

CITY OF PHILADELPHIA FISCAL YEAR 2008 ANNUAL DISPARITY STUDY

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EXECUTIVE SUMMARY

Econsult Corporation is pleased to submit the **Annual Disparity Study for Fiscal Year (FY) 2008** to the City of Philadelphia. Pursuant to Title 17 of the Philadelphia Code, as amended by Ordinance 060855-A, this study is designed to analyze the City of Philadelphia’s utilization of Minority Business Enterprises (MBEs), Women Business Enterprises (WBEs), and Disabled Business Enterprises (DSBEs), collectively known as Disadvantaged Business Enterprises (DBEs), relative to the availability of such firms to compete for City business, for Public Works (PW), Personal and Professional Services (PPS), and Supplies, Services, and Equipment (SSE) contracts.

By doing so, it will determine the extent to which disparity exists, as well as provide critical data in the development and formulation of Annual Participation Goals. This is an important component of what should be an overall strategy to safeguard the public interest in identifying and rectifying instances of discrimination, and proactively seeking ways to promote the inclusive participation of DBEs in economic opportunities.

Disparity reflects the ratio of DBE utilization to DBE availability. For the purposes of this study, “**utilization**” for each category and industry sector is defined as the total dollar value of contracts awarded to for-profit DBE prime contractors and sub-contractors certified by the City of Philadelphia’s Office of Economic Opportunity (OEO) (formerly known as the Minority Business Enterprise Council, or MBEC), divided by the dollar value of all City contracts awarded to for-profit prime contractors and sub-contractors, as recorded in OEO’s Participation Report. “**Availability**” for each category and industry is defined as the proportion of “ready, willing and able” (RWA) DBEs in the Philadelphia Metropolitan Statistical Area (MSA), relative to the region’s total number of RWA enterprises. A disparity ratio greater than 1.0 represents over-utilization, whereas a disparity ratio less than 1.0 represents under-utilization (see Figure ES.1).

Figure ES.1 – Composition of Disparity Ratio

<i>Utilization</i>		<i>Availability</i>
\$ value of City contracts awarded to DBE prime contractors and sub-contractors		DBE for-profit firms that are “ready, willing, and able”
	divided by	
Total \$ value of City contracts awarded to all for-profit prime contractors and sub-contractors		All for-profit firms that are “ready, willing, and able”

Source: Econsult Corporation (2006)

Utilization rates declined from FY 2007 to FY 2008 for all contract types and across all geographies (see Figure ES.2 and Figure ES.3):

- For the \$760 million in contracts studied for FY 2008, DBE participation was 18.1 percent (down from 20.8 percent in FY 2007).
- Counting just DBE firms located within the Philadelphia Metropolitan Statistical Area (MSA), participation was 14.8 percent (down from 17.6 percent in FY 2007), and counting just DBE firms located within the City, participation was 9.8 percent (down from 10.1 percent in FY 2007).
- Disparity ratios declined accordingly, with an overall ratio of 0.60 in FY 2008, down from 0.72 in FY 2007.
- White females experienced particularly precipitous drops, and disabled-owned businesses were awarded only one contract, for \$200,000.
- Out of over 2,400 contracts analyzed, 10 (0.4 percent) were awarded to DBE prime contractors, and one or more DBE firms participated in 424 (17.6 percent) as sub-contractors.

Figure ES.2 – FY 2008 Utilization of For-Profit DBE Prime Contractors and Sub-Contractors Divided by Utilization of All For-Profit Prime Contractors and Sub-Contractors, by Contract Type and Location of DBE (by \$ Contracts Awarded)

Location of DBE	PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types
City	5.4%	14.3%	6.2%	9.8%	5.6%	15.9%	6.9%	10.1%
Metro	12.7%	18.3%	7.6%	14.8%	13.8%	22.9%	13.8%	17.6%
US	15.1%	22.7%	9.2%	18.1%	16.5%	27.5%	14.8%	20.8%

Source: OEO Participation Report (FY 2008), Econsult Corporation (2009)

Figure ES.3 – FY 2008 Utilization of For-Profit DBE Prime Contractors and Sub-Contractors Located within the US, Divided by Utilization of All For-Profit Prime Contractors and Sub-Contractors, by Contract Type and DBE Type (by \$ Contracts Awarded)

		PW	PPS	SSE	All Contract Types
White	Female	3.3%	5.0%	1.3%	3.8%
Native American	Male & Female	1.7%	0.2%	0.0%	0.7%
Asian American	Male & Female	2.3%	1.6%	0.2%	1.7%
African American	Male & Female	6.1%	13.9%	7.2%	10.0%
Hispanic	Male & Female	2.1%	1.9%	0.3%	1.7%
All MBE	Male & Female	12.1%	17.7%	7.9%	14.3%
All	Female	7.0%	8.4%	3.4%	7.2%
Disabled	Male & Female	0.1%	0.0%	0.0%	0.0%
All DBE	Male & Female	15.1%	22.7%	9.2%	18.1%

Source: OEO Participation Report (FY 2008), Econsult Corporation (2009)

From these FY 2008 results, we can offer **recommended participation goals for FY 2010 for MBEs, WBEs, and DSBEs, and for DBEs as a whole** (see Figure ES.4). In cases where actual utilization is less than actual availability (i.e. the disparity ratio is less than 1.0), we recommend that future utilization rates increase to current availability rates as measured in this analysis. We further suggest that departments that have under-achieved this area be identified and strongly encouraged to increase their DBE participation in the upcoming year.

Conversely, in cases where actual utilization is greater than actual availability (i.e. the disparity ratio is greater than 1.0), we recommend that future utilization rates hold at current utilization rates. We further suggest that, since the issue in these cases may not be low utilization rates but rather low availability rates, the City work with other public and private technical assistance providers to help grow more ready, willing, and able DBE firms in the City.

This illustrates an important limitation to disparity ratios by themselves as a gauge for identifying areas in need of improvement as it relates to DBE participation: high disparity ratios may not represent over-utilization as much as they indicate under-availability. In other words, **increasing utilization and increasing availability should both be policy objectives**. Importantly, City efforts to increase the

quantity and quality of ready, willing, and able DBE firms in the City will likely also increase DBE participation in other contract opportunities, such as with other public and private sector entities both within the City as well as in the broader region and around the nation.

Finally, it is important, particularly during a time of economic challenge, that participation goals stretch beyond historical performance. Therefore, in some cases, we recommend “stretch goals” that exceed both FY 2008 utilization and FY 2008 availability.

Figure ES.4 - Recommended FY 2010 Participation Goals

Prefix of “U” = FY 2008 Utilization Rate > FY 2008 Availability Rate (i.e. FY 2008 disparity ratio > 1.0)

Prefix of “A” = FY 2008 Availability Rate > FY 2008 Utilization Rate (i.e. FY 2008 disparity ratio < 1.0)

Prefix of “S” = “Stretch” Goal (i.e. Goal > FY 2008 Utilization Rate AND FY 2008 Availability Rate)

Category	PW	PPS	SSE	All Contract Types
White Female	U: 3%	U: 5%	U: 1%	S: 5%
Native American	U: 2%	U/A: 0.2%	X	S: 1%
Asian American	U: 2%	A: 4%	A: 8%	A: 6%
African American	U: 6%	U: 14%	U: 7%	S: 13%
Hispanic	U: 2%	U: 2%	A: 1%	S: 3%
All MBE	U: 12%	U: 18%	A: 10%	S: 20%
All WBE	A: 8%	A: 18%	A: 14%	A: 15%
DSBE	X	X	X	S: 0.1%
All DBE*	U: 15%	A: 24%	A: 24%	S: 30%

Source: Econsult Corporation (2009)

** Note: Figures in this row are not necessarily the sum of the above three rows because of businesses that belong to more than one category. “X” denotes data unavailable or insufficient.*

We also make the following recommendations, as informed by the quantitative results and by interviews conducted with private firms and procurement officers (see Figure ES.5). These recommendations reflect the enhanced status given to OEO by Mayor Nutter, from a certification and compliance role to an advocacy and development role.

Figure ES.5 – Summary of Recommendations Proceeding from FY 2008 Disparity Study Results and Related Interviews with Private Firms and Procurement Officers

<i>Recommendation Category</i>	<i>Recommended Actions</i>	<i>Spotlight Recommendation</i>
Study Methodology and Scope	<ul style="list-style-type: none"> • Show a broader universe of opportunities • Explore gradients of ownership and opportunity • Highlight “best practices” • Accelerate the time frame for calculating utilization and availability 	<ul style="list-style-type: none"> • Other public agencies, universities, and corporations represent additional procurement opportunities that the City can have some influence over and that therefore the City should periodically obtain DBE participation data on
Policy and Programming	<ul style="list-style-type: none"> • Streamline the certification process • Add value to certification, especially for larger firms • Promote partnerships • Monitor pro-actively • Enhance DBE capacity 	<ul style="list-style-type: none"> • Many larger firms do not currently see the benefit of DBE certification but do face unique obstacles in growing to scale; efforts to add value here can go a long way towards stated goals to increase DBE participation at the prime contractor level
Data Collection	<ul style="list-style-type: none"> • Build in appropriate automation and redundancy with IT • Track actual disbursements 	<ul style="list-style-type: none"> • Tracking the existence and performance of “certifiables” (minority, women, and disabled owned firms that are not actually DBE certified, for

<i>Recommendation Category</i>	<i>Recommended Actions</i>	<i>Spotlight Recommendation</i>
	<ul style="list-style-type: none"> • Count the “certifiables” • Clarify “ready, willing, and able” 	<p>whatever reason) does not negate the City’s preference that they eventually become certified, but it does identify this group for outreach purposes and further clarify true participation levels</p>
Goal-Setting	<ul style="list-style-type: none"> • Coordinate goal-setting up with citywide objectives and down with department actions • Do not over-codify the process • Have separate game plans for under-utilization and under-availability 	<ul style="list-style-type: none"> • OEO has been elevated by Mayor Nutter’s executive order, and accordingly, goal-setting should mesh with mayoral priorities as well as with departmental plans

Source: Econsult Corporation (2009), Milligan & Company (2009)

1.0 INTRODUCTION

Econsult Corporation is pleased to submit the Annual Disparity Study for Fiscal Year (FY) 2008 to the City of Philadelphia. Set forth in this section is a brief discussion of the purpose and legal basis of this study, a broad overview of the legal context in which the establishment of Disadvantaged Business Enterprises (DBEs) programs arose, a contextual summary of the procurement process, the expenditure context, and a brief summary of the previous disparity studies conducted by DJ Miller & Associates (DJMA) (for FY 1998-2003) and Econsult (for FY 2006 and FY 2007).

1.1. Study Purpose

Pursuant to Title 17 of the Philadelphia Code, as amended by Ordinance 060855-A, this Disparity Study is designed to analyze the City of Philadelphia's utilization of Minority Business Enterprises (MBEs), Women Business Enterprises (WBEs), and Disabled Business Enterprises (DSBEs), collectively known as Disadvantaged Business Enterprises (DBEs)¹, relative to the availability of firms to compete for City business.

By doing so, it will determine the extent to which disparity exists, as well as provide critical data in the development and formulation of Annual Participation Goals. This is an important component of what should be an overall, multipronged strategy to safeguard the public interest in identifying and rectifying instances of discrimination, and proactively seeking ways to promote the inclusive participation of minority, women, and disabled owned businesses in economic opportunities.²

As this is the first Disparity Study conducted under the supervision of the City of Philadelphia's newly formed Office of Economic Opportunity (OEO) and its new Executive Director, Michael Bell, the scope was also widened to account for interviews of private firms and procurement officers. This is a not uncommon element of a Disparity Study, as a way to provide context and clarity to the quantitative results. Such interviews also have the added benefit of identifying areas of concern, affirming areas of strength, and suggesting areas for improvement, which is of particular interest given the desire to reformulate the role of OEO from merely a certifying body to one that advocates more broadly and aggressively for traditionally disadvantaged business owner categories.

¹ These categories are also often collectively referred to as "M/W/DSBEs." Furthermore, "DBE" is more popularly known as a federal designation. Therefore, it can be confusing to use "DBE" throughout this report. However, since "DBE" is used in the City ordinance, we use it in this report when we are referring collectively to MBEs, WBEs, and DSBEs.

² It is important to distinguish between disparity and discrimination, and to note that the scope of this report is to determine the existence of the former and not the latter. Disparity is the difference between two groups on an outcome of interest and is a necessary, but insufficient condition for finding discrimination. In other words, disparity does not necessarily equal discrimination; discrimination requires additional analysis and proof. Based on a 2007 interview with Dr. Bernard Anderson, Whitney M. Young Jr. Professor of Management at the Wharton School of Business at the University of Pennsylvania.

1.2 Study Requirements

Ordinance 060855-A requires that an annual Disparity Study is produced, from which Annual Participation Goals can be set, pursuant to Section 6-109 of the City of Philadelphia's Home Rule Charter. Per the ordinance, this Disparity Study must distinguish between Personal and Professional Services (PPS) contracts, Public Works (PW) contracts, and Services, Supplies and Equipment (SSE) contracts. In addition, this study is required to analyze Disadvantaged Business Enterprises (DBEs) owned by persons within the following categories:

- African Americans
- Hispanic
- Asian Americans
- Native Americans
- Women
- Disabled

“Disparity” reflects the ratio of DBE utilization to DBE availability. For the purposes of this report, **“utilization”** for each DBE category and contract type is defined as the total dollar value of contracts awarded to for-profit DBE prime contractors and sub-contractors certified by the City of Philadelphia's Office of Economic Opportunity (OEO) (formerly known as the Minority Business Enterprise Council, or MBEC), divided by the dollar value of all City contracts awarded to all for-profit prime contractors and sub-contractors, as recorded in OEO's annual Participation Report. To put it another way, the utilization rate for a given DBE category can be viewed as the percentage of dollars from all City contracts that went to businesses that have been certified by OEO as being in that category.

Conversely, **“availability”** for each DBE category and contract type is defined as the proportion of “ready, willing and able” (RWA) DBEs located within a particular geography, relative to the total number of RWA enterprises within that same geography. Thus, the availability rate for a given DBE category can be viewed as the percentage of businesses in a particular geography that belong to a DBE category.

The disparity ratio, then, is the utilization rate divided by the availability rate. A disparity ratio that is greater than 1.0 represents over-utilization, whereas a disparity ratio less than 1.0 represents under-utilization.

1.3 Legal Context

In presenting the Study's findings as well as recommendations, it is important to understand the legal context of Disadvantaged Business Enterprise (DBE) disparity, and the extent to which legal doctrine has shaped the development of programs for Minority Business Enterprises (MBEs), Women Business Enterprises (WBEs), and Disabled Business Enterprises (DSBEs). The "*Croson*" case is universally recognized as the catalyst for the subsequent emergence of standards with respect to race-based municipal programs.

In *Richmond v. J.A. Croson Company*, 488 U.S. 469 (1989), the Appellant, the City of Richmond, had issued an invitation to bid on a project for the provision and installation of plumbing fixtures at the City's jail. The bid, consistent with the guidelines adopted by the City's Minority Business Utilization Plan, required prime contractors to subcontract 30 percent of the dollar value to minority business enterprises. In large part, the Plan was established as a response to the fact that, though 50 percent of the City's population was African American, less than one percent of construction contracts were awarded to minority business enterprises.

The Supreme Court found the City's reliance on the disparity between the number of prime contracts awarded to Minority Business Enterprises and the City's minority population "misplaced," specifically noting that the City did not ascertain the number of MBEs available in the local construction market, and as a result failed to identify the need for remedial action. In establishing discriminatory exclusion, the Court set the test as follows:

Where there is a statistical disparity between the number of qualified minority contractors willing and able to perform a particular service and the number of contractors actually engaged by the locality or the locality's prime contractors, an inference of discriminatory exclusion could arise.³

With this case, the Supreme Court clearly defined the parameters under which race-based programs will stand: namely that they meet a compelling government interest, are narrowly tailored to remedy the effects of prior discrimination,⁴ and define an availability rate that utilizes the notion of "ready, willing and able" (RWA) firms.

³ *Richmond v. J.A. Croson Company* (1989).

⁴ "Narrowly tailored" was explicitly defined in the *Croson* case to mean that the program should: 1) be instituted either after or in conjunction with race-neutral means of increasing minority business participation, 2) the program should not make use of strict numerical quotas, and 3) the program should be limited to the boundaries of the governmental entity that instituted it.

1.4 Procurement Context

In furtherance of its policy to foster an environment of inclusion, the City of Philadelphia's Minority Business Enterprise Council (MBEC) was established in 1982 to ensure that minority, women and disabled enterprises are afforded equal access and opportunity to not only compete for but also secure contracts within the City.

The City's Office of Economic Opportunity (OEO) was established in 2008 to replace MBEC and also to play a broader role on behalf of minority, women and disabled owned firms. Importantly, whereas MBEC fell within the Finance Department and the Finance Director's supervision, OEO was conceived to have dual reporting status, to the Department of Commerce as well as directly to the Mayor, signifying Mayor Michael Nutter's elevation of OEO in terms of holding his administration accountable for success in this arena.

Within the City of Philadelphia, the Procurement Department is the central purchasing agency. Its stated objective is to acquire services, equipment, and construction at the lowest possible price within an equitable competitive bidding framework. It generally subdivides contracts into three types: Public Works (PW), Services, Supplies, and Equipment (SSE), and Personal and Professional Services (PPS).

PW bids and all competitive bids for SSE in excess of \$25,000 are advertised locally for a specified date. Conversely, for Small Order Purchases, the process is decentralized and driven by local individual operating departments. Specifically, for purchases greater than \$500 but less than \$25,000, departments are urged to solicit from firms certified by OEO and by the US Small Business Administration (SBA).

Within the PW sector, critical components of responsiveness include:

- For all bids exceeding \$25,000, a bid surety that guarantees a vendor's commitment to hold the price, terms and conditions firm or incur liability for losses suffered by the City
- For all PW contracts in excess of \$5,000, contractors are required to furnish a performance as well as payment bond equivalent to 100 percent of the contract amount

The City attempts to process payments within a timely fashion, generally within 45 to 60 days following the acceptance of goods and services. Under the OEO anti-discrimination policy, Disadvantaged Business Enterprises (DBEs) must be paid within a timely fashion, with "timely" being defined as no later than five (5) days after the prime contractor receives payment.

As for PPS contract opportunities, in February 2006, the City implemented an automated Request for Proposal (RFP) process called "eContractPhilly." eContractPhilly is an online interface that manages the non-competitively bid contracting process electronically. Under the program, vendors register to create a Vendor Record and submit applications online for non-competitively bid opportunities, which are posted for a period of 15 days. The system's features are comprehensive and allow vendors to:

- Search new non-competitively bid contract opportunities

-
- View the names of all applicants for each advertised opportunity
 - Research awarded contracts
 - View renewal certifications for contracts
 - Access reports that summarize non-bid contract activity

eContractPhilly is intended to increase participation by DBEs by facilitating the process by which they access information about and subsequently bid on potential contract opportunities. As such, it is one of many elements of the overall procurement process that is specifically investigated as part of this Disparity Study.

1.5 Expenditure Context

It is important to define the universe of expenditures that is being analyzed in this disparity study, in terms of distribution of economic opportunity to various Disadvantaged Business Enterprise (DBE) categories. The Fiscal Year (FY) 2008 operating budget for the City of Philadelphia was \$3.73 billion.⁵ However, only \$760 million, or 20 percent, are directly analyzed in this report. That \$760 million represents bid and non-competitively bid contracts and requests for proposals; while the remainder that is not included in this report includes items that cannot as easily be discussed in the context of utilization and availability, salaries and benefits being the major categories.

Effectively, the expenditures evaluated in this report represent what is under executive control from a procurement standpoint, and as such the results are one indication of the performance of the Mayor and his or her administration on the issue of the participation of minority, women, and disabled owned firms in City contracts. However, they by no means represent all or even most of City spending.

Furthermore, there are a number of other public and quasi-public agencies that intersect with the City, and over which the City holds some influence, which represent additional opportunities for DBE participation but which are not included in this report's main calculations on the participation of DBE firms in contracts awarded to for-profit prime contractors and sub-contractors. Some of these other agencies report their Minority Business Enterprise (MBE) and/or Women Business Enterprise (WBE) utilization directly to the City of Philadelphia's Office of Economic Opportunity (OEO) and are therefore listed in OEO's annual Participation Report; these agencies combined to represent an additional \$120 million in contracts in FY 2008 (see Figure 1.1).

⁵ See "City of Philadelphia Fiscal Year 2008 Operating Budget," As Approved by City Council in June 2007; and "Five Year Financial and Strategic Plan for Fiscal Years 2008-2012," As Approved by the Pennsylvania Intergovernmental Cooperation Authority. For FY 2009, the City's operating budget was \$3.89 billion.

Figure 1.1 – FY 2008 MBE/WBE Utilization for Selected Quasi-Governmental Agencies and Functions

Entity	Time Period	FY 2008			FY 2007		
		All \$ Contracts	MBE%	WBE%	All \$ Contracts	MBE%	WBE%
Bond Issue Fees	7/1-6/30	\$13.1M	6.7%	3.0%	\$4.9M	13.7%	
Pensions Inv Fees	7/1-6/30	\$14.5M	8.8%		\$15.9M	9.5%	5.8%
Pensions Priv Eq	7/1-6/30	\$9.8M	19.5%		\$6.0M	16.0%	4.5%
PHDC	7/1-6/30	\$25.8M	35.9%		\$19.1M	17.8%	
PIDC	7/1-6/30	\$12.5M	24.2%	16.7%	\$9.1M	22.0%	13.1%
RDA	7/1-6/30	\$50.9M	28.8%	10.0%	\$81.3M	24.0%	
RiskMgmt	7/1-6/30	\$5.4M	48.0%	19.4%	\$5.3M	42.2%	20.0%
Total		\$120.2M	32.1%		\$141.6M	23.8%	

Source: OEO Annual Participation Report (FY 2007, FY 2008), Econsult Corporation (2009)

Others, like the Southeastern Pennsylvania Transportation Authority or the School District of Philadelphia, have their own DBE programs and are not included here, although people often lump them together with the City when they consider local public sector procurement opportunities. Still others, most notably the Department of Human Services, contract work out to non-profit prime contractors, who then enlist the services of for-profit and non-profit subcontractors, and because the study's parameters only consider for-profit prime contractors and their sub-contractors, these procurement opportunities are also excluded for direct analysis.

Thus, one significant shortcoming in regard to the focus of our study and of previous studies is that it only analyzes a **subset of all local public expenditures**: that which is under direct mayoral control.⁶ DBE firms and their advocates understandably consider all public sector expenditures equally when it comes to business opportunities. Most do not make the narrow legal and administrative distinctions among government departments and quasi-government agencies which are under various degrees of authority by the Mayor and City Council, and which keep differing levels of contract-by-contract data on DBE participation. Said another way, the direct topic a Disparity Study covers is the performance of the Mayor

⁶ These limitations also make disparity comparisons across cities difficult, since mayoral control over various local government functions is not uniform across cities.

and the procurement decisions made by his or her departments; but the public in general and the universe of minority, women, and disabled owned firms in particular, may be more interested in a broader evaluation of utilization versus availability.

Heretofore, we have discussed only local public sector contract opportunities, of which there are many available to local DBEs over and above that which is being discussed in this report. Of course, there are also not an insignificant number of state and federal contract opportunities that are available locally, and the total universe of public sector contract opportunities (federal, state, and local) is dwarfed by opportunities that are available in the broader private sector: the US Department of Commerce estimates that private industry contributed well over 90 percent of the Philadelphia Metropolitan Statistical Area's Gross Domestic Product of \$311 billion.⁷

Therefore, in summary, although this report is necessarily focused on mayoral departments, it is worth noting that there are other public and private sector dollars being spent that are available for DBE participation, and other, albeit less forceful, levers the City has at its disposal to encourage DBE participation outside of its own contracts. When considering the analysis contained within this report and others like it, it is important to be aware of these limitations, and to appreciate the larger scope of government and private expenditures that is not included in this analysis.

⁷ As of 2006, private industries contributed \$285 billion, while federal, state, and local governments contributed \$27 billion. "Gross Domestic Product by Metropolitan Area," US Department of Commerce – Bureau of Economic Analysis (September 2008).

1.6 Summary of Previous Studies

As noted earlier, DJ Miller & Associates (DJMA) conducted a disparity study for the City of Philadelphia in which it analyzed data from 1998 to 2003; while Econsult Corporation conducted the next two disparity studies, looking at Fiscal Year (FY) 2006 and FY 2007 data. It is important to note three important differences between the DJMA report and the Econsult report:

- In calculating availability using US Census datasets, DJMA used 1997 data while Econsult had access to 2002 data.
- Where available, we presented data to a finer level of detail, in terms of specific Disadvantaged Business Enterprise (DBE) categories, the geographic distribution of DBE utilization and availability, and department by department performance.
- The DJMA study was used to satisfy the standards established in the *Croson* case, whereas our report was more designed to address issues of performance.

Nevertheless, despite these differences, it is instructive to compare results from these two sets of reports. Doing so provides some sense of DBE utilization during the time periods of the two reports. We note, for example, the impressive increase in both Minority Business Enterprise (MBE) and Women Business Enterprise (WBE) utilization between the 1998-2003 time period and FY 2006, to utilization levels that largely held up in FY 2007 (see Figure 1.2).

Figure 1.2 – FY 1998-2003 vs. FY 2006, 2007 MBE/WBE Utilization for City of Philadelphia

Category	1998-2003 \$M	1998-2003 %	2006 \$M	2006%	2007 \$M	2007%
MBE	\$46.8M	2.3%	\$64.1M	11.9%	\$92.1M	11.7%
WBE	\$44.8M	2.2%	\$33.4M	6.2%	\$46.8M	6.0%

Source: DJ Miller & Associates (2004), Econsult Corporation (2007, 2008)

The FY 2008 report retains much of the methodological approaches of the FY 2006 and FY 2007 report, with a few important enhancements, which help contribute to a fuller picture of DBE participation in City contracts:

- We break out DBE utilization by department, and also show geographic distribution of that DBE utilization by department.

- We continue to explore the presence of “certifiables” – firms owned by minorities, women, and/or disabled that are not OEO-certified but that City departments have deemed “certifiable” based on their own assessment.
- We supplement our quantitative analysis with rigorous interviewing of firms and procurement offices, to provide additional context from which to identify areas in need of performance improvement and policy intervention.

1.7 Report Overview

In Section 2, we describe the approach used to measure the levels of utilization and availability of the various Disadvantaged Business Enterprise (DBE) categories under consideration. We will also briefly discuss how our **methodology** both builds on and differs from that used by DJ Miller & Associates (DJMA) in the Fiscal Year (FY) 1998-2003 study, and what changes have been made from the methodology employed in our FY 2006 and FY 2007 studies.

In Section 3, we provide a detailed analysis of the **utilization** and **availability** rates we calculated, as well as the **disparity ratios** for the DBE categories under consideration. Our analysis is broken down by DBE category, as well as geographic location, in order to give a full picture of DBE participation in the City of Philadelphia and in the Philadelphia Metropolitan Statistical Area (MSA).

Section 4 provides **participation goals** for FY 2010 based on the disparity ratios calculated from the FY 2008 data. These goals are created in reference to the three major DBE categories, namely Minority Business Enterprises (MBE), Women Business Enterprises (WBE) and Disabled Business Enterprises (DSBE).

In Section 5, we offer the following four sets of **recommendations**: 1) study methodology and scope, 2) policy and programming, 3) data collection, and 4) goal-setting. In these recommendations, we build from previous suggestions from past reports, enhanced by additional research and adjusted based on any new initiatives and directions by the City since those past reports were produced.

2.0 Methodology

In determining our methodology for this study, we first examined the methodology utilized by DJ Miller & Associates (DJMA) in their initial 1998-2003 Disparity Study.⁸ We also examined methodologies developed by other consulting firms for other disparity studies. Finally, we revisited the methodology employed in our Fiscal Year (FY) 2006 and FY 2007 studies, to determine where amendments can be made for this year's report.

This section describes the methods we use to determine and compare the level of actual and expected utilization of the required Disadvantaged Business Enterprises (DBE) categories for the stated contract types.⁹ Specifically, we are interested in calculating the disparity ratio for the following DBE categories and City of Philadelphia contract types, per the City ordinance, the Mayor's Executive Order, and the annual Participation Report of the City of Philadelphia's Office of Economic Opportunity (OEO) (see Figure 2.1):

Figure 2.1 – DBE Categories and City Contract Types of Interest

DBE Categories		City Contract Types
<ul style="list-style-type: none"> • Native American males • Asian American males • African American males • Hispanic males • Disabled 	<ul style="list-style-type: none"> • Native American females • Asian American females • African American females • Hispanic females • Caucasian females 	<ul style="list-style-type: none"> • Public Works (PW) • Personal and Professional Services >\$25K (PPS) • Services, Supplies, and Equipment >\$25K (SSE)

Source: City of Philadelphia (2007)

⁸ Because DJMA discussed various interpretations of the requirements of the US Supreme Court's *Crosby* decision (as well as subsequent court rulings) with respect to defining what a disparity study should actually measure and examine, we will not go into further legal context description beyond what is discussed in Section 1.3.

⁹ See Appendix A for more information on our specific methodology in obtaining, filtering, and organizing data from these sources, and Appendix B for the FY 2008 Disparity Study dataset and related files.

2.1 Disparity

We define our disparity ratio in the following way: **utilization rate divided by availability rate**. The utilization rate is defined as the total dollar value of contracts awarded to for-profit Disadvantaged Business Enterprises (DBE) certified by the City of Philadelphia's Office of Economic Opportunity (OEO), divided by the dollar value of all City contracts awarded to all for-profit entities. In a similar fashion, the availability rate is defined as the proportion of "ready, willing and able" (RWA) DBEs in the City of Philadelphia, or alternatively, the Philadelphia Metropolitan Statistical Area (MSA),¹⁰ relative to the City or MSA's total number of RWA enterprises.

In other words, we compare the actual utilization of DBE firms, in the form of contract awards, with an expected utilization of DBE firms, based on the availability of RWA DBE firms. Thus, a disparity ratio of less than 1.0 would be considered under-utilization, and a ratio of greater than 1.0 would be considered over-utilization. These utilization rates, availability rates, and disparity ratios can be further sub-divided by DBE category (Minority Business Enterprises (MBE), and specific racial and ethnic groups within, as well as Women Business Enterprises (WBE) and Disabled Business Enterprises (DSBE)) and contract type (Public Works (PW), Personal and Professional Services (PPS), and Services, Supplies, and Equipment (SSE)) (see Figure 2.2).

Figure 2.2 – Hypothetical Examples of Over- and Under-Utilization

Disparity Ratio	Hypothetical Example	Over or Under
1.5	Utilization of African American owned DBEs for Personal and Professional Services contracts was 12%, Availability of African American owned DBEs for Personal and Professional Services contracts was 8% ($12\% \div 8\% = 1.5$)	Over
1.0	Utilization of WBEs for Public Works contracts was 6%, Availability of WBEs for Public Works contracts was 6% ($6\% \div 6\% = 1.0$)	Neither Over Nor Under
0.5	Utilization of DSBEs for Services, Supplies, and Equipment contracts was 0.5%, Availability of DSBEs for Services, Supplies, and Equipment contracts was 1.0% ($0.5\% \div 1.0\% = 0.5$)	Under

Source: Econsult Corporation (2009)

¹⁰ The Philadelphia MSA is an 11-county region is the modern equivalent of the now-defunct 9-county Primary Metropolitan Statistical Area (PMSA) used in the DJMA report. The counties included in the Philadelphia MSA are Burlington (NJ), Gloucester (NJ), Chester (PA), Montgomery (PA), New Castle (DE), Salem (NJ), Camden (NJ), Bucks (PA), Delaware (PA), Philadelphia (PA), and Cecil (MD).

Both the numerator and denominator in the disparity ratio are themselves fractions. "Utilization" is defined as the dollar amount of contracts awarded in a given contract type and DBE category, divided by the total dollar amount of contracts awarded in that given contract type. "Availability" is defined as the number of "ready, willing, and able" firms in a given contract type and DBE category, divided by the total number of "ready, willing, and able" firms in that given contract type (see Figure 2.3).

Figure 2.3 – Disparity Ratio

<i>Utilization</i>		<i>Availability</i>
\$ value of City contracts awarded to DBE prime contractors and sub-contractors	<i>divided</i>	DBE for-profit firms that are "ready, willing, and able"
Total \$ value of City contracts awarded to all for-profit prime contractors and sub- contractors	<i>by</i>	All for-profit firms that are "ready, willing, and able"

Source: Econsult Corporation (2006)

For the purposes of this report, we are interested exclusively in FY 2008 data. Where data constraints result in missing, insufficient or ambiguous figures we do not include these figures, but instead show an "X." Therefore, all figures shown are statistically significant.

2.2 Utilization

Utilization refers to **the participation of firms in various Disadvantaged Business Enterprise (DBE) categories, as a percentage of all contracts awarded.** In determining utilization rates, we used raw data from the Fiscal Year (FY) 2008 Participation Report of the City of Philadelphia's Office of Economic Opportunity (OEO). This data, in addition to summarizing participation by various DBE categories and in various City contract types, also lists all contracts awarded, including cases in which the prime contractor and/or one or more sub-contractors was a OEO-certified DBE.¹¹

Given this data set, we were able to verify and reproduce the summary figures in OEO's Participation Report. Also, given access to OEO's Vendor List, we were further able to identify the proportion of City contracts awarded to DBEs that are headquartered within the City of Philadelphia, as well as those that are headquartered within the Philadelphia Metropolitan Statistical Area (MSA).¹²

In approaching the utilization rate in this manner, we acknowledge the following challenges in understanding the true utilization of DBE firms in the awarding of City contracts:

- There are an unknown amount of City contracts that are awarded to firms that would qualify under one or more DBE classifications, but who have not (or not yet) been certified by OEO. We cannot precisely estimate what that amount is because the reason for OEO certification is to verify the authenticity of a firm's qualification as a DBE. A "certifiable" firm, in other words, might prove to not actually qualify as a DBE. Nevertheless, we recognize that there may be some amount of City contracts that are awarded to firms that should be considered DBEs (i.e. they are owned by minorities, women, and/or the disabled), but for whatever reason have not (or not yet) certified with OEO. Not including the participation of these certifiable firms would mean that our calculated utilization rates are artificially low.¹³
- The universe of contracts we have studied only includes departments that fall within OEO's Annual Participation Report. Therefore, as noted in the previous section, there are a large amount of contracts that represent local public sector procurement opportunities but that are not included in this analysis: quasi-public agencies, large local public entities like the School District of

¹¹ Importantly, the OEO-certified list we use in determining which contract dollars were awarded to OEO -certified firms is from January 2009. Technically, that list represents a specific point in time, while in reality the OEO-certified list is ever-changing, as DBE firms are added (i.e. become certified) or removed (i.e. have their certification expire). What truly matters in terms of DBE participation is whether a prime contractor or sub-contractor was OEO-certified at the time of the contract, rather than at the end of the fiscal year. However, a list at a specific point in time, in this case subsequent to the end of the fiscal year which the study is covering, is a close enough approximation.

¹² Any firms with addresses outside the Philadelphia MSA or with no listed addresses were conservatively assumed to be located outside the Philadelphia MSA but within the US.

¹³ To get a sense of the scale of this discrepancy, in the next chapter we look at a selected subset of City departments that self-reported their utilization of "certifiables," or minority-, women-, and/or disabled-owned firms that are not or not yet certified with OEO. To the extent that any of these "certifiables" received contracts in FY 2008, a utilization figure that looked solely at OEO-certified DBEs would not totally represent the participation of minority-, women-, and/or disabled-owned firms in City contracts. Future reports may attempt to capture information on "certifiable" firms to portray the difference in DBE utilization between those firms that are OEO-certified and those that are not certified but are in fact owned by minorities, women, and/or the disabled.

Philadelphia, and for-profit and non-profit sub-contractors to non-profit prime contractors. If thinking even more broadly about large procurement opportunities available to DBE firms, one would also need to mention state and federal contracts, as well as the purchasing dollars of large non-public entities like universities and multinational corporations. The scope of our study is necessarily circumscribed to the procurement activity of the departments covered in OEO's Participation Report, and thus only covers a small slice of the overall economic picture in terms of procurement opportunities for DBE firms.

- We are exclusively interested in the dollar amount of contracts awarded by category and contract type. We are therefore not commenting on the actual amounts earned and received, which, in the case of sub-contractors, could deviate substantially from the initial award amounts. On one level, this is acceptable, as it is the initial award that represents a decision within the City's ability to influence. On another level, however, it may not tell the whole story of DBE participation in the economic opportunities generated by City procurement activity. In other words, focusing on awarded contracts rather than dollars disbursed means that one has an accurate sense of the City's performance in distributing contracts but that one may not necessarily have an accurate sense of the extent to which DBEs are or are not financially benefitting from City contracts.
- Utilization is typically measured in a very similar manner across various Disparity Studies. In the DJ Miller & Associates (DJMA) report, utilization was measured in three ways with data from the following sources: contracts awarded, purchase orders made, and actual payments received. All of these measures are limited in one form or another. Thus, DJMA concluded that it was necessary to include them all in order to provide an overall picture of the true utilization rates. This is similar to our method of measuring utilization, with a few exceptions. Our analysis focused primarily on contracts awarded. Additionally, we made a special effort to include the geographic location of the various firms in our analysis and, where possible, provided separate utilization rates for firms headquartered directly in the City of Philadelphia as opposed to those located in the Philadelphia MSA.

There is no one standardized way to conduct a Disparity Study. Nevertheless, based on the scope of services, data limitations, and a thorough review of other methodologies we have come to the conclusion that our approach is an appropriate one. However, we revisit these limitations in Section 5, as they relate to possible adjustments for future study and policy-making.

2.3 Availability

To match the “numerator” of utilization rate, we must consider the equivalent “denominator,” which is **the proportion of the available universe of firms that can secure City contracts that belongs to a particular Disadvantaged Business Enterprise (DBE) category**. To begin with, availability cannot simply be measured as “percent of total population.” Although a certain demographic may compose a certain percentage of the total population, this gives no accurate indication of the number of firms available to do business with the City that are owned by individuals who fall into that demographic category.¹⁴

Therefore, we will use the legal foundation of “**ready, willing, and able**” (RWA) for availability, as discussed previously. We affirm the previous reports’ analysis of this legal basis, as well as their use of the Philadelphia Metropolitan Statistical Area (MSA) as the geographic boundaries of their availability analysis.

In keeping with the legal precedent for defining availability as set forth by *Croson*, DJ Miller & Associates (DJMA) used a definition for availability that examined a firm’s readiness, willingness, and ability to do business with the City.

1. Specifically, a firm was considered *ready* simply by virtue of its existence. Thus, Census data on the number of minority firms existing in the MSA was taken as the number of *ready* firms.
2. Similarly, willingness was determined by one of two sources: a firm was considered to be *willing* if it was either registered with the City of Philadelphia’s Procurement Office or with the federal government.
3. Ability to do business with the City is an important part of determining overall DBE availability rates.

Thus, DJMA was careful to define a benchmark for availability based upon the notion of *capacity* as was determined legally in *Concrete Works of Colorado, Inc. v. the City and County of Denver*. Nonetheless, a fair amount of ambiguity remains as to how exactly capacity should be measured and in what way these three characteristics could be viewed together to determine a useful method of distinguishing an RWA firm from a non-RWA firm. After all, readiness, willingness, and ability are all relatively subjective terms, which do not easily lend themselves to being determined by objective data sources.

Other similar disparity studies, such as MGT of America in Phoenix¹⁵ and Mason Tillman in New York City¹⁶ have used *Croson* as a guideline for defining availability. Our methodology in determining availability rates takes this existing body of knowledge into account, and evaluates it from the perspective of determining an

¹⁴ What is useful to consider, which we elaborate on in further detail later in the report, is the extent to which the City can partner with public and private technical assistance providers to increase the availability of DBE firms with which the City can do business. If, for example, a DBE category had a utilization rate higher than its availability rate, but an availability rate that was lower than its proportion of the total population, one could draw two conclusions: first, that the City has done acceptably well in terms of utilizing firms owned by members of that DBE category; but second, that the City should work with other entities to work towards a higher availability of firms owned by members of that DBE category.

¹⁵ Second Generation Disparity Study, MGT of America, Inc (1999).

¹⁶ City of New York Disparity Study, Mason Tillman and Associates, Ltd. (2005).

approach that is sensitive to the constraints involved in considering either broader or narrow definitions of "ready, willing, and able" firms.

One can define this universe of RWA firms to varying degrees of strictness. In the narrowest sense, that universe can be considered as only those firms that have demonstrated RWA by actually registering or certifying to do business with the City. The availability rate for each category and industry of interest would be the number of DBE firms certified with the City of Philadelphia's Office of Economic Opportunity (OEO), divided by the number of all firms registered with the City's Procurement Office.

Using a broader definition of RWA, one could utilize the 2002 US Census Survey of Business Owners (SBO),¹⁷ which gives us a sense of the number of all firms, and the annual revenues of such firms, in a geographic location and under a particular industry. Using NAICS codes, we can reasonably know the total number of firms by category and industry, as well as the number with one or more paid employees and the annual revenues in aggregate.

However, we now have the opposite problem as the narrower definition of RWA, since there are certainly firms out there that, while are in full operation and are generating positive revenues, for whatever reason are not in fact ready, willing, or able to do business with the City. For example, the vast majority of firms inventoried in the SBO (both DBE and non-DBE) have one or fewer employees, which would likely exclude them from most if not all City contract opportunities. This leads to a situation in which the number of firms used to calculate the availability rate (both DBE and non-DBE) is greater than the number of firms which are actually ready, willing, and able to do business with the City.

Either way, we have to contend with the fact that there are certainly firms that are ready, willing, and able to do business with the City, both DBE and non-DBE, who for a variety of reasons have not (or not yet) registered with the City. Considering only registered firms would under-count both the DBE amount and the non-DBE amount, with a possible skewing on the availability rate, depending on whether DBEs were more or less likely than non-DBEs to choose not to identify themselves as ready, willing, and able by registering with the City and/or obtaining OEO certification.

In order to more fully understand availability, we have pursued both a "broad" and "narrow" approach, and calculated availability rates for both approaches. In this way, we can determine the differences in disparity ratios using the different approaches, and comment based on the actual results as to which approach is preferable, and where and why there are differences in results based on these approaches. Specifically, our "broad" approach utilizes the SBO data from 2002, whereas our "narrow" approach utilizes OEO and Procurement Office data.¹⁸

¹⁷ The majority of the availability data used in our study comes from the Economic Census conducted every five years by the US Census Bureau. In particular, we used the Survey of Business Owners (SBO), which, since 2002, is a consolidation of two former studies, the Survey of Minority- and Women-Owned Business Enterprises (SMOBE/SWOBE).

The latest year for which SBO data are available is 2002, which is the dataset we used for this report. The 2007 data is expected to be available in early 2010, and thus would be available in time for use in producing the FY 2009 Disparity Study.

¹⁸ We have ruled out the use of the Central Contractor Registration (formerly known as PRONet) as a proxy for RWA because this federal level of certification is vastly more cumbersome than its local equivalent, causing well too much attrition in qualified firms to be considered a fair measure of availability. In other words, we found such a methodology to be far too narrow to yield a reasonably accurate availability rate.

Whichever the data source, we must further decide if we are interested in the raw number of firms, or only those with one or more paid employees. Alternatively, we might consider capacity commensurate to firm size, and so rather than adding up the raw number of firms, we could add up the annual revenues of such businesses. This is because it may not be accurate to say, hypothetically, that Asian American-owned public works businesses have an availability rate of 20 percent if they represent 20 percent of all public works firms but only 2 percent of the revenues of all public works firms.

Because of the difficulty in determining the actual availability rate of RWA DBE firms, we consider multiple sets of proxies. First, using a narrower approach, we take the number of DBE firms that have certified with OEO, divided by the number of all firms that have registered with the City's Procurement Office. Second, using a broader approach, we take the number of DBE firms, divided by the number of all firms, as reported in the 2002 SBO data. This data is only available at the metropolitan level.

Third, we must consider the appropriate geography to use when determining DBE utilization versus DBE availability. Because we know where OEO-certified firms are located, we can easily determine DBE utilization within the City of Philadelphia versus within the Philadelphia MSA versus within the US as a whole. However, most availability data is only available at the metropolitan and not city or county level.

Furthermore, there is no absolute legal consensus as to **the appropriate geographic market for determining DBE availability**. In some cases, it has been validated that the relevant geographic market for a government jurisdiction's disparity study is the jurisdiction of that government: state boundaries for a state, municipal or county boundaries for a local entity.¹⁹ In other cases, it has been validated that the relevant geographic market for a government's disparity analysis extends beyond that government's jurisdiction (for example: a state whose disparity analysis includes counties in another state, or a local entity whose disparity analysis includes surrounding municipalities or counties, to the extent that those nearby jurisdictions are natural sources for firms in a position to bid on and be awarded contracts within that jurisdiction).²⁰

What does seem to be consistent is that the unit of geography should represent the best approximation of the geographic area within which the vast majority of available and awarded firms is located. To put it another way, what constitutes the relevant geographic area depends on what is deemed the appropriate economic market from which the government entity draws its contractors and vendors.

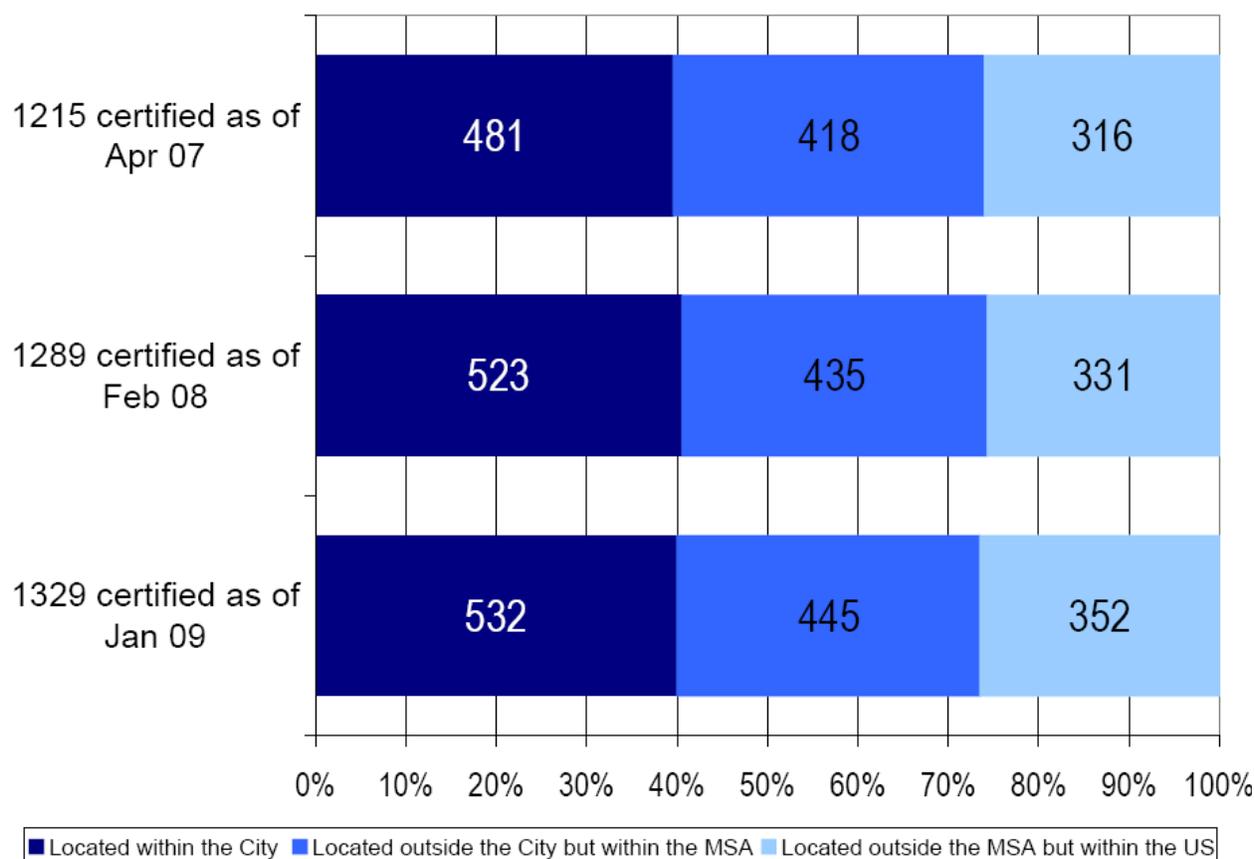
It is instructive to report at this time the geographic distribution of OEO-certified firms. Perhaps surprisingly, over a third is located outside the City but within the Philadelphia MSA, and over a quarter is located outside the Philadelphia MSA altogether; these proportions have not materially changed over the past few years (see Figure 2.4).²¹

¹⁹ See *Coral Construction*, 941 F. 2d at 925: "An MBE program must limit its geographical scope to the boundaries of the enacting jurisdiction."

²⁰ See *Concrete Works*, 823 F.Supp. 821, 835-836 (D. Colo. 1993), in which the Denver MSA was upheld as the appropriate market area.

²¹ See also Appendix C for the 2009 distribution of firms in the OEO directory by ethnicity and gender, and by industry and contract type.

Figure 2.4 – Geographic Distribution of OEO-Certified Firms



Source: City of Philadelphia Minority Business Enterprise Council (2007, 2008), City of Philadelphia Office of Economic Opportunity (2009), Econsult Corporation (2009)

Thus, it makes sense to consider the Philadelphia MSA the best approximation of the geographic area within which the vast majority of available and awarded firms is located, since OEO's own directory suggests such a geographic distribution. Using the US as a whole would clearly be far too vast of a geographic unit, but using just the City itself would be too narrow of a geographic unit.

As a point of reference, DJMA used the Philadelphia PMSA in its analysis of 1998-2003 data. Metropolitan areas were used in other disparity studies we reviewed, and represent a reasonable in-between level of geography with a strictly city focus, missing the regional nature of procurement opportunities and a broader focus (statewide or nationwide) being too diffuse of a geographic range to derive meaningful results. Therefore, many of our analyses utilize the Philadelphia MSA as the unit of geography.

However, given that availability rates likely differ significantly at the Philadelphia MSA level from rates at the City level, it may be useful, where possible, to calculate availability using both geographies. Fortunately, in 2004, the Philadelphia District Office of the US Small Business Administration (SBA) received a special data set from the 2002 US Census Survey of Business Owners, which has counts of firms in Philadelphia by ethnicity. This data set has the benefit of describing just firms within the City, and thus can be compared against the utilization of DBE firms that are located within the City to arrive at a disparity ratio where the geography of the numerator and of the denominator is the City of Philadelphia, not the Philadelphia MSA.

However, its serious flaw, for the purposes of a Disparity Study, is that it is merely a count of all firms, with no additional information as to their characteristics, whether capacity or industry. Given that a large majority of both DBE and non-DBE firms have only one employee, it is likely that most of the firms, DBE and non-DBE, in the 2004 SBA dataset are not in fact “ready, willing, and able” to do business with the City of Philadelphia. Also, since the data set does not differentiate between firms in different industries, it includes firms in industries that may have no intersection with City contract needs. For both of these reasons, this means that both the numerator and the denominator of the availability rate, when calculated using this data set, are likely vastly inflated.

Nevertheless, it can be instructive to compare utilization versus availability at the City level as well as at the Philadelphia MSA level. Furthermore, it may very well be that, when calculated in this manner, the numerator and denominator are proportionately inflated, such that the availability rate is reasonably accurate for use in a Disparity Study. We therefore present availability in this third manner, and are careful that when using it to calculate disparity ratios, we pair it with utilization of DBE firms located in the City, not in the Philadelphia MSA.

These three proxies can only approximate the actual availability rate of RWA DBE firms as a proportion of all RWA firms because of the difficulty in determining readiness, willingness, and ability. In fact, the first proxy will be different to the extent that the proportion of DBE firms that are in fact RWA but have not or have not yet certified with OEO is different than the proportion of all firms that are RWA but have not or have not yet registered with the City's Procurement Office; while the second and third proxies will be different to the extent that the proportion of DBE firms that are not in fact RWA is different than the proportion of all firms that are not RWA.

Disparity studies necessarily have to utilize existing data and cannot perfectly know the actual availability rate because of the challenge in quantifying the appropriate universes of RWA firms. This hinders the preciseness of stated availability rates (see Figure 2.5).

Figure 2.5 - Different Approaches to Determining DBE Availability Rate

# DBE Firms		Actual # DBE RWA Firms		# DBE Certified Firms
-----	<i>may or may not be equal to</i>	-----	<i>may or may not be equal to</i>	-----
# All Firms		Actual # All RWA Firms		# All Registered Firms
<i>(based on SBA/ Census data)</i>		<i>(i.e. the actual availability rate)</i>		<i>(based on OEO / Procurement Office)</i>

Source: Econsult Corporation (2006)

Furthermore, in contrast to the thorough datasets provided by OEO for the calculation of utilization rates, the datasets used in calculating availability rates contain considerable gaps. For example, US Census data does not always break out data down to our desired level of ethnic, geographic, or industry detail. Also, there are some instances in which the US Census datasets choose not to display certain figures, because their small counts are either statistically insufficient or would reveal too much detail about one or two large firms within an ethnic, geographic, or industry category.

2.4 Interviews

To supplement our quantitative analysis, we conducted interviews of private sector firms and of City of Philadelphia procurement officers.²² Interviews and anecdotal evidence are a not uncommon component of Disparity Studies, and are used to better understand the context in which issues of Disadvantaged Business Enterprise (DBE) utilization and availability play out. In addition, we sought to directly answer questions posed by the City of Philadelphia's Office of Economic Opportunity (OEO) that could best or only be answered in an interview format, and not by analyzing utilization or availability data.

On the private sector firm side, we conducted 12 interviews and sought a mix of prime contractors and sub-contractors, representing a diversity of locations within the City, races, ethnicities, genders, and disability statuses, industry types, sizes, and certification statuses. Talking directly with primes about using DBE sub-contractors, and DBEs about what it was like to seek work from the City, provided a unique venue for accumulating insight for the purpose of interpreting Disparity Study results and making policy and programmatic recommendations.²³

On the procurement officer side, we interviewed four departments that OEO had a particular interest on account of the potentially specialized nature of their procurement opportunities: Fire, Fleet Management, Police, and Procurements; we also interviewed procurement officers from two other City departments. Talking directly with these officers provided insight into that aspect of the utilization question, namely identifying, screening, and selecting DBE prime contractors and/or non-DBE prime contractors that promised to use DBE firms as sub-contractors.²⁴

²² See Appendix D for information about business owner and procurement officer interviewees. Because interviewees were promised that their comments would not be attributed to them, we have in some cases not provided their names or their organization's names, but have instead sorted them into different categories to demonstrate the breadth of people and organizations that were interviewed.

²³ See Appendix E for a list of standard questions that were asked of all business owner interviewees.

²⁴ See Appendix F for a list of standard questions that were asked of all procurement officer interviewees.

3.0 ANALYSIS

In this section, we provide a series of charts and accompanying narratives that depict the disparity ratio for all relevant Disadvantaged Business Enterprises (DBE) categories and contract types.²⁵ We arrive at these disparity ratios by looking first at utilization rate and then at availability rate. In each set of charts, we can examine the City's performance in one or more of five ways:

- Fiscal Year (FY) 2008 results relative to results from Econsult Corporation's FY 2007 report;
- FY 2008 results across all for-profit contract types;
- FY 2008 results across geographic boundaries;
- FY 2008 results across DBE categories: Minority Business Enterprises (MBEs) (and, where data availability allows it, distinct ethnic groupings within), Women Business Enterprises (WBEs), and Disabled Business Enterprises (DSBEs);²⁶ and
- FY 2008 results by department.

Where data constraints result in missing, insufficient or ambiguous figures we do not include these figures, but instead show an "X". Therefore, all figures shown are statistically significant.

²⁵ See Appendix G for our April 6, 2009 "Preliminary Quantitative Analysis" memorandum to OEO.

²⁶ It is important to note that while many government agencies allow a firm to certify as one and only one DBE type (example: MBE or WBE, but not both), and/or will designate contracts that have been awarded to DBE firms as having gone to only one DBE type, we depict and analyze figures that allow for DBE firms to be classified as more than one DBE type. Where data is available to make such distinctions, this allows for a finer level of detail and therefore a finer level of analysis. When totaling up figures for all DBE categories, we are careful to ensure that there is no double-counting.

3.1 Utilization

As described in Section 2, Disadvantaged Business Enterprises (DBE) utilization is defined as the dollar value of contracts awarded to for-profit DBE prime contractors and sub-contractors divided by the total dollar value of contracts awarded to for-profit prime contractors and sub-contractors, as reported in the Fiscal Year (FY) 2008 Participation Report of the City of Philadelphia's Office of Economic Opportunity (OEO), which lists contracts awarded and (if any) DBE participation in those contracts. We are further interested in the geographic distribution of contracts awarded to DBEs, to the extent that we know, per OEO's Vendor List, whether they are located in the City of Philadelphia, in the Philadelphia Metropolitan Statistical Area (MSA), or outside the region. In fact, these three sizes of geography represent the three different ways we can express utilization (see Figure 3.1):²⁷

Figure 3.1 – Utilization Methods Employed in This Report

Method	Description	Data Source(s)
U1*	Utilization of DBE firms located in the City of Philadelphia ÷ utilization of all firms	
U2*	Utilization of DBE firms located in the Philadelphia MSA ÷ utilization of all firms	OEO Annual Participation Report (FY 2008)
U3	Utilization of DBE firms located in the US ÷ utilization of all firms	

Source: Econsult Corporation (2009)

** denotes weighted more heavily in determining participation goals.*

²⁷ Note that the denominator for all three of these utilization rates is the dollar value of contracts awarded by the City of Philadelphia to all for-profit prime contractors and sub-contractors, irrespective of their geographic location. In other words, in determining DBE utilization at these three levels of geography, we are interested in the amount of all contract dollars that went to DBE firms within the City of Philadelphia, within the Philadelphia MSA, and within the US.

Conversely, one could calculate utilization rates by comparing contract dollars that went to DBE firms located within the City of Philadelphia with contract dollars that went to all firms located within the City of Philadelphia, and contract dollars that went to DBE firms located within the Philadelphia MSA with contract dollars that went to all firms located within the Philadelphia MSA, and finally contract dollars that went to DBE firms located within the US with contract dollars that went to all firms located within the US.

We reject such an approach because it is less important to know what proportion of City contract dollars that went to firms located within the City went to DBE firms located within the City, and more important to know what proportion of all City contract dollars went to DBE firms located within the City, and so on.

Before we look at dollar values, let us first consider the distribution of contracts, by contract type (see Figure 3.2).²⁸ Out of 2,413 total contracts, 424 (17.6 percent) had one or more DBEs involved: 10 (0.4 percent) where the DBE was a prime, and 424 (17.6 percent) where one or more of the subs was DBE.²⁹

Figure 3.2 - FY 2008 Distribution of DBE Contracts - # Firms Participating in Contracts³⁰

	Public Works (PW)				Personal and Professional Services (PPS)				Services, Supplies and Equipment (SSE)			
	DBE	MBE	WBE	DSBE	DBE	MBE	WBE	DSBE	DBE	MBE	WBE	DSBE
# Contracts With At Least 1 DBE Participating	139	97	112	1	234	178	164	0	51	30	36	0
# Contracts Awarded to DBE Prime Contractors	10	7	4	0	0	0	0	0	0	0	0	0
# DBEs Participating in At Least One Contract	61	33	38	1	180	122	99	0	47	30	29	0
Highest # of Contracts a Single DBE Participated in	29	29	13	1	29	17	29	0	4	3	4	0
# DBEs Participating in Exactly 1 Contract	21	10	15	1	97	61	54	0	34	23	20	0

²⁸ These contract types are:

- Public Works (PW).
- Personal and Professional Services (PPS).
- Services, Supplies and Equipment (SSE).

²⁹ All 10 contracts that were awarded to DBE prime contractors also involved DBE participation as sub contractors.

³⁰ DBE subtotals and totals may be less than the sum of MBE, WBE, and DSBE amounts, because participating firms can be considered more than one DBE category.

	Public Works (PW)				Personal and Professional Services (PPS)				Services, Supplies and Equipment (SSE)			
	DBE	MBE	WBE	DSB E	DBE	MBE	WBE	DSB E	DBE	MBE	WBE	DSB E
# DBEs Participating in 2-5 Contracts	27	14	16	0	71	52	39	0	13	7	9	0
# DBEs Participating in 6-10 Contracts	9	7	3	0	7	6	3	0	0	0	0	0
# DBEs Participating in 11-20 Contracts	2	0	2	0	4	3	2	0	0	0	0	0
# DBEs Participating in 21 or More Contracts	2	2	2	0	1	0	1	0	0	0	0	0

Source: OEO Annual Participation Report (FY 2008), Econsult Corporation (2009)

Contrary to common perception, while there are certainly DBEs that have participated on a high number of contracts, **DBE participation is fairly widely distributed**: the majority of DBEs that participated in at least one contract in FY 2008 participated in less than five contracts. In other words, there was relatively equitable distribution of contracts to DBEs across contract types, in that there was never a case in which the majority of contracts were awarded to just a small subset of DBEs.

Across all DBE categories and contract types, the vast majority of contract recipients participated in five or fewer City contracts. For example, within the 139 Public Works (PW) contracts in which DBE firms participated as either prime contractors or sub-contractors, 61 different DBE firms participated. Forty-eight of them (79 percent) participated in five or fewer of those contracts: 21 (34 percent) participated in exactly one contract and another 27 (44 percent) participated in two to five contracts. Personal and Professional Services (PPS) contracts and Services, Supplies, and Equipment (SSE) contracts were even more widely distributed: 168 out of 180, or 93 percent, of DBE firms that participated in at least one PPS contract participated in five or fewer contracts, while 47 out of 47, or 100 percent, of DBE firms that participated in at least one SSE contract participated in five or fewer contracts.

Notably, only 10 contracts, all PW contracts, were awarded to DBE prime contractors: six to MBEs, one to WBEs, and one to a firm that was an MBE and a WBE. There were no PPS or SSE contracts that were awarded to DBE prime contractors.

The figures below provide an overview of the City's utilization of DBE firms in its awarding of contracts.³¹ The percentages represent the dollar amount of contracts within each contract type, and then for all contract types in aggregate, that were awarded to different categories of DBE firms. We provide three sets of utilization results, representing three units of geography or concentric circles: utilization of DBE firms that are located within the City of Philadelphia (see Figure 3.3), utilization of DBE firms that are located within the Philadelphia MSA (see Figure 3.4), and utilization of DBE firms that are located within the US (see Figure 3.5).³²

³¹ See Appendix H for additional detail, including separate tables for DBE prime contractor utilization (Figure H.2) and DBE sub-contractor utilization (Figure H.3).

³² Bear in mind that because the numerator in these three figures represents DBE utilization at three levels of geography, the difference between 100 percent and the stated utilization rate is not equal to the utilization of white male-owned firms. For example, utilization of DBE firms located within the City of Philadelphia was 9.8 percent in FY 2008. That does not mean that 90.2 percent of City contract dollars awarded went to white male-owned firms. Rather, 5.0 percent went to DBE firms located outside the City of Philadelphia but within the Philadelphia MSA (since DBE utilization at the Philadelphia MSA level was 14.8 percent); and an additional 3.3 percent went to DBE firms located outside the Philadelphia MSA but within the US (since DBE utilization at the US level was 18.1 percent). The remaining 81.9 percent of City contract dollars awarded went to white male-owned firms.

Figure 3.3 - FY 2008 Utilization (U1) - Utilization of For-Profit DBE Prime Contractors and Sub-Contractors Located within the City of Philadelphia, Divided by Utilization of All For-Profit Prime Contractors and Sub-Contractors (by \$ Contracts Awarded)

		FY 08	FY 08	FY 08	FY 08	FY 07	FY 07	FY 07	FY 07
		PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types
White	Female	0.9%	0.7%	0.4%	0.7%	1.4%	1.4%	2.9%	1.7%
Native American	Male & Female	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asian American	Male & Female	0.4%	0.2%	0.0%	0.2%	0.0%	0.1%	0.2%	0.1%
African American	Male & Female	3.0%	11.7%	5.5%	7.6%	2.9%	12.7%	3.4%	6.9%
Hispanic	Male & Female	1.3%	1.6%	0.3%	1.3%	1.2%	1.9%	0.7%	1.4%
All MBE	Male & Female	4.6%	13.6%	5.8%	9.2%	4.1%	14.4%	3.9%	8.4%
All	Female	0.9%	3.0%	1.7%	2.1%	2.5%	3.7%	5.0%	3.5%
Disabled	Male & Female	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
All DBE	Male & Female	5.4%	14.3%	6.2%	9.8%	5.6%	15.9%	6.9%	10.1%

Source: OEO Annual Participation Report (FY 2008), Econsult Corporation (2009)

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

Figure 3.4 - FY 2008 Utilization (U2) - Utilization of For-Profit DBE Prime Contractors and Sub-Contractors Located within the Philadelphia MSA, Divided by Utilization of All For-Profit Prime Contractors and Sub-Contractors (by \$ Contracts Awarded)

		FY 08	FY 08	FY 08	FY 08	FY 07	FY 07	FY 07	FY 07
		PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types
White	Female	3.0%	1.9%	0.8%	2.2%	6.1%	3.5%	3.5%	4.6%
Native American	Male & Female	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asian American	Male & Female	1.8%	1.3%	0.2%	1.4%	2.0%	1.6%	1.7%	1.8%
African American	Male & Female	6.1%	13.0%	6.4%	9.5%	4.2%	14.6%	7.7%	9.2%
Hispanic	Male & Female	2.1%	1.8%	0.3%	1.7%	1.4%	3.0%	1.0%	2.0%
All MBE	Male & Female	10.0%	16.4%	6.9%	12.7%	7.6%	19.4%	10.3%	13.0%
All	Female	5.1%	5.1%	2.7%	4.8%	9.0%	8.1%	5.6%	8.0%
Disabled	Male & Female	0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
All DBE	Male & Female	12.7%	18.3%	7.6%	14.8%	13.8%	22.9%	13.8%	17.6%

Source: OEO Annual Participation Report (FY 2008), Econsult Corporation (2009)

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

Figure 3.5 - FY 2008 Utilization (U3) - Utilization of For-Profit DBE Prime Contractors and Sub-Contractors Located within the US, Divided by Utilization of All For-Profit Prime Contractors and Sub-Contractors (by \$ Contracts Awarded)

		FY 08	FY 08	FY 08	FY 08	FY 07	FY 07	FY 07	FY 07
		PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types
White	Female	3.3%	5.0%	1.3%	3.8%	6.2%	6.5%	4.5%	5.9%
Native American	Male & Female	1.7%	0.2%	0.0%	0.7%	2.1%	0.1%	0.1%	0.9%
Asian American	Male & Female	2.3%	1.6%	0.2%	1.7%	2.3%	1.8%	1.7%	2.0%
African American	Male & Female	6.1%	13.9%	7.2%	10.0%	4.3%	15.4%	7.8%	9.6%
Hispanic	Male & Female	2.1%	1.9%	0.3%	1.7%	1.4%	3.3%	1.0%	2.1%
All MBE	Male & Female	12.1%	17.7%	7.9%	14.3%	10.1%	21.0%	10.6%	14.8%
All	Female	7.0%	8.4%	3.4%	7.2%	11.2%	11.4%	6.1%	10.4%
Disabled	Male & Female	0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
All DBE	Male & Female	15.1%	22.7%	9.2%	18.1%	16.5%	27.5%	14.8%	20.8%

Source: OEO Annual Participation Report (FY 2008), Econsult Corporation (2009)

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

We can make a number of observations regarding this data by making comparisons across time and type:

- Comparing FY 2008 utilization results with FY 2007 utilization results:
 - Overall DBE utilization was down from 20.8 percent in FY 2007 to 18.1 percent in FY 2008 for all DBE firms irrespective of location. Overall DBE utilization was down from 10.1 percent in

- FY 2007 to 9.8 percent in FY 2008 for DBE firms located within the City of Philadelphia, and also down from 17.6 percent in FY 2007 to 14.8 percent in FY 2008 for DBE firms located within the Philadelphia MSA, indicating the utilization of DBE firms located within the Philadelphia MSA but outside the City of Philadelphia was down from 7.5 percent in FY 2007 to 5.0 percent in FY 2008.
- The drop in utilization of DBE firms located within the City of Philadelphia can be explained by the drop in utilization of DBE firms for all contract types, albeit slightly in each respective category. DBE utilization within the City of Philadelphia was down from 5.6 percent in FY 2007 to 5.4 percent in FY 2008 for PW contracts, was down from 15.9 percent in FY 2007 to 14.3 percent in FY 2008 for PPS contracts, and was down from 6.9 percent in FY 2007 to 6.2 percent in FY 2008 for SSE contracts.
 - In contrast, the decrease in DBE utilization within the Philadelphia MSA can be contributed mostly to the drop in DBE utilization for SSE contracts from 13.8 percent in FY 2007 to 7.6 percent in FY 2008, as well as the drop in DBE utilization for PPS contracts from 22.9 percent in FY 2007 to 18.3 percent in FY 2008. Meanwhile, DBE utilization within the Philadelphia MSA for PW contracts was relatively flat: DBE utilization within the Philadelphia MSA for PW contracts was down slightly from 13.8 percent in FY 2007 to 12.7 percent in FY 2008.
- Comparing results across DBE categories:
 - Utilization of African American firms saw small increase across all three geographies, from 6.9 percent in FY 2007 to 7.6 percent in FY 2008 for firms located within the City of Philadelphia, from 9.2 percent in FY 2007 to 9.6 percent in FY 2008 for firms located within the Philadelphia MSA, and from 9.6 percent in FY 2007 to 10.0 percent in FY 2008 for firms located within the US.
 - Utilization of Hispanic firms was down from 1.4 percent in FY 2007 to 1.3 percent in FY 2008 for firms located within the City of Philadelphia, and down from 2.0 percent in FY 2007 to 1.7 percent in FY 2008 for firms located within the Philadelphia MSA, meaning that the utilization of Hispanic firms located within the Philadelphia MSA but outside the City of Philadelphia was down from 0.6 percent in FY 2007 to 0.3 percent in FY 2008.
 - Utilization of Asian American firms increased from 0.1 percent in FY 2007 to 0.2 percent in FY 2008 for firms located within the City of Philadelphia, and decreased from 1.8 percent in FY 2007 to 1.4 percent in FY 2008 for firms located within the Philadelphia MSA, meaning that the utilization of Asian American firms located within the Philadelphia MSA but outside the City of Philadelphia was down from 1.7 percent in FY 2007 to 1.2 percent in FY 2008.
 - Utilization of white female owned firms fell for all three geographies: from 1.7 percent in FY 2007 to 0.7 percent in FY 2008 for firms located within the City of Philadelphia, from 4.6 percent in FY 2007 to 2.2 percent in FY 2008 for firms located within the Philadelphia MSA, and from 5.9 percent in FY 2007 to 3.8 percent in FY 2008 for firms located within the US. Utilization of white female owned firms decreased for every single contract type in every category, but had the steepest decreases in SSE contracts: from 2.9 percent in FY 2007 to 0.4

percent in FY 2008 for firms located within the City of Philadelphia, from 3.5 percent in FY 2007 to 0.8 percent in FY 2008 for firms located within the Philadelphia MSA, and from 4.5 percent in FY 2007 to 1.3 percent in FY 2008 for firms located within the US.

- Comparing results across contract types:
 - PPS was the contract type that enjoyed the highest utilization rates across contract types, as well as for a majority of the geography and DBE categories.
 - Utilization of DBE firms for PPS contracts was down from 15.9 percent in FY 2007 to 14.3 percent in FY 2008 for firms located within the City of Philadelphia, and down from 22.9 percent in FY 2007 to 18.3 percent in FY 2008 for firms located within the Philadelphia MSA, meaning that the utilization of DBE firms located within the Philadelphia MSA but outside the City of Philadelphia for PPS contracts was down from 7.0 percent in FY 2007 to 4.0 percent in FY 2008.
 - Utilization of DBE firms for PW and SSE contracts was relatively flat for firms located within the City of Philadelphia and within the US, but down for firms located within the Philadelphia MSA: from 13.8 percent in FY 2007 to 12.7 percent in FY 2008 for PW contracts, and from 13.8 percent in FY 2007 to 7.6 percent in FY 2008 for SSE contracts.

Since this report is to be used in part by to set Annual Participation Goals, it is useful to depict utilization results at the department level (see Figure 3.6).³³ In this way, all departments can be held accountable, strong performers celebrated and struggling performers identified for additional attention. At the same time, it is important to note that different departments may represent different kinds of contracts, and to the extent that DBE availability is not uniform across types of services and industries, it can make it difficult to truly compare performance across categories.

³³ See Appendix H for additional detail by department (Figure H.4), as well as geographic distribution of DBEs utilized (Figure H.5).

Figure 3.6 - FY 2008 Utilization (U3) - Utilization by Department of For-Profit DBE Prime Contractors and Sub-Contractors Located within the US, Divided by Utilization of All For-Profit Prime Contractors and Sub-Contractors (by \$ Contracts Awarded)

City Department	FY08 Dept Total (in \$M)	FY08 DBE Total (in \$M)	FY08 DBE %Utilization Actual	FY07 DBE %Utilization Actual	+/- Percent Increase
Aviation	\$170.29	\$31.71	18.6%	23.0%	-4.4%
Behavioral Health/Mental Retardation Services	\$13.85	\$0.17	1.3%	1.4%	-0.1%
Camp William Penn	\$0.00	\$-	0.0%	100.0%	-100.0%
Capital Program Office	\$31.29	\$7.34	23.5%	19.5%	4.0%
City Planning Commission	\$0.43	\$0.08	19.5%	0.0%	19.5%
Civil Service Commission	\$0.03	\$-	0.0%	0.0%	0.0%
Commerce	\$-	\$-	0.0%	0.0%	0.0%
Fairmount Park Commission	\$0.02	\$0.01	41.7%	17.5%	24.2%
Finance, Director of	\$11.26	\$3.52	31.3%	28.4%	2.9%
Fire	\$5.68	\$0.77	13.6%	1.0%	12.6%
Fleet Management	\$7.18	\$0.05	0.8%	15.4%	-14.6%
Health, Department of Public	\$5.72	\$0.27	4.70%	5.3%	-0.6%
Historical Commission	\$0.01	\$-	0.00%	0.0%	0.0%
Human Services, Department of	\$80.58	\$3.16	3.9%	9.6%	-5.7%
Information Services, Mayor's Office of	\$24.66	\$4.64	18.8%	22.9%	-4.1%

City Department	FY08 Dept Total (in \$M)	FY08 DBE Total (in \$M)	FY08 DBE %Utilization Actual	FY07 DBE %Utilization Actual	+/- Percent Increase
Labor Relations	\$-	\$-	0.0%	0.0%	0.0%
Law Department	\$23.24	\$3.80	16.4%	55.1%	-38.7%
Library, Free	\$1.18	\$0.08	6.4%	3.2%	3.2%
Licenses and Inspections, Department of (L&I)	\$1.00	\$0.03	2.8%	44.9%	-42.1%
Managing Director's Office	\$0.98	\$0.43	43.9%	26.4%	17.5%
Mayor's Office	\$0.65	\$0.06	9.3%	7.1%	2.2%
Mayor's Office of Community Services	\$0.06	\$-	0.0%	28.8%	-28.8%
Mural Arts Program	\$-	\$-	0.0%	0.0%	0.0%
Office of Housing & Community Development (OHCD)	\$0.96	\$0.07	6.7%	7.9%	-1.2%
Office of Supportive Housing (OSH)	\$6.41	\$0.91	14.3%	15.3%	-1.0%
Pensions & Retirement, Board of	\$1.55	\$0.00	0.1%	0.0%	0.1%
Personnel	\$0.63	\$0.12	18.6%	6.8%	11.8%
Police	\$2.39	\$0.08	3.4%	3.9%	-0.5%
Prisons	\$86.47	\$24.98	28.9%	23.3%	5.6%
Procurement	\$0.15	\$-	0.0%	0.0%	0.0%
Property, Department of Public	\$17.09	\$15.42	90.3%	92.7%	-2.4%
Records	\$3.25	\$0.32	9.9%	20.1%	-10.2%

City Department	FY08 Dept Total (in \$M)	FY08 DBE Total (in \$M)	FY08 DBE %Utilization Actual	FY07 DBE %Utilization Actual	+/- Percent Increase
Recreation	\$0.55	\$0.06	11.4%	13.8%	-2.4%
Revenue	\$4.48	\$0.96	21.5%	34.7%	-13.2%
Revision of Taxes, Board of	\$1.44	\$0.84	58.3%	31.2%	27.1%
Sinking Fund Commission	\$0.00	\$-	0.0%	0.0%	0.0%
Streets	\$40.82	\$4.38	10.7%	16.6%	-5.9%
Treasurer, City	\$0.05	\$0.02	50.0%	100.0%	-50.0%
Water Department	\$104.72	\$18.04	17.2%	15.9%	1.3%
All Departments	\$649.99	\$122.79	18.9%	21.0%	-2.1%
All with SSE³⁴	\$721.67	\$130.39	18.1%	21.8%	-3.7%

Source: OEO Annual Participation Report (FY 2008), Econsult Corporation (2009)

The following departments merit additional discussion:

- The top three of the 39 City departments in terms of contracts - Aviation, Water, and Prisons – represent \$361 million in contracts, or just over half (50.1 percent) of the dollars spent by City departments. In terms of DBE utilization, Aviation (18.6 percent) and Prisons (28.9 percent) were above the utilization rate for all City departments (18.1 percent), and Water was slightly below (17.2 percent).
- Among the City departments with at least \$1 million in contracts, Public Property had the highest utilization rate (90.3 percent). Board of Revision of Taxes (58.3 percent) also had a high utilization rate. At the other end of the spectrum, Fleet Management (0.8 percent) and Board of Pensions and Retirement (0.1 percent) had the lowest utilization rates.
- Only one City department that had at least \$1 million in contracts had double-digit increases in DBE utilization rates from FY 207 to FY 2008 and FY 2008 utilization rates above the utilization for all

³⁴ Most SSE contracts are centrally processed and therefore do not get assigned to a particular City department.

City departments: Board of Revision of Taxes (from 31.2 percent in FY 2007 to 58.3 percent in FY 2008). In 2007, four departments could be categorized this way.

- In contrast, four City departments that had at least \$1 million in contracts had double-digit decreases in DBE utilizations and FY 2008 utilization rates below the utilization for all City departments: Records (from 20.1 percent in FY 2007 to 9.9 percent in FY 2008), L&I (from 44.9 percent in FY 2007 to 2.8 percent in FY 2008), Fleet Management (from 15.4 percent in FY 2007 to 0.8 percent in FY 2008), and Law (from 55.1 percent in FY 2007 to 16.4 percent in FY 2008).

Finally, we must note that the above utilization tables do not account for contracts awarded to firms owned by minorities, women, or the disabled that are not OEO-certified. In some cases, individual departments keep lists of “certifiable” firms; those they know to be owned by minorities, women, or the disabled, regardless of whether or not they are OEO-certified.³⁵

While this data on “certifiables” is only currently available from a small subset of City departments, and the legitimacy of these “certifiables” has not been verified by OEO, it is a useful topic to include in any discussion on DBE utilization. After all, the broader objective is to ensure the fair participation in City contracts of minority-owned, woman-owned, and disabled-owned firms; whether or not such firms have been certified by OEO is simply a compliance issue, albeit an important one.

Put another way, it is quite possible that the City’s true utilization of minority-owned, woman-owned, and disabled-owned firms is actually quite larger than this report would appear to indicate. Recall that for the purposes of this report, utilization is defined as the dollar value of awarded contracts that go to OEO-certified firms in various DBE categories, divided by the total dollar value of awarded contracts. Therefore, in theory there are at least two possible differences between that ratio and the ratio of the dollar value of awarded contracts that go to minority-owned, woman-owned, and disabled-owned firms divided by the total dollar value of awarded contracts:

- If there are minority-owned, woman-owned, or disabled-owned firms that do business with the City but are not OEO-certified, true DBE utilization would actually be higher than reported DBE utilization.
- If there are firms that are OEO-certified but that are not in fact owned by a minority, woman, or disabled person (whether because of fraud or because of a change in ownership that has not yet been accounted for in the firm’s certification status), true DBE utilization would actually be lower than reported DBE utilization.

³⁵One could also possibly include in this list of “certifiables” any firms that were not OEO-certified during the study period but that have subsequently become OEO-certified, under the assumption that these were minority-owned, woman-owned, and/or disabled-owned all along, and subsequent to the study period were finally OEO-certified. We do not choose to include such firms, because the above explanation for why they were not OEO-certified during the study period but have become OEO-certified afterwards is only one of three possibilities. It is also possible that the firm did not exist at all during the study period, and only came into existence afterwards. It is also possible that the firm was not minority-owned, woman-owned, and/or disabled-owned during the study period, but subsequently experienced a change in ownership and therefore became eligible to be certified by OEO. Since there is no way of knowing which is the reason a firm was not OEO-certified during the study period but became OEO-certified afterwards, we choose to not include such firms in this list of “certifiables.”

If the variance associated with the first point is larger than the variance associated with the second point, then the City's true DBE utilization is higher than its reported DBE utilization. In fact, it is quite likely that the variance associated with first point is larger than the variance associated with the second point; that is, that there are more minority-owned, woman-owned, or disabled-owned firms that are not OEO-certified than there are OEO-certified firms that are not minority-owned, woman-owned, or disabled-owned. On the one hand, a number of City departments submitted to OEO partial self-generated lists of "certifiabiles"; all told, these lists total an additional 347³⁶ potential minority-owned, women-owned, and disabled-owned firms which, were they to be awarded City contracts, would not count towards the City's utilization rate because they are not OEO-certified. On the other hand, OEO expends a considerable amount of effort to verify the ownership status of its certified firms, and therefore it is likely that that variance is relatively smaller.

None of these 347 "certifiabiles" show up on OEO's Annual Participation Report, which only lists participation by OEO-certified firms. If any of them, or any other minority-owned, woman-owned, or disabled-owned firms that are not OEO-certified, participated in City contracts in FY 2008, the reported utilization rates above would be too low.

There are two possible solutions to rectifying this discrepancy. First, one could seek to better know the "true" utilization rate, by supplementing OEO's Annual Participation Report with additional information, such as individual departments' lists of "certifiabiles," or other such databases that seek to validate the disadvantaged business status of various businesses. Second, one could seek to increase the proportion of minority-owned, woman-owned, and disabled-owned firms that are actually OEO-certified, such that any utilization rates that look solely at OEO-certified firms.

³⁶ See Appendix H for a table of "certifiable" minority-owned, women-owned, and disabled-owned firms by City departments (Figure H.6).

3.2 Availability

As described in Section 2, in defining Disadvantaged Business Enterprise (DBE) availability, one must be mindful to be neither too broad, nor too narrow. Accordingly, we have sought to calculate availability seven different ways. A spectrum of results can then inform the appropriate choice of availability approach when calculating disparity ratios (see Figure 3.7).

Figure 3.7 – Availability Methods Employed in This Report

Method	Description	Data Source(s)
A1*	# DBE Firms in Philadelphia County ÷ # All Firms in Philadelphia County	US Small Business Administration – Philadelphia District Office (2004)
A2	# DBE Firms ÷ # All Firms in Philadelphia MSA	2002 US Census Survey of Business Owners ³⁷
A3*	# DBE Firms w/ >1 Employee ÷ # All Firms w/ >1 Employee in Philadelphia MSA	2002 US Census Survey of Business Owners
A4	\$ Revenue of DBE Firms ÷ \$ Revenue of All Firms in Philadelphia MSA	2002 US Census Survey of Business Owners
A5	\$ Revenue of DBE Firms > 1 Employee ÷ \$ Revenue of All Firms > 1 Employee in Philadelphia MSA	2002 US Census Survey of Business Owners
A6	# OEO-Certified DBE Firms ÷ # All Firms on City of Philadelphia Procurement Office Vendor List	Office of Economic Opportunity (2009), Procurement Office (2009)
A7	# MBE/WBE Firms on City of Philadelphia Procurement Office Vendor List ÷ # All Firms on City of Philadelphia Procurement Office Vendor List	Office of Economic Opportunity (2009), Procurement Office (2009)

Source: Econsult Corporation (2009)

** denotes weighted more heavily in determining participation goals.*

A first, very broad approach is to take data from the Philadelphia District Office of the US Small Business Administration (SBA), which shows firms by ethnicity and gender for Philadelphia County and other

³⁷ The latest year for which SBO data are available is 2002, which is the dataset we used for this report. The 2007 data is expected to be available in early 2010, and thus would be available in time for use in producing the FY 2009 Disparity Study.

counties.³⁸ This is very broad because only firms that are “ready, willing, and able” – both DBE and non-DBE – should be considered when determining availability. As noted earlier, a vast majority of firms – both DBE and non-DBE – are very small and therefore highly unlikely to be deemed “ready, willing, and able.” In addition, these figures count all firms regardless of industry, even though the not all industries are of use to the City of Philadelphia in its contracting needs; a more accurate availability rate would therefore include from these counts of firms only those firms - DBE and non-DBE - that are in industries that represent functions in which the City of Philadelphia can contract work.³⁹

However, it is useful to consider availability at the City level, and thus be able to compare it to availability at the Philadelphia Metropolitan Statistical Area (MSA) level. Therefore, we assume for now that the proportion of all DBE firms to all firms (what can be calculated from this data set) is close enough to the proportion of all “ready, willing, and able” (RWA) DBE firms in relevant industries to all RWA firms in relevant industries (what an availability ratio really is) that it can be used to measure availability. We call this approach “A1” (see Figure 3.8).

³⁸ Philadelphia County is identical to the City of Philadelphia in geography.

³⁹ Although “DBE” is a government designation, it is used here to refer to firms owned by minorities, women, or the disabled.

Figure 3.8 - FY 2008 Availability (A1) - # DBE Firms in Philadelphia County, Divided by # All Firms in Philadelphia County

Ethnicity	Gender	# Firms	% of Total	Population	% of Total
White	Female	13,890	22.0%	333,861	22.0%
Native American	Male & Female	X	X	X	X
Asian American	Male & Female	4,403	7.0%	67,654	5.4%
African American	Male & Female	9,285	14.8%	655,824	43.2%
Hispanic	Male & Female	1,566	2.5%	128,928	8.5%
All MBE	Male & Female	15,150	24.0%	852,406	56.2%
Disabled	Male & Female	X	X	X	X
All DBE	Male & Female	29,040	46.2%	1,186,267	78.2%

*Source: US Small Business Administration – Philadelphia District Office (2004), Econsult Corporation (2007)
"X" denotes data unavailable or insufficient.*

We note the following observations from this data:

- Over 46 percent of the City's 63,000 firms are considered DBE firms, while over 78 percent of the City's population falls within a DBE racial, ethnic, or gender category.
- Asian Americans and white females own proportions of the City's firms that are equal to or higher than their respective proportions of the City's population, while African Americans and Hispanics own proportions of the City's firms that are less than their respective proportions of the City's population.
- No data was provided for the business ownership or population of Native Americans or the disabled.

Moving from a city geography to a metropolitan one, in using the broad approach, we determined, in any given contract category, the number of DBE firms in the Philadelphia MSA and divided that number by the number of all firms in the Philadelphia MSA. For such an approach, we utilized the 2002 US Census Survey of Business Owners. This data set includes counts by industry, enabling us to select only firms in those industries that represent functions in which the City of Philadelphia can contract work, and thus excluding firms - both DBE and non-DBE - in non-relevant industries. Based on the broad approach and

using 2002 US Census survey data, we can further delineate between the number of firms, the number of firms with paid employees, the aggregate annual revenues of firms, and the aggregate annual revenues of firms with paid employees. These represent four approaches to determining the appropriate availability of DBE firms, and together help better clarify that availability rate.

For example, using the number of firms might disproportionately weight firms that have no employees and are really not of a scale to be “ready, willing, and able.” Using the number of firms with paid employees is probably a more accurate number, but it would still tend to disproportionately weight smaller firms over larger firms; using the aggregate annual revenues of firms speaks to this notion of capacity, but might have the opposite problem of disproportionately weighting larger firms over smaller firms. Data availability also becomes an issue, as not all DBE categories are delineated in this data source, and it may be important to differentiate between availability for various Minority Business Enterprise (MBE) categories, as well as Women Business Enterprises (WBE) and Disabled Business Enterprises (DSBE).

Because we have considered multiple approaches to determining availability rate, we consider these four approaches A2-A5:

- A2 - # DBE Firms Divided By # All Firms in Philadelphia MSA, Based on SBA/Census Survey of Business Owners
- A3 - # DBE Firms > 1 Employee Divided by # All Firms > 1 Employee in Philadelphia MSA, Based on SBA/Census Survey of Business Owners
- A4 - \$ Revenue of DBE Firms Divided by \$ Revenue of All Firms in Philadelphia MSA, Based on SBA/Census Survey of Business Owners
- A5 - \$ Revenue of DBE Firms > 1 Employee Divided by \$ Revenue of All Firms > 1 Employee in Philadelphia MSA, Based on SBA/Census Survey of Business Owners

In contrast, with the narrow approach, we recognized that not all firms are in fact part of the universe of RWA firms, and that a stricter interpretation of the legal requirements of RWA necessitates that we include only those businesses that are in fact already ready to do business with the City, as evidenced by registering with the City to bid for contracts and/or obtaining certification from the City of Philadelphia’s Office of Economic Opportunity (OEO). This, of course, would exclude otherwise RWA firms – DBE and non-DBE – that have not yet registered and yet are no less worthy of being considered in an availability calculation. Nevertheless, this approach yields two additional ways to calculate availability:

- A6 - # MBEC-Certified DBE Firms Divided by # All Firms on City of Philadelphia Procurement Office Vendor List
- A7 - # MBE/WBE Firms on City of Philadelphia Procurement Office Vendor List Divided by # All Firms on City of Philadelphia Procurement Office Vendor List

Of the six availability approaches that use the Philadelphia MSA as the unit of geography, we believe A3 is the one that most effectively balances “broad” and “narrow” considerations (see Figure 3.9).⁴⁰ It accounts for a more inclusive universe of “ready, willing, and able” firms – both DBE and non-DBE – but excludes the vast majority of firms in the MSA that have one or fewer employees, which would otherwise grossly overstate both DBE and non-DBE counts. It also uses a data set that includes industry-by-industry breakouts, which allows us to select only those firms - DBE and non-DBE - that represent functions in which the City of Philadelphia can contract work. It is not perfect – “ready,” “willing,” and “able” are too fuzzy as concepts to be directly translatable into a data set – but it is the best of the lot, in terms of balancing “broad” and “narrow” objections as well as in terms of capturing the appropriate geography and industry composition.⁴¹

⁴⁰ Since the availability results that use 2002 Census Survey of Business Owners data are the same as ones depicted in the FY 2006 report and the FY 2007 report, we show them juxtaposed with availability results from DJ Miller & Associates’ report on 1998-2003 availability.

⁴¹ See Appendix I for more detail.

Figure 3.9 - FY 2008 Availability (A3) - # DBE Firms > 1 Employee in Philadelphia MSA, Divided by # All Firms > 1 Employee in Philadelphia MSA

Ethnicity	Gender	FY 2006, FY 2007, FY 2008				DJ Miller 1998-2003			
		PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types
White	Female	X	X	X	X	8.3%	7.7%	13.7%	12.6%
Native American	Male & Female	0.3%	0.2%	X	0.2%	0.4%	0.0%	0.1%	0.1%
Asian American	Male & Female	X	3.6%	8.4%	5.5%	0.5%	0.9%	5.9%	4.8%
African American	Male & Female	1.3%	1.9%	0.9%	2.1%	2.1%	2.4%	2.7%	2.6%
Hispanic	Male & Female	1.1%	1.0%	1.0%	1.2%	1.1%	0.2%	0.9%	0.9%
All MBE	Male & Female	2.8%	6.7%	10.3%	9.0%	4.1%	3.6%	9.5%	8.4%
All	Female	8.1%	17.9%	14.3%	15.5%	X	X	X	X
Disabled	Male & Female	X	X	X	X	X	X	X	X
All DBE *	Male & Female	10.8%	24.6%	24.6%	24.6%	12.4%	11.3%	23.2%	21.0%
All Firms	All	13,242	17,275	24,526	114,869				

Source: US Census Survey of Business Owners (2002), DJ Miller & Associates (2004), Econsult Corporation (2007)

** Note: Figures in this row are not necessarily the sum of the above three rows because of businesses that belong to more than one category. "X" denotes data unavailable or insufficient.*

In terms of the characteristics of the Philadelphia MSA as they pertain to DBE availability between 1998 and 2003 (based on 1997 data) and FY 2008 (based on 2002 data), we note the following points:

- The total number of firms in the area increased by 82 percent, from almost 63,000 to almost 115,000.
- MBE availability held relatively steady, rising slightly from 8.4 percent in 1998-2003 to 9.0 percent in 2008.
 - MBE availability went down in terms of Public Works (PW) contracts, from 4.1 percent in 1998-2003 to 2.8 percent in 2008.

-
- MBE availability went up in terms of Personal and Professional Services (PPS) contracts, from 3.6 percent in 1998-2003 to 6.7 percent in 2008.
 - MBE availability went up in terms of Services, Supplies, and Equipment (SSE) contracts, from 9.5 percent in 1998-2003 to 10.3 percent in 2008.
 - Asian Americans enjoyed large gains in availability -
 - In PPS from 0.9 percent in 1998-2003 to 3.6 percent in 2008.
 - In SSE from 5.9 percent in 1998-2003 to 8.4 percent in 2008.
 - African Americans experienced losses in availability across the board -
 - In PW contracts, from 2.1 percent in 1998-2003 to 1.3 percent in 2008.
 - In PPS contracts, from 2.4 percent in 1998-2003 to 1.9 percent in 2008.
 - In SSE contracts, from 2.7 percent in 1998-2003 to 0.9 percent in 2008.

In terms of the characteristics of the Philadelphia MSA in FY 2008 (based on 2002 data) as they relate to various contract types, we note the following points:

- MBEs were much more available in SSE contracts, representing 10.3 percent of all firms with paid employees, versus 2.8 percent of PW firms and 6.7 percent of PPS firms.
- WBEs were much more available in PPS contracts, representing 17.9 percent of all firms with paid employees, versus 8.1 percent of PW firms and 14.3 percent of all SSE firms.

In terms of the characteristics of the Philadelphia MSA in FY 2008 (based on 2002 data) as they relate to different DBE categories, we note the following points:

- Asian Americans had the highest availability rates in PPS (3.6 percent of all firms) and SSE (8.4 percent of all firms) contracts, dwarfing all other MBE categories.
- Information on the availability of WBEs and DSBEs could not be obtained due to data limitations.

Finally, in terms of the characteristics of the Philadelphia MSA in FY 2008 (based on 2002 data) as they relate to the characteristics of the City of Philadelphia (based on 2004 data), we note the following points:

- DBE firms represented 46.2 percent of all firms within the City of Philadelphia but only 24.6 percent of all firms within the Philadelphia MSA.
- MBE firms represented 24.0 percent of all firms within the City of Philadelphia but only 9.0 percent of all firms within the Philadelphia MSA.

We conclude with a look at the extent to which availability by industry and DBE category is reflected in OEO's directory of certified firms (see Figure 3.10). Notably, OEO seems to be more successful attracting MBEs than WBEs to become certified: the ratio of MBEs on OEO's directory of certified DBEs to "ready, willing, and able" DBEs in the Philadelphia MSA is more than three times the similar ratio for WBEs, with even more pronounced proportional differences within the PW and PPS contract types.⁴²

⁴² This figure bears additional explanation. For each DBE type and contract type, we display three numbers: 1) "OEO" = the number of firms of that DBE type and contract type that were on OEO's directory of DBE-certified firms, as of January 2009, 2) "A3" = the number of "ready, willing, and able" DBE firms in the Philadelphia MSA, as defined by the "A3" version of availability, which is the number of DBE firms in the Philadelphia MSA with more than one employee, divided by the number of all firms in the Philadelphia MSA with more than one employee, and 3) "%" = the proportion of "OEO" to "A3."

Because the "OEO" and "A3" figures are derived from two different data sources, the comparison is not perfect. However, to the extent that both the "OEO" figure and the "A3" figure are reasonably accurate, it is a helpful proportion to consider, for it essentially answers the question, "out of the universe of 'ready, willing, and able' firms that are owned by minorities, women, and/or the disabled, how many of them has OEO been able to get validated as DBEs through their certification process?"

For example, there may be approximately 368 MBEs in the Philadelphia MSA that are "ready, willing, and able" to do PW contracts for the City of Philadelphia, of which 170, or 46.2 percent, are on the OEO directory. In contrast, there may be approximately 1,073 WBEs in the Philadelphia MSA that are "ready, willing, and able" to do PW contracts for the City of Philadelphia, of which 48, or 4.5 percent, are on the OEO directory.

Figure 3.10 - OEO Directory by DBE Type and Contract Type (as of January 2009), as a Proportion of "Ready, Willing, and Able" DBE Firms in the Philadelphia MSA (as Defined by Availability (A3) - # DBE Firms > 1 Employee in Philadelphia MSA, Divided by # All Firms > 1 Employee in Philadelphia MSA)

Contract Type	MBE			WBE			DSBE		
	OEO	A3	%	OEO	A3	%	OEO	A3	%
PW	170	368	46.2%	48	1,073	4.5%	1	X	X
PPS	422	1,162	36.3%	257	3,090	8.3%	4	X	X
SSE	279	2,537	11.0%	144	3,501	4.1%	3	X	X
All Contract Types⁴³	871	10,373	8.4%	449	17,854	2.5%	8	X	X

Source: US Census Survey of Business Owners (2002), City of Philadelphia Office of Economic Opportunity (2009), Econsult Corporation (2009)

* Note: Figures in this row are not necessarily the sum of the above three rows because of businesses that belong to more than one category. "X" denotes data unavailable or insufficient.

⁴³ The "A3" figure for "All Contract Types" is not the sum of the three contract types, because it accounts for additional industry categories that could not be easily classified into one of the contract types.

3.3 Disparity

As described in Section 2, Disadvantaged Business Enterprise (DBE) disparity is defined as the utilization rate, as calculated in Section 3.1, divided by the availability rate, as calculated in Section 3.2. A disparity ratio of more than 1.0 means a utilization rate greater than the availability rate, and a disparity ratio of less than 1.0 means a utilization rate lower than the availability rate. It is important to note that an under-representation of DBEs in the economic opportunities represented by the universe of City contracts can manifest itself in at least two ways:

1. Under-utilization of DBEs in particular contract category, commensurate to DBE availability (unusually low utilization rate divided by normal availability rate = disparity ratio of less than 1.0).
2. Relatively low availability of DBEs in a particular contract category (normal utilization rate divided by unusually low availability rate = disparity ratio of greater than 1.0).

Again, this qualification applies only to situations in which availability rates are unusually low. Of course, where availability rates are relatively reasonable, a disparity ratio of over 1.0 is a very positive outcome, as it means that DBE utilization rates exceed DBE availability rates. Furthermore, even in cases in which availability rates are unusually low, leading to somewhat misleading high disparity ratios, this is still a very positive outcome in one sense, as it means that despite the relative lack of "ready, willing, and able" (RWA) DBEs, City agencies were able to utilize DBE firms.

Recall that we have determined both utilization and availability using a number of different approaches. When using these utilization and availability results to determine disparity ratios, it is important to match utilization and availability methods appropriately. In particular, if a utilization rate represents City boundaries only, its corresponding availability rate should also represent only City boundaries. Accordingly, we match up utilization and availability methods as follows:

- $D1 = U1 \div A1$ = Utilization of DBEs in the City, divided by Availability of DBEs in the City (see Figure 3.11)⁴⁴
- $D3 = U2 \div A3$ = Utilization of DBEs in the Philadelphia Metropolitan Statistical Area (MSA), divided by Availability of DBEs in the MSA (see Figure 3.12)⁴⁵

⁴⁴ Disparity ratios that looks at utilization and availability within the City of Philadelphia can only be calculated for all contract types and not broken out by contract type, since there is no way of knowing what DBE availability is by contract type, per the US Small Business Administration – Philadelphia District Office data.

⁴⁵ U2 can also be divided by A2, A4, A5, A6, and A7, to determine disparity ratios in additional ways, which we call D2, D4, D5, D6, and D7. See Appendix J for more detail, including separate charts for each DBE category (Figures J.8 to J.16).

Figure 3.11 - FY 2008 Disparity Ratio (D1)
Utilization (U1) - Utilization of For-Profit DBE Prime Contractors and Sub-Contractors Located in the City of Philadelphia, Divided by Utilization of All For-Profit Prime Contractors and Sub-Contractors (by \$ Contracts Awarded)
Availability (A1) - # DBE Firms in Philadelphia County Divided by # All Firms in Philadelphia County

Ethnicity	Gender	PW	PPS	SSE	All Contract Types (FY 2008)	All Contract Types (FY 2007)
White	Female	X	X	X	0.03	0.08
Native Am	Male & Female	X	X	X	X	X
Asian American	Male & Female	X	X	X	0.03	0.01
African Am	Male & Female	X	X	X	0.51	0.47
Hispanic	Male & Female	X	X	X	0.52	0.56
All MBE	Male & Female	X	X	X	0.38	0.35
All	Female	X	X	X	X	X
Disabled	Male & Female	X	X	X	X	X
All DBE	Male & Female	X	X	X	0.21	0.22

Sources: Econsult Corporation (2009); Utilization = OEO Annual Participation Report (FY 2008); Availability = US Small Business Administration – Philadelphia District Office (2004)
"X" denotes data unavailable or insufficient.

Figure 3.12 - FY 2008 Disparity Ratio (D3)
Utilization (U2) - Utilization of For-Profit DBE Prime Contractors and Sub-Contractors Located in Philadelphia MSA, Divided by Utilization of All For-Profit Prime Contractors and Sub-Contractors (by \$ Contracts Awarded)
Availability (A3) - # DBE Firms > 1 Employee in Philadelphia MSA, Divided by # All Firms > 1 Employee in Philadelphia MSA

Ethnicity	Gender	FY08	FY08	FY08	FY08	FY07	FY07	FY07	FY07
		PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types
White	Female	X	X	X	X	X	X	X	X
Native American	Male & Female	0.00	0.50	X	0.00	0.03	0.00	X	0.02
Asian American	Male & Female	X	0.36	0.02	0.26	X	0.44	0.20	0.32
African American	Male & Female	4.69	6.84	7.11	4.52	3.22	7.87	8.13	4.32
Hispanic	Male & Female	1.91	1.80	0.30	1.42	1.19	2.91	0.99	1.66
All MBE	Male & Female	3.57	2.45	0.67	1.41	2.74	2.88	1.00	1.44
All	Female	0.63	0.29	0.19	0.31	1.11	0.45	0.40	0.52
Disabled	Male & Female	X	X	X	X	X	X	X	X
All DBE	Male & Female	1.18	0.74	0.31	0.60	1.28	0.93	0.56	0.72

Sources: Econsult Corporation (2009); Utilization = OEO Participation Report (FY 2008); Availability = US Census Survey of Business Owners (2002)

"X" denotes data unavailable or insufficient.

The disparity ratios that were calculated based on the utilization and availability data sources that look at utilization and availability within the City of Philadelphia demonstrate under-utilization across the board⁴⁶:

- White female owned firms located within the City of Philadelphia represented 22.0 percent of all firms located within the City of Philadelphia but received only 0.7 percent of City contracts, for a disparity ratio of 0.03.
- Asian Americans located within the City of Philadelphia represented 7.0 percent of all firms located within the City of Philadelphia but received only 0.2 percent of City contracts, for a disparity ratio of 0.03.
- African Americans located within the City of Philadelphia represented 14.8 percent of all firms located within the City of Philadelphia but received only 7.6 percent of City contracts, for a disparity ratio of 0.51.
- Hispanics located within the City of Philadelphia represented 2.5 percent of all firms located within the City of Philadelphia but received only 1.3 percent of City contracts, for a disparity ratio of 0.52.
- Minority Business Enterprises (MBE) located within the City of Philadelphia represented 24.0 percent of all firms located within the City of Philadelphia but received only 9.1 percent of City contracts, for a disparity ratio of 0.38.
- DBEs located within the City of Philadelphia represented 46.2 percent of all firms located within the City of Philadelphia but received only 9.8 percent of City contracts, for a disparity ratio of 0.21.

The disparity ratios that were calculated based on the utilization and availability data sources that look at utilization and availability within the Philadelphia MSA demonstrate relative under-utilization, but with pockets of over-utilization:

- There is overall DBE under-utilization, with a disparity ratio of 0.60; it is below 1.00 for Services, Supplies, and Equipment (SSE) contracts (0.31) and Personal and Professional Services (PPS) (0.74) contracts and above 1.00 for Public Works (PW) (1.18)
- Disparity ratios are largely unchanged from Fiscal Year (FY) 2007 results, as almost every DBE category and contract type that was below 1.0 in FY 2007 was also below 1.0 in FY 2008, and almost every DBE category and contract type that was above 1.0 in FY 2007 was also above 1.0 in FY 2008.
- Because our FY 2008 calculations used the same availability rates as our FY 2007 calculations, African Americans (4.52 vs. 4.32) experienced higher disparity ratios as a result of higher utilization

⁴⁶ Again, these disparity ratios assume that availability as calculated as the number of all DBE firms to all firms is a reasonable proxy for the proportion of RWA DBE firms to all RWA firms. As discussed above, since the vast majority of firms are very small, this may not be the most accurate proxy for true DBE availability.

rates in FY 2008 versus FY 2007, while Native Americans (0.00 vs. 0.02), Asian American (0.26 vs. 0.32), and Hispanics (1.42 vs. 1.66) experienced lower disparity ratios as a result of lower utilization rates in FY 2008 versus FY 2007.

3.4 Interviews

Interviews with both private firms and procurement officers provided useful context for interpreting the numeric results presented in Section 3 and for offering the policy recommendations presented in Section 5. After all, Disparity Study results are influenced by a number of factors, the relative contribution of which may not be readily apparent from the quantitative results themselves:

- The extent to which minority, women, and disabled owned enterprises are encouraged or discouraged from becoming certified by the City of Philadelphia's Office of Economic Opportunity (OEO)
- The extent to which Disadvantaged Business Enterprises (DBEs) are encouraged or discouraged from pursuing City contracts
- The extent to which resources like eContractPhilly or the availability of reciprocal certifications help or don't help DBEs
- The extent to which majority firms do or do not reach out to DBEs when pursuing City contracts
- The extent to which City departments have procurement opportunities that are easier or harder to make available to DBEs
- The extent to which procurement officers do or do not reach out to DBEs when advertising contract opportunities
- The extent to which Mayor Michael Nutter's transition of the role of supporting DBEs from the Minority Business Enterprise Council to OEO does or does not clarify the City's role in connecting DBEs to economic opportunity
- The extent to which the current economic downturn creates more or less opportunity for DBEs
- The extent to which OEO helps or does not help DBEs in all of the aforementioned areas

These manifold factors formed the basis of our interviews with private firms and procurement officers. The interviews themselves yielded the following insights:⁴⁷

- DBE certification is largely seen as a **bureaucratic, invasive, and time-consuming process** that is not perceived as offering enough benefit to justify the effort.
- Both private firms and procurement officers have had **uneven experiences with OEO** itself, in some cases receiving stellar customer service in the form of active and useful assistance, and in

⁴⁷ See Appendix K for our March 27, 2009 "Interview Lessons Learned to Date" memorandum to OEO.

some cases receiving subpar customer service in the form of time-consuming delays and unwilling attitudes.

- Procurement officers noted a **willingness to work with DBEs** but a need for help (in identifying and vetting them) and understanding (to account for structural difficulties that preclude DBE participation, such as specialized needs or geographic limitations).

There appears to be room for improvement in a number of controllable areas, including more aggressive coordinating efforts by OEO to connect DBEs to contract opportunities via direct correspondence and networking events; improvements to the interface and functionality of eContractPhilly, the OEO directory, and other online resources; and the use of reciprocal certifications and streamlined renewal processes to lessen the time and headache associated with qualifying as a DBE and retaining DBE status. In other words, DBE participation can be increased, with mutual benefit to DBE firms, procurement officers, and the City as a whole, if OEO can work with others in these and other areas, so as to provide the necessary facilitation, support, and service.

4.0 PARTICIPATION GOALS

In this section, we offer recommended participation goals for future Disadvantaged Business Enterprise (DBE) utilization, based on Fiscal Year (FY) 2008 DBE utilization and availability. This is an important component of what should be an overall strategy to safeguard the public interest in identifying and rectifying instances of discrimination, and proactively seeking ways to promote the inclusive participation of DBEs in economic opportunities.

We base our recommended participation goals on a comparison of current utilization rates (see Figure 4.1 (U1), Figure 4.2 (U2), and Figure 4.3 (U3)) and availability rates (see Figure 4.4 (A1) and Figure 4.5 (A3)).⁴⁸ For some DBE categories and some contract types, current utilization rates are lower than current availability rates (i.e. the disparity ratio is less than 1.0), while for other DBE categories and contract types, current utilization rates are higher than current availability rates (i.e. the disparity ratio is greater than 1.0) (see Figure 4.6 (D1) and Figure 4.7 (D3)).⁴⁹

Figure 4.1 – FY 2008 Utilization (U1) – Utilization of For-Profit DBE Prime Contractors and Sub-Contractors Located in the City of Philadelphia, Divided by Utilization of All For-Profit Prime Contractors and Sub-Contractors (by \$ Contracts Awarded)

	FY 08	FY 08	FY 08	FY 08	FY 07	FY 07	FY 07	FY 07
	PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types
MBE	4.6%	13.6%	5.8%	9.2%	4.1%	14.4%	3.9%	8.4%
WBE	0.9%	3.0%	1.7%	2.1%	2.5%	3.7%	5.0%	3.5%
DSBE	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
All DBE*	5.4%	14.3%	6.2%	9.8%	5.6%	15.9%	6.9%	10.1%

Source: OEO Annual Participation Report (FY 2008), Econsult Corporation (2009)

** 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.*

⁴⁸ Insufficient data prevents us from setting goals within DBE subcategories.

⁴⁹ PW = Public Works contracts. PPS = Personal and Professional Services contracts. SSE = Services, Supplies, and Equipment contracts.

Figure 4.2 – FY 2008 Utilization (U2) – Utilization of For-Profit DBE Prime Contractors and Sub-Contractors Located in the Philadelphia MSA, Divided by Utilization of All For-Profit Prime Contractors and Sub-Contractors (by \$ Contracts Awarded)

	FY 08	FY 08	FY 08	FY 08	FY 07	FY 07	FY 07	FY 07
	PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types
MBE	10.0%	16.4%	6.9%	12.7%	7.6%	19.4%	10.3%	13.0%
WBE	5.1%	5.1%	2.7%	4.8%	9.0%	8.1%	5.6%	8.0%
DSBE	0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
All DBE*	12.7%	18.3%	7.6%	14.8%	13.8%	22.9%	13.8%	17.6%

Source: OEO Annual Participation Report (FY 2008), Econsult Corporation (2009)

* 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.

Figure 4.3 – FY 2008 Utilization (U3) – Utilization of For-Profit DBE Prime Contractors and Sub-Contractors Located in the US, Divided by Utilization of All For-Profit Prime Contractors and Sub-Contractors (by \$ Contracts Awarded)

	FY 08	FY 08	FY 08	FY 08	FY 07	FY 07	FY 07	FY 07
	PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types
MBE	12.1%	17.7%	7.9%	14.3%	10.1%	21.0%	10.6%	14.8%
WBE	7.0%	8.4%	3.4%	7.2%	11.2%	11.4%	6.1%	10.4%
DSBE	0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
All DBE*	15.1%	22.7%	9.2%	18.1%	16.5%	27.5%	14.8%	20.8%

Source: OEO Annual Participation Report (FY 2008), Econsult Corporation (2009)

* 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.

Figure 4.4 – FY 2008 Availability (A1) – # DBE Firms Located in Philadelphia County, Divided by # Firms Located in Philadelphia County

Category	PW	PPS	SSE	All Contract Types
MBE	X	X	X	24.0%
WBE	X	X	X	X
DSBE	X	X	X	X
All DBE*	X	X	X	46.2%

Source: US Small Business Administration – Philadelphia District Office (2004), Econsult Corporation (2009)

* 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. "X" denotes data unavailable or insufficient.

Figure 4.5 – FY 2008 Availability (A3) - # DBE Firms > 1 Employee in Philadelphia MSA, Divided by # All Firms > 1 Employee in Philadelphia MSA

Category	PW	PPS	SSE	All Contract Types
MBE	2.8%	6.7%	10.3%	9.0%
WBE	8.1%	17.9%	14.3%	15.5%
DSBE	X	X	X	X
All DBE*	10.8%	24.6%	24.6%	24.6%

Source: US Census Survey of Business Owners (2002), Econsult Corporation (2009)

* 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. "X" denotes data unavailable or insufficient.

Figure 4.6 - FY 2008 Disparity Ratio (D1)
Utilization (U1) - Utilization of For-Profit DBE Prime Contractors and Sub-Contractors Located in the City of Philadelphia, Divided by Utilization of All For-Profit Prime Contractors and Sub-Contractors (by \$ Contracts Awarded)
Availability (A1) - # DBE Firms Located in Philadelphia County, Divided by # Firms Located in Philadelphia County

Category	PW	PPS	SSE	All
MBE	X	X	X	0.4
WBE	X	X	X	X
DSBE	X	X	X	X
All DBE*	X	X	X	0.2

Sources: Econsult Corporation (2007, 2009); Utilization = OEO Participation Report (FY 2008), Availability = US Small Business Administration – Philadelphia District Office (2004)

* 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. "X" denotes data unavailable or insufficient.

Figure 4.7 - FY 2008 Disparity Ratio (D3)
Utilization (U2) - Utilization of For-Profit DBE Prime Contractors and Sub-Contractors Located in Philadelphia MSA, Divided by Utilization of All For-Profit Prime Contractors and Sub-Contractors (by \$ Contracts Awarded)
Availability (A3) - # DBE Firms > 1 Employee in Philadelphia MSA Divided by # All Firms > 1 Employee in Philadelphia MSA

	FY 08	FY 08	FY 08	FY 08	FY 07	FY 07	FY 07	FY 07
	PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types
MBE	3.6	2.5	0.7	1.4	2.7	2.9	1.0	1.4
WBE	0.6	0.3	0.2	0.3	1.1	0.5	0.4	0.5
DSBE	X	X	X	X	X	X	X	X
All DBE*	1.2	0.7	0.3	0.6	1.3	0.9	0.6	0.7

Sources: Econsult Corporation (2007, 2009); Utilization = OEO Annual Participation Report (FY 2008); Availability = US Census Survey of Business Owners (2002)

* 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. "X" denotes data unavailable or insufficient.

Based on these utilization rates and availability rates for FY 2008, we can set participation goals for FY 2010 (see Figure 4.8 and Figure 4.9).⁵⁰ In cases where actual utilization is less than actual availability (i.e. the disparity ratio is less than 1.0, which represents under-utilization), we tend to recommend that future utilization rates increase to current availability rates as measured in this analysis. We further suggest that departments that have under-achieved in this area be strongly encouraged to increase their DBE participation in the upcoming year, a recommendation that is further elaborated in the next section.

Conversely, in cases where actual utilization is greater than actual availability (i.e. the disparity ratio is greater than 1.0, which represents over-utilization), we tend to recommend that future utilization rates hold at current utilization rates. We further suggest that, since the issue in these cases is not low utilization rates but low availability rates, the City work with other public and private technical assistance providers to help increase the amount of “ready, willing, and able” RWA DBE firms, a recommendation that is further elaborated in the next section.

Thus, the levels suggested as participation goals can be offered as benchmark utilization rates that should be strived for in FY 2010, with a prefix of “U” signifying cases in which DBE utilization is currently greater than DBE availability, and a prefix of “A” signifying cases in which DBE utilization is currently lower than DBE availability. These levels provide a **citywide framework for OEO’s development of department-by-department participation goals**, particularly in cases where under-utilization has occurred and individual departments therefore need to be identified for improvement.

In some cases, we recommend a participation goal that is higher than both FY 2008 utilization and FY 2008 availability. These “**stretch goals**,” signified with a prefix of “S,” represent a desire to reach past the limitations set by both historical utilization and historical availability, and will require efforts on both fronts: holding City agencies accountable to increase utilization, and leveraging both Administration resources and other public and private sector efforts to increase availability.⁵¹

⁵⁰ See Appendix L for our December 22, 2008 “Participation Goals” memorandum to OEO.

⁵¹ Section 6-109 of the Philadelphia Home Rule Charter, which provides guidance on how Annual Participation Goals are to be set, notes that goals must be informed by historical utilization and availability rates, but it does not appear to infer that they must be constrained by them. Hence, setting “stretch goals” that are set in part by considering historical utilization and availability rates but that are themselves higher than these historical rates does not appear to be forbidden. See Appendix L for a December 2008 memorandum from Econsult Corporation to OEO that presents a more detailed version of this table.

Figure 4.8 – Recommended FY 2010 Citywide Participation Goals

Prefix of “U” = FY 2008 Utilization Rate > FY 2008 Availability Rate (i.e. FY 2008 disparity ratio > 1.0)

Prefix of “A” = FY 2008 Availability Rate > FY 2008 Utilization Rate (i.e. FY 2008 disparity ratio < 1.0)

Prefix of “S” = “Stretch” Goal (i.e. Goal > FY 2008 Utilization Rate AND FY 2008 Availability Rate)⁵²

	FY 08 PW	FY 08 PPS	FY 08 SSE	FY 08 All Contract Types	FY 07 PW	FY 07 PPS	FY 07 SSE	FY 07 All Contract Types
MBE	U: 12%	U: 18%	A: 10%	S: 20%	U: 7-10%	U: 19-22%	U/A: 10%	U:13-16%
WBE	A: 8%	A: 18%	A: 14%	A: 15%	A: 9-12%	U: 17-20%	U:14-17%	U:15-18%
DSBE	X	X	X	S: 0.1%	X	X	X	X
All DBE*	U: 15%	A: 24%	A: 24%	S: 30%	A: 13-16%	U: 25-28%	U:25-28%	U:25-28%

Sources: Econsult Corporation (2009); Utilization = OEO Annual Participation Report (FY 2008); Availability = US Small Business Administration – Philadelphia District Office (2004), US Census Survey of Business Owners (2002)

* 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. “X” denotes data unavailable or insufficient.

⁵² Recommended Participation Goals published in the FY 2007 Disparity Study were for FY 2008; recommended Participation Goals published in this FY 2008 Disparity Study are for FY 2010, reflecting the fact that by the time the FY 2008 Disparity Study is finalized, FY 2009 will be almost over.

Also, recommended Participation Goals published in the FY 2007 Disparity Study show ranges, representing the “real” goal and a lower bound representing 80 percent of the “real” goal. For this FY 2008 Disparity Study, we do not feel that anything is gained in showing ranges, and instead simply show target goals.

Figure 4.9 – Recommended 2010 Citywide Participation Goals (Gender/Race/Ethnicity-Specific)
 Prefix of “U” = 2008 Utilization Rate > 2008 Availability Rate (i.e. disparity ratio > 1.0)
 Prefix of “U/A” = 2008 Utilization Rate = 2008 Availability Rate (i.e. disparity ratio = 1.0)
 Prefix of “A” = 2008 Availability Rate > 2008 Utilization Rate (i.e. disparity ratio < 1.0)⁵³

	FY 08 PW	FY 08 PPS	FY 08 SSE	FY 08 All Contract Types
White Female	U: 3.3%	U: 5.0%	U: 1.3%	S: 5.0%
Native American	U: 1.7%	U/A: 0.2%	X	S: 1.0%
Asian American	U: 2.3%	A: 3.6%	A: 8.4%	A: 5.5%
African American	U: 6.1%	U: 13.9%	U: 7.2%	S: 13.0%
Hispanic	U: 2.1%	U: 1.9%	A: 1.0%	S: 3.0%

Sources: Econsult Corporation (2009); Utilization = OEO Annual Participation Report (FY 2008); Availability = US Small Business Administration – Philadelphia District Office (2004), US Census Survey of Business Owners (2002)

* 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. “X” denotes data unavailable or insufficient.

Of course, setting recommended future utilization rates to meet or exceed current availability rates assumes relatively constant availability rates over time. In fact, availability rates change all the time: if the number of DBE RWA firms grows faster than the number of all RWA firms, the availability rate will increase, and previously set targets for utilization rates will result in disparity ratios lower than expected. If the number of DBE RWA firms grows slower than the number of all RWA firms, the availability rate will decrease, and previously set targets for utilization rates will result in disparity ratios higher than expected.

This is a significant overarching fact that must be taken into consideration when policymakers scrutinize these and other disparity ratios. To the extent that the problem of unusually low DBE participation in regional economic opportunities manifests itself in low availability rates, not only will this not be picked up in low disparity ratios, but disparity ratios will in fact be above 1.0. This otherwise desirable ratio masks the real problem, not just of low DBE utilization that needs to be increased but of low DBE availability that needs to be increased.

Note, for example, the disparity ratios that would be above 1.0 if the City were to meet our stated FY 2010 participation goals, and current availability rates still applied (see Figure 4.10 and Figure 4.11). We would not interpret such ratios above 1.0 as demonstrating over-utilization” but rather “under-availability.”

⁵³ Gender- and race/ethnicity-specific goals can be reasonably set, although because of the finer gradients involved, they are based on less data and are therefore going to have to rely on more subjective elements.

Figure 4.10 - 2010 Disparity Ratios if Recommended 2008 Participation Goals are Met and 2008 Availability Rates Hold Steady

Category	PW	PPS	SSE	All Contract Types
MBE	4.3	2.6	1.0	2.2
WBE	1.0	1.0	1.0	1.0
DSBE	X	X	X	X
All DBE*	1.4	1.0	1.0	1.2

Sources: Econsult Corporation (2007, 2009); Utilization = MBEC Annual Participation Report (FY 2008); Availability = US Small Business Administration – Philadelphia District Office (2004), US Census Survey of Business Owners (2002)

* 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. "X" denotes data unavailable or insufficient.

Figure 4.11 - 2009 Disparity Ratios if Recommended 2008 Participation Goals are Met and 2008 Availability Rates Hold Steady

Category	PW	PPS	SSE	All Contract Types
White Female	X	X	X	X
Native American	5.7	1.0	X	9.0
Asian American	X	1.0	1.0	1.0
African American	4.7	7.3	8.0	6.2
Hispanic	1.7	1.9	1.0	3.3

Sources: Econsult Corporation (2007, 2009); Utilization = MBEC Annual Participation Report (FY 2008); Availability = US Small Business Administration – Philadelphia District Office (2004), US Census Survey of Business Owners (2002)

* 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. "X" denotes data unavailable or insufficient.

Again, this qualification applies only to situations in which availability rates are unusually low. Of course, where availability rates are relatively reasonable, a disparity ratio of over 1.0 is a very positive outcome, for it means that DBE utilization rates exceed DBE availability rates. Furthermore, even in cases in which availability rates are unusually low, leading to somewhat misleading high disparity ratios, this is still a very positive outcome in one sense, as it means that despite the relative lack of ready, willing, and able DBEs, City agencies were able to enable DBE participation at significant rates.

Nevertheless, **in seeking to advocate for utilization rates to be as high as or higher than availability rates, it is equally important to advocate for availability rates to be higher as well.** It is important to note that a disparity ratio is merely one tool for identifying any differences between utilization rates and availability rates. It is certainly a useful measure in cases in which current utilization rates trail current availability rates, and pushing for higher future utilization rates is equivalent to promoting greater DBE participation in the economic opportunities represented by City contracts. However, there should be equal attention given to situations when availability is low, in which case steps can and should be taken to provide technical assistance and organizational support to develop more qualified DBE firms and thus increase availability rates.

5.0 OTHER RECOMMENDATIONS

5.1 Overview

A Disparity Study can serve two purposes. First, it serves a **formal and legal role**: Title 17 of the Philadelphia Code; as amended by Ordinance 060855-A, mandates the City to conduct a study that analyzes its utilization of Minority Business Enterprises (MBEs), Women Business Enterprises (WBEs), and Disabled Business Enterprises (DSBEs), collectively referred to as Disadvantaged Business Enterprises (DBEs), relative to the availability of disadvantaged entities competing for City of Philadelphia contracts. Second, it serves an **informal and advisory role**: a Disparity Study can be a tool that provides guidance on how the City administration, City Council, and City departments can work collectively towards enhancing Philadelphia's economic outlook through its advocacy of DBEs.

Accordingly, it is important to convey a mindset that DBE contracting, primarily with small businesses, is not only a mandated effort but is also an opportunity to significantly enhance the vibrancy of the City of Philadelphia and the Philadelphia region as a whole as a place to do business. The contribution of America's small businesses to the American economy cannot be over-emphasized: small businesses represent 99.7 percent of all employer firms, contribute half of all private sector jobs and almost 45 percent of all private sector salaries, and generate about half of the nation's Gross Domestic Product.⁵⁴ Thus, by increasing disadvantaged contractor participation, DBEs contribute towards the City's goals of increased job creation, business revenue, and wealth throughout the region.

FY 2008 Disparity Study recommendations were developed on the basis of the study findings and the significant changes that occurred since the previous year's report (see Figure 5.1). The presented recommendations are reflective of these events (see Figure 5.2).

⁵⁴ US Small Business Administration (2007).

Figure 5.1 – Timeline of Recent Events Relevant to the FY 2008 Disparity Study



Figure 5.2 – Summary of Recommendations Proceeding from FY 2008 Disparity Study Results and Related Interviews with Private Firms and Procurement Officers

<i>Recommendation Category</i>	<i>Recommended Actions</i>
Study Methodology and Scope - to determine ways future studies can be scoped so as to more directly address the larger and more important considerations of DBE participation in the broader economy	<ul style="list-style-type: none"> • Show a broader universe of opportunities • Explore gradients of ownership and opportunity • Highlight “best practices” • Accelerate the time frame for calculating utilization and availability
Policy and Programming - to encourage initiatives that can help remedy some of the shortcomings identified in the results in terms of DBE participation in City contracts	<ul style="list-style-type: none"> • Streamline the certification process • Add value to certification, especially for larger firms • Promote partnerships • Monitor pro-actively • Enhance DBE capacity
Data Collection - to provide guidance concerning the data collection process that precedes the Disparity Study	<ul style="list-style-type: none"> • Build in appropriate automation and redundancy with IT • Track actual disbursements • Count the “certifiables” • Clarify “ready, willing, and able”

<i>Recommendation Category</i>	<i>Recommended Actions</i>
Goal-Setting - to provide guidance concerning the establishment of participation goals	<ul style="list-style-type: none"> • Coordinate goal-setting up with citywide objectives and down with department actions • Do not over-codify the process • Have separate game plans for under-utilization and under-availability

Source: Econsult Corporation (2009)

5.2 Study Methodology and Scope Recommendations

Although the scope of the Disparity Study is defined by law, additional inquiries built from the required analysis may prove to be worth exploring. Accordingly, we present some recommendations concerning study methodology and scope, for consideration in the scoping of future Disparity Studies.

5.2.1 Show a Broader Universe of Opportunities

The Disparity Study evaluates a subset of local public expenditures that fall under direct mayoral control and are bid on by City certified Disadvantaged Business Enterprises (DBEs). The Disparity Study accounts for participation for contracting opportunities narrowly defined within mayoral control, representing \$760 million, or 20 percent of the City's Fiscal Year (FY) 2008 budget of \$3.73 billion.⁵⁵ **This universe of projects vastly under-represents the full spectrum of contracting opportunities present in the Greater Philadelphia economy**, which also comprises of the following procurement sources over which the City nevertheless still can maintain some indirect influence:

- Local public and quasi-public agencies – OEO's annual Participation Report identifies \$120 million in additional contracts awarded by public and quasi-public agencies that intersect to some degree with the City administration.
- Other public sector opportunities within the Philadelphia region – besides the City of Philadelphia itself, other contracting opportunities abound from such large public entities as the School District of Philadelphia, the Southeastern Pennsylvania Transportation Authority, the Commonwealth of Pennsylvania, and the US federal government. The US Department of Commerce estimates that federal, state, and local governments contributed \$27 billion to the Philadelphia Metropolitan Statistical Area's Gross Domestic Product (GDP).
- Private sector opportunities within the Philadelphia region. Private industry contributed an additional \$285 billion, or 90 percent, to the region's GDP.

If the Disparity Study is solely seen as a tool for holding the City administration accountable for DBE utilization in City contracts and for determining the extent to which special programming for disadvantaged groups can be administered for that universe of economic opportunities – and indeed the ordinance which requires its production each year is written to that end – then a narrower scope is acceptable. If, however, there is an intention to think more broadly on behalf of disadvantaged business owners located within the City of Philadelphia, and the public and private sector leaders that seek to support them, to see the broader landscape of economic opportunities available to them, then a more expansive scope may be in order.

⁵⁵ See "City of Philadelphia Fiscal Year 2008 Operating Budget," As Approved by City Council in June 2007; and "Five Year Financial and Strategic Plan for Fiscal Years 2008-2012," As Approved by the Pennsylvania Intergovernmental Cooperation Authority. For FY 2009, the City's operating budget was \$3.89 billion.

In fact, the City does hold some leverage in drawing in other procurement sources towards such an effort, as evidenced by its leadership role in the Mayor's Advisory Commission on Construction Industry Diversity (MACCID). These sorts of efforts call appropriate attention to DBE participation in other settings besides the City itself and in geographic settings besides within City limits.⁵⁶

Perhaps such a broader perspective could be attempted every three to five years, in which OEO brings into the annual Disparity Study some additional data obtained from other major sources of procurement opportunities. Between the major public agencies, universities, and corporations, one can get a reasonably accurate gauge of DBE participation in the broader region. In other words, a periodic expansion of scope that goes beyond the ordinance to shed light on the bigger picture may be worth considering.

5.2.2 Explore Gradients of Ownership and Opportunity

The methodology of the Disparity Study can also be further honed to more directly shed light on minority, woman, and disabled participation in the broader economy. For example, participation rates are currently measured according to **contracts awarded** (to prime contractors) and **dollars promised** (to sub-contractors). There are certainly variances in the amounts the City awards to winning bidders and the amounts that are actually paid for those contracts, and there are also certainly variances in the amounts prime contractors promise to sub-contractors that they have enlisted to be part of their team and the amounts that are actually disbursed to those sub-contractors.

Since it is the **actual funds disbursed** and not those awarded that constitute economic gain, the calculated results of a Disparity Study will differ from what is actually taking place in reality to the extent that such variances exist. Currently, OEO and the City do not have the technological or organizational infrastructure in place to measure either dollars disbursed by the City to prime contractors or dollars disbursed by prime contractors to their sub-contractors, but measuring those amounts would ensure that a more direct accounting of the distribution of economic gains was made.

The Disparity Study in its current design also does not account for three important gradients in economic benefit enjoyed by DBE firms. First, firms can currently be deemed as DBE or not, without regard to percentages of ownership. Particularly for larger firms, gradients of DBE ownership matter: the difference between 0 percent DBE ownership and 49 percent DBE ownership are significant but both would currently be considered non-DBE; and the differences between 51 percent DBE ownership and 100 percent DBE ownership are significant but both would currently be considered DBE.

Second, there is no accounting for **workforce composition**, despite the fact that economic benefits of City government procurements are enjoyed by both owners and workers. It may be instructive to differentiate, for example, between a DBE firm that employs few or no minorities, women, and/or disabled people, which would technically add to the City's participation numbers, and a non-DBE firm that employs many or all minorities, women, and/or disabled people, which would not technically add to the City's participation

⁵⁶ See Appendix M for a copy of the executive summary produced by MACCID.

numbers. Here we are not speaking of fraudulent practices, in which an otherwise majority-controlled firm has a minority, woman, or disabled person as majority owner in name only, since OEO is vigilant in its efforts to make sure such firms are not certified. Rather, we are referring to legitimate enterprises whose workforce composition may differ from their ownership composition, such that it may be somewhat misleading to characterize the scale of their inclusion of minorities, women, and the disabled solely on the basis of ownership status.

Third, different industries and opportunities may have drastically different **profit margins** involved, further affecting the true amount of economic benefit derived from various prime contractors and sub-contractors that participate in City contracts. For example, purchases of supplies and equipment may be very low-margin in nature: a DBE firm may be awarded a contract to buy office supplies or telecommunications equipment, and have to turn around and pay the vast majority of the contract amount to a non-DBE wholesaler (or vice versa: the awarded firm might be a non-DBE who then purchases the items from a DBE wholesaler). In contrast, purchases of professional services may be very high-margin in nature: a DBE (or non-DBE) firm that is hired to provide planning services might incur very little in expenditures beyond labor costs, and thus reaps a very high proportion of the total value of that contract.

As with our previous discussion about which procurement opportunities to include in the Disparity Study, the recommendation is not so much to expand the scope of the Disparity Study to account for these differences in the “letter of the law” and the “spirit of the law.” After all, ownership percentages, workforce composition, and profit margins change constantly; to monitor and report on DBE participation at that level of detail would be computationally cumbersome as well as unnecessarily invasive. Rather, we intend to highlight that these differences do exist, and that therefore the results of the Disparity Study should be interpreted accordingly, with these additional points of context to round out the evaluation. Nevertheless, while extra data collection carries a cost with it, it may very well be that from a public policy standpoint, the City is interested in this higher level of detail, and may therefore decide to gather and analyze these additional pieces of information, either periodically or regularly.

5.2.3 Highlight “Best Practices”

While the primary focus of the Disparity Study is the reporting and the creation of the disadvantaged contractor participation goals, the numbers presented in a vacuum portray only a portion of the greater concerns regarding disadvantaged contractor participation. Thus, the ongoing inclusion of a **“best practices”** section that identifies techniques, processes, activities, incentives, rewards, or punishments used by other jurisdictions to encourage disadvantaged contractor participation adds to the value of the overall study findings. Additionally, best practices also provide real-world examples to provide guidance regarding developing initiatives to support disadvantage contractor participation. The best practices should include those by other cities, City departments reporting significant participation strides, and public and private sector initiatives experiencing contracting success.

Importantly, best practices need not always be from the outside. This year, the project scope was expanded to include interviews with private businesses and procurement officers. The qualitative feedback complements the quantitative findings by providing a context describing the process limitations, participant

perceptions and overall background for participation findings. More importantly, the interview process also provides an opportunity for the City to demonstrate its commitment to disadvantaged contractors through its engagements of others throughout the Disparity Study process.

Thus, we recommend that the scope of work continue to include interviews with representatives from DBEs, non-certified firms, and representatives from the City procurement departments. In addition, interviews might also be conducted with legislators to gain their insight regarding concerns and solutions for supporting the needs of the DBE community.⁵⁷ In other words, there are, within City limits, **insights waiting to be unlocked for the benefit of OEO and DBE firms**, but only if the right people are brought into the Disparity Study production process as contributors.

5.2.4 Accelerate the Timeframe of Calculating Utilization and Availability

An important consideration for future Disparity Studies is to complete them in an expeditious manner, so that **results and recommendations can be made as quickly after the end of the fiscal year which they are analyzing**. Currently, a fiscal year ends on June 30, and the Participation Report from which Disparity Study analyses are produced is made available that November or December. By the time the report is finalized, it is the following May, some ten months after the fiscal year that is being examined has ended.

We are certainly not suggesting that accuracy be sacrificed for expediency. However, in the interest of providing more value to the City, efforts have been made this year to automate the calculations on the utilization side. Data analysis programs have been written so that once the Participation Reports are available, utilization can be calculated almost automatically. While there will still be aspects of the analysis program that will need to be modified from year to year, the utilization calculations may be finished in a matter of weeks compared to the months that they have taken to complete in previous years.

On the availability side, it is anticipated that updated US Census Bureau data may become available in time to incorporate it into the FY 2009 Disparity Study. An anticipated Spring 2010 release does not leave much time to learn the new datasets, calculate availability, calculate disparity, and look at availability circa 2007 versus availability circa 2002, but we are working to expedite that process as well. In an approach similar to what has been undertaken on the utilization side, data analysis programming may enable the availability of firms to also be calculated in a more efficient and automatic way. Once the data is released, the availability calculations can be completed in a much shorter time-frame than has been the case previously.

⁵⁷ Based on a 2009 interview with Philadelphia Councilman Wilson Goode.

5.3 Policy and Programming Recommendations

The stated purpose of the City of Philadelphia's Office of Economic Opportunity (OEO), as created by executive order by Mayor Nutter in October 2008, is to "promote the economic development of M/W/DSBEs⁵⁸ through its certification programs; contract review and monitoring activities; as well as ongoing interaction with other City departments, quasi-public agencies and the local marketplace." Thus, even more than its predecessor, the Minority Business Enterprise Council (MBEC), OEO seeks to move beyond its certification and compliance role and truly advocate for disadvantaged firms.

In an effort to better understand the contracting challenges faced by Disadvantaged Business Enterprises (DBEs), this year's Disparity Study included interviews with companies at various stages of maturity and City procurement officers. These discussions informed our quantitative analysis and also led to a number of policy and programming recommendations that could be pursued.

5.3.1 Streamline the Certification Process

Over the years, the Disparity Study reports the DBE community's dissatisfaction with the certification process. Many firms view the process as a **cumbersome endeavor with limited return**. One interviewee, in the process of becoming certified, shared a particularly discouraging experience, when applying for certification. The company representative was informed that the certification process would take six months. The person was also asked to leave the completed application in an in-box out in the open on a desk, which the person felt uncomfortable doing, because of the highly sensitive information contained within the packet. Finally, the respondent commented that, far from trying to assist in the process, office members appeared to act in a contrary fashion.

Other interviewees expressed similar sentiments concerning the invasive and bureaucratic negatives associated with becoming certified. A cumbersome certification process discourages certifiable business owners from becoming certified, and perhaps, as a result, from pursuing City contracts, a fact borne out by numerous firms interviewed for this Disparity Study.

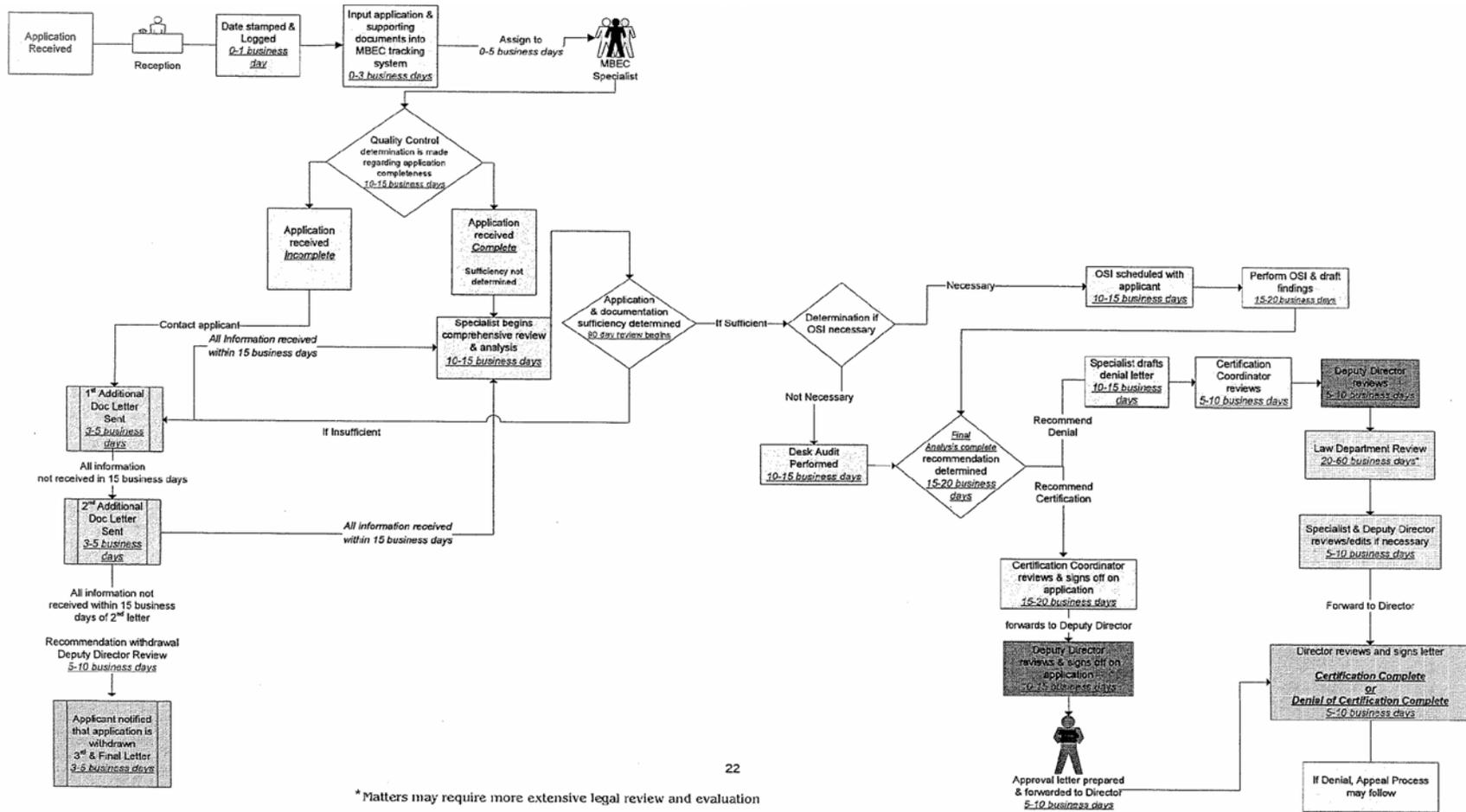
When this happens, it is an unfortunate result both for the business owner as well as the City, which loses out on the opportunity to have one more qualified firm among its applicant pool for various procurement opportunities. It is a point that deserves to be repeated: more OEO-certified DBE firms is a good thing, as it means more DBE firms that are receiving extra assistance in connecting to City contract opportunities, as well as more DBE firms for the City to choose from in awarding those contract opportunities.

Unfortunately, OEO has not yet determined a way to streamline the certification process it inherited from MBEC (see Figure 5.2). In fact, OEO's stated turn-around goal of 90 days from application to certification is over four times the average turn-around time for New York City's Minority- and Women-Owned Business

⁵⁸ Minority, Women, and Disabled Owned Business Enterprises.

Enterprise Program, which is 20 days. Consequently, some DBE firms are hindered in doing business with the City, while for other, certifiable firms that are able to secure City contracts, participation is not properly accounted for in the Disparity Study, impairing the true accuracy of the results.

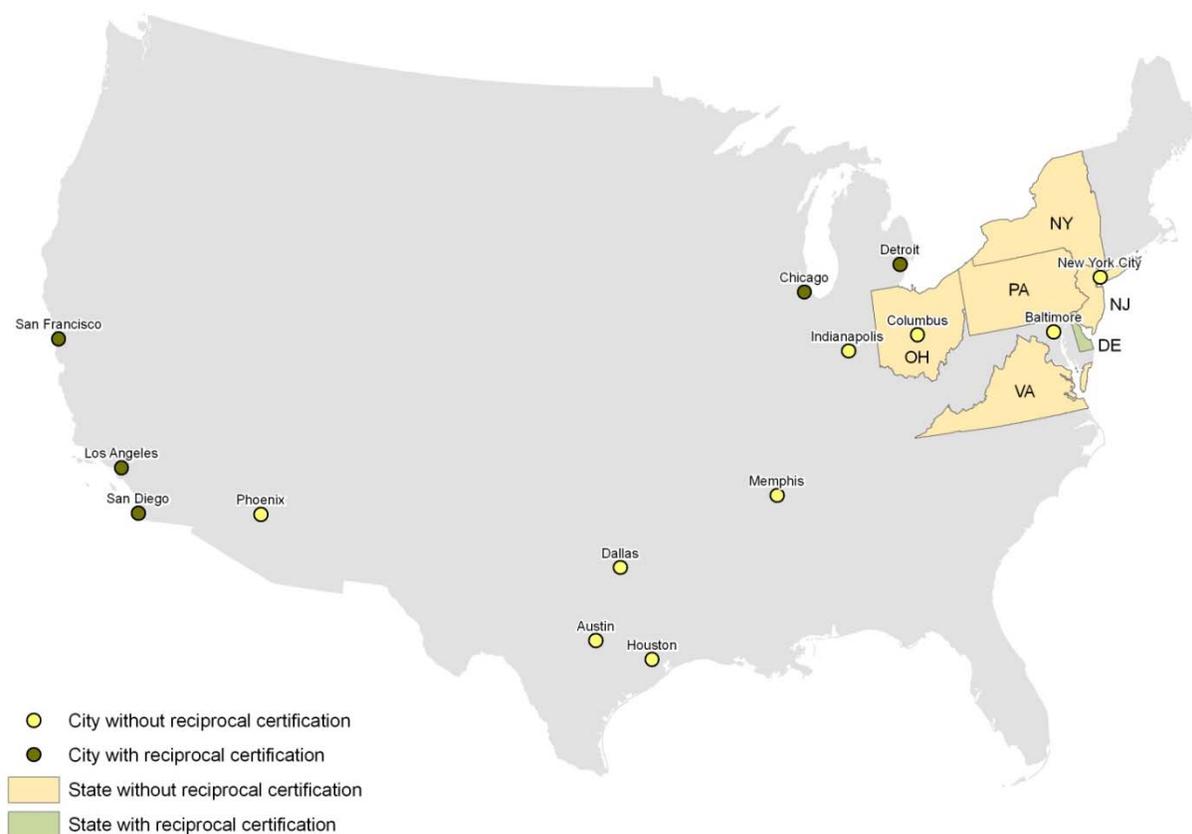
Figure 5.2 – Current OEO Certification Process, as Inherited from MBEC



Source: City of Philadelphia – Minority Business Enterprise Council (2007)

Recognizing these challenges, the Nutter administration has proposed to eliminate tedious paperwork and make certification less complicated by, among other methods, combining the City's certification process with those of the Commonwealth of Pennsylvania and of the Southeastern Pennsylvania Transportation Authority (SEPTA). More aggressive use of reciprocal certifications can conserve staff time and increase the universe of DBEs for the City (see Figure 5.3).⁵⁹

Figure 5.3 - Selected Jurisdictions That Do or Do Not Extend Reciprocal Certification⁶⁰



Source: Econsult Corporation (2009)

⁵⁹ The reverse is true as well: just as DBEs benefit when their certifications in other jurisdictions can be applied to pursuing work with the City of Philadelphia, they also benefit when their certification with the City of Philadelphia can be applied to pursuing work in other jurisdictions.

⁶⁰ Reciprocity in Detroit is on a case-by-case basis; reciprocity for Los Angeles, San Diego, and San Francisco applies only within the State of California.

Faster turn-around times can also be accomplished by dedicating more staff to the effort and/or making technology investments to make processes more automated. Importantly, acceleration can also happen with process improvements and not just increased investments of staff and equipment, whether by reciprocal certifications, a more standardized certification and recertification process, or automated correspondence. It bears repeating: cumbersome certification or renewal processes cause potential DBEs to drop out, with adverse consequences for them and for the City as a whole.

Conversely, OEO has made some effort to ensure that its list of certified firms is accurate and representative. Accordingly, it has recently completed a purging process that identified 100 inactive firms based on unresponsiveness to a battery of correspondence. This, too, is an important element in honing the certification process: eliminating out-of-date records so no wasted effort is made on firms that are no longer supposed to be on the list.

5.3.2 Add Value to Certification, Especially for Bigger Firms

In addition to generally making it easier for all DBE firms to become OEO-certified, OEO is also in a position to **add more value to certification status**. OEO-certified firms could be first in line to receive notice and information regarding upcoming City contract opportunities. OEO could also take a more proactive role in regularly communicating with City agencies to inform them of particular DBE firms that might be of use to them, and of ways requests for proposals can be structured to encourage to DBE participation. Both private firms and procurement officers that were interviewed for this Disparity Study suggested these and other ways that OEO could add value in these processes.

An obvious set of procurement opportunities for OEO to be intimately involved in is those associated with the recent American Recovery and Reinvestment Act of 2009. With unprecedented stimulus investments (see Figure 5.4) come equally unprecedented scrutiny and regulation, thus providing OEO with a potentially vital role to play in advocating for DBE firms to agencies with dollars to spend and in translating for DBE firms big-picture policy priorities into specific contract opportunities and action steps.

Figure 5.4 – Estimated Stimulus Spending in the Region

SEPTA	\$200M
School District of Philadelphia	>\$138M
City of Philadelphia	>\$100M
Philadelphia Housing Authority	\$91M

Source: Philadelphia Inquirer (March 13, 2009)

Notably, **whether with stimulus funds or not, OEO need not limit its liaising role to City agencies.** Interviewees appreciated connections OEO was able to make for them to such entities as major academic institutions such as the University of Pennsylvania and Community College of Philadelphia, as well as large-scale general contractors and private firms. The more of these kinds of linkages OEO can make on behalf of DBE firms, the more valuable that the certification process, and that being on the list of firms that OEO works for, becomes.

Unfortunately, the current cumbersomeness of the process by which qualified DBEs and contract opportunities are connected is evidenced by **a number of parallel efforts** that have been undertaken in the past year or so. Since both DBE firms and the procurement officers and prime contractors that seek them have experienced difficulty in using existing OEO structures to make the connection, at least three other databases have been experimented with to help facilitate this match: the CEO Access Network of Greater Philadelphia, The Enterprise Center's dBiz-connect, and the Mayor's Advisory Commission on Construction Industry Diversity.⁶¹

Clearly, their existence speaks to a perception that OEO has failed in part to provide an effective, user-friendly structure for connecting DBE firms to the prime contractors and procurement officers that want to include them in contract opportunities. In particular, both eContractPhilly and OEO's online directory were noted by interviewees as well-meaning resources that needed improvement in order to be more utilized by DBEs as well as the majority firms and procurement officers seeking them.

However, while well-intentioned, parallel efforts such as the CEO Access Network of Greater Philadelphia and The Enterprise Center's dBiz-connect are not coordinated with each other or with OEO or other City efforts, thus somewhat blunting their individual usefulness by further complicating the process by which DBEs can connect to prime contractors or contract opportunities. At the same time, their existence should not be something to squash but something to encourage, albeit in a more interlocking way. This will take leadership by OEO, bringing together entities with this shared desire for increased DBE participation in ways that foster cooperation and synergy rather than competition and fragmentation.

On a related note, and to address the significant variations within City department procurement and participation, OEO can work with the Nutter administration and with individual departments to determine commodity and industry areas in which DBE firms are under-represented in City contracts. From there, continued strategic outreach to identify DBEs in these groups can serve the dual purpose of making more DBE firms aware of their value to the City and of connecting the City to a broader applicant pool of qualified candidates for various products and services.

Similarly, some procurement officers in City departments noted that their specialized product and service needs made DBE participation challenging. However, they did not rule out figuring out creative ways to source such contracts in ways that involve DBEs. Ultimately, there is a willingness to supplement their core efforts towards the actual operational tasks their agencies are accountable for with noble efforts to work

⁶¹ See Appendix N for information on these three efforts.

towards increased DBE participation in the accomplishment of those tasks; but OEO must meet that willingness halfway, and provide support in identifying, connecting to, and ultimately utilizing DBE firms.

These recommendations should be **particularly pursued in relation to larger DBE firms**. The Nutter administration has an important policy objective of increasing DBE participation at the prime contractor level, and this push may currently be inconsistent with a pervasive (although not universal) sentiment that certification is appropriate to pursue at younger stages of business development but is not needed or useful for more mature firms. Certainly, there remain unique challenges for larger minority-, women-, and disabled-owned firms, and therefore a role for OEO to assist in overcoming those challenges, be they associated with access to contracts or other resources needed to grow to the next level of scale, such as capital or high-end consulting.

Importantly, a not uncommon end goal of an entrepreneur is to grow his or her business in such a way to become a desirable acquisition opportunity for a larger firm. If that entrepreneur's firm's added value is an established and committed customer base, a hard-to-replicate product or service, a respected brand identity, or even the entrepreneur's own network and/or skills, those assets would be equally valuable within the auspices of a larger firm, and thus that entrepreneur can put himself or herself in a good position to command a reasonable price for being bought out and taken over.

If, however, a large part of that entrepreneur's firm's added value is simply that it is DBE certified, thus giving it some advantage when bidding for City or other contracts, that is not an asset whose value transfers over if the firm is subsumed. In other words, larger DBE firms will be far more likely to find an advantage in being certified if such status comes with **tangible benefits as they relate to enhancing firm capacity**; if the sole value of certification is the certification itself, far fewer DBE firms will be motivated to undergo the effort to become certified.

Therefore, OEO should focus **additional programmatic attention to adding value to larger DBE firms**. In such an effort, OEO can take a page from the playbook of The Enterprise Center, which as recently as earlier this decade focused most of its business development efforts on very small ventures but since 2004 has served as the Pennsylvania Minority Business Enterprise Center (PA-MBEC), a US Department of Commerce designation which has helped reposition The Enterprise Center as an accelerator of minority-owned firms. The organizing principle of The Enterprise Center's business development work is now not to move businesses from \$50,000 to \$500,000 in sales but rather from \$500,000 to \$5 million or more; and in fact, it counts among its clients firms that are grossing \$10 million and more in annual revenues.

From OEO's perspective, moving upstream might entail working within the City administration as well as reaching out to other sources of large-scale public and private sector procurement opportunities, to queue up relationships that larger DBE firms might find attractive. The Nutter administration should also continue its upgrading of OEO in general, weaving it into policy discussions in ways that back previous commitments to treating its functions as central to the way the City does business and the sorts of objectives it wants to achieve.

5.3.3 Promote Partnerships

In an effort to increase the availability and utilization of DBEs, a partnership effort is needed to match disadvantaged contractors with procurement opportunities. Although the Disparity Study only reports contracts within Mayoral controlled departments, **the promotion of procurement partnerships should extend beyond City departments to encompass entities such as quasi-government organizations, the state and federal government, non-profit organizations, and publicly held corporations.** By the City playing a lead role in championing the benefits of disadvantaged contracting and also facilitating means to minimize contracting obstacles, DBE contracting opportunities increase, vendors gain access to a more diverse contracting base and the City's economic health improves.

Mayor Nutter has pledged to work with local chambers of commerce to make it easier to identify qualified DBE firms and connect them to areas of particular need with the City's purview. A useful framework to emulate may be aforementioned PA-MBEC and its University Purchasing Initiative, which seeks to maximize procurement opportunities for DBE firms by proactively creating partnerships and systems of support that allow such firms to access contracting opportunities. The University of Pennsylvania, Drexel University, and Community College of Philadelphia are among the participating academic institutions that have benefited from the strategic efforts of PA-MBEC to facilitate these connections. The City should consider this route, whether establishing their own collaborative initiatives or connecting in to existing ones.

5.3.4 Monitor Pro-actively

Due to the technology and workforce limitations of post-award contract monitoring, participation rates are currently measured according to contracts awarded (to prime contractors) and dollars **promised** (to sub-contractors). Thus, the accuracy of the participation rate is dependent upon the prime contractor fulfilling the awarded subcontract amount. In most cases, contract monitoring primarily occurred during the project close-out phase or once a subcontractor experienced significant financial impacts, requiring a contract audit. The lack of monitoring throughout the life of a project limits enforcement options.

In an effort to monitor actualized subcontract dollars, OEO initiated a post-award review process, partnering with the Office of Housing and Community Development. This effort reviews large awards for projects with the Pennsylvania Horticultural Society, the Preservation Alliance for Greater Philadelphia, and the Philadelphia Neighborhood Housing Services. Additionally, OEO is also actively monitoring projects by Verizon, Biosolids, the Youth Study Center, Salvation Army and the Philadelphia Water Department. Although resources are a challenge, **proactive contract monitoring** should be expanded to occur throughout the City's portfolio of significant contracting relationships.

5.3.5 Enhance DBE Capacity

As noted previously, a disparity ratio consists of two parts, which are both worthy of public policy consideration. Low utilizations are bad for DBE firms and for the City as a whole, to the extent that DBE firms are under-represented in contract opportunities. Low availabilities are bad for DBE firms and for the City as a whole, to the extent that there are insufficient quantities of DBE firms to service City needs.

DBE capacity is, therefore, a primary concern for the City. As the City continues to work towards improving disadvantaged contractor participation, a key factor is the number of firms with the technical experience, financial reserve, and operational expertise to profitably manage a contracting opportunity. Unfortunately, several interviewees noted **gaps between their capacity and the contract size and contract requirements of many City procurement opportunities**. Statistically, many DBE categories suffer from availability rates far lower than their representation in the local population.

Public and private efforts to build DBE capacity via technical assistance abound:

- In an effort to increase disadvantaged contractor participation levels on Services, Supplies and Equipment contracts, OEO partnered with the Minority Supplier Development Council (MSDC) and the Minority Business Enterprise Center. The results of this effort are being monitored and the impact shall be fully assessed at the end of the fiscal year.
- In 2004, the SBA utilizing an extensive network of technical assistance providers assisted over 2.44 million people in services ranging from writing business plans to helping businesses raise \$19.3 billion in loans and equity financing. Business owners tend to seek assistance because entrepreneurship requires a working knowledge of bookkeeping, marketing, cash management and other business disciplines.
- The U.S. Department of Transportation (DOT) Office of Small and Disadvantaged Business Utilization launched the Small Business Transportation Resource Centers (SBTRC) initiative. The goal of the SBTRC Program is to increase the number of small businesses that are prepared to compete for, and enter into transportation contracts. This national program utilizes Cooperative agreements with chambers of commerce, trade associations and business centered community based entities to establish SBTRCs which provide business training, technical assistance and information to Department of Transportation grantees, recipients, and current potential contractors. Milligan & Company, LLLC is the SBTRC for the mid-Atlantic region. In addition to technical assistance the program also assists contractors pursuing working capital loans to finance DOT contracts.
- The University of Pennsylvania instituted the Purchasing Services Supplier Diversity Program in 1994. Through this initiative, minority, women, and disabled owned **suppliers are identified that can provide the products and services required by the University, have the capacity and capability to meet Penn's business, and can do so at a competitive price**. Over the past 15 years, the University has worked with a diversity of suppliers, purchasing a variety of products and services exceeding \$630 million in total.

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- Verizon is an aggressive purchaser from and advocate for minority, women, and disabled owned suppliers - \$3 billion in 2007 alone – and also encourages its primary suppliers to use such firms as subcontractors. Verizon's pension assets are also managed by approximately 20 different minority and women owned investment firms.

OEO is constrained in being a direct technical assistance provider. However, it can play a liaising role, both to procurement opportunities as well as to capacity building opportunities. If indeed OEO has been expanded by executive order from narrowly playing a certification and compliance role to broadly playing an advocacy and development role, just as much attention and scrutiny should be paid to connecting DBE firms to avenues by which they can grow to scale as should be paid to connecting them to contract opportunities.⁶²

⁶² Of course, this is a false dichotomy, and is therefore not intended to be a dichotomy. Firms grow to scale not just from technical assistance and financial capital, but from the contract opportunities themselves, which generate the revenue, connections, and expertise needed to operate at a higher level than before. OEO's role, then, should be on all fronts, not just the procurement side.

5.4 Data Collection Recommendations

The collection of timely, accurate, and comprehensive data determines the credibility and applicability of the Disparity Study findings. Thus, data collection is an important facet of Disparity Study production, and worth further exploration.

5.4.1 Build in Appropriate Automation and Redundancy with IT

The accuracy of the Disparity Study can only be as good as the accuracy of the data from which it is derived, namely the annual Participation Report produced by the City of Philadelphia's Office of Economic Opportunity (OEO). Similarly, to the extent that the Participation Report requires extra time to complete, this delays the production of the Disparity Study. In both cases, automation and redundancy, both of which can be facilitated by information technology (IT) systems, can minimize the effects of human error and reduce delays associated with coordinating data and tasks within a large government bureaucracy.

Not surprisingly, many governments have **automated their Disadvantaged Business Enterprise (DBE) certification, contract processing, and ongoing compliance systems**. The upfront expenditures these governments have made in technology and in reorganization are considered investments in the monitoring process, and speak to the value they place on accuracy and speed, as well as on the overall function of tracking DBE participation. Such steps also enable participation results to be more effectively integrated into a broader strategy of inclusion and accountability.

- The City of Houston uses a web-based software platform called B2GNow to track information on the DBE status of a vendor, as well as contracts awarded and dollar amounts paid, all in one consolidated system.
- The City of Phoenix uses its organizational and technology systems to report results based on actual payments made to sub-contractors, because it has a compliance team that monitors all active contracts and follows up with prime contractors to submit proof of payments to certified sub-contractors.
- The State of Maryland, through its Governor's Office of Minority Affairs, requires departments to appear before the Governor's office on a monthly basis to discuss contracting numbers that are uploaded to StateStat.

In contrast, the data that are kept within the City that are relevant to OEO's production of its annual Participation Report are **not easily coordinated and in many cases are quite siloed**.⁶³ Needless to say, multiple data sources sitting on multiple software platforms, managed by multiple administrators, and accessed by multiple users within the City, do not together lend themselves to a data collection and analysis process that is either automated or efficient.

⁶³ See Appendix O for a full list of data sources, and Appendix P for the process by which they are utilized in producing OEO's annual Participation Report.

Nevertheless, in the quest for greater and great efficiency, it is important when considering the information, technology, and human elements of the data collection process to **build redundancy in to ensure accuracy and prevent costly delays**. Too many steps in the various processes coordinated by MBEC were doable by one person, whether because of authorization or skill; in such cases, when that one person is out of the office, or, even worse, if he or she leaves their position altogether, the process can grind to a halt. Similarly, redundancy of technology systems can ensure that data are safeguarded and that the accuracy of results is verified. To the extent that it provides the necessary checks and balances and reduces unnecessary delays, redundancy is the complement to, and not the enemy of, efficiency.

5.4.2 Track Actual Disbursements

Contract dollars awarded to DBEs are calculated based upon encumbrances – City funds committed at the time the contract was awarded for payment. However, with all business transactions the amount awarded versus the amount actually received might drastically vary due to reasons such as changes in scope of work and prime contractor noncompliance to DBE commitments. Currently, the City monitors contract dollars through multiple systems, resulting in a five to six month process to manually generate reports:

- *FAMIS (Financial Accounting Management Information System)* – used by the Office of the Director of Finance to report payments to DBE firms in MOPs, SOPs and investment commissions, bond issues and consultant fees. FAMIS captures **payments to vendors and prime contractors, not subcontractors**. Since many DBE firms are subcontractors, sole reliance on FAMIS under-represents the disadvantaged participation picture.
- *ACIS (Automated Contract Information System)* and *SPEED (Advanced Purchasing Inventory Control System)* are systems that the Office of the Director of Finance uses to report encumbrances committed to DBE subcontractors. These systems **fail to track actual dollars** received by DBEs.

To remedy these inefficiencies, the Office of the Director of Finance anticipates expediting the reporting process with the deployment of updated technology to automate work flows with web-based software for vendor compliance and certification process tracking.⁶⁴ OEO also engaged the services of the Department of Technology to assist with centralizing and automating contract monitoring. The first phase of the project is expected to launch before the end of FY 2009.

Data collection can also be enhanced by pursuing an inter-agency collaboration between OEO and the Revenue Department. Monthly, quarterly, and annual reporting to the Revenue Department via various tax forms and payments could be reviewed in current form and/or revised to account for data needs relevant to providing a more current understanding of availability by industry. While this sort of data collection,

⁶⁴ City of Philadelphia Third Quarter Report, FY08, Office of the Director of Finance, June 2008.

cleaning, and analysis effort can be very cumbersome and time-consuming, the payoff is a much richer understanding of DBE availability and capacity over time.⁶⁵

5.4.3 Count the “Certifiabiles”

To provide a more comprehensive view of the City’s disadvantaged participation, the study should also reflect minority-owned firms that perform work for the City but are for whatever reason not (or not yet, or no longer) certified. A previous report by the City of Philadelphia’s Minority Business Enterprise Council (MBEC) identified 400 non-certified minority-owned firms, from seven City departments, that had had some participation on City contracts. In FY 2007, these “certifiable” firms earned \$93 million, or 12 percent of the total City contracts awarded during that time period.⁶⁶

Given the potentially significant amount of contracting conducted with these non-certified but otherwise certifiable firms, we recommend gaining a better understanding of why they are not certified but also look to include these firms and their participation into the Disparity Study in some manner. **The goal is not to circumvent or devalue the certification process – the ultimate aim with “certifiabiles” should be to certify them – but rather to highlight the scale and composition of this universe of firms bidding on City contracts.** Doing so can provide a more accurate picture as to the true participation of disadvantaged business categories in City contracts, and can also isolate this group of firms for targeted outreach to persuade them on the merits of DBE certification.

5.4.4 Clarify “Ready, Willing, and Able”

The difficulty in determining availability – in isolating the universe of firms, both DBE and non-DBE, that are “ready, willing, and able” – has been discussed previously. The Mayor’s Advisory Commission on Construction Industry Diversity (MACCID) provided a useful contribution to this discussion by defining availability at three time horizons:⁶⁷

- *Short-term* – who is ready, willing, and able right now
- *Medium-term* – who can be ready, willing, and able relatively quickly
- *Long-term* – what apprenticeship, educational, and other “pipeline-building” efforts can be undertaken to increase the overall universe of potential future providers

⁶⁵ See Appendix Q for an example of how Revenue Department data was used in another Econsult Corporation effort, that of measuring retail sales over time at the commercial corridor level.

⁶⁶ City of Philadelphia Third Quarter Report, FY08, Office of the Director of Finance, June 2008.

⁶⁷ Mayor’s Advisory Commission on Construction Industry Diversity Report and Recommendations, March 2009.

Periodic efforts to directly collect availability measures for these three tiers may be a useful activity to consider over time, to the extent that OEO can support efforts to build the pool of qualified DBE firms to bid on City and other contract opportunities. Once collected, these pools can be monitored to determine progress in availability and identify areas of growth or concern.

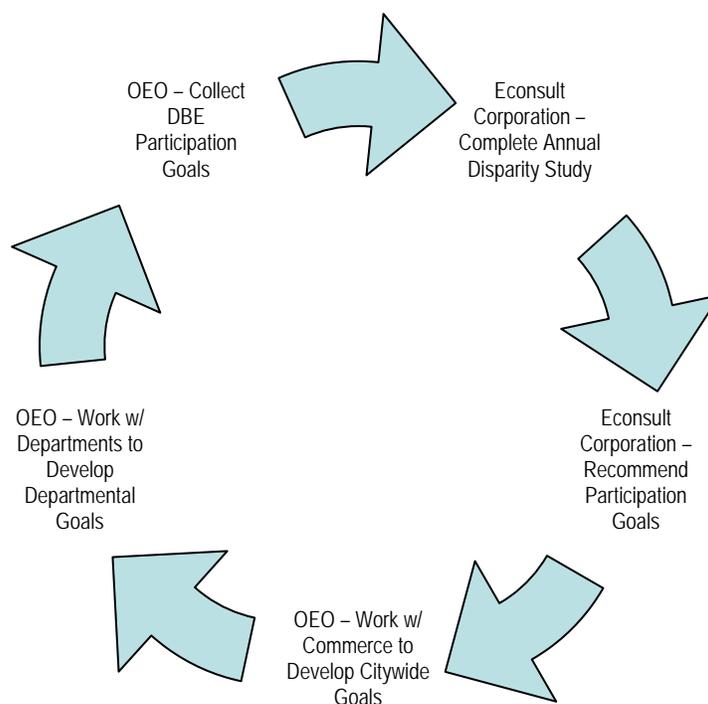
5.5 Goal-Setting Recommendations

Ultimately, all of the work associated with a Disparity Study is designed to inform the setting of goals, both at a jurisdiction-wide level as well as for individual departments and agencies. Hence, policies associated with the goal-setting process are important to consider.

5.5.1 Coordinate Goal-Setting Up with Citywide Objectives and Down with Departmental Actions

Goal-setting is a comprehensive exercise that requires multiple points of information to determine DBE utilization and availability. This process incorporates anticipated contract dollars, specific projects to be pursued, the scope of work required and the number of available DBEs. The goals must reflect utilization and availability realities. Additionally, the goals should be determined in a manner that the process solicits feedback from procurement departments while also providing enforceable performance outcomes (see Figure 5.5).

Figure 5.5 – Current DBE Goal-Setting Process Flow Chart



Source: Econsult Corporation (2009), Milligan & Company (2009)

Upward, goals should be set with citywide priorities in mind. As noted previously, with the creation of the City of Philadelphia's Office of Economic Opportunity (OEO), Mayor Nutter elevated this set of roles to that sort of level; accordingly, Participation Goals should reflect mayoral priorities and be integrated seamlessly, at a discussion and action level, into mayoral initiatives.

Downward, departments must be held accountable for their adherence to the DBE goals. Chapter 17-1503(1) (c) of the Philadelphia Code requires the ranking of City departments by percentage levels of DBE utilization to be reported in the Annual Report issued by the Commerce Director. Participation disclosure adds to the visibility of the departmental performance for DBE contracting. For City departments with a track record of under-utilizing DBEs, the following key efforts are required:

- Gain a greater understanding of the reason for the lack of participation
- Obtain a commitment from the City's leadership to pursue corrective actions; and/or
- Modify procurement procedures to encourage the further use of DBEs

Interviewed procurement offices noted a willingness to participate but a preference to receive guidance from OEO, since to departments, procurement is simply a means to that department's chief end, and not in itself something it has time or expertise to focus on. Hence, there is an opportunity to OEO to serve as that resource.

To be sure, individual departments and their procurement officers are much better informed than OEO is on the particulars of a given contract, and thus they play an important role in understanding the extent to which DBE participation can be encouraged. However, that effort should be matched by an equal effort on the part of OEO to support those departments and officers towards that end.

Actions are also needed to address when DBE availability lags utilization. In these circumstances, efforts focus on expanding the pool of contractors by developing outreach programs and implementing long-term pipeline initiatives. At a department level, OEO should be seen as a resource for translating procurement needs with ways in which DBE firms can have the best opportunity to bid for and win them.

5.5.2 Do Not Over-Codify the Process

When transferring Disparity Study results from one year into participation goals for the next year, it can be tempting to codify the process. In fact, the Departments of Transportation (DOT) for both Colorado and North Dakota employ a formula that calculates future participation goals based on past utilization and availability rates.

This does have the benefit of providing purely analytical, apolitical goals. Nevertheless, the advantages of such a circumscribed method must be weighed against its disadvantages when compared to a more flexible approach. The formulas used by the aforementioned DOTs do provide a useful check against

concerns that goals are being set in an irrational or capricious manner; but a more tightly defined set of rules may bind the government entity from advancing “stretch” goals that push its leaders and its departments towards better DBE participation results. **More flexibility** also enables goals to be set in the context of other considerations that may make preferred future participation levels significantly different than past utilization and availability rates, such as special initiatives that have been advanced or changes in the composition of the government jurisdiction by industry and/or ethnicity.

An annual Disparity Study may advise on the topic, OEO may offer its perspective, and the Commerce Director may propose his or her levels, but ultimately it is incumbent on the Mayor and City Council to approve, and then strive for the accomplishment of, the participation goals that are set by the Commerce Department. In that regard, while it may appear that tightly defined parameters for goal-setting are helpful, greater flexibility to account for other decision-making factors may be preferred.

5.5.3 Have Separate Game Plans for Under-Utilization and Under-Availability

Importantly, both utilization and availability separately provide an understanding of the health of Disadvantaged Business Enterprises (DBE) 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. To the extent that the purpose of commissioning a Disparity Study is for more than just the “letter” of the law (providing legal grounds for initiating or sustaining a DBE program, holding the Mayor and his or her administration accountable for their purchasing decisions) but seeks to encompass the broader aim of ensuring fair DBE participation in the overall economy, the City can and should take interest in both utilization and availability.

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. As the Disparity Study portrays results by department, under-performing departments can be quickly identified and specific action items and accountability mechanisms put into place to ensure that under-performance is not repeated in subsequent years. Similarly, high-performing departments should be recognized and encouraged to continue their commendable efforts in DBE utilization.

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 Commerce 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 select cases, participation goals should be above both the utilization rate and the availability rate. These can be considered “stretch goals,” which account for other, broader factors in addition to historical utilization and availability. Notably, the aggressive efforts of Mayor Michael Nutter, as exemplified by the transition of the function of supporting DBEs to OEO from the previous agency, the City of Philadelphia’s Minority Business Enterprise Council (MBEC), signals a deep commitment to pursue higher DBE participation. A prolonged recession and heightened global competition, far from suggesting that aggressive action to this end be tabled for later, only reinforce the importance of working toward an economy in which a diversity of entrepreneurs and perspectives are actively represented.

Of course, the setting of participation goals is the legally stated purpose of a Disparity Study, and as such the manner by which those goals are set is circumscribed by law (see Figure 5.6). Accordingly, we have recommended Participation Goals with these guidelines in mind; and such an approach is affirmed by the fact that other cities and states reference similar benchmarks. Nevertheless, historical utilization rates and availability rates are to be considered; they do not need to represent an upper bound. Hence, there is legal room and organizational reason to at times consider “stretch goals” that reach beyond estimated utilization rates and availability rates.

Figure 5.6 – 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)

APPENDIX A: ADDITIONAL DOCUMENTATION OF AVAILABILITY DATA APPROACH

A.1 Utilization - MBEC Participation Report (U1-U3)

In order to obtain all the utilization figures used in this report, we used both the “Fourth Quarter FY 2007 Participation Report” and “Listing of MBEC-certified DBEs” reports provided by the City of Philadelphia’s Minority Business Enterprise Council (MBEC). The former document contains all the contracts that have been awarded to Disadvantaged Business Enterprises (DBEs) throughout the year and provides the company name, the race and gender of the minority business owners, as well as the contract amount. The Participation Report is further subdivided by contract type and provides the above-mentioned detail for the Public Works; Supply, Services and Equipment; and Professional and Public Services categories.

1. In order to classify each contract on the Participation Report as belonging to one of the three geographical categories identified by MBEC, namely “City”, “Metro”, and “All”, we first identified the component parts of the Philadelphia Metropolitan Statistical Area (MSA)⁶⁸ as defined by the Office of Management and Budget and listed on the US Census Bureau site at <http://www.census.gov/population/estimates/metro-city/0312msa.txt>. The counties included in the MSA are:
 - Burlington County, NJ
 - Gloucester County, NJ
 - Chester County, PA
 - Montgomery County, PA
 - New Castle County, DE
 - Salem County, NJ
 - Camden County, NJ
 - Bucks County, PA
 - Delaware County, PA
 - Philadelphia County, PA
 - Cecil County, MD
2. In order to identify the vendors falling under each location category, we obtained a zip code database list through www.zip-codes.com. This database provides all the towns and zip codes of every county in the MSA territory.
3. By using an Excel “lookup” function, we were able to link the two documents listed above and to automatically assign a category, such as “City” or “Metro”, to each vendor by comparing the vendor’s actual zip code as provided in the “Listing of MBEC-certified DBEs” spreadsheet to the database we had compiled.

⁶⁸ The Philadelphia MSA is an 11-county region is the modern equivalent of the 9-county Primary Metropolitan Statistical Area (PMSA) used in the DJ Miller & Associates report.

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4. The vendors registered outside of either the “City” or “Metro” categories were counted under the third category, “All”.
 5. Although we were unable to locate some of the vendors that are listed on the Participation Report as having received contracts on the list of MBEC-certified DBEs, we performed additional research via the Internet, as well as through MBEC’s website in order to establish their location and thus classify them correctly.
 6. After flagging each vendor as either “City” or “Metro” we separated all contract awards by the gender or ethnicity of the firm’s owner in order to obtain the total contract amounts applicable to each category in the Utilization table.
 7. We performed the same steps in order to assign a vendor location to each vendor and to sum up the total contract amounts for each ethnic or gender category for each of the contract types listed in this report.
 8. In order to present the data in the format required by MBEC, and in order to ease comparison with previously conducted disparity studies, we consolidated the data from the Participation Report into the following three categories according to the contract type:
 - a. Public Works (PW)
 - b. Personal and Professional Services (PPS)
 - c. Supplies, Services, and Equipment (SSE)

A.2 Availability

A.2.1 US Small Business Administration, Philadelphia District Office (A1)

In 2004, the Philadelphia District Office of the US Small Business Administration produced counts of firms by ethnicity and gender for Philadelphia County. This data does not appear to be publicly available, but was made available to Econsult Corporation through the City of Philadelphia's Minority Business Enterprise Council (MBEC). This data enables a calculation of availability at the City level, which, when matched with utilization at the City level, allows us to produce a disparity ratio sized to the City level.

A.2.2 US Census (A2-A5)

The majority of the availability data used in our study comes from the Economic Census conducted every five years by the US Census Bureau. In particular, we used the Survey of Business Owners (SBO), which, since 2002, is a consolidation of two former studies, the Survey of Minority- and Women-Owned Business Enterprises (SMOBE/SWOBE).⁶⁹

SBO data reports provide information on US businesses by geographic location, by the gender and ethnic origin or race of business owners, by the 2-digit industry classification code according to the North American Industry Classification System (NAICS), and by size of the firms in terms of total employment and revenues.

SBO data are available through the Company Statistics Division of the US Census Bureau at <http://www.census.gov/csd/sbo/index.html> and through the American FactFinder website of the U.S. Census Bureau, available at:

[http://factfinder.census.gov/servlet/EconSectorServlet?caller=dataset&sv_name=2002+Survey+of+Business+Owners&_SectorId=%ds_name=EC0200A1](http://factfinder.census.gov/servlet/EconSectorServlet?caller=dataset&sv_name=2002+Survey+of+Business+Owners&_SectorId=*%ds_name=EC0200A1)*

We used the following process to calculate availability rate using census data:

1. Start by going to the American FactFinder website listed above, which can be reached by going first to the American FactFinder homepage.

http://factfinder.census.gov/home/saff/main.html?_lang=en&_ts=, and clicking on the "Get Data" link under "Economic Census."

2. Once opened, the link automatically connects to the 2002 Economic Census dataset. Click on the "2002 Survey of Business Owners" link under "Detailed Statistics."

⁶⁹ The latest year for which SBO data are available is 2002, which is the dataset we used for this report. The 2007 data is expected to be available in early 2010, and thus would be available in time for use in producing the FY 2009 Disparity Study.

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3. The page that opens up has three tabs that allow for data to be searched by sector, keyword, or geography. Click on the third tab, “filter by geography/industry/data item”.
 4. Click on the box that says “Geographic Area” and select “Metropolitan Statistical Area/Micropolitan Statistical Area” from the dropdown menu under “geographic type”. Once the list of options appears, scroll down and select “Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metro Area” and click OK on the right. The datasets available for the Philadelphia Metropolitan Statistical Area (MSA) will appear in the window below.
 5. The first dataset from the list of eleven ones that are applicable for the MSA is called “SBO: Geographic Area Series: Economy-Wide Estimates of Business Ownership: 2002” and is a summary view of the rest of the reports listed. It provides the following data:
 - Total number of employer and non-employer firms in the MSA and their total receipts for all industry sectors and for all gender and ethnic categories, including majority-owned firms;
 - Total number of employer and non-employer firms and their total receipts in the MSA by ethnic category (Hispanic or Latino; Black or African American; American Indian and Alaska Native; Asian American; Native Hawaiian or Other Pacific Islander) *in all industry sectors*;
 - Total number of employer and non-employer firms and their total receipts in the MSA by the above-listed ethnic categories *in each industry sector*.
 - The rest of the reports are from the Company Statistics Series and provide similar data but each only covers individual ethnic categories. For example, one of the reports is called “SBO: Asian: MSA by KOB: 2002”, or “SBO: Company Statistics Series: Statistics by Kind of Business for Selected Metropolitan Statistical Areas with 100 or More Asian-Owned Firms: 2002”. Each report from this series provides the same data as the first report mentioned above but *only* for the identified ethnic category.
 - Data pertaining to women-owned businesses is included in a separate report called “SBO: Women: MSA by KOB: 2002.”
 - The SBO does not collect data on disabled-owned business enterprises (DSBE).
 6. In order to collect Availability data that adequately corresponds to the three contract types identified in the Utilization calculations, namely Public Works; Personal and Professional Services and; Services, Supplies, and Equipment, we associated each contract type with one or more industry sectors as classified by the North American Industry Classification System (NAICS) (see Figure A.1).

Figure A.1 – Contract Type by NAICS Code

<u>Contract Type</u>	<u>NAICS Industry Sector Code and Description</u>
Public Works (PW)	23, Construction
Personal and Professional Services (PPS)	54, Professional, Scientific, and Technical Services
Supplies, Services, and Equipment (SSE)	44 – 45, Retail Trade
	42, Wholesale Trade
	51, Information

Source: Econsult Corporation (2007)

7. As an example, to obtain data on the total number of African American-owned firms in the MSA and their total revenues for each contract type, the following steps could be taken:
- Open the dataset called “SBO: Black: MSA by KOB: 2002”.
 - The topmost line of the report provides the data for African American-owned firms in all sectors of the economy: there are a total of 24,486 firms with receipts amounting to \$2,022,906,000. Of them 2,442 were employer firms, i.e. establishments with more than one employee, and they had receipts of \$1,567,034,000. Further, the report provides data on the number of employees and the firms’ annual payroll, which have not been used for the purpose of this Disparity Study.
 - The next lines break down the numbers by NAICS industry codes. For example, if we want to find data for the availability of firms in the Public Works sector, we can go to the second page and see that there were 1,313 firms in the Construction sector (NAICS code 23), of which 174 were employer firms with revenues of \$140,066,000.
 - For various reasons, the Census reports do not provide data for all the categories and subcategories. There are two major data error classifications:
 - “D - Withheld to avoid disclosing data for individual companies; data are included in higher level totals”
 - “S - Withheld because estimate did not meet publication standards”

-
- The SBO datasets also do not provide sufficient cross-reference detail in the sense that one could not find data on the number of business owners who are both women *and* belong to an ethnic minority.

A.2.3 Procurement Office Vendor List (A6-A7)

Another way that we chose to study the availability of firms in the Philadelphia MSA was to look at all the firms that have registered with the City's Procurement Office and whose physical address was within the Metropolitan area.

1. The list of companies registered to do business with the City of Philadelphia, provided by the Procurement Office, included 54,288 firms.
2. Since we only needed the total number of firms in the Philadelphia MSA and not those whose physical location was outside of it, we used a zip code database, obtained from www.zip-codes.com, in order to flag in an Excel spreadsheet all vendors as either belonging to the "Metro" category or not. By compiling a database of all zip codes of the counties included in MSA and by comparing each vendor zip code against that database, we were able to determine the count and breakdown all vendors on the Procurement Office list by the minority- or women-owned business category. We found out that there were no disabled-owned businesses in the Philadelphia MSA in the Public Works or Services, Supplies, and Equipment categories.
3. From those identified as falling under the "Metro" location category, 31,223 in total, we further pulled out only those vendors whose contracts awarded pertained either to the Public Works or to the Services, Supplies and Equipment categories. We were informed by MBEC, as well as by the Procurement Office, that Personal and Professional Services contracts are performed through the e-contracts system of the City of Philadelphia and therefore are not included in the Procurement Office's Vendor List. Further, such Vendor List could not be obtained because the e-contracts department does not maintain such a list.
4. By using a pivot table to analyze these records, we were able to calculate the total number of firms under the minority- or women-owned businesses classification categories.
5. By using these data, there were two different ways of approaching the disparity ratio: either by comparing the total number of DBE firms registered with MBEC (from MBEC's Race Detail Report) to the total number of firms registered with the Procurement Department, or by comparing the total number of DBE firms to the total number of firms registered with the Procurement Department, i.e. comparing a subset to the total within the same data pool. We have provided both variations.

A.2.4 Central Contractor Registration (Formerly SBA PRO-Net)

Another way to identify the total availability of firms located within the Metro Area was to query the Central Contractor Registration database (formerly known as SBA Pro-Net). In an effort to simplify the federal contracting process, the US Small Business Administration, Department of Defense, Office of Management and Budget and General Services Administration have integrated the Pro-Net system into the Department of Defense's Central Contractor Registration site. In this way, the federal government is eliminating its former practice of asking vendors to register with all the different agencies they work with by creating a single portal for vendor registration that extends to the entire government. The vendor database can be accessed at www.ccr.gov, or directly by visiting the following link:

1. Go to http://dsbs.sba.gov/dsbs/search/dsp_dsbs.cfm.
2. The page that opens is the database search engine. It allows data to be filtered by various filters, such as by location, by small disadvantaged business status, by minimum bonding level, by size of firm, etc.
3. In the Metropolitan Statistical Area box (underneath the state list on top of the page) enter the 4-digit code corresponding to the Philadelphia (MSA), 6160, in order to query only those records pertaining to it.
4. Scroll down to the "Other Ownership Data" section and check the "Minority" box in order to obtain all the minority-owned firms registered with CCR, totaling 1,158. Running the query again with the "Woman/Women" box checked and the "Minority" box unchecked will bring up all the businesses in the MSA area that are owned by women, totaling 1,482. Checking both boxes will produce the firms owned by women who are also members of ethnic minorities, or 389 firms.
5. Scroll down to the "Size" section and select the "At least" option and type in the number 1 in the box that corresponds to the number of employees. In this way, the resulting Vendor List will only show employer firms, i.e. firms with more than 1 employee.
6. This search engine allows for the manipulation of the columns of the dataset. Click on "Edit the columns to be displayed" box toward the bottom of the page. In the upper right corner the box that says "Fields to be Displayed" lists the default information that will appear as the outcome of the search. Click on each individual one and hit "Remove". Then, on the left, click on the following fields in order to add them to the "Field to be Displayed" list: "Name of Firm", "City", "State", "Zip", "Minority?", "Women-Owned Business?", and "NAICS, All (for which firm is small)". By eliminating the default field "Address and City, State, Zip" and replacing it with individual fields for each component of the address, the analysis of the data in an Excel spreadsheet is simplified.
7. When the search settings are all entered, from the dropdown menu next to "Maximum number of firms to be returned at a time" change the number to 1,500 and then click on "Search using these criteria" box at the bottom of the page. The Vendor List that is returned can be copied and pasted onto an Excel spreadsheet for further manipulation.

-
8. After we performed the steps described above, we used the NAICS scheme outlined under the US Census methodology section in order to count the number of firms that do business in the Construction, Professional, Scientific, and Technical Services, Retail and Wholesale Trade, and Information sectors and that we had established as analogous to the three contract types analyzed in this study. NAICS codes produced by the CCR vendor report are 5-digit numbers, corresponding to a more detailed level of industry descriptions, so in order to count the number of firms operating under the general headings of Construction, Retail Trade, etc. we counted the number of codes whose first two digits only are a match to the codes we were looking for.
 9. Next, we flagged each vendor identified as falling under the industry categories mentioned below by further assigning an ethnic or gender flag to it. In this way we were able to obtain the total number of Minority Business Enterprises (MBEs) or Women Business Enterprises (WBEs) operating in each industry sector of interest.

APPENDIX B: DISPARITY STUDY DATASET AND RELATED FILES

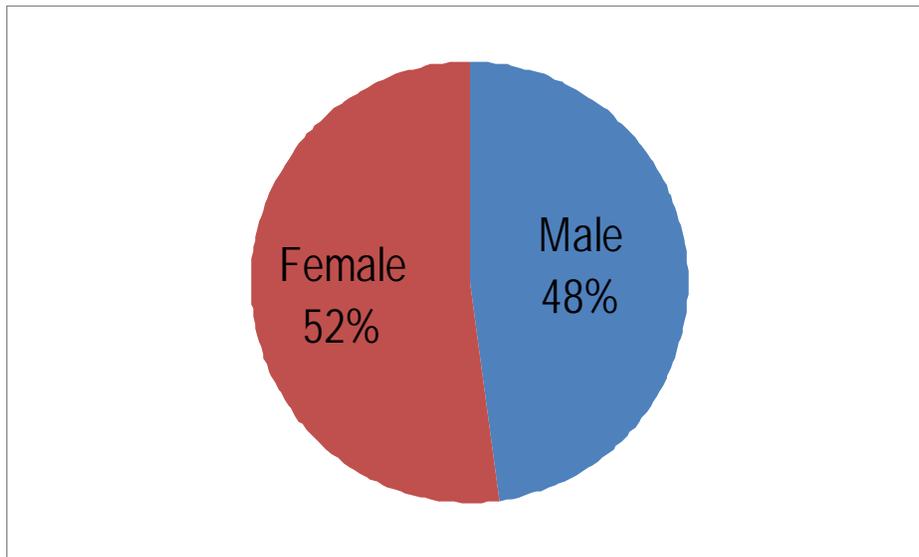
File Name	Type of file	Description
"Disparity"	Stata Do-File (.do)	A Stata program (do-file) which first merges the pmsa_zip_codes file with the list of vendors to determine the location of all certified firms, whether they are in Philadelphia, the MSA or elsewhere in the US. The program then merges the locations of firms with the Master_contract_list database to determine the location of firms that were awarded contracts. Totals by contract type, department, and DBE classification are then calculated.
"By_Department_Calcs"	MS Excel (.xls)	A document containing all the utilization information for the City's departments and quasi agencies. Also contains consolidated utilization calculations by contract type
"GAS: Economy-Wide Estimates"	Adobe Acrobat (.pdf)	A scanned report from the U.S. Census website providing the numbers that were used to present the Census Availability data in the above-mentioned file.
"Master_contract_list"	Stata Dataset (.dta)	A Stata dataset containing all of the prime and subcontract vendors and contract amounts included in the "MBEC 4Q Report -final-04-2-08.xls".
"MBEC Certified DBEs"	MS Excel (.xls)	The original file provided to Econsult by OEO listing all current certified vendors. We have added columns with calculations allowing us to flag each vendor location in terms of "City" or "Metro" and to sum up the total count.
"MBEC Participation 4Q Report -final-12-15-08"	MS Excel (.xls)	The original file provided to Econsult by MBEC listing all prime and subcontract vendors along with contract amounts. In addition, we have added columns to flag each vendor under each applicable category (MBE/WBE/DSBE) as belonging to either the "City" or "Metro" classification, as well as to calculate the total contract amount by location ("City" or "Metro") and by ethnicity and/or gender.

File Name	Type of file	Description
"PMSA Zip Codes"	MS Excel (.xls)	A compilation of all the zip codes in the City and Metro areas.
"pmsa_zip_codes"	Stata Dataset (.dta)	A Stata dataset version of "PMSA Zip Codes.xls"
"Procurement Vendor List"	MS Excel (.xls)	A list of vendors registered with the City's Procurement Office, provided by same. We have added columns with calculations in order to count the number of vendors by contract type in the Metro area. Also, we have added the list of Metro zip codes on a separate tab to use as a source of location identification, as well as several pivot tables in order to obtain several different breakdowns by category.
"Pro-Net Vendors"	MS Excel (.xls)	A list of all vendors registered with the Central Contractor Registration website (formerly SBA Pro-Net). Each tab lists only the vendors registered under total MBE, MBE/males, WBE, and Veterans. Each tab also displays the calculations we used to identify each vendor by ethnicity and/or gender.
"Summary of Availability Data – SBA Census"	MS Excel (.xls)	A spreadsheet with four tabs, each summarizing the data available from the 2002 Economic (SBO) Census by category: total MBEs, total WBEs, employer MBEs, employer WBEs. The cells that are blank represent categories for which the Census provides no data.

Source: Econsult Corporation (2009)

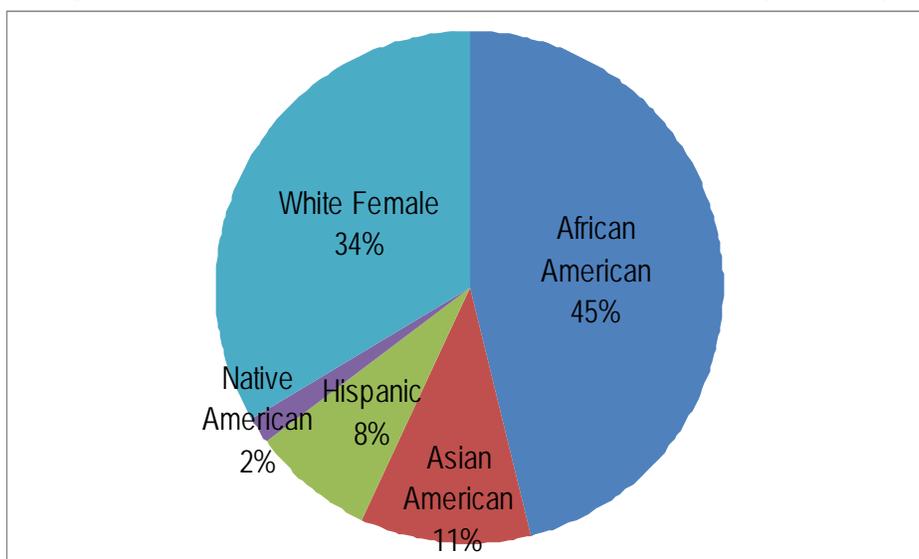
APPENDIX C: DISTRIBUTION OF OEO-CERTIFIED FIRMS

Figure C.1 - FY 2008 Distribution of OEO-Certified Firms by Gender



Source: City of Philadelphia - Office of Economic Opportunity (2009), Econsult Corporation (2009)

Figure C.2 - FY 2008 Distribution of OEO-Certified Firms by Ethnicity



Source: City of Philadelphia - Office of Economic Opportunity (2009), Econsult Corporation (2009)

Figure C.3 - Distribution of OEO-Certified Firms by Industry by Location of Firm (as of January 2009)

Contract Type	City		Metro		US	
	#	%	#	%	#	%
PW	108	8.1%	326	24.5%	219	16.5%
PPS	250	18.8%	468	35.2%	683	51.4%
SSE	174	13.1%	392	29.5%	426	32.1%
All Contract Types	532	40.1%	976	73.5%	1,328	100.0%

Source: City of Philadelphia - Office of Economic Opportunity (2009), Econsult Corporation (2009)

Figure C.4 - Distribution of OEO-Certified Firms by Industry by DBE Category (as of January 2009)

Contract Type	MBE		WBE		DSBE		DBE	
	#	%	#	%	#	%	#	%
PW	170	12.8%	48	3.6%	1	0.1%	219	16.5%
PPS	422	31.8%	257	19.4%	4	0.3%	683	51.4%
SSE	279	21.0%	144	10.8%	3	0.2%	426	32.1%
All Contract Types	871	65.6%	449	33.8%	8	0.6%	1,328	100.0%

Source: City of Philadelphia - Office of Economic Opportunity (2009), Econsult Corporation (2009)

APPENDIX D: INTERVIEWEE INFORMATION

A new feature to the Fiscal Year 2008 Disparity Study was the heavier use of interviews to provide context for interpreting the data and to probe ancillary, subjective topics of interest. Accordingly, 18 interviews were conducted in early 2009, which yielded insights whose influence on this report is embedded throughout and particularly in the setting of recommendations (see Figure D.1 and Figure D.2).⁷⁰

Figure D.1 – Business Owner Interviews

Interviewee Information				(Check All That Apply)													Interview Date
Name	Title	Company/Department	Zip Code	Prime	Female	Afr-Am	Latino	Asian	Native Am	Disabled	Construction	Professional Services	Products/Equipment	Currently DBE Certified	Once Certified, Not Currently	Never DBE Certified	
Firm 1	CEO		19301		x	x							x			x	2/9/2009
Firm 2	CEO		19147		x							x		x			2/10/2009
Firm 3	Principal		19103	x	x			x				x		x			2/11/2009
Firm 4	President		19128			x					x						2/11/2009
Firm 5	President		19107					x				x		x			2/18/2009
Firm 6	President		19131			x						x		x			2/26/2009
Firm 7	President		19106			x						x		x			3/3/2009
Firm 8	President		19122	x		x					x				x		3/12/2009
Firm 9	Principal		19102	x		x						x		x			3/2/09
Firm 10	Principal		19102		x							x				x	3/11/09
Firm 11	Principal		19130														3/13/09

Source: Econsult Corporation (2009)

⁷⁰ Interviewees were assured that their names would not be revealed and their comments not attributed; therefore, such information is withheld from this report.

Figure D.2 – Procurement Officer Interviews

- Fire Department (February 25, 2009)
- Fleet Management (February 24, 2009)
- Procurement (February 26, 2009)
- Procurement (February 26, 2009)
- Police Department (March 12, 2009)
- Board of Pensions (March 3, 2009)

Source: Econsult Corporation (2009)

APPENDIX E: STANDARD QUESTIONS FOR BUSINESS OWNER INTERVIEWS

Introductory paragraph: We have been hired by the City of Philadelphia to conduct its annual Disparity Study, which looks at the utilization of various Disadvantaged Business Enterprises (DBEs) in selected categories of City contracts, vis a vis the availability of the various categories of DBEs. To supplement our quantitative analysis, we want to hear from both businesses and procurement officers to better understand the nuances and challenges associated with this issue. We thank you in advance for your time and insight, and stress that your comments will not be directly attributed.

- Do you currently bid for City contracts on a regular basis? Why or why not? If not, is it by choice or is it because of something that, if changed, would cause you to consider bidding for City contracts? Has the implementation of eContractPhilly been helpful, hurtful, or neutral in your efforts to do business with the City?
- To what extent is it easier or harder to do business with the City than with other potential customers? What can the City do to encourage you to find out about and bid for City contracts?
- Are you currently a MBEC-certified DBE? Why or why not? If not, is it by choice or is it because of something that, if changed, would cause you to consider initiating the certification process? Specifically, can you comment on the extent to which any or all of these are reasons for not being certified: 1) the process is too cumbersome, 2) the process is too invasive, 3) there does not appear to be enough value added associated with being certified, 4) there is a sense of “stigma” associated with being certified.
- Are you currently a certified DBE with any other public or private sector entity, whether within or outside the region? Why or why not? If not, is it by choice or is it because of something that, if changed, would cause you to consider initiating the certification process?
- If you are a certified DBE, either with the City or elsewhere, have you taken advantage of reciprocal certifications, whereby an entity accepts your certification from another entity as automatically qualifying you for certification? If so, has that been a factor in your certification and bidding decisions? If not, would more reciprocity in certifications be a factor in your certification and bidding decisions?
- Do you look for business outside the region, whether with public or private sector entities? Why or why not? If not, is it by choice or is it because of something that, if changed, would cause you to consider bidding for such contracts? How might the City assist you in these efforts?
- What is your understanding of Mayor Nutter's decision to dissolve MBEC and create an Office of Economic Opportunity (OEO)? What do you think the OEO should focus on in terms of encouraging DBE participation in procurement opportunities? In general, what should the City focus on in terms of helping DBEs grow?

- What effect has the current economic slowdown had on your business? Are you seeing bigger businesses beginning to “trade down” to compete in your marketplace? Are you able to “trade up” to compete in new marketplaces?
- Given your understanding of the scope of our work, is there anything else you would like to add in terms of your own experience and perspective? Is there anything else you would hope our report addresses on this topic?

APPENDIX F: STANDARD QUESTIONS FOR PROCUREMENT OFFICER INTERVIEWS

Introductory paragraph: We have been hired by the City of Philadelphia to conduct its annual Disparity Study, which looks at the utilization of various Disadvantaged Business Enterprises (DBEs) in selected categories of City contracts, vis a vis the availability of the various categories of DBEs. To supplement our quantitative analysis, we want to hear from both businesses and procurement officers to better understand the nuances and challenges associated with this issue. We thank you in advance for your time and insight, and stress that your comments will not be directly attributed.

- What does your department currently do to encourage DBE participation in procurement opportunities? How did you interface with other City agencies towards that end? What were some things that made this process easier or harder?
- To what extent does the mix of products and services you procure make it easier or harder to find ready, willing, and able DBEs? If it is harder, what can the City do to help you connect to qualified DBEs? Is there a way you can quantitatively differentiate between the types of procurements that are easier to find ready, willing, and able DBEs for, versus those types that are harder?
- What is your understanding of Mayor Nutter's decision to dissolve MBEC and create an Office of Economic Opportunity (OEO)? What can the OEO do to work with you to encourage DBE participation in procurement opportunities?
- Given your understanding of the scope of our work, is there anything else you would like to add in terms of your own experience and perspective? Is there anything else you would hope our report addresses on this topic?

APPENDIX G: APRIL 6, 2009 MEMORANDUM TO OEO

Date: April 6, 2009

To: Michael Bell, Executive Director, Office of Economic Opportunity (OEO), City of Philadelphia

From: Stephen Mullin, Senior Vice President and Principal, Econsult Corporation

Subject: Preliminary Quantitative Analysis - DRAFT

As discussed in our Work Plan, here is a preliminary quantitative analysis of our Fiscal Year (FY) 2008 Disparity Study results. First, we provide three sets of utilization rates for for-profit Disadvantaged Business Enterprise (DBE) prime contractors and sub-contractors, as a proportion of utilization of all for-profit prime contractors and sub-contractors:

- U1 = Those DBEs located within the City of Philadelphia (Figure 1).
- U2 = Those located within the Philadelphia Metropolitan Statistical Area (MSA) (i.e. the City and 10 surrounding counties) (Figure 2).
- U3 = Those located anywhere in the US (i.e. all DBEs, regardless of their location) (Figure 3).

The Disparity Study will scrutinize these numbers in greater detail, but note the following:

- Utilization rates declined for all three geographies from FY 2007 to FY 2008: from 10.1 percent to 9.8 percent for U1, from 17.6 percent to 14.8 percent for U2, and from 20.8 percent to 18.1 percent for U3.
- Utilization rates also declined for each contract type for all three geographies.
- White females saw major declines in utilization rates for all three geographies. Asian Americans, African Americans, and Hispanics within the City (U1) all saw minor improvements in utilization rates; but looking at the Philadelphia MSA (U2) and US (U3) level, only African Americans enjoyed minor improvements in utilization rates.
- Disabled Business Enterprises (DSBEs) only participated in one City contract, as a subcontractor based outside of the City but within the Philadelphia MSA was awarded \$200,000 for a public contract

Since there was no change from last year in the main data sources used in the methods of calculating availability rates that we feel are most analogous to identifying the proportion of “ready, willing, and able” DBEs to all firms, there was no change in availability rates from FY 2007 to FY 2008. Therefore, changes in FY 2008 disparity ratios from FY 2007 figures reflect only changes in utilization rates, not in availability rates. Therefore we can make similar points regarding disparity ratios as we can utilization rates:

- Disparity ratios declined at both the local and regional level from FY 2007 to FY 2008: from 0.22 to 0.21 for D1 (utilization of DBEs within the City divided by availability of DBEs within the City – see Figure 4) and from 0.72 to 0.60 for D3 (utilization of DBEs within the Philadelphia MSA divided by availability of DBEs within the Philadelphia MSA – see Figure 5).
- Disparity ratios also declined for each contract type at both the local and regional level.
- White females saw major declines in disparity ratios for all three geographies. Asian Americans, African Americans, and Hispanics within the City (D1) all saw minor improvements in disparity ratios; but looking at the Philadelphia MSA (D3) level, only African Americans enjoyed minor improvements in disparity ratios.

Now we have useful reference points from which to make recommendations for FY 2009 participation goals. In fact, we had previously made preliminary recommendations in a December 22, 2008 memo to your office, per your request that we assist you in your correspondence with the Mayor as part of his budget deliberations. So, to be more specific, we have three reference points from which to make participation goal recommendations: FY 2008 utilization, FY 2008 availability, and previously recommended FY 2009 participation goals.

As has been our practice the past two years, our recommended participation goals represent the higher of utilization or availability, the thought being that if utilization exceeded availability in one year, the goal in the next year should be to maintain that level of utilization, and if availability exceeded utilization in one year, the goal in the next year should be to increase utilization until it at least equaled availability. Having previously recommended FY 2009 participation goals, we have decided that when those previously stated goals exceeded both FY 2008 utilization and FY 2008 availability, we would retain those higher goals, and have accordingly labeled them “stretch goals” (see Figure 6 and Figure 7).

Figure 1 - FY 2008 Utilization (U1) - Utilization of For-Profit DBE Prime Contractors and Sub-Contractors Located within the City of Philadelphia, Divided by Utilization of All For-Profit Prime Contractors and Sub-Contractors (by \$ Contracts Awarded)

		FY 08	FY 08	FY 08	FY 08	FY 07	FY 07	FY 07	FY 07
		PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types
White	Female	0.9%	0.7%	0.4%	0.7%	1.4%	1.4%	2.9%	1.7%
Native American	Male & Female	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asian American	Male & Female	0.4%	0.2%	0.0%	0.2%	0.0%	0.1%	0.2%	0.1%
African American	Male & Female	2.9%	11.7%	5.5%	7.6%	2.9%	12.7%	3.4%	6.9%
Hispanic	Male & Female	1.2%	1.6%	0.3%	1.3%	1.2%	1.9%	0.7%	1.4%
All MBE	Male & Female	4.5%	13.6%	5.8%	9.1%	4.1%	14.4%	3.9%	8.4%
All	Female	0.9%	3.0%	1.7%	2.1%	2.5%	3.7%	5.0%	3.5%
Disabled	Male & Female	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
All DBE⁷¹	Male & Female	5.4%	14.3%	6.2%	9.8%	5.6%	15.9%	6.9%	10.1%

Source: OEO Annual Participation Report (FY 2008)

⁷¹ Throughout this report, figures in this row are not necessarily the sum of the above rows because of businesses that belong to more than one category.

Figure 2 - FY 2008 Utilization (U2) - Utilization of For-Profit DBE Prime Contractors and Sub-Contractors Located within the Philadelphia MSA, Divided by Utilization of All For-Profit Prime Contractors and Sub-Contractors (by \$ Contracts Awarded)

		FY 08	FY 08	FY 08	FY 08	FY 07	FY 07	FY 07	FY 07
		PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types
White	Female	2.8%	1.9%	0.8%	2.2%	6.1%	3.5%	3.5%	4.6%
Native American	Male & Female	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asian American	Male & Female	1.8%	1.3%	0.2%	1.4%	2.0%	1.6%	1.7%	1.8%
African American	Male & Female	6.1%	13.0%	6.4%	9.5%	4.2%	14.6%	7.7%	9.2%
Hispanic	Male & Female	1.9%	1.8%	0.3%	1.7%	1.4%	3.0%	1.0%	2.0%
All MBE	Male & Female	9.8%	16.4%	6.9%	12.6%	7.6%	19.4%	10.3%	13.0%
All	Female	4.9%	5.1%	2.7%	4.7%	9.0%	8.1%	5.6%	8.0%
Disabled	Male & Female	0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
All DBE	Male & Female	12.7%	18.3%	7.6%	14.8%	13.8%	22.9%	13.8%	17.6%

Source: OEO Annual Participation Report (FY 2008)

Figure 3 - FY 2008 Utilization (U3) - Utilization of For-Profit DBE Prime Contractors and Sub-Contractors Located within the US, Divided by Utilization of All For-Profit Prime Contractors and Sub-Contractors (by \$ Contracts Awarded)

		FY 08	FY 08	FY 08	FY 08	FY 07	FY 07	FY 07	FY 07
		PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types
White	Female	3.1%	5.0%	1.3%	3.8%	6.2%	6.5%	4.5%	5.9%
Native American	Male & Female	1.7%	0.2%	0.0%	0.7%	2.1%	0.1%	0.1%	0.9%
Asian American	Male & Female	2.3%	1.6%	0.2%	1.7%	2.3%	1.8%	1.7%	2.0%
African American	Male & Female	6.1%	13.9%	7.2%	10.0%	4.3%	15.4%	7.8%	9.6%
Hispanic	Male & Female	1.9%	1.9%	0.3%	1.7%	1.4%	3.3%	1.0%	2.1%
All MBE	Male & Female	12.0%	17.7%	7.9%	14.2%	10.1%	21.0%	10.6%	14.8%
All	Female	6.8%	8.4%	3.4%	7.2%	11.2%	11.4%	6.1%	10.4%
Disabled	Male & Female	0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
All DBE	Male & Female	15.1%	22.7%	9.2%	18.1%	16.5%	27.5%	14.8%	20.8%

Source: OEO Annual Participation Report (FY 2008)

Figure 4 - FY 2008 Disparity Ratio (D1)
Utilization (U1) - Utilization of For-Profit DBE Prime Contractors and Sub-Contractors Located in the City of Philadelphia, Divided by Utilization of All For-Profit Prime Contractors and Sub-Contractors (by \$ Contracts Awarded)
Availability (A1) - # DBE Firms in Philadelphia County Divided by # All Firms in Philadelphia County⁷²

Ethnicity	Gender	All Contract Types (FY 2008)	All Contract Types (FY 2007)
White	Female	0.03	0.08
Native Am	Male & Female	X	X
Asian American	Male & Female	0.03	0.01
African Am	Male & Female	0.51	0.47
Hispanic	Male & Female	0.52	0.56
All MBE	Male & Female	0.38	0.35
All	Female	X	X
Disabled	Male & Female	X	X
All DBE	Male & Female	0.21	0.22

Sources: Utilization = OEO Annual Participation Report (FY 2008); Availability = US Small Business Administration – Philadelphia District Office (2004)

⁷² Throughout this report, "X" denotes data unavailable or insufficient.

Figure 5 - FY 2008 Disparity Ratio (D3)
Utilization (U2) - Utilization of For-Profit DBE Prime Contractors and Sub-Contractors Located in Philadelphia MSA, Divided by Utilization of All For-Profit Prime Contractors and Sub-Contractors (by \$ Contracts Awarded)
Availability (A3) - # DBE Firms > 1 Employee in Philadelphia MSA, Divided by # All Firms > 1 Employee in Philadelphia MSA

Ethnicity	Gender	FY08	FY08	FY08	FY08	FY07	FY07	FY07	FY07
		PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types
White	Female	X	X	X	X	X	X	X	X
Native American	Male & Female	0.00	0.50	X	0.00	0.03	0.00	X	0.02
Asian American	Male & Female	X	0.36	0.02	0.30	X	0.44	0.20	0.32
African American	Male & Female	4.69	6.84	7.11	4.52	3.22	7.87	8.13	4.32
Hispanic	Male & Female	1.73	1.80	0.30	1.42	1.19	2.91	0.99	1.66
All MBE	Male & Female	3.50	2.45	0.67	1.40	2.74	2.88	1.00	1.44
All	Female	0.61	0.29	0.19	0.30	1.11	0.45	0.40	0.52
Disabled	Male & Female	X	X	X	X	X	X	X	X
All DBE	Male & Female	1.18	0.74	0.31	0.60	1.28	0.93	0.56	0.72

Sources: Utilization = OEO Participation Report (FY 2008); Availability = US Census Survey of Business Owners (2002)

Figure 6 – Recommended 2009 Participation Goals
 “U” = 2007 Utilization Rate > 2007 Availability Rate (i.e. disparity ratio > 1.0)
 “U/A” = 2007 Utilization Rate = 2007 Availability Rate (i.e. disparity ratio = 1.0)
 “A” = 2007 Availability Rate > 2007 Utilization Rate (i.e. disparity ratio < 1.0)
 “S” = “Stretch” Goal

	FY 08	FY 08	FY 08	FY 08	FY 07	FY 07	FY 07	FY 07
	PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types
MBE	U: 10-12%	U: 14-18%	A: 8-10%	S: 17-20%	U: 7-10%	U: 19-22%	U/A: 10%	U:13-16%
WBE	A: 6-8%	A: 14-18%	A: 11-14%	A: 12-15%	A: 9-12%	U: 17-20%	U:14-17%	U:15-18%
DSBE	X	X	X	S: 0.1%	X	X	X	X
All DBE*	U: 12-15%	A: 20-24%	A: 20-24%	S: 24-30%	A: 13-16%	U: 25-28%	U:25-28%	U:25-28%

Sources: Econsult Corporation (2009); Utilization = MBEC Annual Participation Report (FY 2008); Availability = US Small Business Administration – Philadelphia District Office (2004), US Census Survey of Business Owners (2002)

Figure 7 - 2009 Disparity Ratios if Recommended 2008 Participation Goals are Met and 2008 Availability Rates Hold Steady

Category	PW	PPS	SSE	All
MBE	4.3	2.6	1.0	2.2
WBE	1.0	1.0	1.0	1.0
DSBE	X	X	X	X
All DBE*	1.4	1.0	1.0	1.2

Sources: Econsult Corporation (2009); Utilization = MBEC Annual Participation Report (FY 2008); Availability = US Small Business Administration – Philadelphia District Office (2004), US Census Survey of Business Owners (2002)

APPENDIX H: UTILIZATION CHARTS

Here we provide an overview of the City of Philadelphia's utilization of Disadvantaged Business Enterprise (DBE) firms in its awarding of contracts, sized to three geographies: City of Philadelphia, Philadelphia Metropolitan Statistical Area (MSA), and US (see Figure H.1):

- The first two columns delineate which DBE category is being considered.
- The next three columns show the utilization of various DBE categories in Public Works (PW) contracts.
- The following three columns show the utilization of various DBE categories in Personal and Professional Services (PPS) contracts.
- The next three columns show the utilization of various DBE categories in Services, Supplies, and Equipment (SSE) contracts.
- The next three columns show the utilization of various DBE categories across all contract types.

Within each set of columns, we further broke out contracts awarded to DBE firms based on whether they are listed in the MBEC Vendor List as having a Philadelphia zip code ("City") or a zip code of one of the eleven counties in the Philadelphia MSA ("MSA"), or regardless of where they are located ("US"). In this way, we can further determine the utilization of local DBE firms, not just all DBE firms.

We also distinguish between DBE utilization as prime contractors versus utilization as sub-contractors (see Figure H.2 and Figure H.3). We also provide utilization goals and actuals by department, compared to FY 2007 (see Figure H.4) and displaying the geographic location of DBE utilization (see Figure H.5). We also provide a list of "certifiabes," as identified by a selected list of City departments (see Figure H.6).

Figure H.1 - FY 2007 Utilization of DBEs, by \$ Contracts Awarded, Based on 2007 MBEC Participation Report
 U1 = City of Philadelphia, U2 = Philadelphia MSA, U3 = US

Ethnicity	Gender	PW			PPS			SSE			All Contract Types		
		City	MSA	US	City	MSA	US	City	MSA	US	City	MSA	US
White	Female	0.9%	3.0%	3.3%	0.7%	1.9%	5.0%	0.4%	0.8%	1.3%	0.7%	2.2%	3.9%
Native American	Male & Female	0.0%	0.0%	1.7%	0.0%	0.1%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%
Asian American	Male & Female	0.4%	1.8%	2.3%	0.2%	1.3%	1.6%	0.0%	0.2%	0.2%	0.2%	1.4%	1.7%
African American	Male & Female	3.0%	6.1%	6.1%	11.7%	13.0%	13.9%	5.5%	6.4%	7.2%	7.6%	9.5%	10.0%
Hispanic	Male & Female	1.3%	2.1%	2.1%	1.6%	1.8%	1.9%	0.3%	0.3%	0.3%	1.3%	1.7%	1.8%
Other	Male & Female	0.0%	0.0%	0.0%	0.0%	0.2%	0.2%	0.0%	0.0%	0.2%	0.0%	0.1%	0.1%
All MBE	Male & Female	4.6%	10.0%	12.1%	13.6%	16.4%	17.7%	5.8%	6.9%	7.9%	9.2%	12.7%	14.3%
Disabled	Male & Female	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
All	Female	0.9%	5.1%	7.0%	3.0%	5.1%	8.4%	1.7%	2.7%	3.4%	2.1%	4.8%	7.2%
All DBE*	Male & Female	5.4%	12.7%	15.1%	14.3%	18.3%	22.7%	6.2%	7.6%	9.2%	9.8%	14.8%	18.1%

Source: City of Philadelphia - Office of Economic Opportunity (2009), Econsult Corporation (2009)

*X denotes data unavailable or insufficient

Figure H.2 – FY 2008 Utilization of DBEs as Prime Contractors, by \$ Contracts Awarded, Based on 2007 MBEC Participation Report
 U1 = City of Philadelphia, U2 = Philadelphia MSA, U3 = US

Ethnicity	Gender	PW			PPS			SSE			All Contract Types		
		City	MSA	US	City	MSA	US	City	MSA	US	City	MSA	US
White	Female	0.0%	0.4%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.2%
Native American	Male & Female	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asian American	Male & Female	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
African American	Male & Female	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Hispanic	Male & Female	0.8%	0.8%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	0.3%	0.3%
Other	Male & Female	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
All MBE	Male & Female	0.1%	0.9%	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%	0.3%
Disabled	Male & Female	0.0%	0.0%	0.0%									
All	Female	0.0%	0.5%	0.5%	0.0%	0.2%	0.2%						
All DBE*	Male & Female	0.9%	1.4%	1.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	0.5%	0.5%

Source: City of Philadelphia - Office of Economic Opportunity (2009), Econsult Corporation (2009)
 *X denotes data unavailable or insufficient

Figure H.3 – FY 2008 Utilization of DBEs as Sub-Contractors, by \$ Contracts Awarded, Based on 2007 MBEC Participation Report
 U1 = City of Philadelphia, U2 = Philadelphia MSA, U3 = US

Ethnicity	Gender	PW			PPS			SSE			All Contract Types		
		City	MSA	US	City	MSA	US	City	MSA	US	City	MSA	US
White	Female	0.9%	2.8%	3.1%	0.7%	1.9%	5.0%	0.4%	0.8%	1.3%	0.7%	2.2%	3.8%
Native American	Male & Female	0.0%	0.0%	1.7%	0.0%	0.1%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%
Asian American	Male & Female	0.4%	1.8%	2.3%	0.2%	1.3%	1.6%	0.0%	0.2%	0.2%	0.2%	1.4%	1.7%
African American	Male & Female	2.9%	6.1%	6.1%	11.7%	13.0%	13.9%	5.5%	6.4%	7.2%	7.6%	9.5%	10.0%
Hispanic	Male & Female	1.2%	1.9%	1.9%	1.6%	1.8%	1.9%	0.3%	0.3%	0.3%	1.3%	1.7%	1.7%
Other	Male & Female	0.0%	0.0%	0.0%	0.0%	0.2%	0.2%	0.0%	0.0%	0.2%	0.0%	0.1%	0.1%
All MBE	Male & Female	4.5%	9.8%	12.0%	13.6%	16.4%	17.7%	5.8%	6.9%	7.9%	9.1%	12.6%	14.2%
Disabled	Male & Female	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
All	Female	0.9%	4.9%	6.8%	3.0%	5.1%	8.4%	1.7%	2.7%	3.4%	2.1%	4.7%	7.2%
All DBE*	Male & Female	5.4%	12.7%	15.1%	14.3%	18.3%	22.7%	6.2%	7.6%	9.2%	9.8%	14.8%	18.1%

Source: City of Philadelphia - Office of Economic Opportunity (2009), Econsult Corporation (2009)

*X denotes data unavailable or insufficient

Figure H.4 - FY 2007 Utilization (U3) - Utilization by Department of For-Profit DBE Prime Contractors and Sub-Contractors Located in the US, Divided by Utilization of All For-Profit Prime Contractors and Sub-Contractors (by \$ Contracts Awarded)

City Department	FY08 Dept Total (in \$M)	FY08 DBE Total (in \$M)	FY08 DBE %Utilization Actual	FY07 DBE %Utilization Actual	FY08 MBE %Utilization Actual	FY08 MBE %Utilization Goal	FY08 WBE %Utilization Actual	FY08 WBE %Utilization Goal	FY08 DSBE %Utilization Actual	FY08 DSBE %Utilization Goal
Aviation	\$170.29	\$31.71	18.6%	23.0%	15.0%	10.0%	6.3%	10.0%	0.0%	0.0%
Behavioral Health/Mental Retardation Services	\$13.85	\$0.17	1.3%	1.4%	1.3%	10.0%	0.0%	5.0%	0.0%	0.0%
Camp William Penn	\$0.00	\$-	0.0%	100.0%	0.0%	10.0%	0.0%	10.0%	0.0%	0.0%
Capital Program Office	\$31.29	\$7.34	23.5%	19.5%	20.2%	10.0%	8.6%	10.0%	0.0%	0.0%
City Planning Commission	\$0.43	\$0.08	19.5%	0.0%	18.1%	15.0%	19.5%	25.0%	0.0%	2.0%
Civil Service Commission	\$0.03	\$-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Commerce	\$-	\$-	0.0%	0.0%	0.0%	15.0%	0.0%	25.0%	0.0%	2.0%
Fairmount Park Commission	\$0.02	\$0.01	41.7%	17.5%	0.0%	15.0%	41.7%	10.0%	0.0%	0.0%
Finance, Director of	\$11.26	\$3.52	31.3%	28.4%	26.2%	10.0%	11.5%	15.0%	0.0%	0.0%

City Department	FY08 Dept Total (in \$M)	FY08 DBE Total (in \$M)	FY08 DBE %Utilizat ion Actual	FY07 DBE %Utilizat ion Actual	FY08 MBE %Utilizat ion Actual	FY08 MBE %Utilizat ion Goal	FY08 WBE %Utilizat ion Actual	FY08 WBE %Utilizat ion Goal	FY08 DSBE %Utilizat ion Actual	FY08 DSBE %Utilizat ion Goal
Fire	\$5.68	\$0.77	13.6%	1.0%	13.6%	15.0%	0.9%	5.0%	0.0%	0.0%
Fleet Management	\$7.18	\$0.05	0.8%	15.4%	0.3%	10.0%	0.5%	10.0%	0.0%	0.0%
Health, Department of Public	\$5.72	\$0.27	4.7%	5.3%	2.9%	15.0%	3.0%	10.0%	0.0%	0.0%
Historical Commission	\$0.01	\$-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Human Services, Department of	\$80.58	\$3.16	3.9%	9.6%	2.4%	5.0%	1.6%	2.0%	0.0%	1.0%
Division of Technology	\$24.66	\$4.64	18.8%	22.9%	13.3%	15.0%	9.0%	5.0%	0.0%	0.0%
Labor Relations	\$-	\$-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Law Department	\$23.24	\$3.80	16.4%	55.1%	15.1%	35.0%	1.3%	10.0%	0.0%	0.0%
Library, Free	\$1.18	\$0.08	6.4%	3.2%	5.0%	10.0%	3.0%	5.0%	0.0%	0.0%

City Department	FY08 Dept Total (in \$M)	FY08 DBE Total (in \$M)	FY08 DBE %Utilization Actual	FY07 DBE %Utilization Actual	FY08 MBE %Utilization Actual	FY08 MBE %Utilization Goal	FY08 WBE %Utilization Actual	FY08 WBE %Utilization Goal	FY08 DSBE %Utilization Actual	FY08 DSBE %Utilization Goal
Licenses and Inspections, Department of	\$1.00	\$0.03	2.8%	44.9%	0.3%	35.0%	2.5%	25.0%	0.0%	0.0%
Managing Director's Office	\$0.98	\$0.43	43.9%	26.4%	40.6%	15.0%	43.9%	15.0%	0.0%	0.0%
Mayor's Office	\$0.65	\$0.06	9.3%	7.1%	9.3%	25.0%	0.0%	15.0%	0.0%	5.0%
Mayor's Office of Community Services	\$0.06	\$-	0.0%	28.8%	0.0%	25.0%	0.0%	5.0%	0.0%	0.0%
Mural Arts Program	\$-	\$-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Office of Housing & Community Development (OHCD)	\$0.96	\$0.07	6.7%	7.9%	0.0%	10.0%	6.7%	10.0%	0.0%	0.0%
Office of Supportive Housing (OSH)	\$6.41	\$0.91	14.3%	15.3%	13.7%	15.0%	0.6%	2.0%	0.0%	0.0%

City Department	FY08 Dept Total (in \$M)	FY08 DBE Total (in \$M)	FY08 DBE %Utilization Actual	FY07 DBE %Utilization Actual	FY08 MBE %Utilization Actual	FY08 MBE %Utilization Goal	FY08 WBE %Utilization Actual	FY08 WBE %Utilization Goal	FY08 DSBE %Utilization Actual	FY08 DSBE %Utilization Goal
Pensions & Retirement, Board of	\$1.55	\$0.00	0.1%	0.0%	0.1%	10.0%	0.0%	10.0%	0.0%	0.0%
Personnel	\$0.63	\$0.12	18.6%	6.8%	8.6%	10.0%	10.0%	20.0%	0.0%	0.0%
Police	\$2.39	\$0.08	3.43%	3.9%	0.9%	10.0%	2.5%	10.0%	0.0%	0.0%
Prisons	\$86.47	\$24.98	28.9%	23.3%	19.9%	25.0%	10.9%	10.0%	0.0%	1.0%
Procurement	\$0.15	\$-	0.0%	0.0%	0.0%	10.0%	0.0%	5.0%	0.0%	0.0%
Property, Department of Public	\$17.09	\$15.42	90.3%	92.7%	90.3%	70.0%	24.9%	26.0%	0.0%	0.0%
Records	\$3.25	\$0.32	9.9%	20.1%	0.1%	20.0%	9.8%	10.0%	0.0%	0.0%
Recreation	\$0.55	\$0.06	11.4%	13.8%	11.4%	10.0%	2.9%	5.0%	0.0%	0.0%
Revenue	\$4.48	\$0.96	21.5%	34.7%	16.3%	25.0%	8.5%	25.0%	0.0%	0.0%
Revision of Taxes, Board of	\$1.44	\$0.84	58.3%	31.2%	0.0%	10.0%	58.3%	15.0%	0.0%	0.0%
Sinking Fund Commission	\$0.00	\$-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

City Department	FY08 Dept Total (in \$M)	FY08 DBE Total (in \$M)	FY08 DBE %Utilization Actual	FY07 DBE %Utilization Actual	FY08 MBE %Utilization Actual	FY08 MBE %Utilization Goal	FY08 WBE %Utilization Actual	FY08 WBE %Utilization Goal	FY08 DSBE %Utilization Actual	FY08 DSBE %Utilization Goal
Streets	\$40.82	\$4.38	10.7%	16.6%	9.2%	15.0%	10.4%	10.0%	0.0%	0.0%
Treasurer, City	\$0.05	\$0.02	50.0%	100.0%	50.0%	10.0%	50.0%	5.0%	0.0%	0.0%
Water Department	\$104.72	\$18.04	17.2%	15.9%	11.8%	20.0%	10.1%	10.0%	0.2%	2.0%
All Departments	\$649.99	\$122.79	18.9%	21.0%	14.8%		7.7%		0.0%	
All with City Wide Procurements	\$721.67	\$130.39	18.1%	21.8%	14.3%		7.2%		0.0%	

Source: City of Philadelphia - Office of Economic Opportunity (2009), Econsult Corporation (2009)

Figure H.5 – FY 2008 Utilization by Department of For-Profit DBE Prime Contractors and Sub-Contractors, Divided by Utilization of All For-Profit Prime Contractors and Sub-Contractors (by \$ Contracts Awarded)

City Department	FY08 Dept Total (in \$M)	FY08 DBE Total Actual (in \$M)	FY08 DBE Total Actual (in \$M)	FY08 DBE Total Actual (in \$M)	FY08 DBE %Utilization Actual	FY08 DBE %Utilization Actual	FY08 DBE %Utilization Actual
		City	Metro	US	City	Metro	US
Aviation	\$170.29	\$13.70	\$29.68	\$31.71	8.05%	17.4%	18.6%
Behavioral Health/Mental Retardation Services	\$13.85	\$0.03	\$0.03	\$0.17	0.2%	0.2%	1.3%
Camp William Penn	\$0.00	\$-	\$-	\$-	0.0%	0.0%	0.0%
Capital Program Office	\$31.29	\$4.90	\$7.20	\$7.34	15.7%	23.0%	23.5%
City Planning Commission	\$0.43	\$0.08	\$0.08	\$0.08	19.5%	19.5%	19.5%
Civil Service Commission	\$0.03	\$-	\$-	\$-	0.0%	0.0%	0.0%
Commerce	\$-	\$-	\$-	\$-	0.0%	0.0%	0.0%
Fairmount Park Commission	\$0.02	\$0.00	\$0.01	\$0.01	0.0%	41.7%	41.7%
Finance, Director of	\$11.26	\$2.51	\$3.49	\$3.52	22.3%	31.0%	31.3%
Fire	\$5.68	\$0.77	\$0.77	\$0.77	13.6%	13.6%	13.6%
Fleet Management	\$7.18	\$0.00	\$0.05	\$0.05	0.8%	0.8%	0.8%
Health, Department of Public	\$5.72	\$0.17	\$0.26	\$0.27	2.9%	4.6%	4.7%

City Department	FY08 Dept Total (in \$M)	FY08 DBE	FY08 DBE	FY08 DBE	FY08 DBE	FY08 DBE	FY08 DBE
		Total Actual (in \$M) City	Total Actual (in \$M) Metro	Total Actual (in \$M) US	%Utilization Actual City	%Utilization Actual Metro	%Utilization Actual US
Historical Commission	\$0.01	\$-	\$-	\$-	0.0%	0.0%	0.0%
Human Services, Department of	\$80.58	\$1.12	\$1.91	\$3.16	1.4%	2.4%	3.9%
Division of Technology	\$24.66	\$2.58	\$3.81	\$4.64	10.5%	15.5%	18.8%
Labor Relations	\$-	\$-	\$-	\$-	0.0%	0.0%	0.0%
Law Department	\$23.24	\$3.80	\$3.80	\$3.80	16.4%	16.4%	16.4%
Library, Free	\$1.18	\$0.05	\$0.07	\$0.08	4.0%	6.3%	6.4%
Licenses and Inspections, Department of	\$1.00	\$0.00	\$0.03	\$0.03	0.0%	2.8%	2.8%
Managing Director's Office	\$0.98	\$0.33	\$0.43	\$0.43	33.3%	43.9%	43.9%
Mayor's Office	\$0.65	\$0.00	\$0.00	\$0.06	0.0%	0.0%	9.3%
Mayor's Office of Community Services	\$0.06	\$-	\$-	\$-	0.0%	0.0%	0.0%
Mural Arts Program	\$-	\$-	\$-	\$-	0.0%	0.0%	0.0%
Office of Housing & Community Development (OHCD)	\$0.96	\$0.00	\$0.07	\$0.07	0.0%	6.7%	6.7%
Office of Supportive Housing (OSH)	\$6.41	\$0.72	\$0.88	\$0.91	11.2%	13.7%	14.3%

City Department	FY08 Dept Total (in \$M)	FY08 DBE Total Actual (in \$M)	FY08 DBE Total Actual (in \$M)	FY08 DBE Total Actual (in \$M)	FY08 DBE %Utilization Actual	FY08 DBE %Utilization Actual	FY08 DBE %Utilization Actual
		City	Metro	US	City	Metro	US
Pensions & Retirement, Board of	\$1.55	\$0.00	\$0.00	\$0.00	0.0%	0.1%	0.1%
Personnel	\$0.63	\$0.06	\$0.07	\$0.12	9.4%	11.0%	18.6%
Police	\$2.39	\$0.00	\$0.08	\$0.08	0.0%	3.4%	3.4%
Prisons	\$86.47	\$13.89	\$15.75	\$24.98	16.1%	18.2%	28.9%
Procurement	\$0.15	\$-	\$-	\$-	0.0%	0.0%	0.0%
Property, Department of Public	\$17.09	\$15.40	\$15.42	\$15.42	90.1%	90.3%	90.3%
Records	\$3.25	\$0.00	\$0.32	\$0.32	0.1%	9.9%	9.9%
Recreation	\$0.55	\$0.03	\$0.03	\$0.06	4.7%	4.7%	11.4%
Revenue	\$4.48	\$0.73	\$0.73	\$0.96	16.3%	16.3%	21.5%
Revision of Taxes, Board of	\$1.44	\$0.02	\$0.02	\$0.84	1.2%	1.2%	58.3%
Sinking Fund Commission	\$0.00	\$-	\$-	\$-	0.0%	0.0%	0.0%
Streets	\$40.82	\$0.29	\$2.15	\$4.38	0.7%	5.3%	10.7%
Treasurer, City	\$0.05	\$0.02	\$0.02	\$0.02	50.0%	50.0%	50.0%
Water Department	\$104.72	\$4.45	\$12.79	\$18.04	4.3%	12.2%	17.2%
All Departments	\$649.99	\$65.64	\$100.22	\$122.79	10.10%	15.4%	18.9%

City Department	FY08 Dept Total (in \$M)	FY08 DBE Total Actual (in \$M) City	FY08 DBE Total Actual (in \$M) Metro	FY08 DBE Total Actual (in \$M) US	FY08 DBE %Utilization Actual City	FY08 DBE %Utilization Actual Metro	FY08 DBE %Utilization Actual US
All with City Wide Procurements	\$721.67	\$70.99	\$106.86	\$130.39	9.84%	14.8%	18.1%

Source: City of Philadelphia - Office of Economic Opportunity (2009), Econsult Corporation (2009)

Figure H.6 – “Certifiabiles,” by Selected City Department (i.e. Minority, Women, and/or Disabled-Owned, But Not DBE Certified)

Department	# TBD	# Minority Owned	# Women Owned	# Disabled Owned
Board of Pensions and Retirement	0	26	8	0
City Treasurer's Office	0	2	1	0
Commerce Department	0	0	0	0
Department of Behavioral Health/Mental Retardation Services	0	0	0	0
Department of Human Services	78	16	16	1
Department of Public Health	0	19	13	0
Department of Public Property	0	0	1	0
Department of Records	0	0	1	0
Department of Risk Management	0	0	0	0
Fairmount Park Commission	0	0	0	0
Fire Department	0	0	0	0
Free Library of Philadelphia	0	0	10	0
Licenses and Inspections	0	3	4	0
Mayor's Office of Community Service	0	10	2	0
Office of Fleet Management	0	0	1	0
Office of Housing and Community Development	0	5	0	0
Philadelphia City Planning Commission	0	0	0	0
Philadelphia Commercial Development Corporation	0	142	57	1
Streets Department	0	0	1	0
Water Department	0	0	7	0
TOTAL	78	223	122	2

Source: City of Philadelphia (2009), Econsult Corporation (2009)

APPENDIX I: AVAILABILITY CHARTS

Here we provide additional detail on the availability of Disadvantaged Business Enterprise (DBE) firms at different geographies and using different approaches. First, we depict the availability of DBE firms using the City of Philadelphia as the unit of geography, thanks to data available from the Philadelphia District Office of the US Small Business Administration (see Figure I.1).

Figure I.1 – FY2008 Availability (A1) – # Minority-Owned and Women-Owned Firms Divided By # All Firms in the City of Philadelphia, Based on 2004 US Small Business Administration (Philadelphia District Office)

Ethnicity	Gender	# Firms	% of Total	Population	% of Total
White	Female	13,890	22.0%	333,861	22.0%
Native Am	Male & Female	X	X	X	X
Asian American	Male & Female	4,403	7.0%	67,654	5.4%
African Am	Male & Female	9,285	14.8%	655,824	43.2%
Hispanic	Male & Female	1,566	2.5%	128,928	8.5%
All MBE	Male & Female	15,150	24.0%	852,406	56.2%
Disabled	Male & Female	X	X	X	X
All DBE	Male & Female	29,040	46.2%	1,186,267	78.2%

Source: US Small Business Administration – Philadelphia District Office (2004), Econsult Corporation (2007)

Next, we provide an overview of the City's availability of DBE firms, at the Philadelphia Metropolitan Statistical Area (MSA) level, based on these four, broader approaches, all of which use data from the 2002 US Census Survey of Small Business Owners:

- Availability (A2) – # DBE Firms Divided By # All Firms in Philadelphia MSA (see Figure I.2)
- Availability (A3) – # DBE Firms > 1 Employee Divided by # All Firms > 1 Employee in Philadelphia MSA (see Figure I.3)

-
- Availability (A4) – \$ Revenue of DBE Firms Divided by \$ Revenue of All Firms in Philadelphia MSA (see Figure I.4)
 - Availability (A5) – \$ Revenue of DBE Firms > 1 Employee Divided by \$ Revenue of All Firms > 1 Employee in Philadelphia MSA (see Figure I.5)
 - The first two columns delineate which DBE category is being considered.
 - The following four columns show the number of firms in various DBE categories, by contract type.
 - The next four columns show the availability rate of firms in various DBE categories, by contract type.
 - The final four columns show any equivalent figures available from the DJ Miller & Associates (DJMA) analysis of 1998-2003 data.
 - The four cells underneath the main table provide the total number of firms by contract type; these numbers serve as the denominator of this method of the availability rate

Figure I.2 – FY 2008 Availability (A2) – # DBE Firms Divided By # All Firms in Philadelphia MSA, Based on 2002 US Census Survey of Business Owners

Category		DBE				DBE %				DJMA1998-2003			
Ethnicity	Gender	PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types
Native American	Male	X	X	X	X	X	X	X	X	X	X	X	X
Asian American	Male	X	X	X	X	X	X	X	X	X	X	X	X
African American	Male	X	X	X	X	X	X	X	X	X	X	X	X
Hispanic	Male	X	X	X	X	X	X	X	X	X	X	X	X
Native American	Female	X	X	X	X	X	X	X	X	X	X	X	X
Asian American	Female	X	X	X	X	X	X	X	X	X	X	X	X
African American	Female	X	X	X	X	X	X	X	X	X	X	X	X
Hispanic	Female	X	X	X	X	X	X	X	X	X	X	X	X
White	Female	X	X	X	X	X	X	X	X	X	X	X	X
Native American	M&F	100	246	174	1,164	0.2%	0.3%	0.3%	0.3%	X	X	X	X
Asian American	M&F	X	2,712	4,258	19,759	X	3.7%	6.5%	4.7%	X	X	X	X
African American	M&F	1,313	3,284	2,413	24,486	2.9%	4.4%	3.7%	5.9%	X	X	X	X
Hispanic	M&F	1,277	1,034	1,451	8,963	2.8%	1.4%	2.2%	2.2%	X	X	X	X
All MBE	M&F	2,699	7,276	8,296	54,639	6.0%	9.8%	12.6%	13.1%	X	X	X	X
All Disabled	Female	3,470	20,535	17,987	108,834	7.7%	27.8%	27.3%	26.1%	X	X	X	X
All DBE*	M&F	6,160	27,811	26,283	163,206	13.7%	37.6%	39.9%	39.2%	X	X	X	X
* 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.													
All	M&F	44,885	73,999	65,954	416,358								

Source: US Census Survey of Business Owners (2002), Econsult Corporation (2007)
 "X" denotes data unavailable or insufficient.

Figure I.3 – FY 2008 Availability (A3) – # DBE Firms > 1 Employee Divided by # All Firms > 1 Employee in Philadelphia MSA, Based on 2002 US Census Survey of Business Owners

Category		DBE				DBE %				DJMA1998-2003			
Ethnicity	Gender	PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types
Native American	Male	x	x	x	x	x	x	x	x	x	x	x	x
Asian American	Male	x	x	x	x	x	x	x	x	x	x	x	x
African American	Male	x	x	x	x	x	x	x	x	x	x	x	x
Hispanic	Male	x	x	x	x	x	x	x	x	x	x	x	x
Native American	Female	x	x	x	x	x	x	x	x	x	x	x	x
Asian American	Female	x	x	x	x	x	x	x	x	x	x	x	x
African American	Female	x	x	x	x	x	x	x	x	x	x	x	x
Hispanic	Female	x	x	x	x	x	x	x	x	x	x	x	x
White	Female	x	x	x	x	x	x	x	x	8.3%	7.7%	13.7%	12.6%
Native American	M&F	35	43	x	253	0.3%	0.2%	x	0.2%	0.4%	0.0%	0.1%	0.1%
Asian American	M&F	x	623	2,061	6,310	x	3.6%	8.4%	5.5%	0.5%	0.9%	5.9%	4.8%
African American	M&F	174	320	231	2,442	1.3%	1.9%	0.9%	2.1%	2.1%	2.4%	2.7%	2.6%
Hispanic	M&F	151	176	245	1,368	1.1%	1.0%	1.0%	1.2%	1.1%	0.2%	0.9%	0.9%
All MBE	M&F	368	1,162	2,537	10,373	2.8%	6.7%	10.3%	9.0%	4.1%	3.6%	9.5%	8.4%
All	Female	1,073	3,090	3,501	17,854	8.1%	17.9%	14.3%	15.5%	x	x	x	x
Disabled	M&F	x	x	x	x	x	x	x	x	x	x	x	x
All DBE*	M&F	1,433	4,252	6,038	28,227	10.8%	24.6%	24.6%	24.6%	12.4%	11.3%	23.2%	21.0%
* 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.													
All	M&F	13,242	17,275	24,526	114,869								

Source: US Census Survey of Business Owners (2002), Econsult Corporation (2007)
 "X" denotes data unavailable or insufficient.

Figure I.4 – FY 2008 Availability (A4) – \$ Revenue of DBE Firms Divided by \$ Revenue of All Firms in Philadelphia MSA, Based on 2002 US Census Survey of Business Owners (in \$M)

Category		DBE				DBE %				DJMA1998-2003			
Ethnicity	Gender	PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types
Native American	Male	X	X	X	X	X	X	X	X	X	X	X	X
Asian American	Male	X	X	X	X	X	X	X	X	X	X	X	X
African American	Male	X	X	X	X	X	X	X	X	X	X	X	X
Hispanic	Male	X	X	X	X	X	X	X	X	X	X	X	X
Native American	Female	X	X	X	X	X	X	X	X	X	X	X	X
Asian American	Female	X	X	X	X	X	X	X	X	X	X	X	X
African American	Female	X	X	X	X	X	X	X	X	X	X	X	X
Hispanic	Female	X	X	X	X	X	X	X	X	X	X	X	X
White	Female	X	X	X	X	X	X	X	X	X	X	X	X
Native American	M&F	X	X	\$7.8	X	X	X	0.0%	X	X	X	X	X
Asian American	M&F	X	X	\$2.6	\$ 5.1	X	X	1.1%	0.8%	X	X	X	X
African American	M&F	X	X	\$207.4	\$ 2.0	X	X	0.1%	0.3%	X	X	X	X
Hispanic	M&F	X	X	\$262.6	\$ 1.2	X	X	0.1%	0.2%	X	X	X	X
All MBE	M&F	X	X	\$3.1	\$ 8.4	X	X	1.3%	1.4%	X	X	X	X
All Disabled	Female	X	X	\$2.1	\$18.3	X	X	0.9%	3.0%	X	X	X	X
All DBE*	M&F	X	X	\$5.2	\$26.7	X	X	2.3%	4.4%	X	X	X	X
* 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.													
All	M&F	\$27.8	\$29.4	\$22.4	\$611.8								

Source: US Census Survey of Business Owners (2002), Econsult Corporation (2007)
 "X" denotes data unavailable or insufficient.

Figure I.5 – FY 2008 Availability (A5) –\$ Revenue of DBE Firms > 1 Employee Divided by \$ Revenue of All Firms > 1 Employee in Philadelphia MSA, Based on 2002 US Census Survey of Business Owners

Category		DBE				DBE %				DJMA1998-2003			
Ethnicity	Gender	PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types
Native American	Male	X	X	X	X	X	X	X	X	X	X	X	X
Asian American	Male	X	X	X	X	X	X	X	X	X	X	X	X
African American	Male	X	X	X	X	X	X	X	X	X	X	X	X
Hispanic	Male	X	X	X	X	X	X	X	X	X	X	X	X
Native American	Female	X	X	X	X	X	X	X	X	X	X	X	X
Asian American	Female	X	X	X	X	X	X	X	X	X	X	X	X
African American	Female	X	X	X	X	X	X	X	X	X	X	X	X
Hispanic	Female	X	X	X	X	X	X	X	X	X	X	X	X
White	Female	X	X	X	X	X	X	X	X	X	X	X	X
Native American	M&F	X	X	X	X	X	X	X	X	X	X	X	X
Asian American	M&F	X	X	\$1,116.4	\$1,116.4	X	X	0.5%	0.2%	X	X	X	X
African American	M&F	\$141.0	X	X	\$1,567.0	0.5%	X	X	0.3%	X	X	X	X
Hispanic	M&F	X	X	X	X	X	X	X	X	X	X	X	X
All MBE	M&F	\$141.0	X	\$1,116.4	\$1,567.0	0.5%	X	0.5%	0.3%	X	X	X	X
All Disabled	Female	X	X	\$1,861.8	\$16,048.8	X	X	0.8%	2.7%	X	X	X	X
All DBE*	M&F	X	X	\$2,978.2	\$18,732.1	X	X	1.3%	3.1%	X	X	X	X
* 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.													
All	M&F	\$25,832.9	\$27,008.7	\$226,221.9	\$597,073.6								

Source: US Census Survey of Business Owners (2002), Econsult Corporation (2007)
 "X" denotes data unavailable or insufficient.

Looking across figures, we can make the following points about the constitution of firms in various DBE categories and contract types:

- Availability rates based on the number of firms with paid employees are consistently lower than those based on just the number of firms, which demonstrates that DBE firms are generally smaller in terms of staffing than majority firms.
- Availability rates based on aggregate annual revenues are consistently lower than those based on numbers of firms, which demonstrates that DBE firms are generally smaller in terms of revenues than majority firms.

In contrast, a narrow approach would recognize that not all firms are in fact part of the universe of “ready, willing, and able” (RWA) firms, and that a stricter interpretation of the legal requirements of RWA would necessitate including only those businesses that are in fact ready to do business with the City, as evidenced by registering with the City to bid for contracts.

Based on a narrower approach and using the City of Philadelphia’s Minority Business Enterprise Council (MBEC) and Procurement Office data to determine the appropriate availability of DBE firms, we can consider only the number of firms in these universes.

- First, we provide an overview of the City’s availability rate of DBE firms, using the MBEC Vendor List as the numerator and Procurement Office data as the denominator: we consider this approach “Availability (A6)” (see Figure I.6).
- Second, we provide an overview of the City’s availability rate of DBE firms, using Procurement Office data as both the numerator and the denominator: we consider this approach “Availability (A7)” (see Figure I.7).

For both tables “Availability (A6)” and “Availability (A7)”, the Procurement Vendor’s file from calendar year 2007 was utilized for consistency in analysis. As utilization data is reflective of the FY 2008 (July 1, 2007 to June 30, 2008) period, and the Procurement Vendor’s file is reflective of the City’s list as of May 2009, we believe this dataset provides a more reliable and accurate portrayal of both DBE firm availability and the disparity derived from utilization rates.

Figure I.6 – FY 2008 Availability (A6) – # DBE Firms Divided By # All Firms in Philadelphia MSA, Based on OEO Vendor List and Procurement Office Vendor List

Category		DBE				DBE %			
Ethnicity	Gender	PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types
Native American	Male	X	X	X	17	X	X	X	0.2%
Asian American	Male	X	X	X	111	X	X	X	1.3%
African American	Male	X	X	X	426	X	X	X	5.0%
Hispanic	Male	X	X	X	79	X	X	X	0.9%
Native American	Female	X	X	X	6	X	X	X	0.1%
Asian American	Female	X	X	X	33	X	X	X	0.4%
African American	Female	X	X	X	184	X	X	X	2.2%
Hispanic	Female	X	X	X	23	X	X	X	0.3%
White	Female	X	X	X	444	X	X	X	5.2%
Native American	M&F	X	X	X	23	X	X	X	0.3%
Asian American	M&F	X	X	X	144	X	X	X	1.7%
African American	M&F	X	X	X	610	X	X	X	7.2%
Hispanic	M&F	X	X	X	102	X	X	X	1.2%
All MBE	M&F	X	X	X	879	X	X	X	10.3%
All	Female	X	X	X	690	X	X	X	8.1%
Disabled	M&F	X	X	X	6	X	X	X	0.1%
All DBE*	M&F	X	X	X	1,329	X	X	X	15.6%
* 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.									
All	M&F	x	x	x	8,510				

Source: OEO Vendor List (2009) / City of Philadelphia Procurement Office (2009), Econsult Corporation (2009)
 "X" denotes data unavailable or insufficient.

Figure I.7 – FY 2008 Availability (A7) – # DBE Firms Divided By # All Firms in Philadelphia MSA, Based on Procurement Office Vendor List

Category		DBE				DBE %			
Ethnicity	Gender	PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types
Native American	Male	X	X	X	X	X	X	X	X
Asian American	Male	X	X	X	X	X	X	X	X
African American	Male	X	X	X	X	X	X	X	X
Hispanic	Male	X	X	X	X	X	X	X	X
Native American	Female	X	X	X	X	X	X	X	X
Asian American	Female	X	X	X	X	X	X	X	X
African American	Female	X	X	X	X	X	X	X	X
Hispanic	Female	X	X	X	X	X	X	X	X
White	Female	X	X	X	X	X	X	X	X
Native American	M&F	X	X	X	X	X	X	X	X
Asian American	M&F	X	X	X	X	X	X	X	X
African American	M&F	X	X	X	X	X	X	X	X
Hispanic	M&F	X	X	X	X	X	X	X	X
All MBE	M&F	x	x	x	848	x	x	x	10.0%
All	Female	x	x	x	88	x	x	x	1.0%
Disabled	M&F	x	x	x	15	x	x	x	0.2%
All DBE *	M&F	x	x	x	951	x	x	x	11.2%
<i>* 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.</i>									
All	M&F	x	x	x	8,510				

Source: City of Philadelphia Procurement Office (2009), Econsult Corporation (2009)
 "X" denotes data unavailable or insufficient.

From these two figures, we can observe the following points:

- Availability rates are higher if the OEO Vendor List is used as the numerator than if Procurement Office data is used:
 - MBE availability of 10.3 percent across all contract categories if the MBEC Vendor List is used, versus 10.0 percent if Procurement Office data is used.
 - WBE availability of 8.1 percent across all contract categories if the MBEC Vendor List is used, versus 1.0 percent if Procurement Office data is used.
 - DBE availability of 15.6 percent across all contract categories if the MBEC Vendor List is used, versus 11.2 percent if Procurement Office data is used.
 - In other words, there are more MBE and WBE certified with OEO than there are self-identified minority-owned firms and women-owned firms with the Procurement Office.
- Considering all firms with paid employees per the SBA/Census survey (i.e. “A3,” or our most commonly used form of availability), MBE availability is 9.0 percent and WBE availability is 15.5 percent. This compares to MBE availability of 10.8 percent and WBE availability of 8.1 percent as per “A6,” and MBE availability of 10.0 percent and WBE availability of 1.0 percent as per “A7.”
 - This means that as we go from a “broader” approach (“A3”) to a “narrower” approach (“A6” and “A7”), there is a larger proportionate drop in WBE availability. In other words, the ratio of WBE firms registered with the City to all firms registered with the City is smaller than the ratio of WBE firms that exist to all firms that exist. Shoring up this discrepancy is a significant component to ensuring fair participation in the economic opportunities represented by City contracts.
 - Somewhat surprisingly, this does not appear to be the case for MBE availability, as the estimated availability rates using the “broader approach” (“A3”) are not much different than the estimated availability rates using the “narrower” approach (“A6” and “A7”): 9.0 percent for “A3” versus 10.8 percent for “A6” and 10.0 percent for “A7.” Potentially, this can be interpreted to mean that MBE firms have been more accurately represented in OEO and Procurement Office lists, proportionate to their overall availability.

APPENDIX J: DISPARITY CHARTS

As the previous appendices indicate, we have calculated utilization in three different ways, based on differing units of geography; and we have calculated availability in seven different ways, based on various approaches to proxying “ready, willing, and able” firms. In determining the appropriate disparity ratios, we must properly match utilization approaches with commensurate availability approaches.

First, we can match Utilization (U1) with Availability (A1), because both consider just the City of Philadelphia as the unit of geography (see Figure J.1).

Figure J.1 - FY 2008 Disparity (D1) – Utilization Rate and Availability Rate Sized to City of Philadelphia

<u>Category</u>		<u>PW</u>			<u>PPS</u>			<u>SSE</u>			<u>All City Contracts</u>		
<u>Ethnicity</u>	<u>Gender</u>	<u>City</u>	<u>Metro</u>	<u>All</u>	<u>City</u>	<u>Metro</u>	<u>All</u>	<u>City</u>	<u>Metro</u>	<u>All</u>	<u>City</u>	<u>Metro</u>	<u>All</u>
Native American	Male	X	X	X	X	X	X	X	X	X	X	X	X
Asian American	Male	X	X	X	X	X	X	X	X	X	X	X	X
African American	Male	X	X	X	X	X	X	X	X	X	X	X	X
Hispanic	Male	X	X	X	X	X	X	X	X	X	X	X	X
Native American	Female	X	X	X	X	X	X	X	X	X	X	X	X
Asian American	Female	X	X	X	X	X	X	X	X	X	X	X	X
African American	Female	X	X	X	X	X	X	X	X	X	X	X	X
Hispanic	Female	X	X	X	X	X	X	X	X	X	X	X	X
White	Female	X	X	X	X	X	X	X	X	X	0.0	X	X
Native American	M&F	X	X	X	X	X	X	X	X	X	X	X	X
Asian American	M&F	X	X	X	X	X	X	X	X	X	0.0	X	X
African American	M&F	X	X	X	X	X	X	X	X	X	0.5	X	X
Hispanic	M&F	X	X	X	X	X	X	X	X	X	0.5	X	X
All MBE	M&F	X	X	X	X	X	X	X	X	X	0.4	X	X
Disabled	M&F	X	X	X	X	X	X	X	X	X	X	X	X
All	Female	X	X	X	X	X	X	X	X	X	X	X	X
All DBE *	M&F	X	X	X	X	X	X	X	X	X	0.2	X	X

Sources: Econsult Corporation (2007, 2009); Utilization = OEO Annual Participation Report (2007); Availability = US Small Business Administration – Philadelphia District Office (2004)

**X" denotes data unavailable or insufficient*

As described in Section 2 and in Section 3.2, there is a broad and a narrow approach to defining Disadvantaged Business Enterprise (DBE) availability. Based on the broad approach and using 2002 US Census data, we can further delineate between the number of firms, the number of firms with paid employees, the aggregate annual revenues of firms, and the aggregate annual revenues of firms with paid employees.

These represent four approaches to determining the appropriate availability of DBE firms, and therefore four sets of results in determining the disparity ratio, which we call D2, D3, D4 and D5. Figure J.2, Figure J.3, Figure J.4, and Figure J.5 provide an overview of the City's utilization of DBE firms in its awarding of contracts:

- The first two columns delineate which DBE category is being considered.
- The following three columns show the utilization of various DBE categories in Public Works contracts.
- The next three columns show the utilization of various DBE categories in Personal and Professional Services contracts.
- The next three columns show the utilization of various DBE categories in Services, Supplies, and Equipment contracts.
- The following three columns show the utilization of various DBE categories across all contract types.
- The final four columns show any equivalent figures available from the DJMA analysis of 1998-2003 data.

Within each set of columns, we further broke out contracts awarded to DBE firms based on whether they are listed in the City of Philadelphia's Minority Business Enterprise Council (MBEC) Vendor List as having a Philadelphia zip code ("City") or a zip code of one of the nine counties in the Philadelphia Metropolitan Statistical Area (MSA) ("Metro"), or regardless of where they are located ("All"). In this way, we can further determine the utilization of local DBE firms, not just all DBE firms.

Figure J.2 – FY 2008 Disparity (D2) – Availability Rate Based on # Firms in Philadelphia MSA

<u>Category</u>		<u>PW</u>			<u>PPS</u>			<u>SSE</u>			<u>All City Contracts</u>		
<u>Ethnicity</u>	<u>Gender</u>	<u>City</u>	<u>Metro</u>	<u>All</u>	<u>City</u>	<u>Metro</u>	<u>All</u>	<u>City</u>	<u>Metro</u>	<u>All</u>	<u>City</u>	<u>Metro</u>	<u>All</u>
Native American	Male	x	x	x	x	x	x	x	x	x	x	x	x
Asian American	Male	x	x	x	x	x	x	x	x	x	x	x	x
African American	Male	x	x	x	x	x	x	x	x	x	x	x	x
Hispanic	Male	x	x	x	x	x	x	x	x	x	x	x	x
Native American	Female	x	x	x	x	x	x	x	x	x	x	x	x
Asian American	Female	x	x	x	x	x	x	x	x	x	x	x	x
African American	Female	x	x	x	x	x	x	x	x	x	x	x	x
Hispanic	Female	x	x	x	x	x	x	x	x	x	x	x	x
White	Female	X	X	X	X	X	X	X	X	X	X	X	X
Native American	M&F	0.0	0.0	8.5	0.0	0.3	0.7	0.0	0.0	0.0	0.0	0.0	2.3
Asian American	M&F	X	X	X	0.1	0.4	0.4	0.0	0.0	0.0	0.0	0.3	0.4
African American	M&F	1.0	2.1	2.1	2.7	3.0	3.2	1.5	1.7	2.0	1.3	1.6	1.7
Hispanic	M&F	0.4	0.7	0.7	1.1	1.3	1.4	0.1	0.1	0.1	0.6	0.8	0.8
All MBE	M&F	0.8	1.6	2.0	1.4	1.7	1.8	0.5	0.6	0.6	0.7	1.0	1.1
Disabled	M&F	X	X	X	X	X	X	X	X	X	X	X	X
All	Female	0.1	0.6	0.9	0.1	0.2	0.3	0.1	0.1	0.1	0.1	0.2	0.3
All DBE	M&F	0.4	0.9	1.1	0.4	0.5	0.6	0.2	0.2	0.2	0.3	0.4	0.5

Sources: Econsult Corporation (2007, 2009); Utilization = OEO Annual Participation Report (FY 2008), Availability = US Census Survey of Business Owners (2002)

"X" denotes data unavailable or insufficient.

Figure J.3 – FY 2008 Disparity Ratio (D3) - Availability Rate Based on # Firms >1 Employee in Philadelphia MSA

<u>Category</u>		<u>PW</u>			<u>PPS</u>			<u>SSE</u>			<u>All City Contracts</u>		
<u>Ethnicity</u>	<u>Gender</u>	<u>City</u>	<u>Metro</u>	<u>All</u>	<u>City</u>	<u>Metro</u>	<u>All</u>	<u>City</u>	<u>Metro</u>	<u>All</u>	<u>City</u>	<u>Metro</u>	<u>All</u>
Native American	Male	x	x	x	x	x	x	x	x	x	x	x	x
Asian American	Male	x	x	x	x	x	x	x	x	x	x	x	x
African American	Male	x	x	x	x	x	x	x	x	x	x	x	x
Hispanic	Male	x	x	x	x	x	x	x	x	x	x	x	x
Native American	Female	x	x	x	x	x	x	x	x	x	x	x	x
Asian American	Female	x	x	x	x	x	x	x	x	x	x	x	x
African American	Female	x	x	x	x	x	x	x	x	x	x	x	x
Hispanic	Female	x	x	x	x	x	x	x	x	x	x	x	x
White	Female	x	x	x	x	x	x	x	x	x	x	x	x
Native American	M&F	0.0	0.0	5.7	0.0	0.5	1.0	X	X	X	0.0	0.0	3.5
Asian American	M&F	X	X	X	0.1	0.4	4.0	0.0	0.0	0.0	0.0	0.3	0.3
African American	M&F	2.2	4.7	4.7	6.2	6.8	7.3	6.1	7.1	8.0	3.6	4.5	4.8
Hispanic	M&F	1.1	1.7	1.7	1.6	1.8	1.9	0.3	0.3	0.3	1.1	1.4	1.4
All MBE	M&F	1.6	3.5	4.3	2.0	2.5	2.6	0.6	0.7	0.8	1.0	1.4	1.6
Disabled	M&F	X	X	X	X	X	X	X	X	X	X	X	X
All	Female	0.1	0.6	0.8	0.2	0.3	0.5	0.1	0.2	0.2	0.1	0.3	0.5
All DBE	M&F	0.5	1.2	1.4	0.6	0.7	0.9	0.3	0.3	0.4	0.1	0.1	0.2

Sources: Econsult Corporation (2007, 2009); Utilization = OEO Annual Participation Report (FY 2008), Availability = US Census Survey of Business Owners (2002)

"X" denotes data unavailable or insufficient.

Figure J.4 – FY 2008 Disparity Ratio (D4) - Availability Rate Based on \$ Revenue of Firms in Philadelphia MSA

Category		PW			PPS			SSE			All City Contracts		
Ethnicity	Gender	City	Metro	All	City	Metro	All	City	Metro	All	City	Metro	All
Native American	Male	x	x	x	x	x	x	x	x	x	x	x	x
Asian American	Male	x	x	x	x	x	x	x	x	x	x	x	x
African American	Male	x	x	x	x	x	x	x	x	x	x	x	x
Hispanic	Male	x	x	x	x	x	x	x	x	x	x	x	x
Native American	Female	x	x	x	x	x	x	x	x	x	x	x	x
Asian American	Female	x	x	x	x	x	x	x	x	x	x	x	x
African American	Female	x	x	x	x	x	x	x	x	x	x	x	x
Hispanic	Female	x	x	x	x	x	x	x	x	x	x	x	x
White	Female	x	x	x	x	x	x	x	x	x	x	x	x
Native American	M&F	X	X	X	X	X	X	0.0	0.0	0.0	X	X	X
Asian American	M&F	X	X	X	X	X	X	0.0	0.2	0.2	0.3	1.8	2.1
African American	M&F	X	X	X	X	X	X	55.0	64.0	72.0	25.3	31.7	33.3
Hispanic	M&F	X	X	X	X	X	X	3.0	3.0	3.0	6.5	8.5	8.5
All MBE	M&F	X	X	X	X	X	X	4.5	5.3	6.1	6.5	9.0	10.1
Disabled	M&F	X	X	X	X	X	X						
All	Female	X	X	X	X	X	X	1.9	3.0	3.8	0.7	1.6	2.4
All DBE	M&F	X	X	X	X	X	X	2.7	3.3	4.0	2.2	3.4	4.1

Sources: Econsult Corporation (2007, 2009); Utilization = OEO Annual Participation Report (FY 2008), Availability = US Census Survey of Business Owners (2002)

"X" denotes data unavailable or insufficient.

Figure J.5 – Disparity Ratio (D5) - Availability Rate Based on \$ Revenue of Firms >1 Employee in Philadelphia MSA

Category		PW			PPS			SSE			All City Contracts		
Ethnicity	Gender	City	Metro	All	City	Metro	All	City	Metro	All	City	Metro	All
Native American	Male	x	x	x	x	x	x	x	x	x	x	x	x
Asian American	Male	x	x	x	x	x	x	x	x	x	x	x	x
African American	Male	x	x	x	x	x	x	x	x	x	x	x	x
Hispanic	Male	x	x	x	x	x	x	x	x	x	x	x	x
Native American	Female	x	x	x	x	x	x	x	x	x	x	x	x
Asian American	Female	x	x	x	x	x	x	x	x	x	x	x	x
African American	Female	x	x	x	x	x	x	x	x	x	x	x	x
Hispanic	Female	x	x	x	x	x	x	x	x	x	x	x	x
White	Female	x	x	x	x	x	x	x	x	x	x	x	x
Native American	M&F	X	X	X	X	X	X	X	X	X	X	X	X
Asian American	M&F	X	X	X	X	X	X	0.0	0.4	0.4	1.0	7.0	8.5
African American	M&F	5.8	12.2	12.2	X	X	X	X	X	X	25.3	31.7	33.3
Hispanic	M&F	X	X	X	X	X	X	X	X	X	X	X	X
All MBE	M&F	9.0	19.6	24.0	X	X	X	11.6	13.8	15.8	30.3	42.0	47.3
Disabled	M&F	X	X	X	X	X	X	X	X	X	X	X	X
All	Female	X	X	X	X	X	X	2.1	3.4	4.3	0.8	1.7	2.7
All DBE	M&F	X	X	X	X	X	X	4.8	5.9	7.1	3.2	4.8	5.8

Sources: Econsult Corporation (2007, 2009); Utilization = OEO Annual Participation Report (FY 2008), Availability = US Census Survey of Business Owners (2002)

"X" denotes data unavailable or insufficient.

Figure J.6 provides an overview of the City's disparity ratios, using the OEO Vendor List as the numerator and Procurement Office data as the denominator (D6). Figure J.7 provides an overview of the City's disparity ratios, using Procurement Office data as both the numerator and the denominator (D7).

Figure J.6 – FY 2008 Disparity (D6) – Availability Rate Based on # DBE Firms divided by # All Firms in Philadelphia MSA, Based on OEO Vendor List and Procurement Office Vendor List

Category	Gender	PW			PPS			SSE			All City Contracts		
		City	Metro	All	City	Metro	All	City	Metro	All	City	Metro	All
Native American	Male	X	X	X	X	X	X	X	X	X	X	X	X
Asian American	Male	X	X	X	X	X	X	X	X	X	X	X	X
African American	Male	X	X	X	X	X	X	X	X	X	X	X	X
Hispanic	Male	X	X	X	X	X	X	X	X	X	X	X	X
Native American	Female	X	X	X	X	X	X	X	X	X	X	X	X
Asian American	Female	X	X	X	X	X	X	X	X	X	X	X	X
African American	Female	X	X	X	X	X	X	X	X	X	X	X	X
Hispanic	Female	X	X	X	X	X	X	X	X	X	X	X	X
White	Female	X	X	X	X	X	X	X	X	X	0.1	0.4	0.7
Native American	M&F	X	X	X	X	X	X	X	X	X	0.0	0.0	2.3
Asian American	M&F	X	X	X	X	X	X	X	X	X	0.2	0.8	1.0
African American	M&F	X	X	X	X	X	X	X	X	X	0.4	1.3	1.4
Hispanic	M&F	X	X	X	X	X	X	X	X	X	1.1	1.4	1.4
All MBE	M&F	X	X	X	X	X	X	X	X	X	0.9	1.2	1.4
Disabled	M&F	X	X	X	X	X	X	X	X	X	X	X	X
All	Female	X	X	X	X	X	X	X	X	X	0.3	0.6	0.9
All DBE	M&F	X	X	X	X	X	X	X	X	X	0.6	0.9	1.2

Sources: Econsult Corporation (2007, 2009); Utilization: OEO Annual Participation Report (2008); Availability = OEO Vendor List (2009), City of Philadelphia Procurement Office (2008)

"X" denotes data unavailable or insufficient.

Figure J.7 – FY 2008 Disparity – Availability Based on # DBE Firms divided by # All Firms in Philadelphia MSA, Based on Procurement Office Vendor List

<u>Category</u>		<u>PW</u>			<u>PPS</u>			<u>SSE</u>			<u>All City Contracts</u>			
<u>Ethnicity</u>	<u>Gender</u>	<u>City</u>	<u>Metro</u>	<u>All</u>	<u>City</u>	<u>Metro</u>	<u>All</u>	<u>City</u>	<u>Metro</u>	<u>All</u>	<u>City</u>	<u>Metro</u>	<u>All</u>	
Native American	Male	X	X	X	X	X	X	X	X	X	X	X	X	
Asian American	Male	X	X	X	X	X	X	X	X	X	X	X	X	
African American	Male	X	X	X	X	X	X	X	X	X	X	X	X	
Hispanic	Male	X	X	X	X	X	X	X	X	X	X	X	X	
Native American	Female	X	X	X	X	X	X	X	X	X	X	X	X	
Asian American	Female	X	X	X	X	X	X	X	X	X	X	X	X	
African American	Female	X	X	X	X	X	X	X	X	X	X	X	X	
Hispanic	Female	X	X	X	X	X	X	X	X	X	X	X	X	
White	Female	X	X	X	X	X	X	X	X	X	X	X	X	
Native American	M&F	X	X	X	X	X	X	X	X	X	X	X	X	
Asian American	M&F	X	X	X	X	X	X	X	X	X	X	X	X	
African American	M&F	X	X	X	X	X	X	X	X	X	X	X	X	
Hispanic	M&F	X	X	X	X	X	X	X	X	X	X	X	X	
All MBE	M&F	X	X	X	X	X	X	X	X	X	X	0.9	1.3	1.4
Disabled	M&F	X	X	X	X	X	X	X	X	X	X	X	X	X
All	Female	X	X	X	X	X	X	X	X	X	X	2.1	4.8	7.2
All DBE	M&F	X	X	X	X	X	X	X	X	X	X	0.9	1.3	1.6

Sources: Econsult Corporation (2007, 2009); Utilization: OEO Annual Participation Report (2008); Availability = City of Philadelphia Procurement Office (2008)

"X" denotes data unavailable or insufficient.

From these two figures, we can observe the following points:

- Disparity ratios are lower if the OEO Vendor List is used as the numerator of the availability rate than if Procurement Office data is used as the numerator of the availability rate. This is because availability rates are higher using the OEO Vendor List as the numerator, as described previously.
- The disparity ratio for MBEs and WBEs in the Philadelphia MSA is above 1.0:

-
- 1.2 for MBEs and 0.6 for WBEs, if the MBEC Vendor List is used as the numerator of the availability rate.
 - 1.3 for MBEs and 4.8 for WBEs, if Procurement Office data is used as the numerator of the availability rate.
 - MBE and WBE disparity ratios are higher if, instead of considering just firms in the Philadelphia MSA, all OEO-certified vendors are considered, regardless of their geographic location.
 - The MBE disparity ratio is 1.4 for all firms, versus 1.2 for Philadelphia MSA firms and 0.9 for Philadelphia firms (a 36 percent drop-off from “All” to “City”).
 - The WBE disparity ratio is 0.9 for all firms, versus 0.6 for Philadelphia MSA firms and 0.3 for Philadelphia firms (a 67 percent drop-off from “All” to “City”).
 - This suggests that a higher proportion of City contracts go to MBEC-certified vendors outside the Philadelphia MSA (utilization), relative to the proportion of the MBEC Vendor List that is represented by firms outside the Philadelphia MSA (availability). Further, it appears this disparity in geography is increasing from year to year.
 - The numbers, while larger, are almost identical in terms of drop-off, if, instead of using the OEO Vendor List as the numerator of the availability rate, Procurement Office data is used.
 - The MBE disparity ratio, in this case, is 1.4 for all firms, versus 1.3 for Philadelphia MSA firms and 0.9 for Philadelphia firms (a 36 percent drop-off from “All” to “City”).
 - The WBE disparity ratio is 7.2 for all firms, versus 4.8 for Philadelphia MSA firms and 2.1 for Philadelphia firms (a 71 percent drop-off from “All” to “City”).
 - Again, this suggests that a higher proportion of City contracts went to vendors outside the Philadelphia MSA that have registered with the Procurement Office (utilization), relative to the proportion of the Procurement Office Vendor List that is represented by firms outside the Philadelphia MSA (availability).

Finally, we can express our main form of disparity ratio (D3), with our main form of utilization rate (U2) and availability rate (A3), for each DBE category (see Figures J.8 to J.16).

Figure J.8 – FY 2008 Utilization (U2), Availability (A3), and Disparity (D3) for OEO-Certified White Females

	FY 08	FY 08	FY 08	FY 08
	PW	PPS	SSE	All Contract Types
U2	2.8%	1.9%	0.8%	2.2%
A3	X	X	X	X
D3	X	X	X	X

Sources: Econsult Corporation (2007, 2009); Utilization = OEO Participation Report (FY 2008); Availability = US Census Survey of Business Owners (2002)
 "X" denotes data unavailable or insufficient.

Figure J.9 – FY 2008 Utilization (U2), Availability (A3), and Disparity (D3) for OEO-Certified Native Americans

	FY 08	FY 08	FY 08	FY 08
	PW	PPS	SSE	All Contract Types
U2	0.0%	0.1%	0.0%	0.0%
A3	0.3%	0.2%	X	0.2%
D3	0.00	0.50	X	0.00

Sources: Econsult Corporation (2007, 2009); Utilization = OEO Participation Report (FY 2008); Availability = US Census Survey of Business Owners (2002)
 "X" denotes data unavailable or insufficient.

Figure J.10 – FY 2008 Utilization (U2), Availability (A3), and Disparity (D3) for OEO-Certified Asian Americans

	FY 08	FY 08	FY 08	FY 08
	PW	PPS	SSE	All Contract Types
U2	1.8%	1.3%	0.2%	1.4%
A3	X	3.6%	8.4%	5.5%
D3	X	0.36	0.02	0.30

Sources: Econsult Corporation (2007, 2009); Utilization = OEO Participation Report (FY 2008); Availability = US Census Survey of Business Owners (2002)
 "X" denotes data unavailable or insufficient.

Figure J.11 – FY 2008 Utilization (U2), Availability (A3), and Disparity (D3) for OEO-Certified African Americans

	FY 08	FY 08	FY 08	FY 08
	PW	PPS	SSE	All Contract Types
U2	6.1%	13.0%	6.4%	9.5%
A3	1.3%	1.9%	0.9%	2.1%
D3	4.69	6.84	7.11	4.52

Sources: Econsult Corporation (2007, 2009); Utilization = OEO Participation Report (FY 2008); Availability = US Census Survey of Business Owners (2002)
 "X" denotes data unavailable or insufficient.

Figure J.12 – FY 2008 Utilization (U2), Availability (A3), and Disparity (D3) for OEO-Certified Hispanics

	FY 08	FY 08	FY 08	FY 08
	PW	PPS	SSE	All Contract Types
U2	1.9%	1.8%	0.3%	1.7%
A3	1.1%	1.0%	1.0%	1.2%
D3	1.73	1.80	0.30	1.42

Sources: Econsult Corporation (2007, 2009); Utilization = OEO Participation Report (FY 2008); Availability = US Census Survey of Business Owners (2002)
 "X" denotes data unavailable or insufficient.

Figure J.13– FY 2008 Utilization (U2), Availability (A3), and Disparity (D3) for All OEO-Certified MBE

	FY 08	FY 08	FY 08	FY 08
	PW	PPS	SSE	All Contract Types
U2	9.8%	16.4%	6.9%	12.6%
A3	2.8%	6.7%	10.3%	9.0%
D3	3.50	2.45	0.67	1.40

Sources: Econsult Corporation (2007, 2009); Utilization = OEO Participation Report (FY 2008); Availability = US Census Survey of Business Owners (2002)
 "X" denotes data unavailable or insufficient.

Figure J.14– FY 2008 Utilization (U2), Availability (A3), and Disparity (D3) for All OEO-Certified Females

	FY 08	FY 08	FY 08	FY 08
	PW	PPS	SSE	All Contract Types
U2	4.9%	5.1%	2.7%	4.7%
A3	8.1%	17.9%	14.3%	15.5%
D3	0.61	0.29	0.19	0.30

Sources: Econsult Corporation (2007, 2009); Utilization = OEO Participation Report (FY 2008); Availability = US Census Survey of Business Owners (2002)
 "X" denotes data unavailable or insufficient.

Figure J.15 – FY 2008 Utilization (U2), Availability (A3), and Disparity (D3) for All OEO-Certified DSBE

	FY 08	FY 08	FY 08	FY 08
	PW	PPS	SSE	All Contract Types
U2	0.1%	0.0%	0.0%	0.0%
A3	X	X	X	X
D3	X	X	X	X

Sources: Econsult Corporation (2007, 2009); Utilization = OEO Participation Report (FY 2008); Availability = US Census Survey of Business Owners (2002)
 "X" denotes data unavailable or insufficient.

Figure J.16 – FY 2008 Utilization (U2), Availability (A3), and Disparity (D3) for All OEO-Certified DBE

	FY 08	FY 08	FY 08	FY 08
	PW	PPS	SSE	All Contract Types
U2	12.7%	18.3%	7.6%	14.8%
A3	10.8%	24.6%	24.6%	24.6%
D3	1.18	0.74	0.31	0.60

Sources: Econsult Corporation (2007, 2009); Utilization = OEO Participation Report (FY 2008); Availability = US Census Survey of Business Owners (2002)
 "X" denotes data unavailable or insufficient.

APPENDIX K: MARCH 27, 2009 INTERVIEW LESSONS LEARNED MEMORANDUM TO OEO

Date: March 27, 2009

To: Michael Bell, Executive Director, Office of Economic Opportunity (OEO), City of Philadelphia

From: Stephen Mullin, Senior Vice President and Principal, Econsult Corporation

Subject: Interview Lessons Learned to Date

As discussed in our Work Plan, the purpose of interviewing private firms and procurement officers is to augment the quantitative elements of our Disparity Study. With your assistance, we crafted a series of questions that would provide you with the information you specifically asked for, as well as give us additional context from which to interpret our quantitative results and offer policy recommendations.

Distilling interview content into the Disparity Study, therefore, is a three-step process. First, we conduct the interviews and transcribe them into the main statements made in each interview. Second, we look across interview summaries to bring together recurring themes. Third, we integrate those recurring themes into our report narrative. This memo represents the completion of the first two of those three steps, and of course the final report will represent the completion of the third and final step.

Note: as possible, we conveyed interviewees' thoughts in the bullets below, without twisting or turning their words; thus, where we provide our own commentary is annotated by putting such statements in brackets [].

Interviews with Private Firms

As hoped for, the interviewees as a group represent a wide range of geographies, Disadvantaged Business Enterprise categories, industries, certification statuses, and experiences with the City of Philadelphia. We interviewed 12 business owners and asked each of them nine sets of questions. Key responses are bulleted below each set of questions.

1. Do you currently bid for City contracts on a regular basis? Why or why not? If not, is it by choice or is it because of something that, if changed, would cause you to consider bidding for City contracts? Has the implementation of eContractPhilly been helpful, hurtful, or neutral in your efforts to do business with

the City?

- Many respondents said they either do not bid or have bid but have not had good experiences, on account of overly bureaucratic processes and fear of not being paid in a timely fashion.
 - Some noted that eContractPhilly is not easy to use, in terms of both general navigation as well as ability to easily match their firm's expertise with opportunities that are worth applying for as a prime contractor.
 - One certified firm shared a recent incident in which a contract opportunity that it was very well suited to bid on was only communicated to by OEO six hours before proposals were due.
2. To what extent is it easier or harder to do business with the City than with other potential customers? What can the City do to encourage you to find out about and bid for City contracts?
- Some respondents found certain City requirements to be prohibitively difficult to meet, most notably high levels of insurance coverage, bonding requirements, and prevailing wage rates.
 - There was also often a sense that City contracts, in their current bundled form, are hard for smaller firms to participate in.
 - One interviewee attended several networking events expecting to hear about upcoming contract opportunities and/or meet prime contractors looking for DBE sub-contractors. She was disappointed to not hear about contract opportunities that seemed suited to her line of work, as well as to meet many DBEs that were there to simply "collect a project." More help in connecting to contract opportunities and to prime contractors would therefore be helpful.
3. Are you currently an OEO-certified DBE? Why or why not? If not, is it by choice or is it because of something that, if changed, would cause you to consider initiating the certification process? Specifically, can you comment on the extent to which any or all of these are reasons for not being certified: 1) the process is too cumbersome, 2) the process is too invasive, 3) there does not appear to be enough value added associated with being certified, 4) there is a sense of "stigma" associated with being certified.
- One respondent, who is in the process of becoming certified, shared a particularly discouraging experience about a year ago, when the firm was seeking certification for the first time. It was informed that the certification process would take six months. It was also asked to

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- leave its application in an “in box” on a desk, which it felt uncomfortable doing, on account of the highly sensitive information contained within the packet. Finally, it noted that far from trying to assist it in the process, office members appeared to act in a contrary fashion.
- Another respondent doubted whether certification was worth the effort to engage an accountant to assist in the process; while others spoke of the “stigma” associated with certification, wondering if majority firms engaged them because they were mandated to as opposed to wanting to affiliate with the best and most capable firms.
 - On a related note, one respondent stated his firm used to be certified, but has not reapplied because they are much larger now.
 - One respondent became certified as a result of a project they were hired to do, and therefore the process was expedited; but since then, maintaining certification status has consumed too many hours of time.
 - [The reasons firms give for not wanting to be certified have to be addressed, partly directly and partly by giving firms reasons for wanting to be certified, so that there is more of an assumption that a firm that can be certified should be certified, because it is in their interest to do so.]
4. Are you currently a certified DBE with any other public or private sector entity, whether within or outside the region? Why or why not? If not, is it by choice or is it because of something that, if changed, would cause you to consider initiating the certification process?
- Some common entities respondents were certified with: Commonwealth of Pennsylvania, Minority Supplier Development Council, Delaware Valley Green Building Council, American Institute of Architects, Social Venture Network, State of New Jersey, SEPTA, Pennsylvania Department of Transportation, Port Authority of New York and New Jersey.
5. If you are a certified DBE, either with the City or elsewhere, have you taken advantage of reciprocal certifications, whereby an entity accepts your certification from another entity as automatically qualifying you for certification? If so, has that been a factor in your certification and bidding decisions? If not, would more reciprocity in certifications be a factor in your certification and bidding decisions?
- Most respondents did not capitalize on reciprocal certifications.
 - Some were appreciative that City certification automatically certified them with the School District; others mentioned the Commonwealth’s Unified Certification Program.

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6. Do you look for business outside the region, whether with public or private sector entities? Why or why not? If not, is it by choice or is it because of something that, if changed, would cause you to consider bidding for such contracts? How might the City assist you in these efforts?
- Some firms were more local and regional in nature, on account of the location of their relationships and their staff.
 - Others had larger geographic plans, with actual and/or potential work up and down the East Coast and as far away as Central America.
7. What is your understanding of Mayor Nutter's decision to dissolve the Minority Business Enterprise Council (MBEC) and create an Office of Economic Opportunity (OEO)? What do you think the OEO should focus on in terms of encouraging DBE participation in procurement opportunities? In general, what should the City focus on in terms of helping DBEs grow?
- Some respondents were not aware of this shift.
 - [Under the radar screen may either mean firms don't care about City and/or they don't care about MBEC/OEO; but OEO can make them care about it by providing good service and/or by delivering so much value that it enters the mindset of firms to want to be involved.
 - Those who were felt the OEO should focus on communication efforts: convincing firms that it is profitable to do business with the City, collecting capability information from firms so departments have a database from which they can match contract needs with certified firms, and working with departments to segment opportunities in ways that are more advantageous to small businesses.
 - One certified firm noted that since its work does not fall neatly into a particular industry or department, it is all the more important for OEO to connect them to contract opportunities that play to their strengths.
8. What effect has the current economic slowdown had on your business? Are you seeing bigger businesses beginning to "trade down" to compete in your marketplace? Are you able to "trade up" to compete in new marketplaces?
- The extent to which firms were adversely affected by the economic slowdown depended on their industry and their maturity.
 - Many experienced "trading down" by larger firms, both in going after small contracts and in

cutting their fees, which increased competition for available opportunities.

- [Downturn surely makes OEO's advocacy role all the more needed.]

9. Given your understanding of the scope of our work, is there anything else you would like to add in terms of your own experience and perspective? Is there anything else you would hope our report addresses on this topic?

- One respondent appreciated being included in this interview process, and encouraged OEO to reach out to other small businesses in a similarly personal way.
- [In the same way that business retention offices have periodic correspondence with existing businesses, OEO might want to consider some regular connection opportunities with currently certified firms, just to demonstrate care and get more in touch with business needs.]
- Another felt that a lot of attention has been paid to the construction sector, and that professional services deserved equal focus.
- One respondent had a very positive experience with Michael Bell, in that she left with a list of possible projects and a network of potential clients that she was able to translate into business. She believes if this sort of added value and customer service were the norm, more businesses would benefit, and worries that information and service are in fact not consistently made available, but rather that there is an "in" crowd that gets help, leaving everyone else "on the outside looking in."

Interviews with Procurement Offices

As requested, interviewees included representatives from Fire, Fleet Management, Police, and Procurement. We ended up interviewing procurement officers from six City agencies, and asked each of them four sets of questions. Key responses are bulleted below each set of questions.

1. What does your department currently do to encourage DBE participation in procurement opportunities? How did you interface with other City agencies towards that end? What were some things that made this process easier or harder?
 - Many procurement officers noted that they announce opportunities in two waves: first to DBEs and second to all others.

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- Many procurement officers used ADPICS but found it cumbersome to toggle between ADPICS and the OEO directory, wondering why there couldn't be a database that was coordinated as well as easy to navigate, in terms of matching skill needs with qualified firms.
 - [As will be noted in our report, there are additional databases that seek to make the connection for DBE firms; each is trying to be helpful, but together they can create a confusing mix of uncoordinated places one can choose from in researching contracting opportunities.]
 - Many procurement officers see OEO certification as a good thing and encourage it to self-reporting minorities, women, and the disabled. But they are often told the process is invasive and cumbersome and the level of service sub-par. In some cases, officers can be wary of recommending certification, because if a firm has difficulty with the certification process, that firm may return and ask that officer for assistance in clearing away any trouble.
 - One interviewee noted that they have called on OEO to assist them in identifying ready, willing, and able DBEs, and have often had suggested back to them that it is the department's job to find such businesses. This department has not followed up on that suggestion because they do not see that as their primary focus.
2. To what extent does the mix of products and services you procure make it easier or harder to find ready, willing, and able DBEs? If it is harder, what can the City do to help you connect to qualified DBEs? Is there a way you can quantitatively differentiate between the types of procurements that are easier to find ready, willing, and able DBEs for, versus those types that are harder?
- Some procurement officers represent contract opportunities for which there already exist databases of DBE firms; these can then be used to identify qualified candidates.
 - Many procurement officers identified the specialization of the products and services as a potential hindrance in finding qualified DBE firms. This specialization can mean that there are few firms that can possibly meet the need to begin with, DBE or no, which shrinks the universe of possible candidates. Specialization can also refer to geographic territory: for some products and services, qualified DBE firms exist but, like similar non-DBE firms, are limited to a geography that does not include Philadelphia and therefore are not available to go after Philadelphia opportunities.
 - This notion of specialization of products and services truly did apply to both products and services. An example of a product that is hard to find a DBE supplier for is "striker stretchers" for the Fire Department. An example of a service that is hard to find a DBE supplier for is alternative investments for the Board of Pensions and Retirement.
 - One department, in the course of restructuring a program of theirs, reached out to the DBE it had previously engaged in the work and suggested that they might consider becoming a sub-contractor to the much larger prime contractor they were hiring. The DBE refused, and as result DBE participation has declined in that department.

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- [Low utilization rates can easily result when a large proportion of procurement opportunities are characterized by the need for a specialized product or service. The solution then becomes less about increasing DBE utilization and more about figuring out ways to encourage DBEs to branch into these specialty lines and thus increase DBE availability.]
3. What is your understanding of Mayor Nutter's decision to dissolve MBEC and create an Office of Economic Opportunity (OEO)? What can the OEO do to work with you to encourage DBE participation in procurement opportunities?
- Many procurement officers felt the OEO directory was under-utilized, and could be made more user-friendly, accessible, and coordinated with ADPICS.
 - One procurement officer thought participation goals should be revisited, so that they reflect their understanding of true DBE availability for their particular agency and its procurement needs.
 - Many procurement officers would appreciate more interface with OEO in connecting upcoming contract opportunities with qualified DBE firms.
 - One interviewee felt the pool of available DBEs had "remained stagnant and irrelevant to the department's needs," and therefore outreach would help make possible more DBE participation.
4. Given your understanding of the scope of our work, is there anything else you would like to add in terms of your own experience and perspective? Is there anything else you would hope our report addresses on this topic?
- Many procurement officers' negative impression of OEO is really a carry-over from bad experiences with MBEC; thus, the transition provides an opportunity to establish a new image.
 - [Again, a great moment to rebrand and reposition OEO.]
 - Many procurement officers do not distinguish between self-reported minorities, women, and the disabled, and those that are certified as such.
 - Many procurement officers hoped for more consistent service from OEO and greater lines of communication with OEO.

These and other findings will be integrated into our final report, but are presented here to give you a sense of some of the things we have learned in the interview process. I welcome the opportunity to discuss these items with you in person in the near future.

APPENDIX L: DECEMBER 2008 ECONSULT MEMORANDUM RE: PARTICIPATION GOALS

Date: December 22, 2008

To: Michael Bell, Executive Director, Office of Economic Opportunity, City of Philadelphia

From: Stephen Mullin, Senior Vice President and Principal, Econsult Corporation

Subject: Recommendations for FY 2009 Participation Goals

The purpose of this memorandum is to express Econsult Corporation's recommendations to the City of Philadelphia's Office of Economic Opportunity (OEO) for Fiscal Year (FY) 2009 Participation Goals concerning the utilization of Disadvantaged Business Enterprises (DBE) in City of Philadelphia contracts, and to describe the process by which we arrived at these recommended utilization levels. To begin with, it is important to note that existing City legislation already provides some useful guidance that circumscribes the goal-setting process (see Figure 1).

Figure 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)

We have previously recommended Participation Goals with these guidelines in mind; and such an approach is affirmed by the fact that other cities and states reference similar benchmarks. Thus, our Participation Goals are influenced in the following four ways:

- *The present availability of qualified DBE's.* Current availability rates represent the universe of ready, willing, and able DBEs for City contracts. As no new data has been made available since the completion of our FY 2007 Disparity Study, this information is currently available.
- *The participation of qualified DBE's on past contracts awarded by the City.* While we have only just begun analysis for our FY 2008 Disparity Study, we have preliminary utilization results in aggregate via OEO's FY 2008 Participation Report; we can also reference utilization results from our FY 2006 and FY 2007 Disparity Studies.
- *A forecast of eligible contracts to be awarded within the fiscal year.* It is possible that the composition and/or scale of contracts forecasted to be awarded in FY 2009 will be materially different from those awarded in FY 2008, in ways that may necessitate modifications to citywide Participation Goals. For example, there may be departments whose procurements tend to inherently lend themselves to unusually high or low DBE utilization rates, because of the typical size, skills, or specialization needed. If those departments are projected to have much higher or lower procurement amounts in FY 2009 than FY 2008, that may argue for modified citywide Participation Goals.
- *The latest Annual Disparity Study.* As noted above, both our FY06 and FY07 Disparity Studies, as well as OEO's FY08 Participation Report, have been referenced in our recommendations.

Accordingly, in the past two Disparity Studies, Econsult has been mindful of these four influences in its recommendations for Participation Goals. A helpful rule of thumb that has been expressed in the past two Disparity Studies is that, in any given category, if the utilization rate exceeds the availability rate, the goal for the following year should be to maintain the previous year's utilization rate, whereas if the availability rate exceeds the utilization rate, the goal for the following year should be to increase utilization until it meets the previous year's availability rate.⁷³

Hence, with availability rates at around 25 percent in both FY 2006 and FY 2007, and utilization rates below that level in both years, we have tended to recommend overall DBE utilization rates for the following year of around 25 percent. Meanwhile, the City set a goal of 25 percent in FY06 and 50 percent in FY 2007 (see Figure 2).

⁷³ "FY 2006 Disparity Study," Econsult Corporation (June 2007), "FY 2007 Disparity Study," Econsult Corporation (June 2008).

Figure 2 – Actual Utilization and Participation Goals, FY 2006 to FY 2008⁷⁴

	FY06 Actual Utilization (from Econsult Disp Study)	FY07 Participation Goals (as set by Econsult in Disp Study)	FY07 Participation Goals (as set by City)	FY07 Actual Utilization (from Econsult Disp Study)	FY08 Participation Goals (as set by Econsult in Disp Study)	FY08 Participation Goals (as set by City)	FY'08 Actual Utilization (from OEO Partic Rept)
All MBE	14.6%	9%-12%	X	13.0%	13%-16%	25%	12.7%
MBE - Afr Am	11.1%	X	X	9.2%	X	15%	10.0%
MBE - Hisp	2.2%	X	X	2.0%	X	5%	1.7%
MBE - Asian	1.1%	X	X	1.8%	X	4%	1.6%
MBE - Nat Am	0.0%	X	X	0.0%	X	1%	0.7%
All WBE	7.1%	12%-16%	X	8.0%	15%-18%	10%	5.1%
WBE - White	3.0%	X	X	4.6%	X	X	3.7%
All DSBE	0.1%	X	X	0.0%	X	2%	0.0%
All DBE in City	12.1%	X	25%	10.1%	X	50%	N/A
All DBE in Metro	17.6%	X	X	17.6%	X	X	N/A
All DBE in US	22.8%	19%-25%	X	20.8%	25%-28%	X	17.8%

Source: City of Philadelphia – Office of Economic Opportunity (2007, 2008), Econsult Corporation (2007, 2008)

Importantly, the City's goals consider only DBE firms located within the City. As noted in the past two Disparity Studies, a significant number of DBEs that are ready, willing, and able to participate on City contracts are located outside the City: almost six in every ten firms certified by OEO are located outside the City, and over a quarter are located outside the Philadelphia metropolitan area altogether.⁷⁵

⁷⁴ "X" denotes DBE categories and/or years in which goals were not set. "N/A" denotes DBE categories and/or years in which data was unavailable or insufficient.

⁷⁵ As of February 2008, 523 OEO-certified firms were located within the City (41 percent of all OEO-certified firms), while 435 were located outside the City but within the Philadelphia region (34 percent), and 331 were located outside the Philadelphia region but within the US (26 percent).

Setting Participation Goals helps hold the City accountable to important public policy objectives, such as monitoring the extent to which certain categories of businesses are utilized in City contracts. DBEs represent a category of interest, as do firms located within the City. In setting Participation Goals, OEO must therefore consider whether its overriding public policy objective is to advocate for the utilization of DBEs, or more narrowly just those that are located within the City. Given that FY 2007 utilization was 20.8 percent for all DBEs but less than half that (10.1 percent) for DBEs located within the City, what OEO's focus will be may make a big difference in how high Participation Goals are set.

Leaving this important consideration aside, and turning back to OEO's FY 2008 Participation Report, we preliminarily see that utilization levels are roughly the same as in FY 2007. Second, in examining the forecast of eligible contracts for FY 2009 and the City's FY 2009 capital and operating budget, we do not perceive any significant deviation in procurements by department that would cause us to consider that the composition or scale of City contracts is any more or less difficult for DBEs to participate in. Finally, as no additional availability data has become available since the previous year's Disparity Study, we have no new insight as to the composition of ready, willing, and able firms to participate on City contracts. All of these points argue for recommended Participation Goals similar to levels advanced in previous years.

We are, however, mindful of the need to set "stretch" goals when it comes to important public policy objectives. The Nutter Administration has pledged to prioritize the advancement of DBEs, of which the creation of the Office of Economic Opportunity is an important step towards marshalling the resources and influence of the City to assist on both the utilization and availability of minority-, women-, and disabled-owned firms in City contracts. A prolonged recession and heightened global competition, far from suggesting that aggressive action to this end be tabled for later, only reinforce the importance of working towards an economy in which a diversity of entrepreneurs and perspectives are actively represented. On the other hand, the FY 2008 Participation Goals set by the City turned out to be too aggressive, particularly given that they are meant to represent only DBEs located within the City.

As noted in the previous two Disparity Studies, and as will be further elaborated on in the forthcoming FY 2008 Disparity Study, DBE utilization in City contracts is but a small component of a much larger issue, that of the participation of various categories of disadvantaged businesses in the broader economic opportunities represented by non-City contracts in both the public and private sector and both within and outside of City limits. There are meaningful ways in which the City can use its resources and influence to lead in those areas.

Nevertheless, Participation Goals represent tangible and measurable thresholds that are within the City's direct control to influence, and for which therefore the Nutter Administration can hold itself and its various departments accountable. Therefore, we recommend to OEO that the Participation Goal for overall DBE utilization in FY 2009 should be 30 percent (see Figure 3).

Figure 3 – Recommended Participation Goals for FY 2009⁷⁶

	FY06-FY08 Estimated Availability (from Econsult Disp Study)	FY07 Actual Utilization (from Econsult Disp Study)	FY08 Actual Utilization (from OEO Partic Rept)	FY08 Participation Goals (as set by Econsult in Disp Study)	FY08 Participation Goals (as set by City)	FY09 Participation Goals (as set by Econsult)	FY09 % Increase in Utilization (if Participation Goals are met)	FY09 Disparity Ratios (if Participation Goals are met)
All MBE	9.0%	13.0%	12.7%	13%-16%	25%	20%	58%	2.2
MBE - Afr Am	2.1%	9.2%	10.0%	X	15%	13%	30%	6.2
MBE - Hisp	1.2%	2.0%	1.7%	X	5%	3%	73%	2.5
MBE - Asian	5.5%	1.8%	1.6%	X	4%	3%	86%	0.5
MBE - Nat Am	0.2%	0.0%	0.7%	X	1%	1%	49%	5.0
All WBE	15.5%	8.0%	5.1%	15%-18%	10%	10%	95%	0.6
WBE - White	N/A	4.6%	3.7%	X	X	5%	37%	N/A
All DSBE	N/A	0.0%	0.0%	X	2%	0.10%	233%	N/A
All DBE in City	N/A	10.1%	N/A	X	50%	X	N/A	N/A
All DBE in Metro	24.6%	17.6%	N/A	X	X	X	N/A	N/A
All DBE in US	N/A	20.8%	17.8%	25%-28%	X	30%	69%	N/A

Source: Econsult Corporation (2008)

A FY 2009 DBE utilization rate of 30 percent would represent a 69 percent increase over what OEO has reported as actual DBE utilization in FY 2008. Within that overall Participation Goal, we recommend Participation Goals of 20 percent for Minority Business Enterprise (MBE) utilization, 10 percent for Women Business Enterprise (WBE) utilization, and 0.10 percent for Disabled Business Enterprise (DSBE) utilization, as well as Participation Goals for additional DBE sub-categories, all of which would represent significant but achievable increases over reported FY 2008 utilization rates.

⁷⁶ "X" denotes DBE categories and/or years in which goals were not set. "N/A" denotes DBE categories and/or years in which data was unavailable or insufficient.

As will be further elaborated in the FY 2008 Disparity Study due in June 2009, we want to be clear that OEO should work towards broader aims that simply monitoring and helping the City meet these recommended Participation Goals. Such a focus on DBE utilization rates would unfortunately neglect the important efforts that need to be undertaken to increase DBE availability rates, with particular focus on areas such as access to capital, technical assistance, and mentor-protégé relationships, in which additional support can translate into a more robust universe of DBE firms, with benefits to the region as a whole.

For many DBE categories, what is more glaring is not low utilization rates but low availability rates; particularly noteworthy are the low proportions of ready, willing, and able firms in the Philadelphia region that are owned by African Americans (2.1 percent), Hispanics (1.2 percent), and Native Americans (0.2 percent). In these and other cases, we have adjusted our recommended Participation Goals accordingly, to not be constrained by low availability rates in seeking to advocate for higher utilization rates; note, for example, the relatively high disparity ratios that would result for African American firms, Hispanic firms, and Native American firms, if FY 2009 Participations Goals were met.⁷⁷

Furthermore, such a focus on City contracts would unfortunately neglect the vastly larger economic opportunities represented by other, public and private sector procurements both within City limits, around the region, and across the country. To be sure, the City can only directly control and be directly accountable for contracts for which it has decision-making authority; nevertheless, it can and should wield influence in other ways over other entities, by convening symposia, recognizing effective regional initiatives, and connecting local firms to non-local opportunities.

This is our understanding of Mayor Nutter's vision for OEO, a vision we agree with and strongly support: in addition to setting and meeting "stretch" goals as it relates to DBE utilization, the City can do much in working with other entities to increase DBE availability and to connect local DBEs with non-City and non-local opportunities. The net result of such efforts will be a City in which a broader and better universe of entrepreneurs is empowered to contribute to the region's economic vitality, and one in which local DBE firms win more City, non-City, and non-local business, thus leading to more commercial activity within City limits, with benefits to all local residents and businesses.

We are energized by such prospects, and welcome the opportunity to contribute to such efforts. Thank you for the opportunity to have this correspondence with your office. We look forward to working on and completing the FY 2008 Disparity Study, for delivery in June 2009.

⁷⁷ A disparity ratio greater than 1.0 signifies that utilization rates exceed availability rates (this is deemed to be "over-utilization"), while a disparity ratio less than 1.0 signifies that availability rates exceed utilization rates (this is deemed to be "under-utilization").

APPENDIX M: MACCID REPORT EXECUTIVE SUMMARY

[See attached.]

APPENDIX N: INFORMATION ON OTHER, SIMILAR DATABASES DESIGNED TO CONNECT DBE FIRMS TO CONTRACT OPPORTUNITIES

At least three examples exist of databases and networks intended to connect Disadvantaged Business Enterprises (DBEs) with prime contractors and procurement agencies looking to include them in contract opportunities: the CEO Access Network of Greater Philadelphia, The Enterprise Center's dBiz-connect, and the Mayor's Commission on Construction Industry Diversity. The ensuing pages provide additional information on these three resources, which to some degree complement yet compete against the City of Philadelphia's Office of Economic Opportunity (OEO).

[See attached.]

APPENDIX O: DATA SOURCES USED BY OEO

<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 ⁷⁸	Mainframe system (attachments not allowed)	Citywide specialists	Finance	Mayor's Office of Information Services, outside vendor (TIER)
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

⁷⁸ 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>
Symtrac / IMPACT (not yet fully implemented ⁷⁹)	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), Econsult Corporation (2008)

⁷⁹ If fully implemented, Symtrac would allow Annual Participation Report results to be shown in terms of actual funds disbursed.

APPENDIX P: CURRENT OEO DATA COLLECTION PROCESS

<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
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>		
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

<i>Step</i>	<i>Entity</i>	<i>Action</i>	<i>Notes</i>
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 ⁸⁰ by prime and sub	
5b	ASCIT	By race/ethnicity; by contract type (PW / PPS / SSE)	
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), Econsult Corporation (2008)

⁸⁰ I.e. Minority Business Enterprise (MBE), Woman Business Enterprise (WBE), and Disabled Business Enterprise (DSBE).

APPENDIX Q: ILLUSTRATIVE USE OF REVENUE DEPARTMENT DATA

At least three examples exist of databases and networks intended to connect Disadvantaged Business Enterprises (DBEs) with prime contractors and procurement agencies looking to include them in contract opportunities: the CEO Access Network of Greater Philadelphia, The Enterprise Center's dBiz-connect, and the Mayor's Commission on Construction Industry Diversity. The ensuing pages provide additional information on these three resources, which to some degree complement yet compete against the City of Philadelphia's Office of Economic Opportunity (OEO).

Revenue Department data is increasingly being seen by consultants as a rich source for economic analysis. In 2009, Econsult Corporation completed an almost three-year study of retail in Philadelphia, with the assistance of efforts and data by the City of Philadelphia's Revenue Department. The write-up below was an appendix from that final report, and it illustrates the potential, as well as the challenge, of using revenue data for economic analysis.

Figure Q.1 – Revenue Department Data Write-Up from 2009 Econsult Corporation Report on Retail in Philadelphia

This study uses revenue and payroll data at the store level, thanks to access to historical tax records through the City of Philadelphia's Department of Revenue: revenue data from Business Privilege Tax filings, and payroll data from Wage Tax filings. Our main interest here, to the extent that a corridor is our chief unit of measurement, is the aggregate activity of retail stores located within corridor boundaries; although some store-level econometric work did account for retail activity at the single-store level, regardless of whether or not they were located within a corridor.

Results can be calculated in two ways. Raw dollar amounts enable interesting comparisons across time and space, in terms of sizing corridors relative to one another. Same-store growth rates normalize these raw dollar amounts across time and space, such that regardless of starting size, two corridors can be compared with one another in terms of their growth. These same-store growth rates, as the phrase implies,

include revenue and payroll values for previously existing stores and thus do not include the addition or subtraction of stores from one year to another. They are also weighted within each corridor by the absolute size of each store's revenues and payroll, such that a store that is ten times larger than another store within the same corridor would count ten times as much in determining that corridor's same-store sales growth.

The original source data used for these analyses is of a highly sensitive nature. Therefore, Econsult analysts signed confidentiality agreements, and all work involving the viewing of individual records was performed at the Department of Revenue; once aggregated to the corridor level, results could then be taken off-site for further analysis. Also, any single-store data, or any results involving aggregations less than five stores, had to be suppressed and could not be shown in publicly released reports.

Our processing of this data involved narrowing down to years (1995-2005) and business types (NAICS and SIC codes denoting retail-type establishments) of interest to this study. These data were first cleaned by the Department of Revenue, with assistance from interns from Temple University, to better assign revenue and payroll activity to specific locations within the City. The end result of this massive effort was a data set that enabled an unprecedented and rich look over time at retail sales levels, same-store sales growth, and store turnover, among other indicators of corridor retail health.

Of course, Revenue Department data also does not include under-reporting or un-reporting. To determine if this was going to skew our data either over time, space, or corridor type, we audited four locations representing different parts of the City and different types of retail centers, in terms of comparing listed businesses and actual storefronts, and did not

find any material differences in variances across corridors. Thus, we are relatively satisfied that any under-counting of revenue and payroll activity is consistent enough across time, space, and corridor type to make comparisons across corridors reasonably accurate.

Even within the existing data set, several different issues needed to be addressed. For example, some of the establishments had more than one location within the City but only reported an aggregated sales volume for their headquarters location. In the absence of any information on which locations generated a higher or lower level of sales, the reported aggregate amount was divided equally among all of the locations.

Missing years also posed a problem, particularly since erratic movements in the data for even a single firm can have a huge effect on corridor-level data in cases where the number of stores within a corridor is very small. Market East and Market West, the two Center City corridors, both have more than 400 retail establishments; however, the bottom end of the distribution contains 122 corridors – almost half of the 265 retail centers located within the City - with 10 or fewer retail establishments. In contrast, at a citywide level, large changes in individual firms offset each other to produce a reasonably smooth change in total retail sales.

These missing years posed two problems. First, if the firm had a large share of total sales for the corridor, the missing years led to very large changes in the sales volume for the corridor as a whole. Second, the missing years created a misleading count in the number of births and deaths in the corridor. To overcome these problems, the missing data was interpolated from the observations on either side of the missing data.

Another set of issues can best be described as misplaced decimal points: for example, a given firm consistently reports \$1 million or more in sales for several consecutive years, followed by one or more years of what appears to be \$100,000 in sales, only to revert to the \$1 million or more level later in the study period. Some of these changes may well be an accurate picture of what took place: a store may have had a fire, or a major renovation project, or a major personal event, which led to the extraordinarily high dip in annual sales. However, we believe that most of these changes were in fact misplaced decimal points.

These large changes in sales levels at a single-store level created two problems. First, if the firm represented a significant share of total sales for the corridor the level of sales for the corridor as a whole would change dramatically. Second, these mistakes distort same-store sales growth. The growth rate from \$100,000 to \$1 million is 900 percent, and when same-store growth rates were aggregated to the corridor level, they were weighted by the share of total sales volume in the corridor, so a change from \$100,000 to \$1 million implies a much larger share of total sales, thus generating an implausible result for the aggregated same-store growth rates. To overcome these issues the data series with misplaced decimal points were cleaned by removing the low observations and interpolating from the observations on either side of the previously low observations.

A final set of adjustments that was made to the original data was related to the introduction and cessation of stores, which we refer to as “births” and “deaths.” Not all new business formations take place on January 1, which would make their first year of operations a full calendar year of activity; therefore, most businesses have implausible growth rates from their first to second years, because their first “year” may be much shorter than a calendar year. The same can be said for firms that exit a corridor or fail;

they do not all cease operations on December 31, and therefore their final “year” may be much shorter than a calendar year. To address this problem, we dropped all first year observations associated with a birth and all final year observations associated with a death.

Source: Econsult Corporation (2009)