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DEPARTMENT OF
GENERAL SERVICES

OFFICE OF MINORITY, WOMEN
AND SMALL BUSINESS

CITY OF SACRAMENTO
CALIFORNIA

MWBE91:011:RDR:rh

5730 - 24TH STREET
BUILDING FOUR
SACRAMENTO, CA
95822-3699

916-449-8505

September 25, 1990

Budget and Finance Committee
Transportation and Community Development Committee
Sacramento, California

Honorable Members in Session:

Subject: 1989-90 Minority/Women Business Enterprise Program -
Fourth Quarter Report - April 1, 1990 through June 30,
1990

SUMMARY

The attached report summarizes the activities of the City's Office of Minority, Women and Small Business (OMWSB) during the Fourth Quarter of Fiscal Year 1989-90 (April 1, 1990 through June 30, 1990). It also provides cumulative expenditure data for the complete 1989-90 fiscal year, from July 1, 1989 through June 30, 1990. The overall M/WBE utilization for the City Operating Budget was 7.4% of the total discretionary transactions. The Capital Improvement Projects (CIP) Budget had an M/WBE utilization rate of 3.6%.

BACKGROUND

As directed by the Council, the Office of Minority, Women and Small Business prepares reports on a quarterly basis to provide information on progress towards meeting the Council-established M/WBE utilization goals of 20% minority business and 5% women business utilization in discretionary City business transactions.

ANALYSIS

A. SPECIAL ACTIVITIES

1. M/WBE Utilization Study

Staff has continued to work with the County of Sacramento and the Sacramento Housing and Redevelopment Agency (SHRA) on developing a Request for Proposals (RFP) for use in selecting a consultant to perform a study of minority and women business utilization in our market area. This study is required in order to meet the guidelines set forth by the U.S. Supreme Court decision in the case of the City of Richmond v. J.A. Croson Co. as a part of the process of justifying preferential minority business programs.

During the Fourth Quarter, staff has compiled information about City, County, and SHRA construction contracting methods and associated record-keeping procedures. Inclusion of the information in the RFP will allow proposers to more accurately judge the costs of conducting the Sacramento study.

In June, the M/WBE Program Manager attended a conference in Washington D.C., which focused on "strategies and tactics to defend state and local minority business enterprise (MBE) programs in the wake of the U.S. Supreme Court decision" (Croson). The conference was sponsored jointly by the Minority Business Enterprise Legal Defense and Education Fund (MBELDEF) and the Lawyers' Committee for Civil Rights Under Law. One of the conference co-chairs was Mr. John Payton, an attorney who presented the case of the City of Richmond to the U.S. Supreme Court in the Croson case. Valuable insights were obtained in the course of the conference, which will help in properly structuring Sacramento's M/WBE Utilization Study to ensure its viability.

Staff is currently working with the City Attorney's Office to obtain outside legal assistance with the RFP.

2. Small Business Economic Opportunity Program

In September 1989, the Council also authorized staff to develop a racially neutral **Small Business Economic Opportunity Program (SBEOP)** to provide assistance to City-certified small businesses in doing business with the City.

As was noted during the FY91 budget hearings, the basic administrative guidelines have been developed, but other program requirements have precluded staff from bringing the SBEOP on line. The City Council has authorized a staff person to be hired next year during fiscal year 1990-91, which will allow implementation of the program.

B. CONTINUING ACTIVITIES

1. Participant Certification

During the Fourth Quarter, the process of recertifying vendors was fully implemented, and all vendor certifications are now current. The recertification process has found numerous vendors no longer doing business, and some ownership changes. While this has meant the loss of some vendors from the certified list, it has also purged non-viable vendors from the database. The City's list of certified M/WBE firms now contains 871 vendors.

Staff is now in the process of comparing the City's certified vendor lists with those of the Sacramento Housing and Redevelopment Agency (SHRA) the Sacramento Regional Purchasing Council (SRPC). Any firms not on the City's list are being sent the necessary forms for City certification. This should further increase the City's pool of available M/WBE vendors.

2. Mayor's M/WBE Task Force

The Mayor's Special Task Force on M/WBE met to review the Third Quarter Report (FY90) of M/WBE activities on May 14, 1990. Minutes of that meeting are attached to this report as Exhibit "B". Task Force member attendance at the meeting was the highest of the year. In addition to reviewing the Third Quarter Report, the Task Force was apprised progress on the joint venture Croson study RFP development process.

Task Force members again expressed their concern over the gap between the City's M/WBE goals of 20% (MBE) and 5% (WBE) and the actual combined utilization level of 7.5%. Members were asked for comments on how the groups they represent feel about doing business with the City. Some of the concerns expressed were:

- The City's requirements are too complicated, making it

difficult for small/new businesses to do business with the City.

- Insurance and bonding requirements are frequently so stringent that M/WBE businesses cannot qualify to participate in City bids.
- Lack of access to the City employees who make buying decisions.
- No real incentives exist for M/WBE's to make the effort required to "get a foot in the door".

3. Outreach

During the Fourth Quarter staff was involved in the following outreach activities:

- Making a presentation about opportunities for doing business with the City to the Filipino-American Chamber of Commerce;
- Working with the Sacramento Regional Purchasing Council;
- Participating in Sacramento Minority Business Opportunity Committee activities;
- Attending Capital City Purchasing Association meetings.
- Continued regular distribution of a List of Current Bids to the minority chambers of commerce for general membership meetings and to the minority business development center (NEDA) plan room on a weekly basis.

C. FUTURE ACTIVITIES

1. M/WBE Utilization Study

Staff is in the process of preparing a final draft Request for Proposals (RFP) for M/WBE Utilization Study consultant selection. Following review by Agency executive offices and legal counsel, the RFP will be released.

2. Establish Reporting Procedures for Subcontractor Utilization on Capital Improvement Project (CIP) Contracts

Staff has begun development of procedures to facilitate the reporting of subcontractor utilization on Capital Improvement Projects. It is expected that initial reporting will begin in the First Quarter FY91, with refinements to the process taking place as the year progresses.

3. Continue Monitoring of Expenditures with M/WBE Firms

The current reporting system for tracking baseline City expenditures with M/WBE firms from the Operating Budget and the CIP Budget will continue.

4. "Hard Copy" Directory of M/WBE Vendors

During visits made to the Departmental M/WBE Coordinators during the Fourth Quarter, it became evident that a hard copy directory listing the City's certified M/WBE vendors would be a useful tool to help identify new sources for goods and services at the user level in the City.

OMWSB staff has met with staff from the Data Management Department to outline the program's requirements for a M/WBE vendor directory. Data Management staff is now working on the computer programming needed to produce an M/WBE vendor directory which will be generated from the LGFS system. A program is expected to be available in October, after which time the first City M/WBE vendor directory should be made available.

D. STATISTICS FOR THE 1989-90 FISCAL YEAR

1. Operating Budget

In Fiscal Year 1989-90, the City spent a total of \$29,531,230 in "baseline" purchases for goods and services from the Operating Budget. Of this total, the amount spent with M/WBE firms was \$2,180,775. This represents 7.4% of the total "baseline" City purchases in the Operating Budget for the 1989-90 fiscal year.

The yearly Operating Budget M/WBE utilization expenditure and

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percentage totals since the program's inception are:

1988-89	\$1,829,571	7.4%
1989-90	\$2,180,775	7.4%

While fluctuations in the M/WBE utilization rate have occurred during the course of the year, with a high of 7.7% reported at the end of the Second Quarter, the 7.4% level of participation by M/WBE firms in City Operating Budget transactions in the Fiscal Year 1989-90 is the same as the 7.4% utilization rate for Fiscal Year 1988-89. Although the total dollars going to M/WBE firms rose from \$1,829,571 last year to \$2,180,766 this year, the proportion of total dollars spent with M/WBE firms has remained virtually unchanged.

The Operating Budget statistics for Fiscal Year 1989-90 are:

Table 1

Fiscal Year 1989-90 M/WBE Expenditures
OPERATING BUDGET TOTALS

<u>Classification</u>	<u>Amount</u>	<u>Percentage</u>
Total Baseline Expenditures	\$ 29,531,230	100.0%
Total M/WBE	2,180,775	7.4%
Total Minority Male	1,176,767	4.0%
Total Minority Female	292,392	1.0%
Total Non-Minority Female	711,616	2.4%
- - - - - * - - - - -	- - - - -	- - - - -
Total Minority-Owned	1,469,159	5.0%
Total Woman-Owned **	1,004,008	3.4%

* Includes Minority Male and Female

** Includes Minority and Non-minority Women

The activity detail by Department for the information contained in the above table is attached as Exhibit "A". In addition, departmental detail is on file in the Office of Minority, Women and Small Business.

Table 2

Fiscal Year 1989-90 M/WBE Expenditures
Business Utilization by Ethnicity & Gender - Operating Budget

<u>Business Ethnicity/Gender</u>	<u>No. Utilized</u>	<u>Expenditures</u>
Asian/Pacific Island - Male	19	\$ 443,034
Asian/Pacific Island - Female	9	39,830
Black - Male	10	256,171
Black - Female	2	575
Hispanic - Male	18	477,562
Hispanic - Female	4	251,987
Non-minority - Female	<u>81</u>	<u>711,616</u>
Total M/WBE:	<u>114</u>	<u>\$ 2,180,775</u>

2. Capital Improvement Projects (CIP) Budget

This is the first year in which M/WBE reporting has included information on expenditures from the Capital Improvement Projects (CIP) Budget. The CIP expenditures have been tracked using the same "baseline" object codes utilized in the monitoring of the Operating Budget. Total "baseline" CIP expenditures for the 1989-90 Fiscal Year were \$26,183,233. Of that amount, a total of \$937,684 or 3.6% was spent with City-certified M/WBE firms.

As has been noted in previous reports, the City's computerized financial system is capable of recording only payments made to prime contractors. The prime contractors, in turn, pay their sub-contractors with proceeds received. Because payments made to sub-contractors by the prime contractors are not included in the figures reported here, it is possible that the actual level of M/WBE participation is somewhat higher than these numbers indicate.

Staff has begun development of procedures to facilitate reporting of M/WBE subcontractor utilization on CIP contracts with a value of \$25,000 or more. Initial reporting of this activity is expected to begin in the first or second quarter of Fiscal Year 1990-91. The Capital Improvement Projects Budget statistics for fiscal year 1989-90 are:

Table 3

**Fiscal Year 1989-90 M/WBE Expenditures
 CIP BUDGET TOTALS**

<u>Classification</u>	<u>Amount</u>	<u>Percentage</u>
Total Baseline Expenditures	\$ 26,183,233	100.0%
Total M/WBE	937,684	3.6%
Total Minority Male	475,406	1.8%
Total Minority Female	295,014	1.1%
Total Non-Minority Female	167,264	0.6%
- - - - - * - - - -		
Total Minority-Owned	770,420	2.9%
Total Woman-Owned **	462,278	1.8%

* Includes Minority Male and Female
 ** Includes Minority and Non-minority Women

Note: Because many of the CIP projects involve multiple City departments, the information it is not possible to provide a breakdown by department.

Table 4

**Fiscal Year 1989-90 M/WBE Expenditures
Business Utilization by Ethnicity & Gender - CIP Budget**

<u>Business Ethnicity/Gender</u>	<u>No. Utilized</u>	<u>Expenditures</u>
Asian/Pacific Island - Male	7	\$ 53,436
Asian/Pacific Island - Female	4	295,014
Black - Male	3	78,901
Black - Female	0	0
Hispanic - Male	8	343,069
Hispanic - Female	0	0
Non-minority - Female	<u>14</u>	<u>167,264</u>
Total M/WBE:	<u><u>33</u></u>	<u><u>\$ 937,684</u></u>

3. Other M/WBE Expenditure Information

From time to time during the fiscal year, departments made expenditures with M/WBE firms using non-M/WBE vendor codes. This happens because either the firm has not yet been certified with the City, or an employee inadvertently uses an "old" (prior to M/WBE certification) vendor code. As a result, such expenditures are not picked up by the computerized expenditure tracking system. OMWSB staff working with Data Management has developed a method for identifying the total dollar amounts involved. At this time, however, it is not possible to ascertain detailed background information on these expenditures (e.g., City department, whether Operating or CIP Budget, and ethnic and gender breakdowns).

The additional M/WBE expenditures that were identified through this process totaled \$647,699. When combined with the Operating Budget and CIP Budget figures, the City's overall M/WBE figures are:

Table 5
Total City M/WBE Expenditures

	<u>Total</u>	<u>M/WBE</u>	<u>Percentage</u>
Operating Budget	\$ 29,531,230	\$ 2,180,775	7.4%
CIP Budget	26,183,233	937,684	3.6%
Additional M/WBE	---	647,699	---
<u>Total</u>	<u>\$ 55,714,463</u>	<u>\$ 3,766,158</u>	<u>6.8%</u>

POLICY CONSIDERATIONS

The Council has established policy that the City should increase the level of business transactions with minority-owned and women-owned businesses. As a target, the Council set goals of 20% minority and 5% woman business participation. While the number of dollars flowing to M/WBE firms has grown from a year ago, the utilization rate (percentage of total expenditures) has remained the same. To achieve growth in the utilization will require a higher level of accountability at the department and/or division levels. However, the constraints imposed by the Supreme Court's Croson decision limit the ability to take such measures without the type of "factual predicate" that is produced from a M/WBE utilization study. After the study is completed, sufficient information should be available on which to base well-founded, pro-active utilization policies. Until that time, the City should continue to encourage diversity in solicitations for goods and services. To that end, staff of the OMWSB will work to expand resources available to facilitate such diversification. The Council's commitment to expanded M/WBE utilization, as evidenced by the allocation of increased staff resources in Fiscal Year 1990-91, will also contribute to broader M/WBE utilization, both in terms of dollars and the numbers of firms participating in City business transactions.

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RECOMMENDATION

This report is for Committee information and requires no action.

Respectfully submitted,



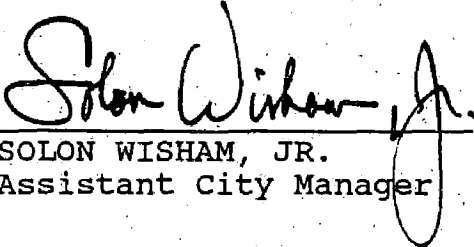
ROBBIN DESHIELDS RANDOLPH
Procurement Services Manager/
M/WBE Program Manager

APPROVED:



JACK CRIST
Deputy City Manager

APPROVED FOR COMMITTEE INFORMATION:



SOLON WISHAM, JR.
Assistant City Manager

Contact Person:
Robbin DeShields Randolph
Procurement Services Manager
449-5551

September 25, 1990
All Districts

**** SUMMARY by DEPARTMENTS ****
 CITY OF SACRAMENTO
 M/WBE EXPENDITURES
 Fiscal Year 1989-90 Expenditure Totals

Responsible Activity	Object Codes	Fiscal Year	MBE	Fiscal Year	WBE	Fiscal Year	M/WBE
		1989-90	Use	1989-90	Use	1989-90	Use
		MBE Purchases	Percent	WBE Purchases	Percent	TOTAL Purchases	Percent
Mayor/Council	Baseline	1,621	3.3%	3,293	6.6%	49,795	9.9%
City Manager	Baseline	5,502	3.6%	3,436	2.2%	154,615	5.8%
City Attorney	Baseline	1,395	.9%	6,615	4.1%	163,046	4.9%
City Clerk	Baseline	830	.7%	1,752	1.5%	119,012	2.2%
City Treasurer	Baseline	8,706	8.4%	2,327	2.2%	104,104	10.6%
Finance	Baseline	9,109	1.0%	32,632	3.4%	948,064	4.4%
Data Management	Baseline	62,343	7.3%	2,344	.3%	854,221	7.6%
Personnel	Baseline	13,046	3.1%	3,851	.9%	417,980	4.0%
Employee Relations	Baseline	98	.6%	466	2.9%	16,267	3.5%
General Services	Baseline	448,253	4.3%	161,590	1.5%	10,433,499	5.8%
Police	Baseline	49,893	2.5%	90,530	4.5%	2,007,642	7.0%
Fire	Baseline	9,533	1.5%	87,847	14.2%	617,674	15.8%
Public Works	Baseline	201,706	2.8%	229,163	3.2%	7,268,804	5.9%
Planning & Development	Baseline	35,949	5.4%	18,766	2.8%	670,602	8.2%
Library	Baseline	1,738	.1%	40,729	3.1%	1,325,076	3.2%
Community Center	Baseline	2,050	.5%	29,960	6.7%	448,616	7.1%
Parks & Community Svcs.	Baseline	324,995	8.3%	288,709	7.3%	3,932,213	15.6%
CITY TOTALS:		1,176,767	4.0%	1,004,008	3.4%	29,531,230	7.4%

**MINORITY WOMEN/BUSINESS ENTERPRISE PROGRAM
MAYOR'S SPECIAL TASK FORCE
MINUTES**

MEETING DATE: May 14, 1990

MEETING TIME: 5:30 P.M.

LOCATION: City Hall - Accounting Conference Room

PRESENT:

TASK FORCE MEMBERS:

Janet Ruiz-Anderson,
Trudy Evans, Sacramento Black Chamber of Commerce
Gene Fong, Aerojet Tech Systems Company
Sheila Martin, Sacramento Housing & Redevelopment Agency
Ann McCandless (for Maureen White), Sacto. Women's Network
Beatriz Molina, Sacramento Hispanic Chamber of Commerce
Bud Rodgers, Associated General Contractors
Dennis Tootelian, CSUS Small Business Center

Staff:

Robert Holbrook, Administrative Analyst II, M/WBE Program
Robbin Randolph, Procurement Services & M/WBE Program
Mietta Smallwood, Typist Clerk II

CALL TO ORDER AND APPROVAL OF MINUTES OF FEBRUARY 5, 1990

The meeting was called to order by Robbin Randolph at 5:35 p.m. and introductions were made.

The minutes of the meeting of February 5, 1990 were approved as written.

REVIEW OF THIRD QUARTER FY 89-90 PROGRESS REPORT

Following approval of the minutes, the 1989-90 Third Quarter Progress Report was reviewed by Robbin. The Third Quarter Report summarizes those activities that the program had undertaken during the period from January 31 - April 30, 1990. She noted that the M/WBE utilization rate for baseline Operating Budget expenditures was 7.5%. This was the second report which included figures from the Capital Improvement Projects (CIP) Budget, which showed a year to date M/WBE utilization rate of 3.1%. The total number of M/WBE firms utilized in Operating Budget expenditures was 114, while in the CIP Budget expenditures were made to 33 firms.

UPDATE ON REQUEST FOR PROPOSALS (RFP) FOR M/WBE UTILIZATION STUDY

Robbin noted that the Request for Proposals (RFP) development process has been proceeding more slowly than was originally projected. Staff is currently revising the scope of work section of the RFP and is seeking input from other jurisdictions that have been involved in the RFP process. It is anticipated that a third draft of the RFP will be ready for review by the three agencies shortly. Robbin noted that we may stand to gain from the experiences of other agencies such as Los Angeles and Oakland, which are further along in the consultant selection process.

STATUS OF SMALL BUSINESS ECONOMIC OPPORTUNITY PROGRAM

Robbin advised the Task Force that there has been no further activity on the Small Business Economic Opportunity Program due to insufficient staff resources.

COMMENTS ABOUT PERCEPTION OF CITY

Robbin asked Task Force members for input about the way the City's contracting and procurement policies are viewed in the communities represented by the Task Force members. The following comments were made:

- Vendors are frustrated because of the lack of accessibility to the City's Buyers.
- It is too difficult to work with City, making it not worth the effort.
- Lack of follow through - no one gets back to them to let them know how they "stacked up" in the bidding process.
- The same contractors get all the work.
- Insurance and bonding issues are always a problem - many M/WBE businesses cannot qualify for the levels required on City projects.
- It would be interesting to see the level of M/WBE subcontractor use on Public Works projects.
- There really aren't any incentives for M/WBE firms to seek to do business with the City.

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Robbin said she would relay the concerns expressed by the Task Force members to the City Council members when the Third Quarterly report is presented to them at the Joint Committees meeting on May 22nd.

ADJOURNMENT

The meeting was adjourned at 7:05 p.m.

Mayor's Special Task Force on Minority/Women Business Enterprise

Meeting Attendance History

<u>Task Force Member (Appt. Exp.)</u>	<u>10/17/88</u>	<u>1/9/89</u>	<u>4/10/89</u>	<u>7/17/89</u>	<u>10/16/89</u>	<u>2/5/90</u>	<u>5/14/90</u>
Gloria Apolinario (10/11/91)	X	Ab.	X	X	Ab.	Ab.	Ab.
Maxine Cornwell (replaced)	X	X	(Replaced by Sheila Martin)				
Trudy Evans (10/11/90)	X	X	Ab.	X	Ab.	X	X
Gene Fong (10/11/91) (Appointed 12/6/88)		Ab.	X	Ab.	X	X	X
Ralph Gaedeke (replaced)	X	(Replaced by Dennis Tootelian)					
Walter Hare (10/11/90)	X	X	Ab.	Ab.	Ab.	Ab.	Ab.
Sebron Humphrey (replaced)	X	(Replaced by Janet Ruiz-Anderson)					
Edmundo Lopez (10/11/90) (resigned)	X	Ab.	Ab.	X	Ab.	(Resigned 1/30/90)	
Sheila Martin (10/11/90)		(Replaced Maxine Cornwell)		X	X	X	X
Pauline Marzette (10/11/91)	X	X	X	Ab.	Ab.	Ab.	Ab.
Beatriz Molina (10/11/90)	X	Ab.	Ab.	Ab.	Ab.	X	X
Maureen O'Connor (10/11/90)	X	X	X	Ab.	X	Ab.	Ab.
Bud Rodgers (10/11/91)	X	X	X	X	X	Ab.	X
Janet Ruiz-Anderson (10/11/91) (replaced S. Humphrey)	X		X	X(Sub)	Ab.	X(Sub)	X
Dennis Tootelian (10/11/90) (replaced R. Gaedeke)		X	X	Ab.	X	Ab.	X
Maureen White (10/11/91)	X	X	X	X	Ab.	Ab.	X(Sub)
Members Present/Total Members:	12/13	9/13	8/13	6/13	5/13	5/12	8/12
Percentage of Active Members:	92%	69%	62%	46%	38%	42%	67%