

CITY OF PHILADELPHIA FISCAL YEAR 2006 ANNUAL DISPARITY STUDY: DATA COLLECTION, GOAL SETTING PROCESSES

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1.0 INTRODUCTION

1.1 Immediate Context

Pursuant to Section 6-109 of the Philadelphia Home Rule Charter, Econsult Corporation was retained by the City of Philadelphia to conduct the FY2006 Annual Disparity Study. The City requested that the Study provide an analysis of the disparity between Disadvantaged Business Enterprise (DBE) utilization and DBE availability, in terms of conducting business with certain City departments. This Disparity Study was delivered to the Department of Finance on May 30, 2007 and subsequently distributed to the Mayor and to City Council, and the City Council Committee on Commerce and Economic Development held hearings on the subject in November 2007.

1.2 Scope of Work

The Disparity Study received very little scrutiny by the Committee during these hearings, however, as members chose instead to focus on the role of the Office of the Director of Finance and the Minority Business Enterprise Council (MBEC) in providing data for the Disparity Study and in determining participation goals as a result of the Disparity Study:

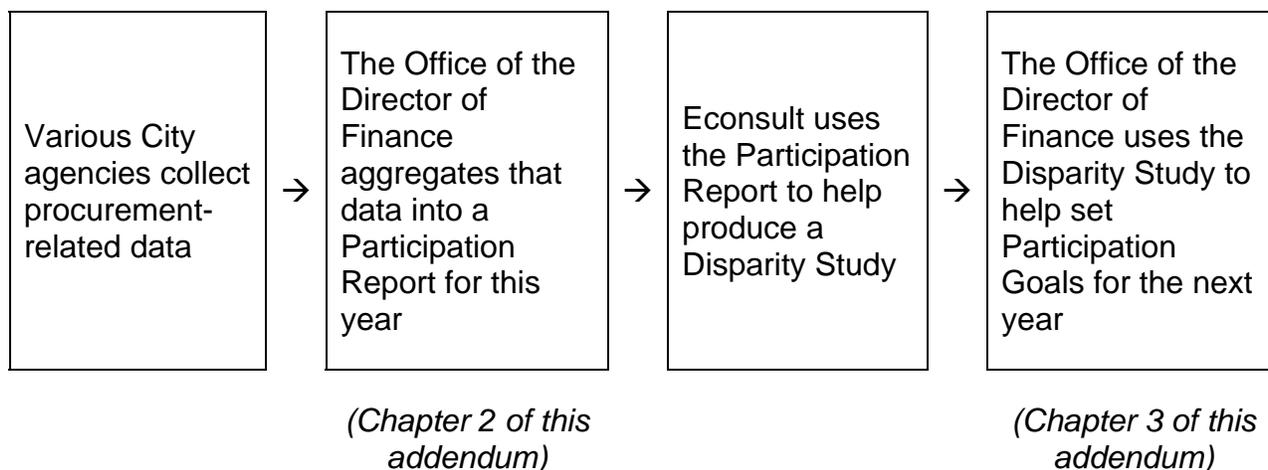
- The FY2006 Disparity Study, in its current form, took as the basis of its analysis data from the FY2006 Participation Report that was produced by the Office of the Director of Finance; and
- While the FY2006 Disparity Study did offer some guidance as to the setting of participation goals for FY2007 at the aggregate level, that responsibility was ultimately borne by the Office of the Director of Finance.

To the extent that people were uncomfortable with either or both of these functions, one leading into the development of a disparity study and one springing forth from it, a disparity study becomes less useful as an accountability mechanism and a policy-setting resource.

1.3 Report Overview

In fact, disparity studies often directly address one or both of these topics. Therefore, this addendum to the FY2006 Disparity Study will do just that, in accordance with an Action Plan distributed by the Office of the Director of Finance to City Council as a follow-up to the November 2007 hearings. Econsult presents in this addendum a review of the current process by which Participation Report numbers are recorded and verified, and it offers some policy guidelines for translating disparity study results into participation goals (see Figure 1.1).

Figure 1.1 – Documenting Current Year’s DBE Participation Results and Setting Subsequent Year’s Participation Goals (Overview)



Source: Econsult Corporation (2007)

- *Data Collection Processes.* To best offer guidance to the Office of the Director of Finance and to City Council in improving processes for the future, Econsult has taken a careful look at the current manner in which DBE utilization data is collected, checked, and reported. It has also reviewed the procedures of other cities and states to provide additional frameworks from which to state its findings and offer its recommendations.
- *Goal Setting Processes.* Similarly, Econsult has reviewed the legislative and organizational environment in which participation goals are currently set, as well as examples from other cities and states. The end goal in this case is to offer the Office of the Director of Finance a well-defined framework in which participation goals can be properly set based on previous years’ performances and other relevant considerations.

Increasing DBE utilization is a worthy goal to pursue, from the standpoint of good public policy and commercial vitality. It is important, to establish the **credibility of reports** that are published with the

intention of informing policymakers and the general public as to the level of DBE participation, and it is equally important to create **well-conceived guidelines** by which those results can be factored in with availability estimates into the setting of future DBE participation goals. These considerations drive the production and dissemination of this addendum to the FY2006 Disparity Study.

2.0 DATA COLLECTION PROCESSES

The collection, processing, validation, and dissemination of the participation of Disadvantaged Business Enterprises (DBEs) in City contracts is **necessarily a complex one, as it involves large amounts of data and many layers of municipal bureaucracy, and demands a sufficient level of checks and balances.** The purpose of this chapter is to describe this process in its current form, offer a look at what other cities and states are doing, and provide findings and recommendations accordingly that can lead to improvements in the future.

2.1 Current Procedures

A description of the process by which DBE participation data is collected for the purposes of producing the Participation Report must necessarily begin with **the various data sets** that are kept by various agencies within the City of Philadelphia and by the Office of the Director of Finance and the Minority Business Enterprise Council (MBEC). The maintenance of these databases is an ongoing responsibility, as bids and proposals are received and processed all year-round. However, one of the difficulties encountered by the Office of the Director of Finance in assembling the relevant data is the relatively siloed nature of this data, as there are multiple data sources sitting on different software platforms, managed by different administrators, and accessed by different users within the City (see Figure 2.1).

Figure 2.1 – Data Sources Used by the Office of the Director of Finance to Produce Participation Reports

<i>Data Source</i>	<i>Description</i>	<i>Software Platform</i>	<i>User Base</i>	<i>Owner</i>	<i>Administrator</i>
ACIS	Professional services (PPS) contract information	Oracle (installed locally)	Citywide specialists	Managing Director's Office (MDO) / Finance	Finance, outside vendor (ISP)
ADPICS	Purchasing information	Mainframe system (attachments not allowed)	Citywide specialists	Procurement	Mayor's Office of Information Services, outside vendor (TIER)
FAMIS	Accounts payable, check writing ¹	Mainframe system (attachments not allowed)	Citywide specialists	Finance	Mayor's Office of Information Services, outside vendor (TIER)

¹ Miscellaneous Order Purchases (MOPs) and Small Order Purchases (SOPs) are kept on FAMIS.

<i>Data Source</i>	<i>Description</i>	<i>Software Platform</i>	<i>User Base</i>	<i>Owner</i>	<i>Administrator</i>
MBEC application tracking	Collection of data on MBEC-certified firms	Microsoft Access, Microsoft SQL	MBEC	MBEC	Administrative Services Center – Information Technology, outside vendor (ENIW)
SPEED	Public Works (PW) / Services, Supplies, and Equipment (SSE) contract information	Microsoft Access, Microsoft SQL	Procurement	Procurement	Administrative Services Center – Information Technology
Symtrac / IMPACT (not yet fully implemented ²)	Collection of invoice and payment information from subcontractors	Web-based, Microsoft SQL	MBEC, vendors	MBEC	Administrative Services Center – Information Technology, outside vendor (Symboit)
WebProcure (not yet fully implemented)	Replacement of ADPICS and SPEED, new features for procurement processing	Web-based, Oracle	Procurement, citywide specialists, vendors	Procurement	TIER

Source: Minority Business Enterprise Council (2007)

The development of the Participation Report is further slowed by **the manual, paper-based nature of the current procedures**. For example, every vendor that seeks to do business with the City as a prime

² If fully implemented, Symtrac would allow Participation Report results to be shown in terms of actual funds disbursed.

contractor must include in its bid or proposal a form designed by MBEC known as a Solicitation and Commitment (S&C) Form.³ This form is intended to verify that the applicant has sufficiently solicited DBE participation and to demonstrate the level of committed participation in the contract.

These S&C forms are passed back and forth between individual agencies with contract opportunities and MBEC: agencies receiving the forms as part of the bids and proposals, MBEC verifying the certification status of DBE firms listed on the forms, agencies using the content of the forms to determine which prime contractor is desirable to select, and finally MBEC filing away the forms for use in producing the Participation Report.⁴ To the extent that agencies delay in returning these S&C forms back to MBEC, that can hinder the timing of the Participation Report, in some cases by several weeks.

Having introduced these various data sources and processes, we can now describe the steps taken by the Office of the Director of Finance and other City agencies towards the development of the Participation Report. As mentioned above, it is necessarily a long and cumbersome process, both because of the need for checks and balances and because of the many agencies, individuals, and data sets involved (see Figure 2.2).

Figure 2.2 – Data Collection Process Currently Employed by the Office of the Director of Finance

<i>Step</i>	<i>Entity</i>	<i>Action</i>	<i>Notes</i>
<u>Ongoing</u>		<u>Maintain various databases</u>	
Ongoing	Finance	Maintain FAMIS data	MOPS and SOPS data
Ongoing	MBEC	Maintain DBE-certified list	
Ongoing	MBEC	Maintain S&C forms	DBE solicitations and commitments
Ongoing	MDO / Finance	Maintain ACIS database	PPS bid data

³ An exception is made for contracts that require such specialized skills that there are too few qualified firms to require DBE participation.

⁴ In the case of proposals, an MBEC determination of non-responsiveness upon review of an S&C form can lead to additional steps, to the extent that proposers are able to resubmit this form to correct their non-responsiveness. Closed bids, of course, do not allow for such replacements.

<i>Step</i>	<i>Entity</i>	<i>Action</i>	<i>Notes</i>
Ongoing	Procurement	Maintain ADPICS database	Purchasing data
Ongoing	Procurement	Maintain SPEED database	PW / SSE bid data
<u>1</u>	<u>Download PPS, PW, and SSE data</u>		
1a	ASCIT	Download PPS data from ACIS into Microsoft Excel	Add race/ethnicity/location data from DBE-certified list
1b	ASCIT	Download PW and SSE data from SPEED into Microsoft Excel	Add race/ethnicity/location data from DBE-certified list
1c	ASCIT	Calculate DBE participation per contract	
1d	ASCIT	Categorize PW and PPS results by department	SSE contracts are citywide
<u>2</u>	<u>Download MOPs and SOPs data</u>		
2a	ASCIT	Download MOPs and SOPs data from FAMIS into Microsoft Excel	Add gender/race/ethnicity data from DBE-certified list
2b	ASCIT	Calculate DBE participation per contract	Separate out non-profit contracts

<i>Step</i>	<i>Entity</i>	<i>Action</i>	<i>Notes</i>
<u>3</u>	<u>Produce preliminary Participation Report results for internal verification</u>		
3a	ASCIT	Consolidate DBE participation per contract results into DBE participation per department results	
3b	ASCIT	Distribute draft results to MBEC Coordinators	
3c	MBEC – Coordinators	Verify PPS / PW / SSE results against S&C forms, note any changes and return to ASCIT	
3d	ASCIT	Make any changes vis a vis ACIS / ADPICS / SPEED, distribute revised draft results to Procurement	
3e	Procurement	Verify PPS / PW / SSE results against S&C forms, note any changes and return to ASCIT	
3f	ASCIT	Make any changes ACIS / ADPICS / SPEED, distribute revised draft results to MBEC Coordinators	
3g	MBEC – Coordinators	Re-verify results	
<u>4</u>	<u>Produce preliminary Participation Report results for external verification</u>		

<i>Step</i>	<i>Entity</i>	<i>Action</i>	<i>Notes</i>
4a	ASCIT	Distribute draft results to MBEC Special Projects	
4b	MBEC – Special Projects	Distribute draft results to 26 City departments	Meet with departments as necessary to discuss results
4c	26 City departments	Verify draft results against S&C forms, note any changes and return to MBEC Special Projects	Verify against their own internal records as well, if available
4d	MBEC – Special Projects	Distribute changes to ASCIT	
4e	ASCIT	Make any changes vis a vis ACIS / ADPICS / SPEED	Meet with departments as needed to discuss changes
4f	ASCIT	Verify that all contracts are conformed	I.e. that they have been properly formalized by the Law Department
<u>5</u>		<u>Prepare the Participation Report</u>	
5a	ASCIT	By contract type (PW / PPS / SSE), for prior year and current year; DBE category ⁵ by prime and sub	
5b	ASCIT	By race/ethnicity; by contract type (PW / PPS / SSE)	

⁵ I.e. Minority Business Enterprise (MBE), Woman Business Enterprise (WBE), and Disabled Business Enterprise (DSBE).

<i>Step</i>	<i>Entity</i>	<i>Action</i>	<i>Notes</i>
5c	ASCIT	By mayoral department; by contract type (PW / PPS / SSE)	
5d	ASCIT	For NTI, Pension / Investment Fees, Risk Management / Bond Issue Fees	
5e	ASCIT	For PIDC, PHDC, PWDC, PHA	

Source: Minority Business Enterprise Council (2007)

All told, the process can take up to six months, depending on delays as information is manually shuttled back and forth between agencies. Also, to the extent that redundancy is not built into the process, paperwork can be further delayed by the unavailability of merely one person, whether for other work-related matters or personal time off. Therefore, in order to meet its deadlines, the Office of the Director of Finance is mindful to initiate this work on an ongoing basis: rather than batching work, it initiates the process as new bids and proposals are received.

2.2 Procedures from Other Cities and States

To the extent that policymakers are relying on the Office of the Director of Finance's data to hold agencies accountable for past DBE participation and to set goals for future DBE participation, it is important that the processes by which the data are collected and aggregated pass reasonable standards for integrity and efficiency. In this regard, it is useful to consider the practices and experiences of other government entities, as a way to compare methods and observe what is working and what is not. Therefore, we consider two city examples and one state example.

The City of Houston, Texas

The City of Houston, Texas, provides an excellent example of how data collection can be almost entirely automated. Using a web-based software platform called B2Gnow, the City is able to track information on the DBE status of a vendor as well as contracts awarded and dollar amounts paid, all in one consolidated system.⁶

Prior to adopting B2Gnow, the City had been using four separate systems to track the status of certification applications, produce printed directories of certified vendors, and monitor DBE participation. Prime contractors were required to submit hard copy contracting information, which then had to be manually entered by the City's Department of Affirmative Action and Contract Compliance.

In 2004, the City migrated its data and processes to B2Gnow, which now contains information on all prime contractors as well as DBE vendors. Because the program is web-based, it is easily accessible to contractors and departments, as well as to the Department of Affirmative Action and Contract Compliance. Such a platform facilitates ease of record entry on the front end, ease of report production on the back end, and, importantly, ease of data verification throughout the process.

The City of Phoenix, Arizona

In light of its explosive growth and its ethnic diversity, the City of Phoenix, Arizona, has a Minority, Woman and Small Business Enterprise (MWSBE) Program, which provides MWSBE certification, procurement opportunities, construction subcontracting utilization, small business management and technical assistance, and educational services and networking opportunities. From a data collection standpoint, the City's utilization reports are based on actual payments. Furthermore, for construction-related contract opportunities, the City has a contract compliance team that monitors all active contracts and requires all prime contractors to submit proof of payments to certified subcontractors.

⁶ "Managing in 3D: Data, Diversity, and Dollars," Frank Belgake (2007).

The State of Maryland

In tracking DBE participation, the State of Maryland relies almost entirely on information supplied by the various agencies and departments doing business with private contractors. To be sure, self-reporting has its pros and cons, to the extent that the quality of data is so heavily dependent on the diligence and accuracy of information supplied by state agencies as well as private contractors. On the one hand, data must then be verified, but on the other hand direct reporting greatly simplifies the process.

The State has created standardized spreadsheets that must be filled out and submitted to the Governor's Office of Minority Affairs (GOMA) via the State's data management system, StateStat. GOMA is then responsible for aggregating these forms and publishing the annual participation report for the State. Thus, to give but one example, for data relating to contracts awarded, GOMA supplies the departments with a file containing two spreadsheets containing formulas to calculate participation in contract awards by procurement category and DBE classification.⁷

The Maryland Department of Transportation (DOT) serves as the State's certifying body, and as such, departments are required to check with the DOT regarding the DBE classification of its contractors, prior to reporting participation figures to GOMA. As an added data integrity measure, the spreadsheets provided by GOMA to individual departments are password-protected, to prevent accidental changes to the formulas needed to calculate participation rates. Finally, GOMA then compiles all of these spreadsheets from each entity into the annual participation report for the State.

Again, such a decentralized system has as advantages simplicity and efficiency, but the extensive reliance on departments and agencies to submit accurate data can cause and has caused problems for the State. For example, in 2002, the Maryland General Assembly's Office of Legislative Audits conducted an audit of the State's DBE Participation Program and found that much of the information being submitted to GOMA was inaccurate:

GOMA is not always fulfilling its DBE program oversight responsibilities. For example, GOMA did not ensure the reasonableness of agency reported DBE participation information. Our testing of data reported by State agencies that accounted for over one-half of the Statewide DBE participation (\$455 million of \$833 million) disclosed that 40 percent of the reported DBE activity awarded was not supported. As a result, the reported fiscal year 2001 Statewide DBE participation of 19.2 percent could be significantly overstated.⁸

As a partial response to this mark on the integrity of its data, GOMA now requires departments and agencies to go before the Governor's Office on a monthly basis to discuss contracting numbers being uploaded to StateStat. This has helped increase the accuracy of participation numbers being submitted to GOMA for the annual participation report.

⁷ "Directions for Using the Excel Spreadsheet to Compile the Annual Minority Business Procurement Report," State of Maryland (2007)>

⁸ "Performance Audit Report: Minority Business Enterprise (MBE) Participation Program," the Maryland General Assembly's Office of Legislative Audits (2002).

Notably, the annual participation report is not used by the State to produce its disparity studies. Instead, consultants hired to produce disparity studies are instructed to go directly to the departments and agencies to obtain the data from which the disparity studies are to be developed.

2.3 Findings and Recommendations

The audit of the Office of the Director of Finance's data collection process, combined with an analysis of two other government examples, leads to the following general conclusions that policymakers should take into consideration concerning future methods for collecting and processing DBE participation data:

- *Consolidated information technology systems* can shorten turn-around times and improve accuracy and accountability. The manual and serial nature of Office of the Director of Finance's process can be contrasted with the coordinated manner in which the City of Houston receives, stores, and processes its DBE participation data. These systems do impose costs on governments, in the form of equipment, licenses, and training. However, they also save money and minimize inaccuracies by minimizing the amount of manual work involved in moving data from one place to another. A web-based platform has the added benefit of enabling a greater level of transparency and accessibility, two very important considerations given the importance of this data.
- Consolidation of information via unified technology platforms also provides an avenue for *the Office of the Director of Finance and departments to work more collaboratively* on the issue of DBE utilization. As the current data collection process demonstrates, while the Office of the Director of Finance serves the central and coordinating function as information flows from bid and proposal forms to the Participation Report, the departments themselves have a role, to the extent that they are involved in collecting data on the front end and in verifying results on the back end. Increasing DBE utilization is a goal that the City as a whole should share, and thus the Office of the Director of Finance should encourage this shared approach to measuring DBE utilization results.
- It is important although challenging to manage *the trade-offs between simplicity and accuracy*. The importance of this data, and the inherent differences of interest of the various entities involved in producing, reporting, and analyzing this data, necessitate that sufficient checks and balances are put in place to verify results and ensure that intentional or unintentional inaccuracies are caught. However, implementing these checks and balances adds time and cost to the process, to the extent that additional staff time must be allocated and extra sets of eyes must be given time to check work. Policymakers would do well to understand these trade-offs as they seek to find ways to adequately account for data verification within specified time and monetary limitations.
- *Redundancy – of people and of systems* - is an important principle to build into the process. Related to the previous two points, redundancy of people and systems imposes a cost on governments, in the form of additional investments in staff and technology. However, such redundancy also saves time and money, to the extent that it can minimize delays resulting from the serial nature of the process, as well as those resulting from computer failure.

Ultimately, **improvements in the data collection process require government-wide support**. Although in the case of the City of Philadelphia, the Office of the Director of Finance is chiefly responsible for coordinating the effort, so much of the data and processing takes place outside of its jurisdictions. Improvements demand a whole team effort:

- *Top leadership* must make DBE utilization an administration-wide priority;

- *Policymakers* must invest in people and systems that ensure accuracy and efficiency;
- *Departments and agencies* must work diligently to turn around data and forms originating with them;
and
- *The Office of the Director of Finance and MBEC* must take the lead in bringing it all together.

3.0 GOAL SETTING PROCESSES

On the other side of a disparity study is its use in **setting future participation goals** for the government entity and for individual departments and agencies within it, in terms of its utilization of Disadvantaged Business Enterprises (DBEs). In other words, disparity studies help policymakers look backward and forward:

- Backward to hold departments and agencies *responsible for past contract awarding decisions*, and to gain information about the *availability of firms* in specific DBE classifications and for specific contract types; and
- Forward to *set desired participation levels* for future contracting awarding decisions.

Thus, the purpose of this chapter is to describe the current way in which the Office of the Director of Finance and the Minority Business Enterprise Council (MBEC) translates disparity study results from the previous fiscal year into annual participation goals for the upcoming fiscal year. This chapter also looks at a couple of examples from other government entities. Finally, it offers some findings and recommendations that can guide policymakers in properly circumscribing the goal-setting process for the Office of the Director of Finance.

3.1 Current Procedures

According to the City's charter, the Office of the Director of Finance is to establish contract goals for levels or amounts of DBE participation for each contract. However, it is **clear from the existing legislation** that the Office of the Director of Finance is not at liberty to set participation goals based on its own whims or its own agendas. Section 6-109 of the Philadelphia Home Rule Charter offers guidance that circumscribes the goal-setting process:

Figure 3.1 – Selected Excerpts from Section 6-109 of the Philadelphia Home Rule Charter

§6-109. Disadvantaged Business Enterprises.

- (a) An up-to-date study analyzing the participation of disadvantaged business enterprises (“DBE’s”) in City contracts for the purchase of goods and services, compared to the percentage of qualified DBE’s available to participate in such contracts (“Annual Disparity Study”). The Annual Disparity Study shall be performed either by the Office of the Director of Finance itself, or by contract
- (b) City contract participation goals for DBE’s for the upcoming fiscal year (“Annual Participation Goals”). In devising the Annual Participation Goals, the Finance Director shall consider:
 - (i) The present availability of qualified DBE’s;
 - (ii) The participation of qualified DBE’s on past contracts awarded by the City;
 - (iii) A forecast of eligible contracts to be awarded within the fiscal year; and
 - (iv) The latest Annual Disparity Study.

Source: City of Philadelphia (2007)

3.2 Procedures from Other Cities and States

The Office of the Director of Finance largely abided by these recommendations, and by the existing legislative guidance that holds authority over its actions. Nevertheless, the example of other government entities can be instructive for determining how to best establish goal-setting processes that are sensible and effective.

In general, there is **no generally accepted way in which participation goals are set** based on disparity studies and/or participation reports. In many places, goal setting is very much an art, as goals may be ramped up and down depending on changes in participation over time but are not at all rigorously linked to those participation numbers. Importantly, the benefit of a freer process by which goals are set is that it allows policymakers to make distinct choices about DBE participation, choices which are not tethered to past results and which can become effective “stretch” goals for a government and its agencies.

At the federal level, though, Departments of Transportation (DOTs) are bound to stringent recommendations regarding the setting of participation goals. US Code Title 49 Part 26 lays out a two-step process, as follows:

Step 1: Develop a baseline figure for the relative availability of DBE firms

The US Code requires that all DOTs derive some percentage of current participation of DBE firms to be used in determining a goal. The method by which this number is derived is left to the individual DOTs; the only requirement is that it is “based on demonstrable evidence of local market conditions and be designed to ultimately attain a goal that is rationally related to the relative availability of DBEs in [the relevant] market.”⁹ The US Code goes on to suggest some approaches to arriving at a base figure, one of which is the use of previously conducted disparity studies.

The US Department of Transportation also offers some guidance on how to determine a base figure. One of the most important of these guidelines is the caution that baseline percentages reflect an “apples to apples” comparison. In other words, despite data limitations and the subjective nature of the term, “ready willing and able,” the standard by which DBE firms included in the numerator of the availability rate should as much as possible be similar to that by which non-DBE firms are included in the denominator of the availability rate.

The bottom line in undertaking this preliminary step is to establish a floor for DBE participation, using reasonable and defensible methods. This provides a good starting point from which the next set of actions can be considered.

⁹ US Code Title 49, Part 26 – Section 26.45c.

Step 2: Determine the needed adjustment from the base figure, based on all available and relevant evidence

As with the previous step, individual DOTs are given a considerable amount of discretion in interpreting what is a “needed adjustment” and what constitutes “relevant evidence.” The US Code gives as examples of relevant evidence such data points as the current capacity of DBEs to perform work; evidence from existing disparity studies;¹⁰ and data on employment, self-employment, education, training, and union apprenticeship programs.

One instructive example of a DOT employing this two-step method is the State of North Dakota. The State considers six years of participation data, dropping the highest two participation rates and the lowest two participation rates, and averaging the remaining two. It then averages that figure with the base rate established in Step 1 to come up with its participation goal for the upcoming year. Note that by exclusively considering participation (i.e. utilization), the State does not factor in availability and therefore there is no mechanism in place to address disparity.

A second example, that of the Colorado DOT, yields a more sophisticated approach. In a study conducted by MGT of America for the Colorado DOT, disparity ratios were more directly incorporated. The following formula was put forth for calculating participation goals:

- Adjusted available DBE firms as a percentage of all available firms,
- Minus the sum of
 - The percentage of contract dollars awarded to underutilized firms, with “underutilized” being defined as any DBE category in which the disparity is less than 0.8; and
 - DBE emerging small businesses as a percentage of all available firms.

For the purposes of goal setting based on the results of disparity studies, what is important to note in this formula is the subtraction of the percentage of contract dollars awarded to underutilized firms from the availability rate to arrive at the participation goal. The reason for this is to ensure that those firms which fall into a DBE category that is deemed underutilized but who still received contracts are not double counted.

¹⁰ The US DOT understands that different disparity studies deploy different methods and represent different levels of detail, from in-depth statistical analyses to a more surface-level collection of anecdotal evidence of discrimination, and therefore recommends that goals based on disparity studies should be directly related to the measures of disparity employed in those studies themselves.

3.3 Findings and Recommendations

Econsult Corporation noted in its FY2006 Disparity Study that in setting future participation goals, policymakers should use past utilization and present availability as their chief guides. Specifically, it suggested that **where past utilization was lower than present availability, agencies should be encouraged to increase utilization such that those percentages were equal** (which would entail moving the disparity ratio from less than 1.0 to 1.0), and that **where past utilization was higher than present availability, agencies should be encouraged to maintain present utilization levels** (which would entail keeping the disparity ratio, currently above 1.0, at that current level) (see Figure 3.2).

Figure 3.2 - Recommended 2007 Participation Goals

Prefix of "U" = 2006 Utilization Rate > 2006 Availability Rate (i.e. disparity ratio > 1.0)
Prefix of "A" = 2006 Availability Rate > 2006 Utilization Rate (i.e. disparity ratio < 1.0)

PW = Public Works Contracts
PPS = Personal and Professional Services Contracts
SSE = Services, Supplies, and Equipment Contracts
All = All Contract Types

<u>Category</u>	<u>PW</u>	<u>PPS</u>	<u>SSE</u>	<u>All</u>
MBE	U: 5-7%	U: 16-21%	A: 8-11%	U: 9-12%
WBE	U: 8-11%	A: 14-18%	A: 11-15%	A: 12-16%
DSBE	x	x	x	x
All DBE *	U: 10-13%	A: 19-25%	A: 19-25%	A: 19-25%

Source: Econsult Corporation

"x" denotes data unavailable or insufficient

* Note: Figures in this row are not necessarily the sum of the above three rows because of businesses who belong to more than one category.

Note that the FY2006 Disparity Study calculated utilization and availability in aggregate and by contract type. It did not display results by contract or by department, so its guidance regarding actual recommendations cannot be at that level, which is the level for which the Office of the Director of Finance is tasked with developing participation goals for future years.

Nevertheless, these general rules of thumb are still useful, in terms of setting goals at the department and even contract level. When setting goals at these finer levels of detail, variations in DBE availability by contract type are quite important. Higher DBE availability in a particular contract type, for example, may make a higher participation goal for a particular department or contract not only acceptable, but also recommended.

Importantly, both utilization and availability separately provide an understanding of the health of DBEs in a region. Utilization rates indicate the proportion of contracts that are being awarded to various DBE classifications. Availability rates indicate the proportion of ready, willing, and able firms in the region that are of various DBE classifications.

In a sense, the City can and should take interest in both figures. When utilization lags behind availability, **the City can and should make special effort to increase DBE utilization**, as this brings under-utilized DBE categories more fully into the greater economic opportunities represented by City contracts.

Conversely, when availability lags behind utilization, the City also can and should take action. Low availability rates relative to past utilization rates usually mean that while the City has done a commendable job of fairly distributing contracts to DBE categories, there is **an unacceptably low pool of qualified DBE firms** from which to choose. The City can take action in two ways.

- First, it can facilitate the process by which qualified DBE firms become known to the City as ready, willing, able: *the Office of the Director of Finance can streamline its certification process, or proactively reach out to DBE firms in under-represented industry categories.*
- Second, the City can *collaborate with public and private sector entities that work with DBE firms.* It can strategically mobilize its resources, authority, and reach in a coordinated and collaborative fashion to connect DBE firms with the capital, technical assistance, and professional networks needed to build capacity and better compete for City contracts, not to mention other public and private sector contract opportunities. The proof of success in this arena will be twofold: availability rates will rise, and the increased pool of qualified DBE firms will likely lead to higher utilization rates as well.

In both senses, policymakers must weigh the pros and cons of a more circumscribed approach versus a more flexible one. A more tightly defined approach to setting goals leads to more predictable results and properly diffuses responsibility, but may **bind the goal-setting entity from advancing “stretch” goals.**

For example, the two states profiled in the previous section cannot set goals that diverge widely from past results, perhaps limiting future goals unnecessarily. On the other hand, the formulas provide a useful **check against concerns that goals are instead being determined irrationally or capriciously.**

Ultimately, as noted in the data collection recommendations in the previous section, **achievement of participation goals and other objectives related to DBEs requires government-wide action.** The Office of the Director of Finance may have the literal responsibility to set participation goals, but top leadership and policymakers must express in word and deed their commitment to DBEs, and departments

and agencies must share with the Office of the Director of Finance and with MBEC the burden of identifying past areas of insufficient DBE participation and of pushing for greater future DBE participation.