

CITY OF MINNEAPOLIS

# Enterprise Racial Equity plan: Supplier Diversity Update

City Coordinator's Office

January 27, 2016

“[M]inority businesses appear to be growing much faster than white-owned, white-run businesses. By some estimates, based on U.S. Census data compiled over the past two decades, the number of businesses run by people of color increases by nearly 20 percent annually. By that count, the number of overall minority businesses doubles every four years.”

Weinman, K. (2015, November 2). Supplier Diversity in Vogue, but Businesses Falling Short. *Finance and Commerce*. Retrieved from <http://finance-commerce.com>.

“This analysis demonstrates that minorities and women earn substantially and significantly less than their non-minority male counterparts. Such disparities are symptoms of discrimination in the labor force that, in addition to its direct effect on workers, reduce the future availability of M/WBEs by stifling opportunities for minorities and women to progress through precisely those internal labor markets and occupational hierarchies that are most likely to lead to entrepreneurial opportunities. These disparities reflect more than mere “societal discrimination” because they demonstrate the nexus between discrimination in the job market and reduced entrepreneurial opportunities for minorities and women. Other things equal, these reduced entrepreneurial opportunities in turn lead to lower M/WBE availability levels than would be observed in a race and gender-neutral marketplace.” NERA Economic Consulting (2010). *The State of Minority- and Women-Owned Business Enterprise: Evidence from Minneapolis*.



# Initial Findings

Staff work on topics and interviews with groups working on Business Made Simple, B-TAP program, Procurement and Contract Compliance yielded initial findings and opportunities:

- Hard to find opportunities for contracting within City for both external vendors and internal staff looking for services.
- Existing certification process perceived to be generally too onerous, lengthy and limiting.
- Payment issues on the back-end make it hard for smaller businesses to want to do business with the City.
- Not enough knowledge of resources the City offers to help small businesses – from certification to contracting.
- Division of labor within various City departments made exchange of real-time data hard and often was inconsistent. Similarly, vendor outreach from different departments was often not aligned or siloed in approach, diminishing potential collective impact of efforts.
- Lack of historic spend data made program improvements hard to identify – from tracking to monitoring. Made identification of gaps and opportunities difficult to pinpoint.

All in all, lack of alignment and tools generally simply made this work complex, difficult to navigate and too burdensome to tackle effectively.

# Context and history

The City adopted a Small and Underutilized Business Program (SUBP) in 2005 and subsequently amended the program in 2011 following the conclusion of a Disparity Study in 2010\*.

The 2010 Disparity Study found “strong evidence of large, adverse, and frequently statistically significant disparities between minority and female participation in business enterprise activity in the City’s relevant market area and the actual current availability of those businesses. We further conclude that these disparities cannot be explained solely, or even mostly, by differences between M/WBE and non-M/WBE business populations in factors untainted by discrimination, and that these differences therefore give rise to a strong inference of the presence of discrimination.”

Since then, efforts to increase the participation of women-owned and minority owned businesses in our purchasing and contracting have increased.

This update and work plan purports to further our efforts even more by aligning our enterprise efforts, better utilizing existing technology, and proactively increasing awareness and visibility of opportunities for small and M/WBE’s throughout the enterprise.

\*The recommendations of the 2010 Disparity Study were to:

## Augment Race and Gender Neutral Initiatives

- Increase vendor communication and outreach
- “Unbundle” contracts
- Adopt a Small Underutilized Business Target Market Program
- Collaborate with Other Local Agencies to Provide Supportive Services for Small Firms
- Appoint a Contracting Task Force
- Improve Subcontract, Subconsultant, and Supplier Data Collection and Retention Procedures
- Monitor Contract Performance Compliance

## Adopt New Race- and Gender-Conscious Policies and Procedures

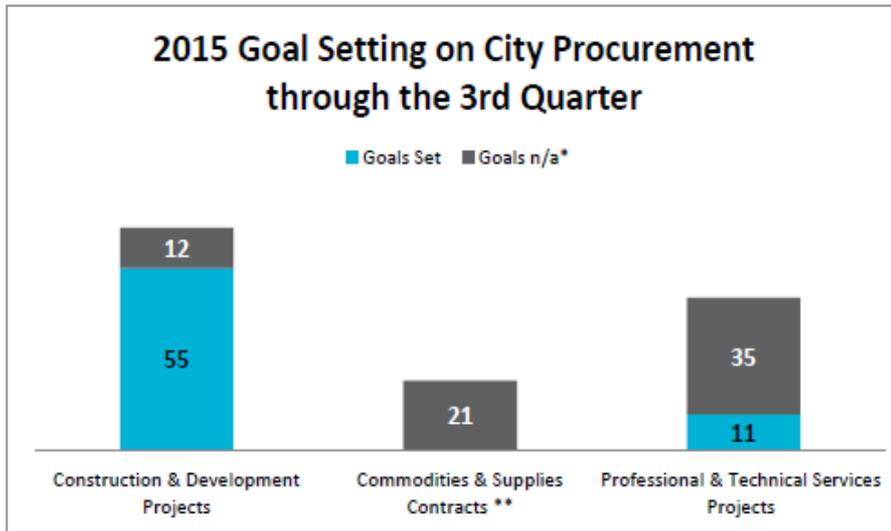
- Adopt Narrowly Tailored Program Eligibility Standards
- Adopt Overall, Annual City M/WBE Goals
- Set Contract Specific Goals Based on the Study
- Continue Policies and Procedures for Good Faith Efforts Reviews and Waivers of Contract Goals
- Monitor Contract Performance and M/WBE Commitments
- Develop Performance Measures for Program Success
- Mandate Program Review and Sunset

# SUPB Program

- Contract Compliance focuses on the following contracts (and sets individual project goals for each contract based on project scope, subcontracting opportunities and availability of M/WBEs):
  - Non-construction related goods , commodities and supplies contracts **over \$50,000**
  - Construction or development contracts **over \$100,000**
  - Professional or technical services contracts **over \$100,000**
- Goals for each contract are set before the Bid or RFP is published and incorporated therein.
- City adopted 25% aspirational goals in 2011 (12% for MBE and 13% for WBE)
  - In 2014, City goal for all closed projects was 19.32% (7.44% for MBE and 11.87% for WBE)
  - Through Q3 2015, we are at an estimated 14% for both MBE and WBE
- Current vendor profile:
  - 8,550 total City vendors
  - 15 MNUCP vendors certified by City in 2015 through Q3 (current vendors on active MNUCP directory = 2151)
  - *792 vendors self-identified as S/W/MBE*
    - *321 as small businesses*
    - *213 Women-owned businesses*
    - *258 as Minority-owned business*

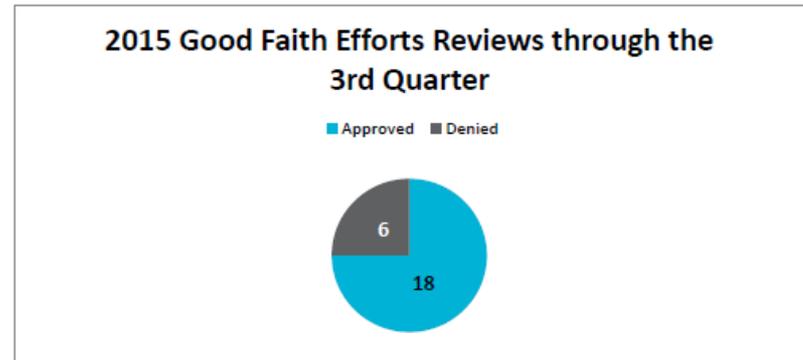
# Snapshot of Contract Compliance efforts through Q3 2015

**Goal Setting Reviews: 134 procurement opportunities reviewed**



**M/WBE Inclusion on Closed Construction Projects** (completed construction and development projects that Contract Compliance has conducted an administrative closeout process, including verification of payments made to MBEs and WBEs)

**Good Faith Efforts: 24 cases reviewed**



	# of Projects	Total Contract Amount	Final Participation <sup>2</sup>	
			MBE	WBE
1 <sup>st</sup> Quarter	20	\$44,047,039	\$2,725,709 (6%)	\$2,875,620 (7%)
2 <sup>nd</sup> Quarter	5	\$3,790,979	\$565,478 (15%)	\$597,429 (16%)
3 <sup>rd</sup> Quarter	19	\$26,313,578	\$1,792,229 (7%)	\$1,425,531 (5%)
<b>Total</b>	<b>44</b>	<b>\$74,151,596</b>	<b>\$5,083,416 (7%)</b>	<b>\$4,898,580 (7%)</b>

# Certification Programs

## MNUCP

Group of state and local agencies who work together to certify DBE's (Disadvantaged Business Enterprise, formerly M/WBE). The current certifying agencies are:

City of Minneapolis, Metropolitan Airports Commission, Metropolitan Council, Minnesota Department of Transportation

The target of MNUCP certification is a “small business that provides services in areas such as professional/technical/design and planning, supply, trucking or transportation, construction, and construction-related or other services that might be utilized by one of the MNUCP members.”

Among requirements, DBEs must be at least 51% owned and controlled by a socially and economically disadvantaged individual(s) whose personal net worth does not exceed \$1.32 million.

Women and African Americans, Hispanics, Native Americans, Asian-Pacific and Subcontinent Asian Americans are presumed to be socially and economically disadvantaged. Other individuals may also qualify as socially and economically disadvantaged on a case-by-case basis.

## **MN Targeted Group/Economically Disadvantaged/Veteran-Owned (TG/ED/VO) Small Business Procurement Program:**

**Targeted Group:** business must be at least 51% owned by a woman, racial minority, or person with a substantial physical disability & must be operated and controlled on a day-to-day as well as long-term basis by the qualifying owner.

Certified TG small businesses may be eligible for up to 6% preference in selling their products or services or bidding on construction projects to the state.

**Economically Disadvantaged:** business must be located (or the owner must reside) in an Economically Disadvantaged Area in Minnesota.

Certified ED businesses may be eligible for up to 6% preference in selling their products or services to the state, and may be eligible for up to 4% preference on construction projects.

**Veteran-Owned :** business must be at least 51% owned by a veteran or service-disabled veteran as determined by the Minnesota Department of Veterans Affairs & must be operated and controlled on a day-to-day as well as long-term basis by the qualifying owner.

Certified VO businesses may be eligible for up to 6% preference in selling their products or services or bidding on construction projects to the state.

## CERT

Small business certification program recognized by Hennepin & Ramsey Counties and Saint Paul, and includes certification for MBEs, WBEs and SBEs.

Must meet general business requirements AND

- If MBE, must be at least 51% owned by one or more minority persons and have its management and daily business operations controlled by one or more minority persons who own it.
- If WBE, must be at least 51% percent owned by one or more women, and have its management and daily business operations controlled by one or more women who own it.
- If SBE, must not be a business dominant in its field of operation, nor an affiliate or subsidiary thereof and must be in operation for at least 1 year (some exceptions to this available).

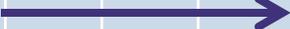
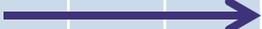
# Current State

as of Jan. 27, 2016 draft

Denotes gap opportunity for possible Target Market program or other targeted approaches

Category	Thresholds	SUBP Reqmts.	Affirm Action Reqmts.	Insurance & Bonding Reqmts.	Prevailing Wage Reqmts.	Additional Contract/Bidding Reqmts. or Process
Construction Projects	Under 25K	No	No	Ins-Yes	Yes - starting at \$2,000	Requires at least 2 quotes or in the open market
	Under 50K	No	No	Ins-Yes, Bonds Yes for Formal Contracts	Yes (No \$ limit)	Same as above or informal bid; formal bids required if price expected to exceed \$50K; Must consider state cooperative purchase agreements
	50-100K	No	Yes	Ins-Yes, Bonds Yes	Yes (No \$ limit)	Requires formal bid; Must consider state cooperative purchase agreements
	Over 100K	Yes	Yes	Ins-Yes, Bonds-Yes	Yes (No \$ limit)	Requires formal bid; Must consider state cooperative purchase agreements
Development Projects	Under 50K	No	No	Insurance-Yes	Yes - starting at \$2,000	Requires formal bid ; Must consider state cooperative purchase agreements
	Over 50K	Over 100K	Yes	Ins-Yes	Yes - starting at \$2,000	Requires formal bid; Must consider state cooperative purchase agreements
Professional & Technical Services	Under 50K	No	No	Ins-Yes	No	Council Directed Policy; does not require RFP
	50-100K	Only if over 100K anticipated for contract amount	Yes	Ins-Yes	Discretionary based on nature of services provided	Council Directed Policy – RFP required
	Over 100K	Yes	Yes	Ins - Yes, Bonding is discretionary based on the nature of services	Discretionary based on nature of services provided	Council Directed Policy – RFP required
Commodities & Supplies	Under \$1,000	No	No	No	Yes (No \$ limit)	Finance Dept. Policy (Small dollar and Misc. Purchases Policy)
	Under 25K	No	No	Ins-Yes	Yes (No \$ limit)	Procedure: At least 2 quotes or in the open market
	Under 50K	No	Yes	Ins-Yes	Yes (No \$ limit)	Informal bids; Must consider state cooperative purchase agreements
	50-100K	Applies only to bids w/ subcontracting opportunity	Yes	Ins-Yes/ Bonds-Yes	Yes (No \$ limit)	Formal Bids; Must consider state cooperative purchase agreements
	Over 100K	Same as above	Yes	Ins-Yes/ Bonds-Yes	Yes (No \$ limit)	Formal Bids; Must consider state cooperative purchase agreements

# Project Timeline

Activity Noted in Staff Direction <i>[indicates Staff Direction section/subsection]</i>	Nov 2015	Dec 2015	Jan 2016	Apr 2016	Jul 2016	Oct 2016	Jan 2017	Jan 2018	Jan 2019	Jan 2020
Develop both a short-term 1 year work plan and a longer-term 5 year work plan [6]			Present 1 & 5 year work plans				Annual update to Council	Annual update to Council	Annual update to Council	Annual update to Council
Report back to Committee of the Whole and Ways and Means Committees within three months recommendations and proposed 1 and 5 year work plans [7]			Present to Council							
Develop a plan measuring and evaluating direct purchases [4] <ul style="list-style-type: none"> <li>Perform data analysis of historic spending and define categories/develop “matching” opportunities for vendors within each category</li> <li>Implement Strategic Sourcing, Supplier Contracting &amp; Esupplier Connection modules in COMET</li> </ul>										
Implementation possibilities of other recognized certification approaches and processes, including self-certification criteria and processes for non-certified vendors; explore reciprocal certification opportunities [1B] <ul style="list-style-type: none"> <li>Cross-jurisdictional analysis of supplier diversity programs to establish Best Practices Benchmarks</li> <li>Explore CERT, MN-DOT, MN Target Market, others TBD certification programs and procurement preference polices for reciprocal certification and alignment opportunities</li> <li>Research and recommend certification options for certain categories and dollar amounts</li> </ul>										
Small Underutilized Business Target Market Program – Research and development of program for Council approval [1C]										
										

# Project Timeline

Activity Noted in Staff Direction <i>[indicates Staff Direction section/subsection]</i>	Nov 2015	Dec 2015	Jan 2016	Apr 2016	Jul 2016	Oct 2016	Jan 2017	Jan 2018	Jan 2019	Jan 2020
Identification of specific commodities with immediate opportunities for greater utilization off diverse suppliers [1F]	→									
Identification of potential and specific barriers by SUBP and diverse suppliers for doing business with the City of Minneapolis and plans to eliminate or mitigate the same [1G]	→									
Simplification and expansion of small and underutilized business program (SUBP) certification process [1A]		→								
Pursue technological options for creating a purchasing portal for internal sourcing of products and services [2]			→							
Communications and engagement plan aimed at vendors, including development of a web portal linking businesses with necessary resources [1D]			→							
Tools and guidance for City departments to reference in order to easily access information about suppliers and expectations about the W/MBE goals generally [1E]			→							
Additional opportunities that may be identified as a result of doing this research and assessment (on-going) [1H]			→							
Review, implement, and mature existing efforts to adopt enterprise recommendations from the 2010 Disparities Study (on-going) [3]			→							
Ensure the alignment with other City initiatives, such as Business Made Simple (on-going) [5]			→							



# Overview/Outcomes of 1-5 Year Work Plan

Plan	Action	Staff Direction Addressed	Anticipated Outcomes	Depts./People Involved	Time to Complete
Year 1	Implement Strategic Sourcing, Supplier Contracting, and Esupplier Connection modules* in Comet	1E; 1F; 2; 4	Ability to track category data by vendor; identify spend; assist in self –certification; allows for advanced planning & monitoring for Purchasing, Contract Compliance and others; increased efficiencies by establishing better workflows	Supplier Diversity Team; Comet Vendor; Departments; Others TBD	Initial use for spend analysis ASAP; full functionality and training expected Year 1+
Year 1 (with annual updates anticipated)	Perform data analysis of historic spending	1B; 1F; 4	Provides us with a city “spend” baseline that in turns allows us to identify better and more targeted spend opportunities ; improved data quality and cost savings potential when able to see “like” spend across varying departments	Supplier Diversity Team; external vendor if needed	2-3 months
Year 1	Define and identify categories and suppliers + terms & definitions	1E; 1F; 1G; 4	ID growth (spend) opportunities and possible “matches” with existing or potential vendors; ensures consistent understanding and use of terms, particularly critical to spend coding moving forward	Supplier Diversity Team; City Atty; Others TBD	6 months (dependent on spend analysis above)
Year 1	Develop additional certification options for certain categories and dollar amounts, including possibility of reciprocal certification	1A; 1E; 1G	Increase in number of certified vendors; decreased duplicative processes; simplification of process, understanding, and use; reduction in barriers to diverse suppliers doing business with City; development of broader range of certification options - not one size fits all	Supplier Diversity Team; Others TBD, if needed	3 -4 months
Year 1 (anticipated ongoing work in Year 2)	Develop and implement Target Market Program	1A; 1B; 1C; 1E; 1G	Creation of a specific program aimed at the current gap between \$50-\$100K, resulting in an increase in S/W/MBE opportunities across enterprise	Supplier Diversity Team; City Atty; Policy Makers; Others TBD	2 months

## \*New COMET Modules

**eSupplier Connection:** Provides self-service option for suppliers to register with the City and indicate the type of business category they are in. MBE/WBE status can be more accurately recoded through the module, providing better reporting data. Suppliers can also get information about bid postings and see the bid results online.

**Strategic Sourcing:** Supports the electronic solicitation of bids, quotes, and proposals from outside suppliers, online. Assists in the preparation of bid documents including specifications and notifies the suppliers already registered through eSupplier Connection, where they can review postings and bid electronically.

**Supplier Contracts:** Provides the framework to create and manage all procurement contracts used for executing purchases. Contracts can be drafted and reviewed electronically. Contract status can be viewed by the suppliers as well.

# Overview/Outcomes of 1-5 Year Work Plan

Plan	Action	Staff Direction Addressed	Anticipated Outcomes	Depts./People Involved	Time to Complete
Year 1	Cross-jurisdictional analysis of Supplier Diversity efforts	1B	Report identifying cross-jurisdictional tools and possible Best Practices benchmarks; identification of additional approaches to consider in expending SUPB program or increasing vendor/contractor outreach	Supplier Diversity Team	Done, but iterative as work continues
Year 1 (and ongoing as needed)	Develop and implement multi-faceted communications plan throughout project	1D	Interim solutions like Sharepoint site and immediate department-based training to address short-term opportunities across departments as well as longer-term tools such as vendor portal and vendor outreach program aimed at better communicating and matching existing/upcoming contracting opportunities to vendors/contractors	Supplier Diversity Team; Business Made Simple Team; IT; Communications; Others TBD	3 months for interim solutions; into Year 2 re: portal
Year1 (and ongoing)	Continue and expand cross-jurisdictional efforts to create ongoing exchange of information and trend-spotting	1B	Innovative approaches to expand diversity pool and programs; Contract Compliance has already begun efforts as part of MNUCP group and GARE cohort.  Currently regional GARE-member best practices sub-group convened to approach increased programmatic approaches such as : <ul style="list-style-type: none"> <li>• Best Value approach to contracting</li> <li>• Creation of regional directory of vendors and contracting opportunities</li> <li>• Development of regional S/M/WBE fairs <ul style="list-style-type: none"> <li>• Creation of Equity Scoring Index</li> </ul> </li> </ul>	Supplier Diversity Team; B-TAP group and others depending on topic	Current and ongoing
Year1 (and ongoing)	Simplification & expansion of SUBP verification process, including reciprocal certification	1A; 1B; 1C; 1E; 1G	Increase in certified suppliers and ability to tap into multi-jurisdictional databases and vendor pool; reduction in barriers to diverse suppliers doing business with City	Supplier Diversity Team; City Atty; IGR; Policy Makers; Others TBD	Dependent on task, but ongoing

# Overview/Outcomes of 1-5 Year Work Plan

Plan	Action	Staff Direction Addressed	Anticipated Outcomes	Depts./People Involved	Time to Complete
Year1 (and ongoing)	Assess current contracting practices and policies for improvement opportunities, including: PRC, bonding/insurance requirements, approvals, CPED processes, temporary staffing, coding, city payment workflow and others as identified as part of work; ID opportunities/ways to communicate contracting options for the City to potential vendors/contactors	1A; 1E; 1G; 4	<p>Improved policies and procedures that are easier to understand and use; reduction in barriers to City departments and contractors; increased understanding and use of existing tools/resources; shorter timeframe for contracting and payment; increase in new vendors applying for contracts</p> <p>Opportunities here to work with B-TAP program to expand on last fall's Minority and Women-Owned Business Opportunities Fair.</p>	Supplier Diversity Team; PRC; Vendor/Contractors; Departments; City Atty; Others TBD	Dependent on task, but ongoing
Years 2-5	Develop and Implement a purchasing portal for internal sourcing of products and services/AKA "Find a supplier."	1E; 1G; 2	Easy to use process/tool to ID potential diverse suppliers; and increase pool of certified vendor/contractors; better alignment with Business Made Simple efforts	Supplier Diversity Team; IT; Vendor TBD, if needed; Departments; Communications; Others TBD, if needed	TBD, though some work expected to be identified and commenced in Year 1



# Questions?

**Supplier Diversity Team** (to expand as work progresses)

***Finance and Property Services:***

Lynn Anderson  
Pam Fernandez  
Rich Perrizo

***Civil Rights:***

Karen Francoise  
Kolu Paye

***CPED:***

Jim Terrell

***City Coordinator's Office:***

Jodi Molenaar-Hanson  
Joy Marsh Stephens  
Nuria Rivera-Vandermyde

*Thanks too to Carol Bachun, Gary Warnberg, Sandy Christensen and Gene Ranieri who also provided information and assistance.*

