of the county's Economic Development Office, Small Business Development Center, and the Business Development Board.

The essential conclusions we have reached are: 1) the anticipated OSBA proposal to expand certification to include all local small businesses will have an unknown, but probably manageable effect on the existing certification process; 2) no change in OSBA organizational structure is required to meet the proposed certification changes; 3) the current staff complement at OSBA is sufficient to handle increased certification demand generated by the proposed SBA program changes, provided the Office concentrates its efforts on its core mission; and 4) initial demand for SBA certification may have some adverse effect on other services not directly associated with the certification process in the near-term. In the longer-term, those impacts cannot be precisely predicted

from the available data, but the county's experience with M/WBE certification over the past decade may suggest one possibility: that a new certification regime targeting small businesses generally may find early interest that plateaus, and may even wane, in time.

The following specific findings describe the study team's conclusions in greater detail.

The same process currently used to evaluate M/WBE program certification applications can accomplish certification of small businesses following the proposed SBA program

OSBA staff is expected to present a proposed change to the SBA program for BCC approval that would create a small business certification while, at the same time, continuing with the certification of M/WBE clients. Even though that would involve different certification criteria for SBA and M/WBE businesses, it is envisioned that the proposed SBA program would follow essentially the same policy and procedures currently defined for the existing M/WBE Program as identified in Palm Beach County Code, Sections 2-71 through 2-80.13.

The OSBA organizational structure does not require change

The existing structure of the OSBA organization (*Appendices 3 and 4*) was recommended by a May 1997 OFMB report specifically to address the administrative requirements of both the M/WBE program and the SBA program. Since then, maturation of the M/WBE program, evolution of the SBA program of August 1998, and the decline in M/WBE certifications during recent years has led to an informal realignment of position duties and responsibilities. A year-long vacancy in the Certification Technician position has further contributed to the informal migration of position duties and responsibilities within OSBA. That structure remains appropriate for its proposed new mission, with only some title changes and modest realignments of duties (*Appendix 9 and Appendix 10*).

OSBA currently has a sufficient number of employees to adequately process certification applications for small business

At present, four OSBA staff positions are assigned to handle fairly repetitive duties associated with client certification/re-certification, participation monitoring, and program reporting for M/WBE activities while the number of certified M/WBE businesses has declined by more than one-quarter (from 791 to 586) over the past two years. Moreover, one of those four positions—the Certification Technician—has been vacant for nearly one year. Beyond that, three other OSBA staff members already devote the majority of their available time to aspects of the existing SBA program that currently has no formally mandated tasks. These three employees should be available for temporary

reassignment to help in processing an initial influx of small business certification applications, should that become necessary.

Initial participation in any proposed small business certification may be high, drawn by the lure of bid preferences and mandated contract participation goals. Beyond that, it should be anticipated that the greater frequency of recertification for small businesses—annual *versus* tri-annual for M/WBE recertifications—would have an impact on staff workload. In the final analysis, however, the volume of companies who will seek small business certification cannot be reliably estimated, and when this fact is contrasted with a long-time vacant Certification Technician position and the ability to temporarily reassign other employees, no staffing changes are warranted at this time.

The initial demand for small business certifications may have a temporary adverse effect on other service aspects of the SBA program

An increase in the number of certification applications combined with the internal reassignment of OSBA staff to process those applications may affect the availability of assistance in areas not relating directly to participation in county procurement opportunities. The magnitude of certification applications received, the duration of staff reassignments, and the demand for business assistance in areas not relating directly to participation in county procurement will all be factors influencing future resource needs of the program.

OSBA is alone among organizations assisting local small businesses to obtain a greater share of county purchasing opportunities

Other publicly- and privately-funded organizations in Palm Beach County provide assistance to small businesses, but only OSBA has a mission that focuses on, “the establishment and growth of small businesses that can provide goods and services to Palm Beach County.” Further, OSBA works with the Purchasing Department to identify and tailor small business opportunities that can simultaneously meet the county’s commodity procurement needs.