

CITY OF PHILADELPHIA

FISCAL YEAR 2015

ANNUAL DISPARITY STUDY

Report Submitted To:

City of Philadelphia
Office of Economic Opportunity
1515 Arch Street, 12th Floor
Philadelphia PA 19102

Report Submitted By:

Econsult Solutions, Inc.
1435 Walnut Street, Suite 300
Philadelphia PA 19102

Milligan & Company, LLC
105-107 N. 22nd Street, 2nd Floor
Philadelphia PA 19103

REPORT June 8, 2016

CONTENTS

EXECUTIVE SUMMARY	i
I INTRODUCTION	i
2 RESULTS.....	ii
3 PARTICIPATION GOALS.....	vii
4 RECOMMENDATIONS.....	x
1 CONTEXT, SCOPE, AND METHODOLOGY	1
1.1 STUDY BACKGROUND.....	1
1.2 STUDY PURPOSE.....	2
1.3 LEGAL BASIS.....	2
1.4 STUDY OVERVIEW	4
1.5 M/W/DSBE TYPES AND CONTRACT TYPES	5
1.6 PROCUREMENT CONTEXT	6
1.7 EXPENDITURE CONTEXT	7
1.8 DEFINING UTILIZATION	11
1.9 DEFINING AVAILABILITY	15
1.10 DEFINING DISPARITY	20
1.11 DATA SETS	22
2 UTILIZATION	26
2.1 COMPOSITION OF DIRECTORY	26

2.2	DISTRIBUTION OF CONTRACT DOLLARS BY M/W/DSBE TYPE	31
2.3	DISTRIBUTION OF CONTRACT DOLLARS BY M/W/DSBE LOCATION	35
2.4	UTILIZATION OF M/W/DSBE AS PRIME CONTRACTORS	37
2.5	UTILIZATION OF M/W/DSBE BY DEPARTMENT	39
2.6	DISTRIBUTION OF CONTRACTS BY M/W/DSBE TYPE	43
3	AVAILABILITY AND DISPARITY	48
3.1	AVAILABILITY	48
3.2	DISPARITY	55
3.3	FEW OR NO OPPORTUNITY CONTRACTS	65
4	RECOMMENDATIONS.....	72
4.1	RECOMMENDED PARTICPATION GOALS.....	72
4.2	RECOMMENDED PROGRAMATIC AND POLICY ACTIONS	74
4.3	FINDINGS AND RECOMMENDATIONS.....	76
4.4	ACHIEVEMENTS	79
	LIST OF ACRONYMNS	84

ADDENDA:

City of Philadelphia – Economic Opportunity Plan Analysis FY 2009 – 2015

City of Philadelphia – EOP Employment Composition Analysis FY 2015

EXECUTIVE SUMMARY

I INTRODUCTION

Econsult Solutions, Inc. and Milligan & Company, LLC are pleased to submit the Annual Disparity Study for Fiscal Year (FY) 2015 to the City of Philadelphia. This study is designed to analyze the City's utilization of Minority Business Enterprises (MBEs), Women Business Enterprises (WBEs), and Disabled Business Enterprises (DSBEs) (collectively known as M/W/DSBEs), relative to the availability of such firms to compete for City business, on Public Works (PW), Personal and Professional Services (PPS), and Supplies, Services, and Equipment (SSE) contracts. It determines the extent to which a disparity between utilization and availability exists, and provides critical data in the formation of annual Participation Goals.

Only \$951 million, or less than one-quarter of the City's \$4.5 billion annual operating budget, were directly analyzed in this Disparity Study. This represents sealed bid and non-sealed contracts. It does not include \$85.0 million in federally funded PW contracts over which the City has limited goal-setting influence, for which M/W/DSBE utilization was 13.9 percent. It does not include \$9.1 million in sole source contracts for Service, Supplies, and Equipment contract types, for which M/W/DSBE utilization was 0.00%. It does include \$318.9 million in spending by quasi-public entities (Office of Housing and Community Development, Philadelphia Industrial Development Corporation, and Philadelphia Redevelopment Authority), for which M/W/DSBE utilization under the City's governance was 28.3 percent. Combined, City contracts and quasi-public contracts achieved utilization of 30.6 percent in FY 2015.

There were an additional 68 contracts totaling \$154.1 million in FY 2015 for which there are few or no M/W/DSBEs available to participate. This study reports utilization levels excluding these "few or no opportunity" and "sole source" contracts.

2 RESULTS

Higher Utilization on Contracts for Which the City Had More Goal-Setting Influence – There was higher M/W/DSBE utilization on City contracts and on quasi-public contracts than on federally funded City contracts, for which the OEO has limited goal-setting influence. Federally funded contracts also require different certifications. M/W/DSBE contract spending increased in FY 2015. M/W/DSBE utilization was 31.7 percent for City contracts and 28.3 percent for quasi-public contracts. Combined, City contracts and quasi-public contracts achieved utilization of 30.6 percent in FY 2015 versus 13.9 percent for federally funded City contracts (see Table ES.1).

Table ES.1 – FY 2015 and FY 2014 Utilization of For-Profit M/W/DSBE Prime Contractors and Sub-Contractors Located in the US, Divided by All Prime Contractors and Sub-Contractors, on City Contracts vs. Quasi-Public Contracts vs. Federally Funded City Contracts, Excluding “FONO” Contracts, by Contract Type (by Percentage of Contract Dollars Awarded)¹

	FY 15 PW	FY 15 PPS	FY 15 SSE ²	FY 15 All Contract Types ³	FY 14 PW	FY 14 PPS	FY 14 SSE	FY 14 All Contract Types	FY 14 – FY 15 Change
City Contracts	25.0%	38.6%	23.7%	31.7%	22.3%	36.3%	18.7%	29.1%	+2.6 pp
Quasi-Public Contracts⁴	N/A	N/A	N/A	28.3%	N/A	N/A	N/A	30.1%	-1.9 pp
City + Quasi- Public Contracts	N/A	N/A	N/A	30.6%	22.3%	36.3%	18.7%	29.4%	+1.1 pp
Federally Funded City Contracts⁵	13.9%	N/A	N/A	13.9%	12.4%	N/A	N/A	12.4%	+1.5 pp

Source: OEO Annual Participation Report (FY 2014, FY 2015), Econsult Solutions, Inc. (2015, 2016)

¹ FY 2012 to FY 2015 results include City electric utility contracts which were not included in the results for prior years.

² The SSE category in this report includes City-wide contracts, and excludes sole-source and contracts with few or no opportunity for M/W/DSBE participation.

³ Quasi-public contract data is accounted for in All Contract Types, but not in the individual contract category rows. This is because contract-level data were not available for some quasi-public agencies.

⁴ Data for Quasi-Public contracts by contract types is not available; however the majority of contracts are known to be PW.

⁵ There are no federally Funded City contracts in the PPS and SSE contract types.

Overall M/W/DSBE Utilization Levels and Spending Increased – M/W/DSBEs were awarded \$290 million out of \$951 million in contracts in FY 2015, compared to \$256 million out of \$872 million in eligible contracts in FY 2014. Utilization increased by 1.2 percentage points to 30.6 percent in FY 2015 from 29.4 percent in FY 2014 (see Table ES.2).

Table ES.2 – FY 2015 and FY 2014 Utilization of For-Profit M/W/DSBE Prime Contractors and Sub-Contractors Located in the US, Divided by All Prime Contractors and Sub-Contractors, on City Contracts and Quasi-Public Contracts, (Excluding Federally Funded City Contracts, Sole Source Contracts, and "FONO" Contracts) (by \$ Contracts Awarded)

M/W/DSBE Category	FY 15 PW	FY 15 PPS	FY 15 SSE	FY 15 All Contract Types	FY 14 PW	FY 14 PPS	FY 14 SSE	FY 14 All Contract Types	FY14 – FY 15 Change
White Female	9.9%	12.1%	19.6%	12.2%	8.5%	12.1%	15.4%	11.3%	+0.9 pp
Native American	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	+0.0 pp
Asian American	4.1%	3.3%	0.7%	2.9%	2.5%	4.0%	0.1%	2.9%	+0.0 pp
African American	5.3%	20.8%	3.1%	13.0%	6.2%	16.2%	2.9%	11.0%	+2.0 pp
Hispanic	5.7%	2.2%	0.3%	3.2%	5.2%	3.6%	0.4%	3.6%	-0.4 pp
All MBE	15.2%	27.4%	4.1%	19.2%	13.9%	24.1%	3.4%	18.5%	+0.7 pp
All WBE	12.2%	18.0%	20.9%	14.3%	11.9%	18.2%	16.7%	14.2%	+0.1 pp
Disabled	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	+0.0 pp
All M/W/DSBE⁶	25.0%	38.6%	23.7%	30.6%	22.3%	36.3%	18.7%	29.4%	+1.2 pp

Source: OEO Annual Participation Report (FY 2014, FY 2015), Econsult Solutions, Inc. (2015, 2016)

Increased Use of M/W/DSBEs within the City – The participation of M/W/DSBEs located inside the City of Philadelphia continues to increase. City-based participation increased by .2 percentage points to 13.8 percent in FY 2015 from 13.6 percent in FY 2014, while participation

⁶ Quasi-public contract data is accounted for in the MBE, WBE, and M/W/DSBE rows, but not in the individual contract category rows. This is because contract-level data were not available for some quasi-public agencies.

by M/W/DSBEs located within the Philadelphia Metropolitan Statistical Area (MSA)⁷ increased by 1.9 percentage points to 21.7 percent in FY 2015 from 19.8 percent in FY 2014 (see Table ES.3).

Table ES.3 – FY 2015 and FY 2014 Utilization of For-Profit M/W/DSBE Prime Contractors and Sub-Contractors, Divided by All Prime Contractors and Sub-Contractors, on City Contracts and Quasi Public Contracts (Excluding Federally Funded City Contracts), Excluding “FONO” Contracts, by Location of M/W/DSBE (by Percentage of Contract Dollars Awarded)

Location of M/W/DSBE ⁸	FY 15 PW	FY 15 PPS	FY 15 SSE	FY 15 All Contract Types	FY 14 PW	FY 14 PPS	FY 14 SSE	FY 14 All Contract Types	FY 14 – FY 15 Change
City	8.9%	16.3%	18.9%	13.8%	8.5%	16.5%	15.9%	13.6%	+0.2 pp
In Metro but Outside City	12.2%	6.2%	2.9%	7.9%	8.6%	6.2%	1.2%	6.3%	
MSA	21.1%	22.5%	21.8%	21.7%	17.0%	22.7%	17.1%	19.8%	+1.9 pp
In US but Outside Metro	3.9%	17.0%	2.0%	10.5%	5.3%	13.6%	1.6%	9.3%	
US	25.0%	38.6%	23.7%	31.7%	22.3%	36.3%	18.7%	29.1%	+2.6 pp
Non-M/W/DSBEs	75.0%	61.4%	76.3%	68.3%	77.7%	63.7%	81.3%	70.9%	
Including Quasi-Public Contracts⁹									
US				30.6%				29.4%	
Non-M/W/DSBEs				69.5%				70.6%	

Source: OEO Annual Participation Report (FY 2014, FY 2015), Econsult Solutions, Inc. (2015, 2016)

The Average M/W/DSBE Contract Size Increased While the Percentage of M/W/DSBE Prime Contractors Decreased — The percentage of contract dollars awarded to M/W/DSBE prime contractors increased 1.6 percentage points from 9.5 percent in FY 2014 to 11.1 percent in FY

⁷ The counties included in the Philadelphia MSA are Philadelphia (PA), Bucks (PA), Chester (PA), Delaware (PA), Montgomery (PA), Burlington (NJ), Camden (NJ), Gloucester (NJ), Salem (NJ), New Castle (DE), and Cecil (MD).

⁸ “Location” represents three concentric circles: “City” means the M/W/DSBE is located within the City of Philadelphia, “MSA” means it is located within the Philadelphia MSA, and “US” is the whole nation.

⁹ Contract-level data were not available for some quasi-public agencies, so the geographic location of M/W/DSBEs participating in quasi-public contracts was not known. Therefore, their information is included only in the “US” row and not in the “City” or “MSA” rows, which means that City and MSA figures are likely understated.

2015. The average contract size increased to \$210,000 in FY 2015 (vs. \$340,000 for non-M/W/DSBE prime contractors) up from \$170,000 in FY 2014 (vs. \$320,000 for non-M/W/DSBE prime contractors) (see Table ES.4). In FY 2015, M/W/DSBE prime contractors received 16.6 percent of contracts compared to 16.7 percent in FY 2014, a decrease of 0.1 percent.

Table ES.4 – FY 2015 and FY 2014 Utilization of For-Profit M/W/DSBE Prime Contractors, Divided by All Prime Contractors, on City Contracts and Quasi Public Contracts (Excluding Federally Funded City Contracts), Excluding “FONO” Contracts, by Contract Type (by Percentage of Contracts Awarded and by Percentage of Contract Dollars Awarded)

	FY 15	FY 15	FY 15	FY 15	FY 14	FY 14	FY 14	FY 14	FY 14 – FY 15
	PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types	Change
% Primed by M/W/DSBE									
By #	9.2%	25.2%	4.8%	16.6%	10.9%	23.0%	6.5%	16.7%	-0.1 pp
By \$	3.3%	18.4%	1.6%	11.1%	2.9%	15.1%	2.8%	9.5%	+1.6 pp
Average Contract Size (\$M)									
M/W/DSBE Primes	\$0.53	\$0.42	\$0.13	\$0.21	\$0.41	\$0.35	\$0.13	\$0.17	+\$0.04
Non-M/W/DSBE Primes	\$1.57	\$0.63	\$0.40	\$0.34	\$1.64	\$0.63	\$0.32	\$0.32	+\$0.02

Source: OEO Annual Participation Report (FY 2014, FY 2015), Econsult Solutions, Inc. (2015, 2016)

M/W/DSBE Availability Increased Greater than Utilization Increased – It is estimated that M/W/DSBEs represented 25.5 percent of “ready, willing, and able” firms within the Philadelphia MSA, up 4.1 percentage points from 21.4 percent in FY 2015 (see Table ES.5).¹⁰ The FY 2015 report uses 2012 US Census Bureau Survey of Business Owner (“SBO”) data, which contains more recent availability calculations. In the 2012 SBO data, MSA availability increased faster than the increase in utilization, the disparity ratio decreased from 0.93 in FY 2014 (MSA utilization of 19.8 percent vs. MSA availability of 21.4 percent) to 0.85 in FY 2015 (MSA utilization of 21.7 percent vs. MSA availability of 25.5 percent), when looking at all contracts

¹⁰ “Ready, willing, and able” is assumed to mean firms with one or more employee in industry codes for which the City contracts for goods and services. Availability data used in this 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 most recently released SBO data is from 2012 and was released in 2015. Previous Disparity Studies have used the 2007 SBO data, which was released between 2011 and 2012.

types (see Table ES.6). An overall disparity ratio of less than 1 means that M/W/DSBE utilization is not yet in parity with M/W/DSBE availability.

Table ES.5 – FY 2015 and FY 2014 Availability of Ready, Willing, and Able M/W/DSBE Firms within the Philadelphia MSA, by M/W/DSBE Type

M/W/DSBE Category	FY 15 PW	FY 15 PPS	FY 15 SSE	FY 15 All Contract Types	FY 14 PW	FY 14 PPS	FY 14 SSE	FY 14 All Contract Types	FY14 – FY 15 Change
All MBE	4.9%	12.6%	13.7%	9.8%	2.8%	8.8%	5.5%	6.7%	+3.1 pp
All WBE	11.5%	18.8%	17.5%	15.8%	8.5%	18.1%	11.6%	14.6%	+1.2 pp
All M/W/DSBE	16.4%	31.4%	31.2%	25.5%	11.4%	26.9%	17.1%	21.4%	+4.1 pp

Source: US Census Bureau Survey of Business Owners (2007, 2012), OEO Annual Participation Report (FY 2014, FY 2015), Econsult Solutions, Inc. (2015, 2016)

Table ES.6 – FY 2015 and FY 2014 Summary Disparity Ratios = (Utilization of For-Profit M/W/DSBE Prime Contractors and Sub-Contractors Located in the Philadelphia MSA, Divided by All Prime Contractors and Sub-Contractors, on City Contracts and Quasi Public Contracts (Excluding Federally Funded City Contracts), Excluding “FONO” Contracts ÷ (Availability of Ready, Willing, and Able M/W/DSBE Firms within the Philadelphia MSA)

M/W/DSBE Category	FY 15 PW	FY 15 PPS	FY 15 SSE	FY 15 All Contract Types	FY 14 PW	FY 14 PPS	FY 14 SSE	FY 14 All Contract Types	FY14 – FY 15 Change
MSA Utilization	21.1%	22.5%	21.8%	21.7%	17.0%	22.7%	17.1%	19.8%	+1.88 pp
MSA Availability ¹¹	16.4%	31.4%	31.2%	25.5%	11.4%	26.9%	17.1%	21.4%	+4.11 pp
Disparity Ratio	1.29	0.72	0.70	0.85	1.50	0.84	1.00	0.93	-0.08

Source: Econsult Solutions, Inc. (2015, 2016); Utilization = FY 2015 OEO Participation Report (2015); Availability = US Small Business Administration – Philadelphia District Office (2007, 2012)

¹¹ FY 2015 Availability calculations come from 2012 SBO data, while FY 2014 availability calculations come from 2007 SBO data.

3 PARTICIPATION GOALS

For some M/W/DSBE 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 M/W/DSBE categories and contract types, current utilization rates are higher than current availability rates (i.e. the disparity ratio is greater than 1.0). We base our recommended participation goals on these comparisons, and in some cases recommend a “stretch goal”¹² that may be slightly higher than both FY 2015 utilization and availability. Stretch goals are within four percentage points of actual utilization (See Table ES.7). Our recommended goal for M/W/DSBE utilization for all contract types is 35 percent (see Table ES.7 and Table ES.8) and is based on FY 2015 utilization and availability for City contracts (excluding federally funded City contracts) and quasi-public contracts, excluding contracts with few or no opportunity for M/W/DSBE participation.

¹² Updated Census Bureau SBO data from 2007 to 2012 shows a 1.4% increase in availability within the City for M/W/DSBE firms, and a 4.1% increase in availability within the MSA for M/W/DSBE firms. Stretch goals are recommended to keep pace with historical availability and utilization trends within these geographies.

Table ES.7 – Recommended Citywide Participation Goals for City Contracts and Quasi Public Contracts, (Excluding Federally Funded City Contracts, Sole Source Contracts, and "FONO" Contracts) (by \$ Contracts Awarded)

M/W/DSBE Category	PW	PPS	SSE	All Contract Types	FY14/FY15 Actual
White Female	9.9% U	12.1% U	19.6% U	12.2% U	FY 14: 11.3% FY 15: 12.2%
Native American	0.2% A	0.2% A	0.2% A	0.2% A	FY 14: 0.0% FY 15: 0.0%
Asian American	4.1% A	8.1% A	5.8% A	5.1% A	FY 14: 2.9% FY 15: 2.9%
African American	5.3% U	20.8% U	3.1% U	13.0% U	FY 14: 11.0% FY 15: 13.0%
Hispanic	5.7% U	2.2% U	2.3% A	3.2% U	FY 14: 3.6% FY 15: 3.2%
All MBE	15.2% U	27.4% U	13.7% A	20.0% S	FY14: 18.5% FY15: 19.2%
All WBE	12.2% U	18.0% U	20.9% U	15.0% S	FY14: 14.2% FY15: 14.3%
City-Based M/W/DSBE	8.9% U	16.3% U	18.9% U	15.0% S	FY14: 13.6% FY15: 13.8%
All M/W/DSBE	25.0% U	38.6% U	31.2% A	35.0% S	FY14: 29.4% FY15: 30.6%
FY14/FY15 Actual	FY14: 22.3%	FY14: 36.3%	FY14: 18.7%	FY14: 29.4%	
	FY15: 25.0%	FY15: 38.6%	FY15: 23.7%	FY15: 30.6%	

Source: Econsult Solutions, Inc. (2016)

Table ES.8 – Actual and Recommended M/W/DSBE Utilization for City Contracts (Excluding Federally Funded City Contracts) and Quasi-Public Contracts

	Actual (incl. “Few or No Opportunity” Contracts) ¹³						Actual (excl. “FONO”) ¹⁴				Goal
	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	
All M/W/DSBE	23.6%	22.3%	19.2%	19.0%	20.8%	23.3%	28.2%	28.1%	29.4%	30.6%	35%
MBE	17.7%	15.7%	14.8%	14.1%	14.9%	15.3%	21.2%	18.8%	18.5%	19.2%	20%
WBE	9.9%	10.8%	7.6%	8.6%	8.9%	10.8%	9.0%	12.2%	14.2%	14.3%	15%
PW	19.6%	16.5%	15.1%	12.1%	21.9%	19.8%	24.4%	20.6%	22.3%	25.0%	25%
PPS	25.8%	27.5%	22.7%	22.9%	15.2%	26.2%	30.2%	32.6%	36.3%	38.6%	39%
SSE	22.2%	17.1%	18.6%	12.8%	30.4%	18.9%	26.1%	20.8%	18.7%	23.7%	31%

Source: Econsult Solutions, Inc. (2016)

¹³ FY 2006 to FY 2009 results are adjusted to include SSE waste management spending that was not previously accounted for in published Annual Disparity Studies because it was from amendments to existing contracts rather than awarded contracts. FY 2006 to FY 2011 results do not exclude City contracts for which there were few or no opportunities for M/W/DSBE participation.

¹⁴ FY 2012 to FY 2014 results exclude City contracts for which there were few or no opportunities for M/W/DSBE participation. FY 2006 to FY 2011 results also do not include City contracts for electric utilities, which are included in the FY 2012 to FY 2014 results.

4 RECOMMENDATIONS

The FY 2015 Disparity Study project team of Econsult Solutions, Inc. and Milligan & Company, LLC presents the following recommendations and program achievements to the City of Philadelphia Office of Economic Opportunity (OEO). This section reinforces many of the activities currently implemented by OEO and offers additional focus areas for continued sustainability.

Table ES.9 summarizes the recommendations based on the findings from the FY 2015 study. There were many positive findings and others will need further exploration to increase utilization in specific groups. The overall increased utilization of M/W/DSBEs is a direct result of OEO's achievements in recent years.

Table ES.9 – FY 2015 Annual Disparity Study Recommendations

Findings and Recommendations		
Finding	Availability increased	<ul style="list-style-type: none"> Continue exploring availability in “few or no” categories and increasing capacity in existing spending categories
Finding	Continue increasing utilization	<ul style="list-style-type: none"> Enhance disabled-owned business program Develop a strategy to address Public Works contracting challenges
Finding	Supplier Diversity	<ul style="list-style-type: none"> Explore monitoring non-profit participation Pursue a strategy for Tier 2 tracking
Finding	Certification	<ul style="list-style-type: none"> Track national trends and continue to increase OEO Registry with City-based firms
Achievements		
Achievement	Performance	<ul style="list-style-type: none"> Exceeded annual participation goal Increased prime contractor performance Continued to grow the OEO Registry Improved goal benchmarking efforts
Achievement	Reporting & Monitoring	<ul style="list-style-type: none"> Launched OEO contract compliance reporting system Tracked women and executive board membership Added EOP employment reporting

Achievements		
Achievement	Outreach & Support	<ul style="list-style-type: none">• Increased opportunities for prime and subcontractor networking• Partnered with PIDC to develop Contract Line-of-Credit program• Designed the “Doing Business in the City” program

1 CONTEXT, SCOPE, AND METHODOLOGY

Econsult Solutions, Inc. and Milligan & Company, LLC are pleased to submit the **Annual Disparity Study for Fiscal Year (FY) 2015** to the City of Philadelphia. The study includes a brief discussion of the purpose, results of the study, and recommendations for FY 2016 and beyond. This section includes the legal basis of this study, a broad overview of the legal context under which the establishment of procurement programs for disadvantaged groups arose, a contextual summary of the procurement process, the expenditure context, and a report overview.

1.1 STUDY BACKGROUND

Pursuant to Title 17 of the Philadelphia Code, as amended by Ordinance 060855-A, this study is designed to analyze the City's utilization of Minority Business Enterprises (MBEs), Women Business Enterprises (WBEs), and Disabled Business Enterprises (DSBEs) (collectively known as M/W/DSBEs), relative to the availability of such firms to compete for City business, on **Public Works (PW)**, **Personal and Professional Services (PPS)**, and **Services, Supplies, and Equipment (SSE)** contracts. It determines the extent to which a disparity between utilization and availability exists, and provides critical data in the formation of annual Participation Goals.

With the *Richmond v. J.A. Croson Company* (1989) case, the Supreme Court clearly defined the parameters under which race-based programs will stand as those that meet a compelling government interest, are narrowly tailored to remedy the effects of prior discrimination, and define an availability rate that utilizes the notion of “**ready, willing, and able**” (**RWA**) firms. Disparity studies have subsequently become a recognized manner in which localities can determine whether and where disparities exist, so as to respond accordingly with a combination of race- and gender-specific, as well as race- and gender-neutral, programming.

Only \$951 million, or less than one-quarter of the City's \$4.5 billion annual operating budget, were directly analyzed in this Disparity Study. This represents sealed bid and non-sealed contracts. It does not include \$85.0 million in federally funded PW contracts over which the City has limited goal-setting influence, for which M/W/DSBE utilization was 13.9 percent. It does not include \$9.1 million in sole source contracts for Service, Supplies, and Equipment contract types, for which M/W/DSBE utilization was 0.00%. It does include \$318.9 million in spending by quasi-public entities (Office of Housing and Community Development, Philadelphia Industrial Development Corporation, and Philadelphia Redevelopment Authority), for which M/W/DSBE utilization under the City's governance was 28.3 percent. Combined, City contracts and quasi-public contracts achieved utilization of \$290.42 million, or 30.6 percent, in FY 2015.

1.2 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’s utilization of Minority Business Enterprises (MBEs), Women Business Enterprises (WBEs), and Disabled Business Enterprises (DSBEs), collectively known as M/W/DSBEs,¹⁵ relative to the availability of such 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, multifaceted strategy to safeguard the public interest by 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. It also presents an opportunity to evaluate operational and programmatic changes for greater efficiency in internal administration and in the provision of technical assistance and business financing resources.¹⁶

1.3 LEGAL BASIS

In presenting the Annual Disparity Study’s findings and recommendations, it is important to understand the legal context of M/W/DSBE disparity, and the extent to which legal doctrine has shaped the development of programs for M/W/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

¹⁵ “Disadvantaged Business Enterprise (DBE)” is a federal designation that applies to federally funded contracts. Within the City, the DBE program is implemented by the Philadelphia International Airport.

¹⁶ 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 2008 interview with Dr. Bernard Anderson, Whitney M. Young Jr. Professor of Management at the Wharton School of Business at the University of Pennsylvania.*)

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 M/W/DSBEs and the City’s minority population “misplaced”. Specifically, the Supreme Court noted that the City did not ascertain the number of M/W/DSBEs available in the local construction market, and consequently 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.¹⁷

With this case, the Supreme Court clearly defined the parameters under which race-based programs will stand: they must meet a compelling government interest, be narrowly tailored to remedy the effects of prior discrimination,¹⁸ and define an availability rate that utilizes the notion of “**ready, willing, and able**” (RWA) firms. Disparity Studies have subsequently become a recognized tool for localities in determining whether and where disparities exist, so as to respond and implement accordingly from a roster of race- and gender-specific, as well as race- and gender-neutral, programming.

City of Philadelphia 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’s Home Rule Charter. Per the ordinance, this Annual 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 M/W/DSBEs owned by persons within the following racial, ethnic, and gender categories:

- African Americans
- Asian Americans
- Women
- Hispanics
- Native Americans
- Disabled

¹⁷ *Richmond v. J.A. Croson Company* (1989).

¹⁸ “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.

“Disparity” reflects the ratio of M/W/DSBE utilization to M/W/DSBE availability. For the purposes of this report, **“utilization”** for each M/W/DSBE category and contract type is defined as the total dollar value of contracts awarded to for-profit M/W/DSBE prime contractors and sub-contractors registered by the City’s Office of Economic Opportunity (OEO), formerly known as the Minority Business Enterprise Council (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.¹⁹ Stated briefly, the utilization rate for a given M/W/DSBE category can be viewed as the percentage of dollars from all City contracts that went to businesses that have been registered as M/W/DSBEs by OEO in that category.

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

The target result, the **“disparity ratio”**, 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.”

1.4 STUDY OVERVIEW

The Context, Scope, and Methodology section (Section 1) of this report explains the background of the generation of this report, defines the data sets used for this report, and the methodology used. It details the approach used to measure the levels of utilization and availability of the various M/W/DSBE categories under consideration.

The Utilization section (Section 2) discusses the OEO M/W/DBSE Registry. This section also provides a detailed analysis of utilization for FY 2015 broken down by M/W/DSBE category, contract amount, geographic location, contracting department, M/W/DSBE primes and compares the FY 2015 results against the FY 2014 utilization to give a full picture of the participation in the City of Philadelphia and the Philadelphia MSA.

The Availability and Disparity section (Section 3) provides an analysis of the M/W/DSBE availability rates calculated for this report as well as the disparity ratio for the M/W/DSBE categories under consideration. The availability analysis includes discussion on geographic

¹⁹ For more detail on participation and utilization, see the Office of Economic Opportunity’s Fiscal Year 2015 Annual Report:

<http://www.phila.gov/commerce/Documents/FINAL%20FY15%20Annual%20Participation%20Report.pdf>

location, industry distribution, and includes analysis of “Few or No Opportunity” (FONO) contracts. The disparity analysis is a comparison of utilization to availability rates and provides details for the M/W/DSBE categories under consideration for this report.

The final section, Recommendations (Section 4), provides discussion of the recommended M/W/DSBE participation goals based upon the results of the utilization and availability analyses. This section also discusses recommended policy and programmatic actions for achieving and maintaining M/W/DSBE participation in city contracting opportunities.

Addenda The FY 2015 Annual Disparity Study contains two addenda that serve as companion reports:

- The City of Philadelphia Economic Opportunity Plan Analysis Fiscal Years 2009-2015 discusses the City’s performance in achieving participation goals set on various Economic Opportunity Plan (EOP) projects.
- The City of Philadelphia EOP Employment Composition Analysis discusses the achievement of EOP projects in employing the minority construction trades workforce.

1.5 M/W/DSBE TYPES AND CONTRACT TYPES

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 for the City of Philadelphia.²⁰ We also examined methodologies developed by other consulting firms for other Annual Disparity Studies. Finally, we revisited the methodology employed in our Fiscal Year (FY) 2006 to FY 2014 studies, to determine where amendments could be made for this year’s Disparity Study.

This section describes the methods we used to determine and compare the level of actual and expected utilization of the required Minority Business Enterprise (MBE), Women Business Enterprise (WBE), and Disabled Business Enterprise (DSBE) (collectively known as M/W/DSBE) categories for the stated contract types.²¹ Specifically, we were interested in calculating the disparity ratio for the following M/W/DSBE categories and City 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 Table 1.5).

²⁰ Because DJMA discussed various interpretations of the requirements of the US Supreme Court’s *Croson* 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.

²¹ See Section 1.10 for more information on our specific methodology in obtaining, filtering, and organizing data from these sources, and a list of files used for the production of the FY 2015 Disparity Study results.

Table 1.5 – M/W/DSBE Categories and City Contract Types of Interest

M/W/DSBE 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 >\$32K (PPS) • Services, Supplies, and Equipment >\$32K (SSE)

Source: City of Philadelphia (2015)

1.6 PROCUREMENT CONTEXT

In furtherance of the City’s policy to foster an environment of inclusion, MBEC was established in 1982 to ensure that minority, women and disabled enterprises are afforded equal access and opportunity to compete for and secure contracts within the City. OEO was created in 2008 by Mayor Michael Nutter through Executive Order 14-08 to replace MBEC and to play a broader role on behalf of M/W/DSBEs. 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 Nutter’s elevation of OEO in terms of holding his administration accountable for success in this arena. Since 2010, OEO has developed an Inclusion Works Strategic Plan and has further integrated its administrative and advocacy roles with other programmatic efforts within the Commerce Department to assist local businesses and stimulate economic development.

Within the City, **the Procurement Department** is a central purchasing agency. The City’s stated objective is to acquire services, equipment, and construction at the lowest possible price within an equitable competitive bidding framework. The City generally subdivides contracts into three types: **Public Works (PW)**, **Services, Supplies, and Equipment (SSE)**, and **Personal and Professional Services (PPS)**, with PW and SSE contracts falling under Procurement and PPS contracts controlled at the individual department level. These three subdivisions are the contract types that are further examined in this Annual Disparity Study.²²

²² For race-neutral purposes, PW bids and all competitive bids for SSE in excess of \$32,000 are advertised locally for a specified period of time (typically a two-week period), and contracts are awarded to the lowest responsible bidder. 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 \$32,000, departments are urged to solicit from firms registered by OEO and by the US Small Business Administration (SBA).

Within the PW sector, critical components of responsiveness include:

1.7 EXPENDITURE CONTEXT

It is important to define the expenditures analyzed in this Annual Disparity Study with respect to the total distribution of economic opportunity to various M/W/DSBE categories. FY 2015 operating expenditures for the City were \$4.5 billion.²³ However, only \$951 million, or less than one-quarter, were directly analyzed in this Annual Disparity Study. That \$951 million represents sealed bid and non-sealed contracts. 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 administration on the issue of the participation of M/W/DSBEs in City contracts. However, they by no means represent all or even most of City contracts. The analysis does include \$318.9 million in contracts by quasi-public entities (Office of Housing and Community Development, Philadelphia Industrial Development Corporation, and Philadelphia Redevelopment Authority), for which M/W/DSBE utilization under the City's governance was 28.3 percent. Combined, City contracts and quasi-public contracts achieved utilization of 30.6 percent in FY 2015 (see Table 1.7.1).

The FY 2015 report analyzed utilization spending primarily on City contracts as expenditures under executive control. Where available and applicable, information on federally funded City contracts is provided but excluded from the overall analysis since the City does not fully control the goal setting on federally funded contracts (see Table 1.7.2). M/W/DSBE utilization for FY 2015 federally funded City contracts was 13.9 percent.

-
- For all bids exceeding \$32,000, the City requires 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. Under the OEO anti-discrimination policy, M/W/DSBEs must be paid within a timely fashion, with "timely" being defined as no later than five (5) business days after the prime contractor receives payment. Information technology projects currently being undertaken by OEO and Procurement are improving the accuracy and timeliness of data needed by OEO to monitor this and other related issues.

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 PPS bid contracting process electronically. Under the program, vendors register to create a Vendor Record and submit applications online for PPS bid opportunities, which are posted for a period of 14 days. The system's features are comprehensive and allow vendors to:

- Search new PPS 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.

²³ City of Philadelphia Mayor's Operating Budget in Brief for Fiscal Year Ending June 30, 2015, as published by the Office of the Director of Finance in June 2015.

There were an additional 68 contracts totaling \$154.1 million in FY 2015 for which there are few or no M/W/DSBEs available to participate (see Section 3.3). This study reports utilization levels excluding these “few or no opportunity” (FONO) contracts. The remainder of the utilization not included in this report, includes items that cannot as easily be discussed in the context of utilization and availability, with salaries and benefits being the major categories. It does not include \$1.9 million in sole source contracts for Service, Supplies, and Equipment contract types, for which M/W/DSBE utilization was 0.00%.

There are a number of **quasi-public agencies** that intersect with the City and over which the City holds some influence. These represent additional opportunities for M/W/DSBE participation and are included within the scope of this report. Some of these other agencies report their M/W/DSBE utilization directly to OEO and are therefore listed in OEO’s Annual Participation Report. Combined, these agencies represent an additional \$318.9 million in contracts in FY 2015 (up from \$236.9 million in FY 2014), for which there was M/W/DSBE participation of 28.3 percent (down from 30.1 percent in FY 2014) (see Table 1.7.1). Combined M/W/DSBE utilization on City and quasi-public City Contracts was 30.6 percent in FY 2015, up from 29.4 percent in FY 2014 (see Table 1.7.3).

Table 1.7.1 – FY 2015 MBE/WBE Utilization for Selected Quasi-Public Agencies

Entity	Time Period	FY 2015				FY 2014			
		All \$ Contracts	MBE%	WBE%	DSBE%	All \$ Contracts	MBE%	WBE%	DSBE%
PHDC	7/1-6/30	\$47.1M	32.6%	7.7%	0.0%	\$31.9M	29.2%	7.7%	NA
PIDC	7/1-6/30	\$12.7M	8.2%	13.9%	1.9%	\$3.4M	17.8%	5.1%	NA
RDA	7/1-6/30	\$259.1M	15.4%	10.9%	0.0%	\$201.7M	18.9%	10.2%	NA
Total		\$318.9M	28.3%			\$236.9M	30.1%		

Source: OEO Annual Participation Report (FY 2014, FY 2015), Econsult Solutions, Inc. (2015, 2016)

Federally funded contracts totaling \$85.02 million are excluded from the overall FY 2015 analysis due to OEO’s goal setting limitation over these types of contracts. In FY 2015, federally funded contracts achieved a utilization of 13.9 percent (see Table 1.6.2).

Table 1.7.2 – FY 2015 MBE/WBE Utilization for Federally Funded City Contracts (In \$M)

Contract Type	Number of Contracts	All \$ Contracts	% M/W/DSBE	Included in Core Disparity Study Analysis?
PW	13	\$85.0	13.9%	No
PPS	0	\$0.0	N/A	
SSE	0	\$0.0	N/A	
All Contract Types	13	\$85.0	13.9%	No

Source: OEO Participation Report (FY 2015), Econsult Solutions, Inc. (2016)

Table 1.7.3 – FY 2015 Utilization of M/W/DSBEs in City Contracts, Quasi-Public City Contracts, and Federally Funded City Contracts, Less “Few or No Opportunity” Contracts, by M/W/DSBE Category (\$)

	FY 15 PW	FY 15 PPS	FY 15 SSE ²⁴	FY 15 All Contract Types	FY 14 PW	FY 14 PPS	FY 14 SSE	FY 14 All Contract Types
City Contracts	25.0%	38.6%	23.7%	31.7%	22.3%	36.3%	18.7%	29.1%
Quasi-Public City Contracts	N/A	N/A	N/A	28.3%	N/A	N/A	N/A	30.1%
City + Quasi-Public City Contracts	25.0%	38.6%	23.7%	30.6%	22.3%	36.3%	18.7%	29.4%
Federally Funded City Contracts	13.9%	N/A	N/A	13.9%	12.4%	N/A	N/A	12.4%

OEO Annual Participation Report (FY 2014, FY 2015), Econsult Solutions, Inc. (2015, 2016)

Certain local public sector units, such as the Southeastern Pennsylvania Transportation Authority or the School District of Philadelphia, have programs outside the scope of this report, as they are under the jurisdiction of the State of Pennsylvania.

Other city agencies and public entities, for example, most notably the Department of Human Services, contract out significant amounts of work to non-profit prime contractors, who then

²⁴ Services, Supplies and Equipment (SSE) utilization includes both citywide and departmental totals for this contract type.

enlist the services of for-profit and non-profit subcontractors. As this study only considers for-profit prime contractors and their sub-contractors, procurement opportunities to nonprofit prime contractors and their sub-contractors, such as the ones described above, are excluded from direct analysis. However, OEO is currently working on ways to measure and account for spending associated with contracts to non-profit prime contractors.

Thus, one significant shortcoming of the current and previous studies is that it only analyzes **the subset of all local public expenditures directly under mayoral control**.²⁵ M/W/DSBEs 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 M/W/DSBE participation. Said another way, the direct topic an Annual Disparity Study covers is the performance of the Mayor and the procurement decisions made by his or her departments.

Heretofore, we have discussed only local public sector contract opportunities, of which there are many available to local M/W/DSBEs over and above that which is being discussed in this report. Of course, there are a significant 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 close to 91 percent of the Philadelphia MSA's Gross Domestic Product of \$383 billion.²⁶

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 M/W/DSBE participation, and other, albeit less forceful, levers the City has at its disposal to encourage M/W/DSBE 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.²⁷

²⁵ These limitations also make disparity comparisons across cities difficult, since mayoral control over various local government functions is not uniform across cities.

²⁶ As of 2013, private industries contributed \$333 billion, while federal, state, and local governments contributed \$35 billion. "Gross Domestic Product by Metropolitan Area," US Department of Commerce – Bureau of Economic Analysis (September 2014).

²⁷ The 2010 OEO Inclusion Works Strategic Plan noted the importance of non-City procurement opportunities in its research to assist M/W/DSBEs, and among other actions, OEO completed the "state of inclusive procurement" document that highlighted procurement activities by other large public and private sector procurers within the Philadelphia MSA.

1.8 DEFINING UTILIZATION

Utilization refers to **the participation of firms in various M/W/DSBE categories, as a percentage of all contracts awarded**. In determining utilization rates, we used raw data from OEO's FY 2015 Participation Report. This data, in addition to summarizing participation by various M/W/DSBE 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-registered M/W/DSBE.²⁸ The utilization data also includes "Certifiables" not listed in the OEO Registry. "Certifiables" participate as primes on small contracts. OEO accepts "Certifiables" as M/W/DSBEs for the purpose of measuring M/W/DSBE utilization, but they are not listed in the OEO Registry. "Certifiables" are firms (sole-practitioners) which individual City Departments have identified as minority or women. In addition, "Certifiables" include minority or women billing partners within law firms.

Given this data set, we were able to verify and reproduce the summary figures in OEO's Participation Report. In addition, given access to OEO's Vendor List, we were further able to identify the proportion of City contracts awarded to M/W/DSBEs that are headquartered within the City, as well as those that are headquartered within the Philadelphia MSA.

In approaching the utilization rate in this manner, we acknowledge the following challenges in understanding the true utilization of M/W/DSBEs 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 M/W/DSBE classifications, but who have not (or not yet) been registered by OEO. Thus, there may be some amount of City contracts that are awarded to firms that should be considered M/W/DSBEs (i.e. they are owned by minorities, women, and/or disabled persons), but for whatever reason have not (or not yet) registered with OEO. Not including the participation of these certifiable firms would mean that our calculated utilization rates are artificially low.²⁹

²⁸ Importantly, the OEO-registered list we use in determining which contract dollars were awarded to OEO-registered firms is from January 2016. Technically, that list represents a specific point in time, while in reality the OEO-registered list is ever-changing, as M/W/DSBEs are added (i.e. become registered) or removed (e.g. went out of business). What truly matters in terms of M/W/DSBE participation is whether a prime contractor or sub-contractor was OEO-registered 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.

²⁹ To get a sense of the scale of this discrepancy, in the next chapter we note that a subset of City departments self-report their utilization of "certifiables," or minority- and/or women owned firms that are not or not yet registered with OEO. To the extent that any of these "certifiables" received contracts in FY 2015, a utilization figure that looked solely at OEO-registered M/W/DSBEs would not totally represent the participation of minority-, women-, and/or disabled-owned firms in City contracts.

- 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 is a large amount of contracts that represent local public sector procurement opportunities but that are not included in this analysis: large local public entities like the School District of Philadelphia, Philadelphia Gas Works, SEPTA, and non-profit prime contractors. If thinking even more broadly about large procurement opportunities available to M/W/DSBEs, one would also need to mention state and federal contracts, as well as the purchasing dollars of large non-public entities like universities and private corporations. The scope of our study is necessarily circumscribed to the procurement activity of the departments covered in OEO's Annual Participation Report, and thus only covers a small slice of the overall regional economic picture in terms of procurement opportunities for M/W/DSBEs.
- The City has a relatively new system that tracks payments on the subcontracts awarded to M/W/DSBEs. The online payment tracking system requires prime contractors and M/W/DSBEs to confirm payments for performance on their contracts. We are exclusively focused on 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 M/W/DSBE participation in the economic opportunities generated by City procurement activity. In other words, focusing on awarded contracts rather than dollars actually 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 M/W/DSBEs are financially benefitting from their participation in City contracts.
- Publicly traded companies cannot be classified as M/W/DSBEs, nor can previously designated M/W/DSBEs that have since been purchased in whole by non-M/W/DSBEs. Thus, it is possible that the City is doing business with firms that are largely if not completely controlled by minorities, women, or disabled persons, but that do not show up as M/W/DSBEs, although this is a relatively rare occurrence.

Future reports may attempt to capture information on "certifiable" firms to portray the difference in M/W/DSBE utilization between those firms that are OEO-registered and those that are not registered but are in fact owned by minorities, women, and/or the disabled. OEO is currently taking a step in this direction, by allowing for self-certification of sole practitioners (i.e. minorities or women who directly provide services to the City).

In FY 2015, the City of Philadelphia had \$154 million in “Few or No Opportunity” (“FONO”) contracts. These contracts occur in industries where there few minorities, women, or disabled business owners able to meet the City’s capacity needs or are not located close enough to perform the task required adequately. These contracts represent an opportunity for the City to improve its utilization of minority, women, and disabled owned firms. Utilizing Census and Bureau of Labor Statistics data, one can roughly gauge the number of firms available within the country that may be able to fulfill City contracts currently only fulfilled by non-minority firms.

The largest NAICS (North Americans Industry Class Industry Classification System) industry sector where there are few MWDSBEs available for City contracts is: 5416 “management and technical consulting services.” These contracts consisted of about two thirds of “total FONO” contract dollars, but only a quarter of the total number of FONO contracts. Nationwide, there are about 250,000 firms, including 4,000 in the Philadelphia MSA (see Table 1.8.1).³⁰ While minorities or women own over 20 percent of firms in that NAICS category nationally, less than 1% have more than 100 employees. This suggests that there are few local minority or women owned firms with the capacity to fulfill large contracts.

Contracts in industries like “petroleum and coal products manufacturing” (NAICS: 3241) and “spring and wire product manufacturing” (NAICS: 3326) have fewer than 20 total firms in the Philadelphia MSA, and only a fraction of these firms are likely to be minority or female owned. Therefore, it may be particularly difficult for the City to utilize MWDSBE vendors in these industries. Meanwhile the NAICS categories: 4251, 4431, 5413, 5415, 5416, and 5419 have over a thousand firms with several hundred firms likely to be minority or women owned.

Firms in these six NAICS categories represent about 94 percent of total FONO spending, and 65 percent of total FONO contracts. OEO would likely have the greatest success in engaging minority, women, and disabled owned firms in these categories to greater improve the MWDSBE utilization in the City. Furthermore, this would reduce the volume of contracts deemed to have “Few or No Opportunity.”

³⁰ Calculated by taking the count of business establishments within the MSA as reported by the Bureau of Labor Statistics and multiplying it by percentage of minority or women owned firms in that particular NAICS industry at the national level.

Table 1.8.1 – Estimated Number of Minority and Women Owned Businesses for FY2015 FONO Categories

NAICS Code	NAICS Description	FONO/ Amount (\$M)	Count of Contracts	Count of Firms in USA	Count of Firms in MSA	% Minority or Female (US Average)	Estimate M / W of Firms in MSA ³¹
3241	Petroleum and coal products manufacturing	\$0.53	1	2,364	19	15%	<100
3326	Spring and wire product manufacturing	\$0.28	1	1,355	16	17%	<100
3329	Other fabricated metal product manufacturing	\$0.33	1	7,023	97	17%	<100
3333	Commercial and service industry machinery	\$0.12	1	2,762	62	23%	<100
3342	Communications equipment manufacturing	\$5.27	1	2,298	12	25%	<100
3345	Electronic instrument manufacturing	\$2.01	7	8,103	186	21%	<100
3391	Medical equipment and supplies manufacturing	\$0.09	2	12,742	231	29%	<100
4233	Lumber and const. supply merchant wholesalers	\$0.12	1	18,443	314	26%	<100
4235	Metal and mineral merchant wholesalers	\$0.10	1	8,609	149	27%	<100
4236	Electric goods merchant wholesalers	\$0.34	3	28,511	473	36%	Between 100-500
4238	Machinery and supply merchant wholesalers	\$0.05	1	60,933	788	25%	Between 100-500
4246	Chemical merchant wholesalers	\$0.03	1	13,109	273	32%	<100
4251	Electronic markets and agents and brokers	\$0.03	1	231,033	2,815	23%	Between 500-1,000
4431	Electronics and appliance stores	\$0.21	3	47,892	1,023	33%	Between 100-500
4441	Building material and supplies dealers	\$0.06	1	53,539	774	20%	Between 100-500
5112	Software publishers	\$0.03	1	17,102	171	41%	<100

³¹ NAICS 4 digit minority and female ownership data is not currently available at the MSA level, therefore calculations on ownership used national percentages. These percentages were calculated by taking the count of business establishments within the MSA as reported by the Bureau of Labor Statistics and multiplying it by the national percentages of firms those are owned by minorities or women in that particular NAICS industry.

NAICS Code	NAICS Description	FONO/ Amount (\$M)	Count of Contracts	Count of Firms in USA	Count of Firms in MSA	% Minority or Female (US Average)	Estimate M / W of Firms in MSA ³¹
5413	Architectural and engineering services	\$0.25	2	129,305	2,091	22%	Between 100-500
5415	Computer systems design and related services	\$5.56	11	243,940	4,310	43%	>1,000
5416	Management and technical consulting services	\$103.49	17	244,924	4,080	38%	>1,000
5418	Advertising, pr, and related services	\$0.03	1	50,139	881	37%	Between 100-500
5419	Other professional and technical services	\$35.22	10	85,632	1,516	36%	Between 500-1,000
Total		\$154.14	68	1,269,758	20,281		<7,000

Source: City of Philadelphia Office of Economic Opportunity (2015), US Census Survey of Business Owners (2012), Bureau of Labor Statistics (2016), Econsult Solutions, Inc. (2016)

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 concluded that our approach is an appropriate one.

1.9 DEFINING AVAILABILITY

To match the “numerator” of the 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 M/W/DSBE 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.³²

³² 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 M/W/DSBEs with which the City can do business. If, for example, an M/W/DSBE 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 M/W/DSBE category; but second, that the City should work with other entities to work towards a higher availability of firms owned by members of that M/W/DSBE category.

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 MSA as the geographic boundaries of their availability analysis.

In keeping with the legal precedent for defining availability as set forth by *Croson*, DJMA used a definition for availability that examined a firm’s readiness, willingness, and ability to do business with the City.³³

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 were 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’s Office of Economic Opportunity, Procurement Department (SSE and PW), Finance (PPS), or with the federal government.
3. *Ability* to do business with the City, or capacity, is an important part of determining overall M/W/DSBE 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 Phoenix³⁴ and Mason Tillman in New York City³⁵ 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 approach that is sensitive to the constraints involved in considering either broader or narrow definitions of RWA 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

³³ In FY 2012 and FY 2014, OEO conducted a survey of M/W/DSBEs in its directory to explore these aspects of capacity.

³⁴ Second Generation Disparity Study, MGT of America, Inc. (1999).

³⁵ City of New York Disparity Study, Mason Tillman and Associates, Ltd. (2005).

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 M/W/DSBEs registered with OEO, divided by the number of all firms registered with the City's Procurement Department.

Using a broader definition of RWA, one could use the US Census Survey of Business Owners (SBO),³⁶ 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.³⁷

However, we now have the opposite problem of the narrower definition of RWA, since there are certainly firms out there that, while they are in full operation and are generating positive revenues, for whatever reason are not in fact ready, willing, and able to do business with the City. For example, the vast majority of firms inventoried in the SBO (both M/W/DSBE and non-M/W/DSBE) 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 M/W/DSBE and non-M/W/DSBE) is far 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 M/W/DSBE and non-M/W/DSBE, who for a variety of reasons have not (or not yet) registered with the City. Considering only registered firms would under-count both the M/W/DSBE amount and the non-M/W/DSBE amount, with a possible skewing on the availability rate, depending on whether M/W/DSBEs were more or less likely than non-M/W/DSBEs to choose not to identify themselves as ready, willing, and able by registering with the City's Procurement Department and/or obtaining OEO registration.

In order to more fully understand availability, we pursued both a "broad" and "narrow" approach, and calculated availability rates for both approaches. In this way, we could 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

³⁶ The majority of the availability data used in this 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 most recently released SBO data is from 2012 and was released in 2015. Previous Disparity Studies have used the 2007 SBO data, which was released between 2011 and 2012.

³⁷ At a more detailed industry level, a fair amount of major City spending categories involve NAICS codes for which there are no currently available M/W/DSBEs, and likely no prospects for available M/W/DSBEs in the foreseeable future. Thus, it may be unfair to include that spending in the comparison of utilization versus availability.

most recent SBO data (2007), whereas our “narrow” approach utilized OEO and Procurement Department data.³⁸

Because of the difficulty in determining the actual availability rate of RWA M/W/DSBEs, we considered multiple sets of proxies. First, using a narrower approach, we took the number of M/W/DSBEs that have registered with OEO, divided by the number of all firms that have registered with the City's Procurement Department. Second, using a broader approach, we took the number of M/W/DSBEs, divided by the number of all firms, as reported in the 2012 SBO data (FY 2015 Disparity Study) and the 2007 SBO data (FY 2014 Disparity Study). These data are only available at the metropolitan level.³⁹ Third, we must consider the appropriate geography to use when determining M/W/DSBE utilization versus M/W/DSBE availability. Because we know where OEO-registered firms are located, we can easily determine M/W/DSBE utilization within the City versus within the Philadelphia MSA versus within the US as a whole. However, most availability data are only available at the metropolitan and not city or county level. Finally, similar to the FY 2014 methodology for calculating “A3,” in which two-digit NAICS codes were determined for each contract type and then information from the SBO was summed to determine availability by contract type, the approach for the FY 2015 Disparity Study weights A1 – A5 data according to the distribution of FY 2015 spending by industry, per the FY 2015 Participation Report.

Furthermore, there is no absolute legal consensus as to **the appropriate geographic market for determining M/W/DSBE 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.⁴⁰ 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

³⁸ 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.

³⁹ 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.

⁴⁰ See *Coral Construction*, 941 F. 2d at 925: “An MBE program must limit its geographical scope to the boundaries of the enacting jurisdiction.”

are natural sources for firms in a position to bid on and be awarded contracts within that jurisdiction.⁴¹

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 are 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-registered firms. In FY 2013, OEO began purging inactive firms from the OEO directory and continues to review aggressively the directory so that it remains as up to date as possible. Even with regular purging, the directory is nearly evenly distributed between firms located within the City of Philadelphia, firms located outside of the City but in the Philadelphia MSA, and firms located outside of the Philadelphia MSA. In other words, only one-third of all firms in the directory are located in the City of Philadelphia, while another one-third are outside of the City but within the MSA.

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 are located, since OEO's own directory suggests such a geographic distribution. Using the US as a whole would clearly be far too vast a geographic unit, but using just the City itself might be too narrow a geographic unit.⁴²

These proxies can only approximate the actual availability rate of RWA M/W/DSBEs as a proportion of all RWA firms because of the difficulty in determining readiness, willingness, and ability.⁴³ Disparity Studies necessarily have to utilize existing data and cannot perfectly know

⁴¹ See *Concrete Works*, 823 F.Supp. 821, 835-836 (D. Colo. 1993), in which the Denver MSA was upheld as the appropriate market area.

⁴² As a point of reference, DJMA used the Philadelphia PMSA in its analysis of 1998-2003 data. MSAs 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, City-level availability estimates are still useful in understanding the distribution of RWA M/W/DSBE firms. Therefore, City-level availability estimates are made and accounted for in making participation goal recommendations.

⁴³ In fact, the first proxy will be different to the extent that the proportion of M/W/DSBEs that are in fact RWA but have not or have not yet registered with OEO is different from the proportion of all firms that are RWA but have not or have not yet registered with the City's Procurement Department. The second and third proxies will be

the actual availability rate because of the challenge in quantifying the appropriate universes of RWA firms.⁴⁴

1.10 DEFINING 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 M/W/DSBE prime contractors and sub-contractors registered by 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) M/W/DSBEs in the City, or alternatively, the Philadelphia Metropolitan Statistical Area (MSA),⁴⁵ relative to the City or MSA’s total number of all RWA enterprises.

In other words, we compare the actual utilization of M/W/DSBEs, in the form of contract awards, with an expected utilization of M/W/DSBEs, based on the availability of RWA M/W/DSBEs. Keep in mind that 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 M/W/DSBE category (Minority Business Enterprises (MBE), and specific racial and ethnic groups within, as well as Women Business Enterprises (WBE) and contract type (Public Works (PW), Personal and Professional Services (PPS), and Services, Supplies, and Equipment (SSE)). (see Table 1.10.1).

different to the extent that the proportion of M/W/DSBEs that are not in fact RWA is different from the proportion of all firms that are not RWA.

⁴⁴ 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.

⁴⁵ The Philadelphia MSA is an 11-county region that 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 Philadelphia (PA), Bucks (PA), Chester (PA), Delaware (PA), Montgomery (PA), Burlington (NJ), Camden (NJ), Gloucester (NJ), Salem (NJ), New Castle (DE), and Cecil (MD).

Table 1.10.1 – Hypothetical Examples of Over- and Under-Utilization

Disparity Ratio	Hypothetical Example	Over or Under
1.5	Utilization of African American owned M/W/DSBEs for PPS contracts was 12%, Availability of African American owned M/W/DSBEs for PPS contracts was 8% ($12\% \div 8\% = 1.5$)	Over-Utilization
1	Utilization of WBEs for PW contracts was 6%, Availability of WBEs for PW contracts was 6% ($6\% \div 6\% = 1.0$)	Neither Over Nor Under
0.5	Utilization of MBEs for SSE contracts was 0.5%, Availability of MBEs for SSE contracts was 1.0% ($0.5\% \div 1.0\% = 0.5$)	Under-Utilization

Source: Econsult Solutions, Inc. (2016)

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 M/W/DSBE 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 M/W/DSBE category, divided by the total number of “ready, willing, and able” firms in that given contract type (see Table 1.10.2).

Table 1.10.2 – Components of a Disparity Ratio

Utilization		Availability
\$ value of City contracts awarded to M/W/DSBE prime contractors and sub-contractors		M/W/DSBE 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 Solutions, Inc. (2016)

For the purposes of this report, we are interested exclusively in FY 2015 data. Where data constraints result in missing, insufficient or ambiguous figures, we do not include these figures, but instead show an “*”. Therefore, all figures shown are statistically significant.

1.11 DATA SETS

1.11.1 US Census (Used for availability) “A1,” “A2,” “A3,” “A4,” “A5,” “A6,” “A7,” and “A8”

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

This report also weights the availability of firms in the City and MSA geographies by the City’s spending in the respective industrial categories (as delineated by NAICS codes). Weighting the availability by how the city spends each fiscal year allows for a more accurate capture of the available firms in the MSA.

This report uses data from the 2012 Survey of Business Owners (“SBO”). SBO data are available for the City of Philadelphia and the Philadelphia MSA from 2012 (the most recent year available) through the Company Statistics Division of the US Census Bureau at:

<http://www.census.gov/econ/sbo/>

And through the American FactFinder website of the U.S. Census Bureau, available at:

<http://factfinder.census.gov/faces/nav/jsf/pages/searchresults.xhtml?refresh=t>

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/faces/nav/jsf/pages/index.xhtml> and clicking on the “Get Data” link under “Economic Census.”

2. Once opened, the link automatically connects to the 2012 Economic Census dataset. Click on the “2012 Survey of Business Owners” link under “Detailed Statistics.”
3. The page that opens up has three tabs that allow 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 MSA Area” and click OK on the right. The datasets available for the Philadelphia Metropolitan Statistical Area (MSA) will appear in the window below.⁴⁶
5. Select the dataset U.S. Firms by Geographic Area, Industry, Gender, Ethnicity, and Race: 2012. This 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 racial and ethnic categories (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 SBO does not collect data on DSBES.
6. For various reasons, the Census reports do not provide data for all the categories and subcategories. There are two major data error classifications:
 - a. “D - Withheld to avoid disclosing data for individual companies; data are included in higher level totals”
 - b. “S - Withheld because estimate did not meet publication standards”

To weight the contract by annual city spending:

7. Contracts are manually sorted into two-digit NAICS codes by OEO staff.
8. Spending, as reported in the FY 2015 Participation Report, is sorted by two-digit NAICS code; weights for each two-digit NAICS code for each contract type (and for all spending) could then be calculated by dividing by total amounts spent by contract type (and for all spending).

⁴⁶ “Philadelphia County” can be selected, yielding data for the City of Philadelphia by itself.

9. SBO data were obtained for all M/W/DSBE types and for all two-digit NAICS codes.⁴⁷

10. These SBO results were then multiplied through by FY 2015 spending by contract type (and for all spending), as apportioned out to the two-digit NAICS code level, resulting in a weighted average number of available M/W/DSBE firms in any particular M/W/DSBE category for any particular contract type (or for all contract types). Dividing this weighted average result by the weighted average number of all firms in any particular M/W/DSBE category for any particular contract type (or for all contract types), yields the estimated availability for any particular M/W/DSBE category for any particular contract type (or for all contract types). This set of calculations was performed for all four types of availability – all firms, firms with employees, revenues, revenues of firms with employees – for the geography represented by the City of Philadelphia as well as the Philadelphia MSA.

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.

⁴⁷ The same tables were produced for all other approaches to estimate availability – all firms, revenues of firms, and revenues of firms with employees, but they are not shown here.

1.11.2 Disparity Study Datasets and Related Files**Table 1.11.1 Datasets for the Annual Disparity Study**

File Name	File Type	Description
“Master_contract_list”	STATA Dataset (.dta)	A STATA dataset containing all of the prime and subcontract vendors and contract amounts included in the “OEO Contract Participation 4th Qt FY 15 Report.xls”.
“OEO Vendors with Race FY 2015”	MS Excel (.xls)	The original file provided to Econsult by OEO listing all current registered vendors.
“OEO Contract Participation 4 th Qtr FY15 Report”	MS Excel (.xls)	The original file provided to Econsult by OEO listing all prime and subcontract vendors along with contract amounts.
“PMSA Zip Codes”	MS Excel (.xls)	A compilation of all the zip codes in the City and MSA areas.
“pmsa_zip_codes”	STATA Dataset (.dta)	A STATA dataset version of “PMSA Zip Codes.xls”
“Procurement Vendor Listing”	MS Excel (.xls)	A list of vendors registered with the City’s Procurement Office, provided by same.
“Summary of Availability Data – SBA Census”	MS Excel (.xls)	A spreadsheet with four tabs, each summarizing the data available from the 2012 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.

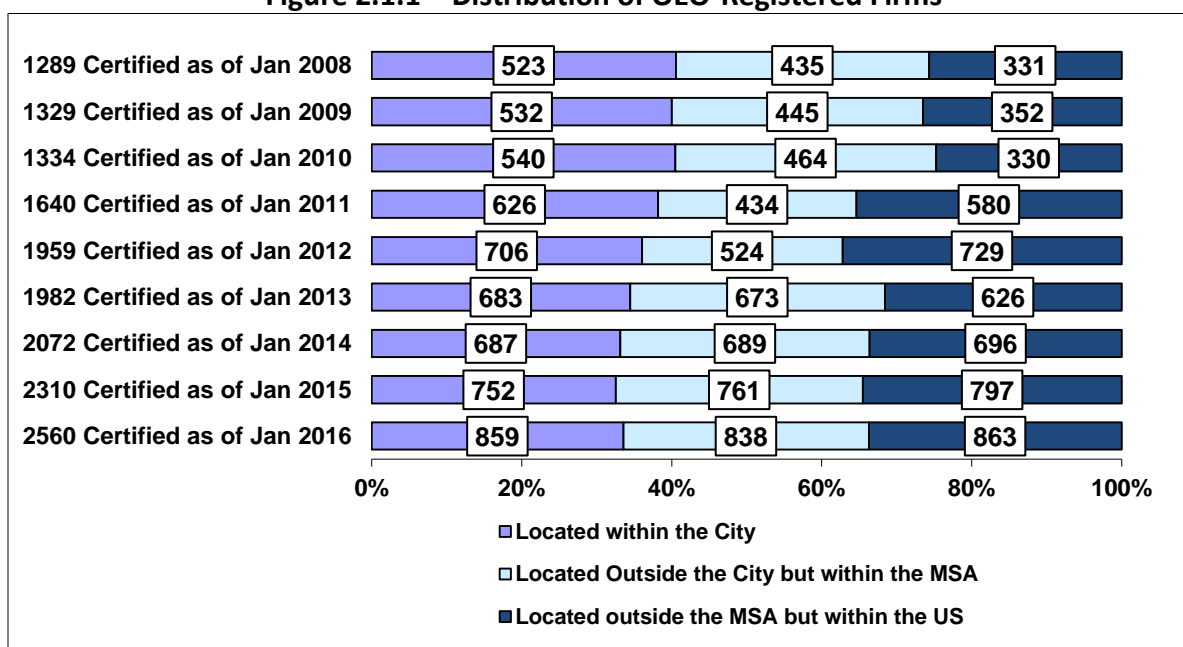
Source: Econsult Solutions, Inc. (2016)

2 UTILIZATION

2.1 COMPOSITION OF DIRECTORY

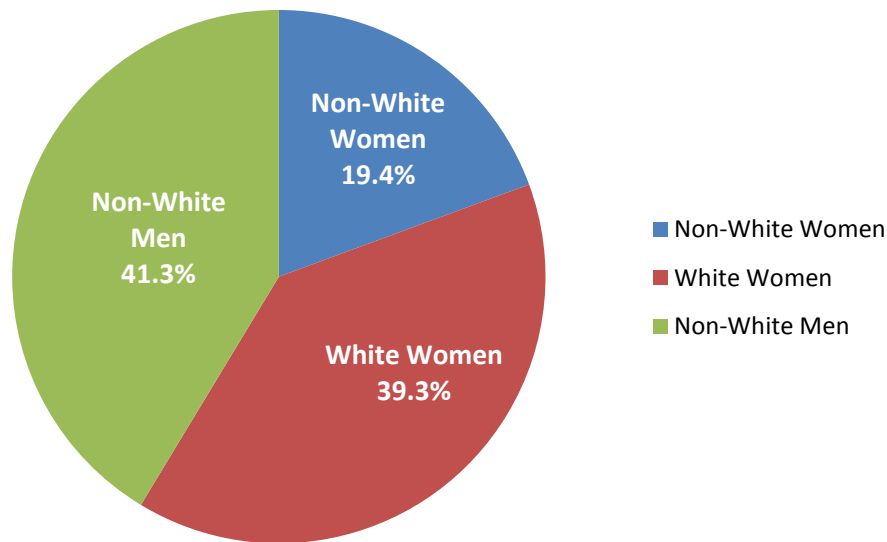
Figure 2.1.1 shows that the OEO directory of registered M/W/DSBE firms is nearly evenly distributed between firms located within the City of Philadelphia, firms located outside of the City but in the Philadelphia MSA, and firms located outside of the Philadelphia MSA. The number of firms listed in the OEO registry continues to grow. This indicates that the City should not return to certifying M/W/DSBEs.

Figure 2.1.1 – Distribution of OEO-Registered Firms



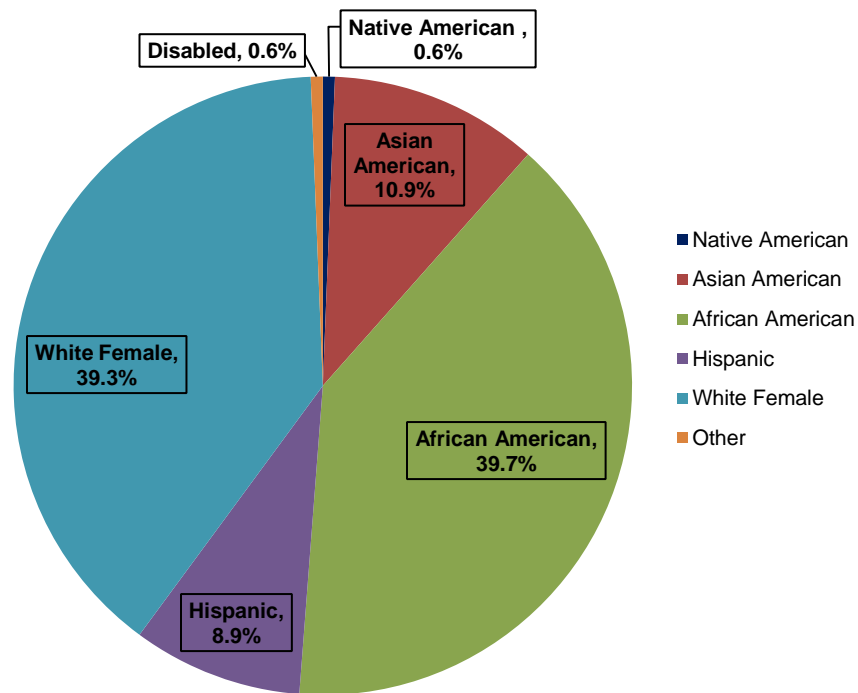
Source: City of Philadelphia Office of Economic Opportunity (2007-2015), Econsult Solutions, Inc. (2007-2016)

Figure 2.1.2 shows the distribution of the firms listed in the OEO registry by gender. Non-white men continue to represent the majority of the firms listed at a little over 41 percent, while white women owned firms are closing the gap at a little over 39 percent. Non-white women owned firms represent a little over 19 percent of the firms listed in the OEO registry.

Figure 2.1.2 – January 2016 Distribution of OEO-Registered Firms by Gender

Source: City of Philadelphia Office of Economic Opportunity (2015), Econsult Solutions, Inc. (2016)

Figure 2.1.3 shows that the distribution of the firms listed in the OEO registry by ethnicity. African Americans represent the majority of the firms listed at almost 40 percent, while white women owned firms represent a little over 39 percent of the firms. Asian American, Hispanic, Native American, and “Other” firms follow in that order.



Source: City of Philadelphia Office of Economic Opportunity (2015), Econsult Solutions, Inc. (2016)

Table 2.1.4 Distribution of OEO-Registered Firms by State (as of January 2016)

State	Number of Firms	% of Total
Pennsylvania	1,608	62.8%
New Jersey	350	13.7%
Maryland	107	4.2%
New York	92	3.6%
Delaware	63	2.5%
Texas	40	1.6%
Virginia	36	1.4%
Illinois	34	1.3%
California	29	1.1%
Florida	29	1.1%
District of Columbia	23	0.9%
Georgia	22	0.9%
Massachusetts	20	0.8%
Indiana	12	0.5%
Michigan	12	0.5%
North Carolina	11	0.4%
Missouri	9	0.4%
Connecticut	8	0.3%
Ohio	8	0.3%
Tennessee	6	0.2%
Colorado	5	0.2%
Minnesota	4	0.2%
South Carolina	4	0.2%
Washington	4	0.2%
Arizona	3	0.1%
Rhode Island	3	0.1%
Wisconsin	3	0.1%
Kansas	2	0.1%
Nevada	2	0.1%
Oregon	2	0.1%
Utah	2	0.1%
Arkansas	1	0.0%
Kentucky	1	0.0%
Louisiana	1	0.0%
Maine	1	0.0%
New Hampshire	1	0.0%
New Mexico	1	0.0%
Oklahoma	1	0.0%
Total	2,560	100.00%

Source: City of Philadelphia - Office of Economic Opportunity (2015), Econsult Solutions, Inc. (2016)

**Table 2.1.5 – Distribution of OEO-Registered Firms by Industry by Location of Firm
(as of January 2016)⁴⁸**

Contract Type	City		MSA		US	
	#	%	#	%	#	%
PW	307	35.7%	619	36.5%	856	33.4%
PPS	372	43.3%	720	42.5%	1,158	45.2%
SSE	147	17.1%	292	17.2%	447	17.5%
MP/SOP	34	4.0%	65	3.8%	99	3.9%
All Contract Types	860		1,696		2,560	

Source: City of Philadelphia - Office of Economic Opportunity (2015), Econsult Solutions, Inc. (2016)

**Table 2.1.6 – Distribution of OEO-Registered Firms by Industry by M/W/DSBE Category
(as of January 2016)^{49, 50}**

Contract Type	MBE		WBE		DSBE		M/W/DSBE	
	#	%	#	%	#	%	#	%
PW	531	35.6%	434	29.1%	4	44.4%	856	33.4%
PPS	679	45.5%	746	50.0%	5	55.6%	1,158	45.2%
SSE	279	18.7%	260	17.4%	0	0.0%	447	17.5%
MP/SOP	64	4.3%	53	3.5%	0	0.0%	99	3.9%
All Contract Types	1,553		1,493		9		2,560	

Source: City of Philadelphia - Office of Economic Opportunity (2015), Econsult Solutions, Inc. (2016)

⁴⁸ Does not include 131 "certifiable" firms.

⁴⁹ Contract totals may not sum because a firms can be WBE, MBE, and DBE simultaneously.

⁵⁰ Does not include 131 "certifiable" firms.

2.2 DISTRIBUTION OF CONTRACT DOLLARS BY M/W/DSBE TYPE

As described in Section 1.8, M/W/DSBE utilization is defined as the dollar value of contracts awarded to for-profit M/W/DSBE prime contractors and sub-contractors divided by the total dollar value of contracts awarded to for-profit contractors, as reported in the FY 2015 Annual Participation Report of the City’s Office of Economic Opportunity (OEO), which lists contracts awarded and (if any) M/W/DSBE participation in those contracts. We are further interested in the geographic distribution of contracts awarded to M/W/DSBEs; whether they are located within the City of Philadelphia, within the Philadelphia Metropolitan Statistical Area (MSA), or within the US. In fact, these three sizes of geography represent the three different ways we can express utilization (see Table 2.2.1).

Table 2.2.1 – Utilization Methods Employed in This Report
**** Denotes Weighted More Heavily in Determining Participation Goals**

Method	Description	Data Source(s)
“U1”	Utilization of M/W/DSBEs located in the City of Philadelphia ÷ utilization of all firms	OEO Annual Participation Report (FY 2015)
“U2” **	Utilization of M/W/DSBEs located in the Philadelphia MSA ÷ utilization of all firms	OEO Annual Participation Report (FY 2015)
“U3”**	Utilization of M/W/DSBEs located in the US ÷ utilization of all firms	OEO Annual Participation Report (FY 2015)

Source: Econsult Solutions, Inc. (2015)

The figures below provide an overview of the City’s utilization of M/W/DSBEs in its awarding of contracts. 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 M/W/DSBEs. We provide three sets of utilization results, representing three units of geography or concentric circles: “U1” is utilization of M/W/DSBEs that are located within the City (see Table 2.2.2), “U2” is utilization of M/W/DSBEs that are located within the Philadelphia MSA (see Table 2.2.3), and “U3” is utilization of M/W/DSBEs that are located within the US (see Table 2.2.4).

As noted previously, the FY 2015 results do not include federally funded contracts or contracts with “few or no opportunity” (FONO) for M/W/DSBE participation. Because M/W/DSBE location

is unknown for some quasi-public contracts, quasi-public contract data are shown only in the "U3" table.

Table 2.2.2 – FY 2015 Utilization (U1) - Utilization of For-Profit M/W/DSBE Prime Contractors and Sub-Contractors Located within the City of Philadelphia, Divided by Utilization of All For-Profit Prime Contractors and Sub-Contractors in City Contracts (Excluding Federally Funded City Contracts, Quasi-Public City Contracts, Sole-Source Contracts, and "FONO" Contracts) (by \$ Contracts Awarded)

M/W/DSBE Category	FY 15		FY 15		FY 15		FY 15		FY 14		FY 14		FY 14		FY 14	
	PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types
White	2.2%	0.9%	16.9%	3.2%	1.6%	2.3%	12.8%	3.4%								
Native American	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%								
Asian American	0.0%	0.1%	0.0%	0.1%	1.1%	0.4%	0.0%	0.6%								
African American	1.4%	14.0%	1.7%	7.9%	3.0%	10.7%	2.9%	7.0%								
Hispanic	5.2%	1.6%	0.3%	2.8%	2.8%	3.1%	0.2%	2.6%								
All MBE	6.7%	15.8%	2.0%	10.8%	6.8%	14.2%	3.1%	10.2%								
All WBE	2.7%	3.3%	17.0%	4.6%	4.6%	5.7%	14.0%	6.4%								
Disabled	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%								
All M/W/DSBE	8.9%	16.3%	18.9%	13.8%	8.5%	16.5%	15.9%	13.6%								

Source: OEO Annual Participation Report (FY 2014, FY 2015), Econsult Solutions, Inc. (2015, 2016)

Table 2.2.3 – FY 2015 Utilization (U2) - Utilization of For-Profit M/W/DSBE Prime Contractors and Sub-Contractors Located within the Philadelphia MSA, Divided by Utilization of All For-Profit Prime Contractors and Sub-Contractors in City Contracts (Excluding Federally Funded City Contracts, Quasi-Public City Contracts, Sole-Source Contracts, and "FONO" Contracts) (by \$ Contracts Awarded)

M/W/DSBE Category	FY 15 PW	FY 15 PPS	FY 15 SSE	FY 15 All Contract Types	FY 14 PW	FY 14 PPS	FY 14 SSE	FY 14 All Contract Types
White	9.6%	2.9%	18.9%	7.2%	6.7%	4.2%	13.9%	6.3%
Native American	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asian American	1.9%	1.0%	0.3%	1.2%	1.5%	1.1%	0.1%	1.1%
African American	4.0%	16.7%	2.3%	10.3%	5.7%	13.6%	2.9%	9.4%
Hispanic	5.7%	1.8%	0.3%	3.0%	3.1%	3.4%	0.2%	2.9%
All MBE	11.6%	20.0%	2.9%	14.8%	10.3%	18.5%	3.2%	13.6%
All WBE	11.8%	7.1%	19.6%	10.2%	10.1%	8.7%	15.2%	9.9%
Disabled	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
All M/W/DSBE	21.1%	22.5%	21.8%	21.7%	17.0%	22.7%	17.1%	19.8%

Source: OEO Annual Participation Report (FY 2014, FY 2015), Econsult Solutions, Inc. (2015, 2016)

Table 2.2.4 – FY 2015 Utilization (U3) of For-Profit M/W/DSBE Prime Contractors and Sub-Contractors Located within the US, Divided by Utilization of All For-Profit Prime Contractors and Sub-Contractors on City Contracts (Excluding Federally Funded City Contracts, Sole Source Contracts, and "FONO" Contracts) (by \$ Contracts Awarded)

M/W/DSBE Category	FY 15 PW	FY 15 PPS	FY 15 SSE	FY 15 All Contract Types	FY 14 PW	FY 14 PPS	FY 14 SSE	FY 14 All Contract Types
White	9.9%	12.1%	19.6%	12.2%	8.5%	12.1%	15.4%	11.3%
Native American	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asian American	4.1%	3.3%	0.7%	2.9%	2.5%	4.0%	0.1%	2.6%
African American	5.3%	20.8%	3.1%	13.0%	6.2%	16.2%	2.9%	11.0%
Hispanic	5.7%	2.2%	0.3%	3.2%	5.2%	3.6%	0.4%	3.6%
All MBE	15.2%	27.4%	4.1%	20.0%	13.9%	24.1%	3.4%	17.8%
All WBE	12.2%	18.0%	20.9%	16.1%	11.9%	18.2%	16.7%	15.8%
Disabled	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
All M/W/DSBE	25.0%	38.6%	23.7%	31.7%	22.3%	36.3%	18.7%	29.1%
Including Quasi-Public City Contracts								
US				30.6%				29.4%
Non-M/W/DSBEs				69.5%				70.6%

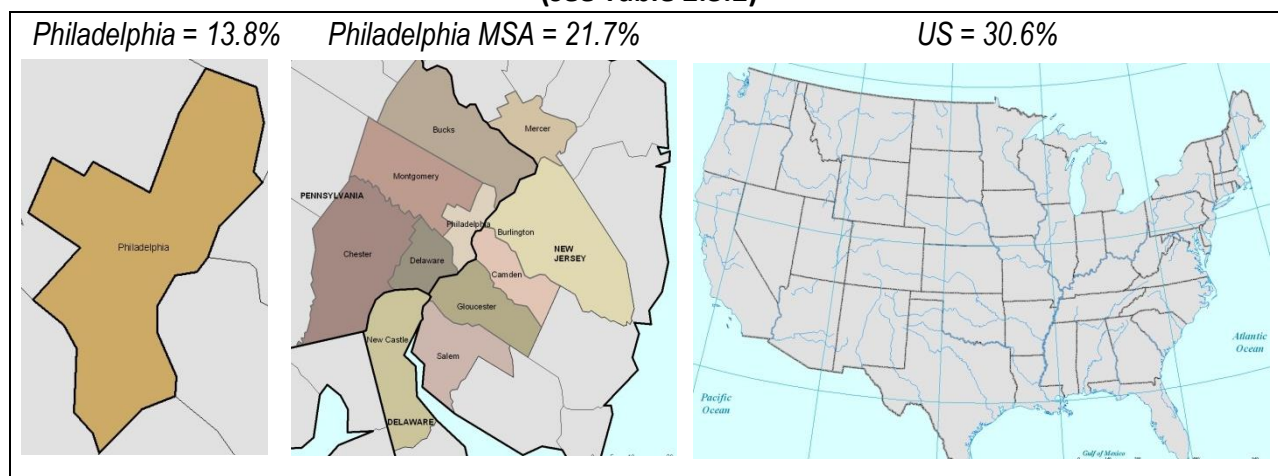
Source: OEO Annual Participation Report (FY 2014, FY 2015), Econsult Solutions, Inc. (2015, 2016)

The M/W/DSBE utilization in City contracts and contracts of quasi-public entities (excluding federal contracts) increased by 1.2 percentage points, from 29.4 percent in FY 2014 to 30.6 percent in FY 2015 (see Table 2.2.4). Participation in SSE contracts increased by 5.0 percentage points in FY 2015. Participation also increased in PW and PPS contracts by 2.7 percent and 2.3 percent, respectively. Overall participation increased in all contracts types for MBE firms. Participation increased for WBE firms across all contract types, except for PPS contracts, which had a 0.2 percentage point decrease.

2.3 DISTRIBUTION OF CONTRACT DOLLARS BY M/W/DSBE LOCATION

The participation of M/W/DSBEs located inside the City of Philadelphia continues to increase. M/W/DSBEs based in the City increased by 0.2 percentage points to 13.8 percent in FY 2015, up from 13.6 percent in FY 2014, (see Figure 2.3.1 and Table 2.3.2). In FY 2015, there was an increase of 3.0 percentage points in the utilization of City-located M/W/DSBEs for SSE contracts, an increase of 0.5 percentage points in the utilization of City-located M/W/DSBEs for PW contracts, and a decrease of 0.2 of a percentage point in the utilization of City-located M/W/DSBEs for PPS contracts.

Figure 2.3.1 FY 2015 Utilization of For-Profit M/W/DSBE Prime Contractors and Sub-Contractors in City Contracts (Excluding Federally Funded City Contracts, Sole-Source Contracts, and "FONO" Contracts) and Quasi-Public City Contracts by Location of M/W/DSBE (see Table 2.3.2)



Source: OEO Participation Report (FY 2014), Econsult Solutions, Inc. (2016)

Table 2.3.2 – FY 2015 Utilization of For-Profit M/W/DSBE Prime Contractors and Sub-Contractors in City Contracts (Excluding Federally Funded City Contracts, Sole-Source Contracts, and "FONO" Contracts) and Quasi-Public City Contracts by Location of M/W/DSBE

Location of M/W/DSBE	FY 15 PW	FY 15 PPS	FY 15 SSE	FY 15 All Contract Types	FY 14 PW	FY 14 PPS	FY 14 SSE	FY 14 All Contract Types
City	8.9%	16.3%	18.9%	13.8%	8.5%	16.5%	15.9%	13.6%
In Metro but Outside City	12.2%	6.2%	2.9%	7.9%	8.6%	6.2%	1.2%	6.3%
MSA	21.1%	22.5%	21.8%	21.7%	17.0%	22.7%	17.1%	19.8%
In US but Outside Metro	3.9%	17.1%	2.0%	10.5%	5.3%	13.6%	1.7%	9.3%
US	25.0%	38.6%	23.7%	31.7%	22.3%	36.3%	18.7%	29.1%
Non-M/W/DSBEs	75.0%	61.4%	76.3%	68.3%	77.7%	63.7%	81.3%	70.9%
Including Quasi-Public City Contracts								
US				30.6%				29.4%
Non-M/W/DSBEs				69.5%				70.6%

Source: OEO Annual Participation Report (FY 2014, FY 2015), Econsult Solutions, Inc. (2015, 2016)

The dollar value of contracts awarded to M/W/DSBEs based in the City increased by \$800,000 to \$87.0 million in FY 2015 up from \$86.2 million in FY 2014, (see Table 2.3.3). In FY 2015, there was an increase of \$2.6 million in contract dollars awarded to City-located M/W/DSBEs for PW contracts, an increase of \$530,000 awarded to City-located M/W/DSBEs for SSE contracts, and a decrease of \$2.2 million awarded to City-located M/W/DSBEs for PPS contracts.

The dollar value of contracts awarded to M/W/DSBEs is likely higher than the \$87.0M shown in Table 2.3.3. A geographic breakdown of the Quasi-Public contracts is not available; therefore, it is unknown how much of the \$290.4M of contract dollars were awarded to City-based M/W/DSBEs. Many of the Quasi-Public contracts are for Public Works, which tend to be awarded to locally based firms.

Table 2.3.3 – FY 2015 Utilization of For-Profit M/W/DSBE Prime Contractors and Sub-Contractors Divided by Utilization of All For-Profit Prime Contractors and Sub-Contractors on City Contracts (Excluding Federally Funded City Contracts, Sole-Source Contracts, and "FONO" Contracts) and Quasi-Public City Contracts, by Contract Type and Location of M/W/DSBE (in \$M)

Location of M/W/DSBE	FY 15 PW	FY 15 PPS	FY 15 SSE	FY 15 All Contract Types	FY 14 PW	FY 14 PPS	FY 14 SSE	FY 14 All Contract Types
City	\$20.1	\$52.9	\$13.6	\$87.0	\$17.5	\$55.1	\$13.1	\$86.2
In Metro but Outside City	\$27.6	\$20.1	\$2.1	\$50.0	\$17.8	\$20.5	\$1.0	\$39.7
MSA	\$47.6	\$73.0	\$15.7	\$137.1	\$35.3	\$75.7	\$14.0	\$125.9
In US but Outside Metro	\$8.8	\$52.3	\$1.4	\$63.4	\$11.0	\$45.5	\$1.4	\$58.7
US	\$56.4	\$125.3	\$17.1	\$200.4	\$46.3	\$121.2	\$15.4	\$184.6
Non-M/W/DSBEs	\$169.2	\$199.4	\$54.9	\$431.8	\$161.2	\$212.8	\$66.8	\$450.1
Including Quasi-Public City Contracts								
US				\$290.4				\$256.0
Non-M/W/DSBEs				\$660.7				\$617.6

Source: OEO Annual Participation Report (FY 2014, FY 2015), Econsult Solutions, Inc. (2015, 2016)

2.4 UTILIZATION OF M/W/DSBE AS PRIME CONTRACTORS

Information from the FY 2015 OEO Participation Report indicates that 15.4 percent of all City contracts were primed by M/W/DSBEs (down from 16.7 percent in FY 2014), representing 11.0 percent of the aggregate dollar value of all City contracts (an increase from 9.5 percent in FY 2014). The average size of contracts primed by M/W/DSBE increased from \$170,000 to \$210,000 between FY 2014 and FY 2015. Therefore, M/W/DSBEs' average contract size increased even though the number of contracts awarded to M/W/DSBE primes decreased. M/W/DSBEs primed 9.2 percent of PW contracts, 25.2 percent of PPS contracts, and 4.8 percent of SSE contracts in FY 2015 (see Table 2.4.1).

**Table 2.4.1 – FY 2015 Utilization of M/W/DSBEs as Prime Contractors in City Contracts
(Excluding Federally Funded City and Quasi-Public City Contracts)⁵¹**

	FY 15 PW	FY 15 PPS	FY 15 SSE	FY 15 All Contract Types	FY 14 PW	FY 14 PPS	FY 14 SSE	FY 14 All Contract Types
All Contracts⁵²								
# Contract	153	560	188	2,009	138	583	276	2,129
Amount (\$M)	\$225.6	\$324.7	\$71.9	\$632.3	\$207.5	\$334.0	\$84.1	\$636.6
Avg Contract (\$M)	\$1.47	\$0.64	\$0.39	\$0.32	\$1.50	\$0.57	\$0.30	\$0.30
Primed by M/W/DSBE								
# Contract	14	141	9	334	15	134	18	356
Amount (\$M)	\$7.4	\$59.9	\$1.1	\$70.0	\$6.1	\$50.3	\$2.4	\$60.5
Avg Contract (\$M)	\$0.53	\$0.42	\$0.13	\$0.21	\$0.41	\$0.38	\$0.13	\$0.17
Primed by non-M/W/DSBE								
# Contract	139	419	179	1,675	123	449	258	1,773
Amount (\$M)	\$218.3	\$264.8	\$70.8	\$562.3	\$201.4	\$283.7	\$81.7	\$576.1
Avg Contract (\$M)	\$1.57	\$0.63	\$0.40	\$0.33	\$1.64	\$0.63	\$0.32	\$0.32
% of # Primed by M/W/DSBE	9.2%	25.2%	4.8%	16.6%	10.9%	23.0%	6.5%	16.7%
% of \$ Primed by M/W/DSBE	3.3%	18.4%	1.6%	11.1%	2.9%	15.0%	2.8%	9.5%
Avg Contract Size, M/W/DSBE (\$M)	\$0.53	\$0.42	\$0.13	\$0.21	\$0.41	\$0.35	\$0.13	\$0.17
Avg Contract Size, non-M/W/DSBE (\$M)	\$1.57	\$0.63	\$0.40	\$0.34	\$1.64	\$0.63	\$0.32	\$0.32

Source: OEO Annual Participation Report (FY 2014, FY 2015), Econsult Solutions, Inc. (2015, 2016)

⁵¹ "All Contract Types" Includes Miscellaneous Purchase Orders and Small Order Purchases.

⁵² Each individual City contract is only counted once, multiple M/W/DSBEs can be on the same contract

2.5 UTILIZATION OF M/W/DSBE BY DEPARTMENT

Since this report is to be used in part to set annual Participation Goals, it is useful to depict utilization results at the department level (see Table 2.5.1). 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 M/W/DSBE availability is not uniform across types of services and industries, it can make it difficult to compare performance across categories clearly.

Table 2.5.1 – FY 2015 Utilization (U3) - Utilization by Department of For-Profit M/W/DSBE Prime Contractors and Sub-Contractors Located in the US (Excluding Federally Funded City Contracts, Sole-Source, and "FONO" Contracts) Divided by Utilization of All For-Profit Prime Contractors and Sub-Contractors (by \$ Contracts Awarded)

City Department	FY15 Dept Total (in \$M)	FY15 M/W/DSBE Total (in \$M)	FY15 M/W/DSBE %Utilization Actual	FY14 M/W/DSBE %Utilization Actual
Aviation	\$115.7	\$29.2	25.2%	26.1%
Behavioral Health & Intellectual disAbility	\$13.2	\$1.3	10.1%	13.1%
Board of Ethics	\$0.0	\$0.0	0.0%	0.0%
City Planning Commission	\$0.0	\$0.0	0.0%	11.9%
City Representative	\$0.0	\$0.0	0.0%	0.0%
Civil Service Commission	\$0.0	\$0.0	0.0%	0.0%
Commerce	\$0.1	\$0.0	48.4%	42.5%
Division of Technology*	\$19.0	\$4.7	24.9%	20.2%
Finance	\$14.4	\$4.3	29.9%	27.8%
Fire	\$3.3	\$0.6	19.4%	3.3%
First Judicial District of PA	\$0.0	\$0.0	0.0%	0.0%
Fleet Management	\$6.8	\$0.0	0.6%	1.5%
Health, Department of Public	\$7.0	\$2.3	32.2%	39.2%
Historical Commission	\$0.0	\$0.0	0.0%	0.0%
Human Services, Department of	\$14.3	\$4.0	27.9%	29.7%
Labor Relations	\$0.0	\$0.0	0.0%	0.0%
Law Department	\$5.6	\$2.6	46.7%	33.9%
Library, Free	\$1.5	\$0.3	18.8%	19.7%
Licenses and Inspections, Department of (L&I)	\$6.4	\$1.5	23.6%	25.7%
Managing Director's Office	\$0.9	\$0.2	19.4%	18.3%
Mayor's Office	\$1.2	\$0.7	58.0%	42.7%
Mayor's Office of Community Empowerment & Opportunity	\$0.1	\$0.0	17.7%	69.4%
Mural Arts Program	\$0.0	\$0.0	0.0%	0.0%
Office of Arts and Culture	\$0.0	\$0.0	0.0%	0.0%
Office of Emergency Services	\$0.0	\$0.0	0.0%	0.0%
Office of Housing & Community Development (OHCD)	\$0.1	\$0.1	87.9%	41.9%

City Department	FY15 Dept Total (in \$M)	FY15 M/W/DSBE Total (in \$M)	FY15 M/W/DSBE %Utilization Actual	FY14 M/W/DSBE %Utilization Actual
Office of Supportive Housing (OSH)	\$4.4	\$1.8	41.5%	27.3%
Office of the Inspector General	\$0.0	\$0.0	67.5%	5.4%
Office of Transportation	\$0.0	\$0.0	0.0%	0.0%
Parks and Recreation**	\$2.4	\$0.5	21.0%	35.2%
Pensions & Retirement	\$1.3	\$0.0	0.8%	N/A
Personnel	\$0.5	\$0.1	17.1%	0.0%
Police	\$2.1	\$0.1	5.2%	9.3%
Prisons	\$59.6	\$29.0	48.6%	39.2%
Procurement	\$3.0	\$0.7	23.3%	0.0%
Property Assessment	\$0.9	\$0.5	53.8%	N/A
Property, Department of Public	\$42.1	\$24.9	59.3%	44.6%
Records	\$2.4	\$0.3	14.4%	22.0%
Revenue	\$24.6	\$10.9	44.1%	56.0%
Revision of Taxes, Board of***	\$0.0	\$0.0	0.0%	58.7%
Sinking Fund Commission	\$0.0	\$0.0	0.0%	0.0%
Streets	\$70.0	\$22.5	32.2%	31.8%
Treasurer, City	\$2.6	\$0.6	24.3%	24.0%
Water Department	\$189.6	\$54.9	28.9%	22.9%
Youth Commission	\$0.0	\$0.0	0.0%	0.0%
Zoning Code Commission	\$0.0	\$0.0	0.0%	0.0%
All Departments	\$615.1	\$198.8	32.3%	30.4%
All with Citywide SSE	\$632.3	\$200.4	31.7%	29.1%
All Departments + Citywide SSE + Quasi-Public	\$951.2	\$290.4	30.6%	29.4%

*Division of Technology contains information for the Office of Innovation and Technology in FY 2013

**Parks and Recreation Department is consolidation of the Fairmount Park Commission and Recreation Department

***the Board of Revision of Taxes had been abolished and its functions split between two new entities, the Office of Property Assessment and the Board of Property Assessment Appeals

Source: OEO Annual Participation Report (FY 2014, FY 2015), Econsult Solutions, Inc. (2015, 2016)

The following departments merit discussion:

- Office of Housing and Community Development (OHCD), Office of the Inspector General, and Department of Public Property – represent \$25 million in contracts, or just 4.1 percent of the dollars spent by City departments. In terms of M/W/DSBE utilization, the following 10 departments had utilization rates above that of all City departments (32.3 percent): Commerce (48.4 percent), Law Department (46.7 percent), Mayor’s Office (58. percent), Office of Housing & Community Development (OHCD) (87.9 percent), Office of Supportive Housing (OSH) (41.5 percent), Office of the Inspector General (67.5 percent), Prisons (48.6 percent), Property Assessment (53.8), Department of Public Property (59.3 percent), and Revenue (44.1 percent).
- Among the City departments with at least \$1 million in contracts, Department of Public Property (59.3 percent) and Prisons (48.6 percent) had the highest utilization rates. At the other end of the spectrum, the Department of Behavioral Health & Intellectual disAbility (10.1 percent) and the Department of Licenses and Inspections (L&I) (23.6 percent) had the lowest utilization rates.
- The City’s overall utilization M/W/DSBE rate increased from 29.4 percent in FY 2014 to 30.6 percent in FY 2015, including all Citywide SSE and Quasi-Public City contracts. Four City departments that had at least \$1 million in contracts had double-digit percentage point increases in M/W/DSBE utilization rates from FY 2014 to FY 2015 as well as FY 2015 utilization rates above the utilization for all City departments: Law (from 33.9 percent to 46.7 percent in FY 2015), OSH (from 27.3 percent to 41.5 percent in FY 2015), and Department of Public Property (from 44.6 percent to 59.3 percent in FY 2015).
- In contrast, one City department had at least \$1 million in contracts and a double-digit percentage decrease in M/W/DSBE utilization: Revenue (from 56 percent to 44.1 percent in FY 2015). In 2014, two departments were categorized this way.
- Finally, we must note that the above utilization tables do not account for contracts awarded to firms owned by minorities or women that are not OEO-registered. In some cases, individual departments keep lists of “certifiable” firms; those they know are owned by minorities or women, regardless of whether or not they are OEO-registered.⁵³

⁵³ One could also possibly include in this list of “certifiables” any firms that were not OEO-registered during the study period but that have subsequently become OEO-registered, 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-registered. We do not choose to include such firms, because the above explanation for why they were not OEO-registered during the study period but have become OEO-registered 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 registered by OEO. Since there is no way of knowing which is the reason a firm was not OEO-registered during the study period but became OEO-registered afterwards, we choose to not include such firms in this list of “certifiables.”

Furthermore, OEO currently accounts for self-certification of sole practitioners. This notion of “certifiables,” then, is a useful topic to include in any discussion on M/W/DSBE utilization. After all, the broader objective is to ensure the fair participation in City contracts of minority-owned and woman-owned firms; whether or not such firms have been registered by OEO is simply a compliance issue, albeit an important one.⁵⁴

OEO’s policy, implemented in the midst of FY 2010, to accept certifications from other certifying bodies has increased the number of minority- and women-owned firms that can now be more easily registered by OEO and whose participation in City contracts can then be counted towards the City’s utilization rate. Nevertheless, there will likely continue to be a universe of minority-owned or woman-owned sole-practitioners that are not OEO-registered but participate in City contracts, whose participation will continue to not be counted.

2.6 DISTRIBUTION OF CONTRACTS BY M/W/DSBE TYPE

This report accounts for the distribution of contracts by M/W/DSBE type by Prime and Subcontractors (see Table 2.6.1) and looks at the M/W/DSBE distribution of contracts, in terms of the proportion of contracts with M/W/DSBE participation (see Table 2.6.2)

As noted previously, these utilization results do not include federally funded contracts; these are influenced by federal guidelines and are subject to lower federal DBE participation goals. Additionally, these utilization results do not include contracts by quasi-public entities such as

⁵⁴ 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-registered firms in various M/W/DSBE 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-registered, true M/W/DSBE utilization would actually be higher than reported M/W/DSBE utilization.
- If there are firms that are OEO-registered 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 M/W/DSBE utilization would actually be lower than reported M/W/DSBE utilization.

If the variance associated with the first point is larger than the variance associated with the second point, then the City’s true M/W/DSBE utilization is higher than its reported M/W/DSBE 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, there are more minority-owned, woman-owned, or disabled-owned firms that are not OEO-registered than there are OEO-registered firms that are not minority-owned, woman-owned, or disabled-owned.

Office of Housing and Community Development, Philadelphia Industrial Development Corporation, and the Philadelphia Redevelopment Authority.

Table 2.6.1 analyzes the number of contracts with M/W/DBSE participation and Table 2.6.2 shows the number of M/W/DSBE contractors who received contracts. As Table 2.6.2 shows contrary to common perception, while there are certainly M/W/DSBEs that have participated in a high number of contracts, **M/W/DSBE participation is fairly widely distributed**: the majority of M/W/DSBEs that participated in at least one contract (553) in FY 2015 participated in five or fewer contracts (512). In other words, there was relatively equitable distribution of contracts to M/W/DSBEs across contract types, in that there was never a case in which the majority of contracts were awarded to just a small subset of M/W/DSBEs. **Further, of the 2,560 firms listed in the OEO Registry, 553 unique firms were utilized in FY 2015 city contracts.**

As Table 2.6.1 shows, within the 337 Public Works (PW) contracts in which at least one M/W/DSBE participated, 14 M/W/DSBEs participated as a prime contractor. Table 2.6.2 shows that of those M/W/DSBEs, 83 of them participated in five or fewer PW contracts: 46 participated in exactly one PW contract and another 37 participated in two to five PW contracts. Personal and Professional Services (PPS) contracts and Services, Supplies, and Equipment (SSE) contracts were just as widely distributed. 307 out of 326 M/W/DSBEs that participated in at least one PPS contract participated in five or fewer PPS contracts, while 33 out of 33 M/W/DSBEs that participated in at least one SSE contract participated in five or fewer SSE contracts. 14 PW contracts and nine SSE contracts were awarded to M/W/DSBE prime contractors. Far more PPS contracts, 141, were awarded to M/W/DSBE prime contractors.

Table 2.6.1 – Distribution of M/W/DSBE Participation in FY 2015 City Contracts (Excluding Federally Funded City Contracts and Quasi Public City Contracts)⁵⁵

	All Contracts ⁵⁶		All PW Contracts		All PPS Contracts		All SSE Contracts		All Contracts >=\$500K		All Contracts \$100K-\$500K		All Contracts <=\$100K	
	Prime	Sub	Prime	Sub	Prime	Sub	Prime	Sub	Prime	Sub	Prime	Sub	Prime	Sub
MBE - African American	115	241	6	93	69	141	3	7	14	86	25	43	76	112
MBE - Hispanic or Latino	31	89	3	27	7	57	0	5	4	36	3	17	24	36
MBE – Asian	23	134	0	45	16	85	4	4	2	50	7	22	14	62
MBE - Native American	0	3	0	3	0	0	0	0	0	1	0	0	0	2
MBE – Other	0	12	0	0	0	12	0	0	0	3	0	2	0	7
MBE – Total	169	479	9	168	92	295	7	16	20	176	28	84	121	219
WBE – White	165	395	5	169	49	204	2	21	8	151	21	72	136	172
WBE - African American	25	39	0	3	20	35	1	1	3	11	7	4	15	24
WBE - Hispanic or Latino	6	3	2	1	1	2	0	0	1	0	3	2	2	1
WBE – Asian	7	21	0	10	4	11	2	0	1	8	1	5	5	8
WBE - Native American	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WBE – Other	0	2	0	0	0	2	0	0	0	0	0	1	0	1

⁵⁵ For sub-contractor columns, MBE counts do not add up to “MBE – Total” and WBE counts do not add up to “WBE – Total” because more than one type of MBE or WBE sub-contractor could have been on a contract. In such cases, that contract would have been counted in multiple MBE or WBE types but would have only been counted once in “MBE – Total” or “WBE – Total.”

⁵⁶ In this table, each individual M/W/DSBE participant on a City contract is counted as its own unique contract. Therefore contracts can be counted more than once.

	All Contracts ⁵⁶		All PW Contracts		All PPS Contracts		All SSE Contracts		All Contracts >=\$500K		All Contracts \$100K-\$500K		All Contracts <=\$100K	
	Prime	Sub	Prime	Sub	Prime	Sub	Prime	Sub	Prime	Sub	Prime	Sub	Prime	Sub
WBE – Total	203	460	7	183	74	254	5	22	13	170	32	84	158	206
DSBE – Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0
M/W/DSBE – Total	334	874	14	337	141	499	9	37	28	327	56	156	250	391
Excluding MP/SOP ⁵⁷	164	873	14	337	141	499	9	37	28	327	56	156	80	390

Source: OEO Annual Participation Report (FY 2015), Econsult Solutions, Inc. (2016)

⁵⁷ Total contracts including only PW, PPS, and SSE contracts.

Table 2.6.2 – FY 2015 Distribution of M/W/DSBE Contractor Utilization in City Contracts (Excluding Federally Funded City Contracts, Sole Source Contracts, "FONO" Contracts, and Quasi-Public City Contracts)⁵⁸

	PW				PPS				SSE				Total			
	All M/W/DSBE	MBE	WBE	DSBE	All M/W/DSBE	MBE	WBE	DSBE	All M/W/DSBE	MBE	WBE	DSBE	All M/W/DSBE	MBE	WBE	DSBE
# M/W/DSBEs Participating in Exactly 1 Contract	46	23	29	0	197	112	129	0	25	14	15	0	335	171	224	0
# M/W/DSBEs Participating in 2-5 Contracts	37	21	17	0	110	68	59	0	8	4	5	0	177	100	98	0
# M/W/DSBEs Participating in 6-10 Contracts	11	8	4	0	16	11	7	0	0	0	0	0	28	20	11	0
# M/W/DSBEs Participating in 11-20 Contracts	1	0	1	0	1	1	0	0	0	0	0	0	2	1	1	0
# M/W/DSBEs Participating in 21 or More Contracts	3	1	2	0	2	1	1	0	0	0	0	0	5	2	3	0
# M/W/DSBEs Participating in At Least One Contract	101	55	56	0	326	193	197	0	33	18	20	0	553	297	343	0
Highest # of Contracts a Single M/W/DSBE Participated in	37	22	37	0	27	22	27	0	4	4	4	0	37	22	37	0

Source: OEO Annual Participation Report (FY 2016), Econsult Solutions, Inc.

⁵⁸ M/W/DSBE subtotals and totals may be less than the sum of MBE, WBE, and DSBE amounts, because participating firms can be considered more than one M/W/DSBE category, and because contracts can have multiple sub-contractors, including both one or more MBE and one or more WBE.

3 AVAILABILITY AND DISPARITY

3.1 AVAILABILITY

In defining M/W/DSBE availability, one must be mindful to be neither too broad nor too narrow. Accordingly, we have calculated availability eight different ways.⁵⁹ A spectrum of results can then inform the appropriate choice of availability approach when calculating disparity ratios (see Table 3.1.1).

Table 3.1.1 – Availability Methods Employed in This Report
**** Denotes Weighted More Heavily in Determining Participation Goals**

Method	Description	Data Source(s)
"A2"	# Minority-, Women-, and Disabled-Owned Firms w/ >1 Employee Located within the City of Philadelphia ÷ # All Firms w/ >1 Employee Located within the City of Philadelphia, by Contract Type	2012 US Census Survey of Business Owners, FY 2015 OEO Participation Report
"A6" **	# Minority-, Women-, and Disabled-Owned Firms w/ >1 Employee Located within the Philadelphia MSA ÷ # All Firms w/ >1 Employee Located within the Philadelphia MSA, by Contract Type	2012 US Census Survey of Business Owners, FY 2015 OEO Participation Report

Source: Econsult Solutions, Inc. (2015)

In any given contract category, the number of M/W/DSBEs in the City of Philadelphia and the Philadelphia MSA are divided by the number of all firms in the City of Philadelphia and the Philadelphia MSA. For such an approach, we utilized the 2012 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 can contract work, and thus excluding firms - both M/W/DSBE and non-M/W/DSBE - in non-relevant industries. Based on the broad approach and using 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 the eight approaches to determining the appropriate availability of M/W/DSBEs, and together help better clarify that availability rate.⁶⁰

⁵⁹ Only two of which, "A2" and "A6" are shown in this report

⁶⁰ For example, using the number of firms might disproportionately weight firms that have no employees and are really not of a scale to be RWA. Using the number of firms with paid employees is probably a more accurate

We have considered multiple approaches to determining availability rate. Of the eight approaches utilizing Survey of Business Owners data, “A2” and “A6” are utilized in the report because they are considered the best representative of the availability of M/W/DSBE firms in the selected geographies.

- “A2” - # M/W/DSBEs > 1 Employee Divided by # All Firms > 1 Employee in City of Philadelphia Based on SBA/Census Survey of Business Owners (* this method is weighted more heavily in determining Participation Goals)
- “A6” - # M/W/DSBEs > 1 Employee Divided by # All Firms > 1 Employee in Philadelphia MSA, Based on SBA/Census Survey of Business Owners (* this method is weighted more heavily in determining Participation Goals)

Of the availability approaches that use the Philadelphia MSA as the unit of geography, we believe “A6” (# Minority-, Women-, and Disabled-Owned Firms w/ >1 Employee Located within the Philadelphia MSA ÷ # All Firms w/ >1 Employee Located within the Philadelphia MSA, by Contract Type) is the one that most effectively balances “broad” and “narrow” considerations. It accounts for a more inclusive universe of RWA firms – both M/W/DSBE and non-M/W/DSBE – but excludes the vast majority of firms in the MSA that have one or fewer employees, which would otherwise grossly overstate both M/W/DSBE and non-M/W/DSBE counts. It also uses a data set that includes industry-by-industry breakouts, which allows us to select only those firms - M/W/DSBE and non-M/W/DSBE - that represent functions in which the City of Philadelphia can contract work. It is not perfect – “ready,” “willing,” and “able” are too conceptual and subjective 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.

Similar to the FY 2014 methodology for calculating availability in which two-digit NAICS codes were determined for each contract type and then information from the SBO was summed to determine availability by contract type, the approach for the FY 2015 Disparity Study weights A1-A8 data according to the distribution of FY 2015 spending by industry, per the FY 2015 Participation Report (see Table 3.1.2 and Table 3.1.3).

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 M/W/DSBE categories are delineated in this data source, and it may be important to differentiate between availability for various MBE categories, as well as WBEs and DSBEs.

Table 3.1.2– FY 2015 Availability (“A2”) - # M/W/DSBE Firms in the City of Philadelphia with >1 Employee, Divided by # All Firms in Philadelphia MSA with >1 Employee

M/W/DSBE Category	FY 15 PW	FY 15 PPS	FY 15 SSE	FY 15 All Contract Types	FY 14 PW	FY 14 PPS	FY 14 SSE	FY 14 All Contract Types
White	*	*	*	*	*	*	*	*
Native American	1.9%	0.0%	0.0%	0.7%	0.0%	0.1%	0.0%	0.0%
Asian American	2.0%	4.1%	10.6%	4.0%	5.0%	4.7%	7.3%	5.2%
African American	4.4%	4.8%	7.6%	4.9%	9.5%	5.2%	4.4%	6.2%
Hispanic	3.4%	3.8%	5.4%	3.8%	0.0%	1.2%	1.1%	0.9%
All MBE	15.1%	16.6%	29.0%	17.2%	17.1%	11.5%	15.2%	13.5%
All WBE	4.9%	18.7%	21.7%	13.8%	7.3%	19.6%	17.3%	16.1%
Disabled	*	*	*	*	*	*	*	*
All M/W/DSBE	20.0%	35.3%	50.7%	31.0%	24.3%	31.1%	32.6%	29.6%

Source: US Census Survey of Business Owners (2007, 2012), OEO Annual Participation Report (FY 2014), Econsult Solutions, Inc. (2016)

Note: “*” denotes data unavailable or insufficient.

Table 3.1.3– FY 2015 Availability (“A6”) - # M/W/DSBE Firms in Philadelphia MSA with >1 Employee, Divided by # All Firms in Philadelphia MSA with >1 Employee

M/W/DSBE Category	FY 15 PW	FY 15 PPS	FY 15 SSE	FY 15 All Contract Types	FY 14 PW	FY 14 PPS	FY 14 SSE	FY 14 All Contract Types
White	*	*	*	*	*	*	*	*
Native American	0.2%	0.2%	0.2%	0.2%	*	*	*	*
Asian American	0.7%	8.1%	5.8%	5.1%	0.5%	5.4%	3.0%	3.8%
African American	1.2%	1.5%	2.7%	1.5%	0.9%	1.5%	1.1%	1.3%
Hispanic	1.5%	1.3%	2.3%	1.5%	0.1%	0.6%	0.5%	0.5%
All MBE	4.9%	12.6%	13.7%	9.8%	2.8%	8.8%	5.5%	6.7%
All WBE	11.5%	18.8%	17.5%	15.8%	8.5%	18.1%	11.6%	14.6%
Disabled	*	*	*	*	*	*	*	*
All M/W/DSBE	16.4%	31.4%	31.2%	25.5%	11.4%	26.9%	17.1%	21.4%

Source: US Census Survey of Business Owners (2007, 2012), OEO Annual Participation Report (FY 2014), Econsult Solutions, Inc. (2016)

Note: “*” denotes data unavailable or insufficient.

M/W/DSBEs represented 25.5 percent of “ready, willing, and able” firms within the Philadelphia MSA, up 4.4 percentage points from 21.4 percent in FY 2014. There was an increase of 14.1 percentage points in availability for SSE contracts (see Table 3.1.3). “Ready, willing, and able” is assumed to mean firms with one or more employees in industry codes for which the City contracts for goods and services. The change from FY 2014 to FY 2015 reflects not a change in availability at the individual product or service level, but rather a change in the composition of products and services procured by the City.

In terms of the characteristics of the Philadelphia MSA, as they pertain to M/W/DSBE availability in FY 2014 (based on 2007 data and FY 2014 contracts awarded) and FY 2016 (based on 2012 data and FY 2015 contracts awarded), we note the following points:

- MBE availability increased from 6.7 percent in 2014 to 9.8 percent in 2015. WBE availability increased from 14.6 percent in 2014 to 15.8 percent in 2015.

- M/W/DSBE availability for PW contracts increased from 11.4 percent in 2014 to 16.4 percent in 2015. M/W/DSBE availability for PPS contracts increased from 26.9 percent in 2014 to 31.4 percent in 2015. M/W/DSBE availability for SSE contracts increased from 17.1 percent in 2014 to 31.2 percent in 2015.
- Availability by M/WDSBE category increased for all contract types 21.4 percent in 2014 to 25.5 percent in 2015.
- Although there is availability for DSBES, that availability is insufficient to categorize as these firms cover too wide a variety of contract types and NAICS codes to properly calculate at the city, metropolitan, or nationwide scales. The OEO Registry contains nine certified DSBES but based on the size of the firms, they may have limited capacity for participation on some contracts.

Table 3.1.4 – City Spending Proportions from FY 2015 Participation Report, Sorted by Two-Digit NAICS Code (Excluding Quasi-Public City Contracts)

NAICS	NAICS Description	PW	PPS	SSE	All Contract Types
11	Forestry, fishing & hunting, & agricultural support services	7.5%	0.0%	0.0%	2.7%
21	Mining, quarrying, and oil and gas extraction	0.0%	0.0%	0.0%	0.0%
22	Utilities	0.0%	0.0%	0.1%	0.0%
23	Construction	92.5%	0.0%	1.6%	33.7%
31	Manufacturing	0.0%	0.0%	1.0%	0.1%
32	Manufacturing	0.0%	0.0%	7.7%	0.9%
33	Manufacturing	0.0%	0.0%	3.3%	0.4%
42	Wholesale trade	0.0%	0.0%	18.4%	2.1%
44-45	Retail trade	0.0%	0.0%	4.4%	0.5%
48-49	Transportation and Warehousing	0.0%	0.0%	0.3%	0.0%
51	Information	0.0%	0.0%	0.0%	0.0%

NAICS	NAICS Description	PW	PPS	SSE	All Contract Types
53	Real estate & rental & leasing	0.0%	0.0%	0.2%	0.0%
54	Professional, scientific, and technical services	0.0%	96.3%	4.1%	50.7%
56	Administrative and support and waste management & remediation services	0.0%	0.0%	55.7%	6.4%
62	Health care and social assistance	0.0%	3.5%	0.0%	1.9%
71	Arts, entertainment, & recreation	0.0%	0.1%	0.2%	0.1%
72	Accommodation and food services	0.0%	0.0%	0.0%	0.0%
81	Other services	0.0%	0.0%	3.0%	0.4%
99	Industry not classified	0.0%	0.0%	0.0%	0.0%
Grand Total		100.0%	100.0%	100.0%	100.0%

Source: OEO Annual Participation Report (FY 2015), Econsult Solutions, Inc. (2016)

Table 3.1.5 – Proportion of Firms with Employees in the City of Philadelphia by M/W/DSBE Category as a Percentage of All Firms, Sorted by Two-Digit NAICS Code

NAICS	NAICS Description	American Indian and Alaska Native	Asian	Black or African American	Hispanic	Minority	Female-owned
11	Agriculture	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
22	Utilities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
23	Construction	2.1%	2.2%	4.8%	3.6%	12.7%	5.3%
31-33	Manufacturing	0.0%	7.8%	1.0%	1.1%	11.7%	15.4%
42	Wholesale Trade	0.0%	12.7%	1.8%	4.6%	19.6%	14.6%
44-45	Retail Trade	0.0%	33.8%	2.4%	6.1%	42.3%	14.5%
48-49	Transportation and Warehousing	0.0%	4.3%	17.3%	2.5%	24.0%	19.7%

NAICS	NAICS Description	American Indian and Alaska Native	Asian	Black or African American	Hispanic	Minority	Female-owned
51	Information	0.0%	5.5%	7.3%	1.2%	14.6%	2.4%
52	Finance and Insurance	0.0%	6.8%	8.9%	1.1%	18.0%	3.2%
53	Real Estate	0.0%	6.7%	1.9%	2.1%	10.6%	10.6%
54	Professional Services	0.0%	4.0%	4.4%	3.9%	12.3%	18.3%
55	Management of Companies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
56	Administrative and Support Services	0.0%	10.2%	12.2%	7.0%	28.9%	28.0%
61	Educational Services	0.0%	40.4%	5.2%	5.6%	51.5%	35.9%
62	Health Care and Social Assistance	0.2%	8.2%	14.9%	3.4%	26.0%	30.1%
71	Arts, Entertainment, and Recreation	0.0%	0.0%	1.1%	0.0%	1.1%	34.2%
72	Accommodation and Food Services	0.0%	37.7%	5.7%	4.8%	48.3%	14.3%
81	Other Services	0.0%	26.5%	8.0%	3.2%	38.0%	27.1%
Grand Total		0.2%	19.7%	6.5%	4.1%	30.7%	17.9%

Source: 2012 US Census Bureau Survey of Business Owners (2015), Econsult Solutions, Inc. (2016)

Table 3.1.6 – FY 2015 Availability (“A2”) - # M/W/DSBE Firms in Philadelphia County with >1 Employee, Divided by # All Firms in Philadelphia County with >1 Employee

M/W/DSBE Category	FY 15 PW	FY 15 PPS	FY 15 SSE	FY 15 All Contract Types	FY 14 PW	FY 14 PPS	FY 14 SSE	FY 14 All Contract Types
White	*	*	*	*	*	*	*	*
Native American	1.9%	0.1%	0.0%	0.7%	0.0%	0.1%	0.0%	0.0%
Asian American	2.0%	4.1%	10.6%	4.1%	5.0%	4.7%	7.3%	5.2%
African American	4.4%	4.8%	7.6%	4.9%	9.5%	5.2%	4.4%	6.2%
Hispanic	3.4%	3.8%	5.4%	3.8%	0.0%	1.2%	1.1%	0.9%
All MBE	15.1%	16.6%	29.0%	17.2%	17.1%	11.5%	15.2%	13.5%
All WBE	4.9%	18.7%	21.7%	13.8%	7.3%	19.6%	17.3%	16.1%
All M/W/DSBE	20.0%	35.3%	50.7%	31.0%	24.3%	31.1%	32.6%	29.6%

Source: 2012 & 2007 US Census Bureau Survey of Business Owners (2012, 2015), Econsult Solutions, Inc. (2016)

Note: “*” denotes data unavailable or insufficient.

It is important to clarify the cause of these changes in availability. The change from FY 2014 to FY 2015 reflects not a change in availability at the individual product or service level, but rather a change in the census data. The FY 2014 Disparity Study used the 2007 US Census Bureau Survey of Business Owners Availability data used throughout this FY 2015 report is sourced from the most recent numbers available from the 2012 US Census Bureau Survey of Business Owners. This data therefore does not reflect changes in marketplace availability since 2012. Therefore, any M/W/DSBE availability changes in this report are as a result not only of the changing composition of goods and services procured by the City from year to year, which is used to weight the most currently available census data, but also the census data itself.

3.2 DISPARITY

M/W/DSBE disparity is defined as the utilization rate divided by the availability rate. A disparity ratio of more than 1.0 means the utilization rate is greater than the availability rate, and a disparity ratio of less than 1.0 means the utilization rate is lower than the availability rate. It is important to note that an under-representation of M/W/DSBEs in the economic

opportunities represented by the universe of City contracts can manifest itself in at least two ways:

1. Under-utilization of M/W/DSBEs in a particular contract category, commensurate to M/W/DSBE availability (unusually low utilization rate divided by normal availability rate = disparity ratio of less than 1.0).
2. Relatively low availability of M/W/DSBEs 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 the M/W/DSBE utilization rate exceeds the M/W/DSBE availability rate. Furthermore, even in cases in which availability rates are unusually low, leading to somewhat misleadingly high disparity ratios, this is still a very positive outcome in one sense, as it means that despite the relative lack of RWA M/W/DSBEs, City agencies were able to utilize M/W/DSBEs.

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:⁶¹

- “D2” = “U1” ÷ “A2” = Utilization of M/W/DSBEs in the City, divided by Availability of M/W/DSBEs with employees in the City (see Table 3.2.2)
- “D6” = “U2” ÷ “A6” = Utilization of M/W/DSBEs in the Philadelphia MSA, divided by Availability of M/W/DSBEs with employees in the MSA (see Table 3.2.1)

In some NAICS codes there are City contracts which have few or no M/W/DSBEs available to participate. There are also some contracts, particularly court mandated contracts, which the City has no control over and for which there are few or no opportunities for M/W/DSBEs to participate. The following set of tables considers the impact of excluding those City contracts from the overall analysis. For a list of contract categories where there are “few or no opportunities” for M/W/DSBE participation in FY 2014 and FY 2015, see Section 3.3.

⁶¹ “U1” can also be divided by the “A1”, “A3”, and “A4” to determine disparity at the City level. “U2” can also be divided by “A5”, “A7”, and “A8” to determine disparity at the MSA level. See Appendix I for additional detail on M/W/DSBE disparity.

The disparity ratios calculations are based on utilization and availability data sources that look at firm and industry concentrations within Philadelphia MSA and the City (see Tables 3.2.1 and 3.2.2):

- At the Philadelphia MSA level, the disparity ratios indicate relative under-utilization across all contract types. However, there are pockets of over-utilization. Most notably, there is over-utilization for All MBEs across all contract types, and all M/W/DSBE categories in PW contracts (see Table 3.2.1).
- All M/W/DSBEs located within the City represented 30.1 percent of all firms located within the City but received only 13.8 percent of City contracts, for a disparity ratio of 0.4. The FY 2015 data shows that there are small pockets of over-utilization of M/W/DSBEs located in the City (Hispanic firms in PW and MBE firms in PPS) but that the disparity ratios for all M/W/DSBEs across all categories shows that M/W/DSBE firms are still underutilized in City procurements.

It should be noted that the FY 2015 availability data presented in this report includes new data from the Survey of Business Owners (SBO), which is updated only every five years. This more recent available data has a greater impact on the disparity in the FY 2015 data than it had in the FY 2014 data.

Table 3.2.1 – FY 2015 and FY 2014 Detailed Disparity Ratios = (Utilization of For-Profit MWDSBE Prime Contractors and Sub-Contractors Located in the Philadelphia MSA, Divided by All Prime Contractors and Sub-Contractors, on City Contracts and Quasi Public Contracts (Excluding Federally Funded City Contracts, Sole-Source Contracts, and "FONO" Contracts)) ÷ (Availability of Ready, Willing, and Able MWDSBE Firms within the Philadelphia MSA)

M/W/DSBE Category	FY 15 PW	FY 15 PPS	FY 15 SSE	FY 15 All Contract Types	FY 14 PW ⁶²	FY 14 PPS	FY 14 SSE	FY 14 All Contract Types
White Female	*	*	*	*	*	*	*	*
Native American	*	*	*	*	*	*	*	*
Asian American	2.77	0.12	0.05	0.24	2.67	0.20	0.03	0.28
African American	3.36	11.12	0.83	6.83	6.23	9.33	2.72	7.50
Hispanic	3.82	1.39	0.13	2.06	44.79	5.61	0.44	6.34
All MBE	2.36	1.59	0.21	1.52	3.62	2.10	0.59	2.01
All WBE	1.03	0.38	1.12	0.65	1.18	0.48	1.31	0.68
Disabled	*	*	*	*	*	*	*	*
All M/W/DSBE	1.29	0.72	0.70	0.85	1.50	0.84	1.00	0.93

Source: 2012 US Census Bureau Survey of Business Owners (2015), OEO Annual Participation Report (FY 2015), Econsult Solutions, Inc. (2016)

⁶² Due to low availability within the Philadelphia MSA, and relatively high utilization, the disparity ratio for Hispanic owned businesses is abnormally high. Since the release of updated SBO availability data, this ratio has decreased from nearly 45 to about 4.

Table 3.2.2 though Table 3.2.10 provide additional analysis and details for the disparity ratios by contract type, geographic location, and M/W/DBSE category.

Table 3.2.2 – FY 2015 Disparity Ratio (“D2”) = Utilization (“U1”) Divided by Availability (“A2”), by Contract Type and by M/W/DBSE Category (M/W/DBSE located within the City of Philadelphia)

Ethnicity	Gender	FY 15 PW	FY 15 PPS	FY 15 SSE	FY 15 All Contract Types	FY 14 PW	FY 14 PPS	FY 14 SSE	FY 14 All Contract Types
White	Female	*	*	*	*	*	*	*	*
Native American	Male & Female	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Asian American	Male & Female	0.02	0.02	0.00	0.01	0.22	0.09	0.00	0.12
African American	Male & Female	0.32	2.94	0.23	1.62	0.31	2.06	0.66	1.13
Hispanic ⁶³	Male & Female	1.56	0.42	0.05	0.73	171.04	2.49	0.19	2.81
All MBE	Male & Female	0.44	0.95	0.07	0.63	0.40	1.24	0.21	0.75
All WBE	Male & Female	0.56	0.17	0.79	0.33	0.63	0.29	0.81	0.39
Disabled	Female	*	*	*	*	*	*	*	*
All M/W/DBSE	Male & Female	0.45	0.46	0.37	0.44	0.35	0.53	0.49	0.46

Source: City of Philadelphia Office of Economic Opportunity (FY 2014, FY 2015), US Census Bureau Survey of Business Owners (2007, 2012), Econsult Solutions (2016)

Note: “*” denotes data unavailable or insufficient.

⁶³ Due to low availability within the Philadelphia MSA, and relatively high utilization, the disparity ratio for Hispanic owned businesses is abnormally high. Since the release of updated SBO availability data, this ratio has decreased from nearly 45 to about 4.

Table 3.2.3 – FY 2015 Disparity Ratio (“D6”) = Utilization (“U2”) Divided by Availability (“A6”), by Contract Type and by M/W/DSBE Category (M/W/DBSE located within the Philadelphia MSA)

Ethnicity	Gender	FY 15	FY 15	FY 15	FY 15	FY 14	FY 14	FY 14	FY 14
		PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types
White	Female	*	*	*	*	*	*	*	*
Native American	Male & Female	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Asian American	Male & Female	2.77	0.12	0.05	0.24	2.67	0.20	0.03	0.28
African American	Male & Female	3.36	11.12	0.83	6.83	6.23	9.33	2.72	7.50
Hispanic	Male & Female	3.82	1.39	0.13	2.06	44.79	5.61	0.44	6.34
All MBE	Male & Female	2.36	1.59	0.21	1.52	3.62	2.10	0.59	2.01
All WBE	Male & Female	1.03	0.38	1.12	0.65	1.18	0.48	1.31	0.68
Disabled	Female	*	*	*	*	*	*	*	*
All M/W/DSBE	Male & Female	1.29	0.72	0.70	0.85	1.50	0.84	1.00	0.93

Source: City of Philadelphia Office of Economic Opportunity (FY 2014, FY 2015), US Census Bureau Survey of Business Owners (2007, 2012), Econsult Solutions (2016)

Note: “*” denotes data unavailable or insufficient.

Table 3.2.4– FY 2015 Utilization (“U2”), Availability (“A6”), and Disparity (“D6”) for OEO-Registered White Females

	FY 15 PW	FY 15 PPS	FY 15 SSE	FY 15 All Contract Types
U2	9.6%	2.9%	18.9%	7.2%
A6	*	*	*	*
D6	*	*	*	*

Source: Econsult Solutions, Inc. (2016); Utilization = OEO Annual Participation Report (FY 2015); Availability = 2012 US Census Bureau

Note: “*” denotes data unavailable or insufficient.

Table 3.2.5 – FY 2015 Utilization (“U2”), Availability (“A6”), and Disparity (“D6”) for OEO-Registered Native Americans

	FY 15 PW	FY 15 PPS	FY 15 SSE	FY 15 All Contract Types
U2	0.0%	0.0%	0.0%	0.0%
A6	0.2%	0.2%	0.2%	0.2%
D6	0.00	0.00	0.00	0.00

Source: Econsult Solutions, Inc. (2016); Utilization = OEO Annual Participation Report (FY 2015); Availability = 2012 US Census Bureau

Table 3.2.6– FY 2015 Utilization (“U2”), Availability (“A6”), and Disparity (“D6”) for OEO-Registered Asian Americans

	FY 15 PW	FY 15 PPS	FY 15 SSE	FY 15 All Contract Types
U2	1.9%	1.0%	0.3%	1.2%
A6	0.7%	8.1%	5.8%	5.1%
D6	2.77	0.12	0.05	0.24

Source: Econsult Solutions, Inc. (2016); Utilization = OEO Annual Participation Report (FY 2015); Availability = 2012 US Census Bureau

Table 3.2.7 – FY 2015 Utilization (“U2”), Availability (“A6”), and Disparity (“D6”) for OEO-Registered African Americans

	FY 15 PW	FY 15 PPS	FY 15 SSE	FY 15 All Contract Types
U2	4.0%	16.7%	2.3%	10.3%
A6	1.2%	1.5%	2.7%	1.5%
D6	3.36	11.12	0.83	6.83

Source: Econsult Solutions, Inc. (2016); Utilization = OEO Annual Participation Report (FY 2015); Availability = 2012 US Census Bureau

Table 3.2.8 – FY 2015 Utilization (“U2”), Availability (“A6”), and Disparity (“D6”) for OEO-Registered Hispanics

	FY 15 PW	FY 15 PPS	FY 15 SSE	FY 15 All Contract Types
U2	5.7%	1.8%	0.3%	3.0%
A6	1.5%	1.3%	2.3%	1.5%
D6	3.82	1.39	0.13	2.06

Source: Econsult Solutions, Inc. (2016); Utilization = OEO Annual Participation Report (FY 2015); Availability = 2012 US Census Bureau

Table 3.2.9 – FY 2015 Utilization (“U2”), Availability (“A6”), and Disparity (“D6”) for All OEO-Registered MBEs

	FY 15 PW	FY 15 PPS	FY 15 SSE	FY 15 All Contract Types
U2	11.6%	20.0%	2.9%	14.8%
A6	4.9%	12.6%	13.7%	9.8%
D6	2.36	1.59	0.21	1.52

Source: Econsult Solutions, Inc. (2016); Utilization = OEO Annual Participation Report (FY 2015); Availability = 2012 US Census Bureau

Table 3.2.10 – FY 2015 Utilization (“U2”), Availability (“A6”), and Disparity (“D6”) for All OEO-Registered WBEs

	FY 15 PW	FY 15 PPS	FY 15 SSE	FY 15 All Contract Types
U2	11.8%	7.1%	19.6%	10.2%
A6	11.5%	18.8%	17.5%	15.8%
D6	1.03	0.38	1.12	0.65

Source: Econsult Solutions, Inc. (2016); Utilization = OEO Annual Participation Report (FY 2015); Availability = 2012 US Census Bureau

Table 3.2.11 – FY 2015 Utilization (“U2”), Availability (“A6”), and Disparity (“D6”) for All OEO-Registered M/W/DSBEs

	FY 15 PW	FY 15 PPS	FY 15 SSE	FY 15 All Contract Types
U2	21.1%	22.5%	21.8%	21.7%
A6	16.4%	31.4%	31.2%	25.5%
D6	1.29	0.72	0.70	0.85

Source: Econsult Solutions, Inc. (2016); Utilization = OEO Annual Participation Report (FY 2015); Availability = 2012 US Census Bureau

Since MSA availability increased greater than utilization did, as shown in Table 3.1.3 and Table 2.2.3, the overall disparity ratio in FY 2015 decreased from .95 in FY 2014 to .85 in 2015.⁶⁴ An overall disparity ratio of less than 1.0 means that M/W/DSBE utilization is still not in parity with M/W/DSBE availability. Although the disparity ratio is over 1.0 for PW contracts, the disparity ratios for PPS and SSE contracts as well as the overall disparity ratio remains under 1.0.

⁶⁴ Including FONO contracts, the disparity ratio in 2015 is .68 based off MSA availability.

3.3 FEW OR NO OPPORTUNITY CONTRACTS

In this section, we provide a series of charts and accompanying narratives that depict the disparity ratio for all relevant Minority Business Enterprise (MBE), Women Business Enterprise (WBE), and Disabled Business Enterprise (DSBE) (collectively known as M/W/DSBE) categories and contract types. We arrive at these disparity ratios by looking first at the utilization rate and then at the availability rate. For FY 2015, where possible, the utilization data was analyzed in four ways, with #4 below representing the main way data were displayed and upon which goals were set:

	Including “Few or No Opportunity” (“FONO”) Contracts	Excluding “FONO” Contracts
Including Federally Funded City Contracts	#1	#2
Excluding Federally Funded City Contracts	#3	#4

Contracts with few or no opportunity (FONO) for M/W/DSBE participation are excluded for comparison to evaluate utilization on contracts in which there is a real opportunity for an M/W/DSBE firm to participate. Further, contracts that are federally funded are excluded from most participation and all goal-setting analyses, as the City does not have direct control over setting the goals for federally funded contracts. Within both analyses, quasi-public entities are included in the utilization analysis, but only at a summary level, as individual firm detail on M/W/DSBE participation for quasi-public entities is limited.

Where data constraints result in missing, insufficient, or ambiguous figures we do not include these figures, but instead show an “*”.

The primary analysis for the FY 2015 Annual Disparity Study is based on the exclusion of contracts for which there are “few or no opportunities” for M/W/DSBE participation. Utilization levels and corresponding recommended participation goals were determined based on the exclusion of these “few or no opportunity” contracts in order to focus efforts on those contracts for which there was more of a chance for M/W/DSBE utilization.

Excluded from the \$951 million in contracts analyzed in this report are 68 contracts totaling \$154.1 million for which there are “few or no opportunities” (“FONO”) for M/W/DSBEs to participate (see Tables 3.3.1 and 3.3.2).

Table 3.3.1 – FY 2015 Contracts with Few or No Opportunity for M/W/DSBE Participation, as Determined by the City's Office of Economic Opportunity⁶⁵

	FY 15	FY 15	FY 15	FY 15	FY 14	FY 14	FY 14	FY 14
	PW	PPS	SSE	All Contract Types ⁶⁶	PW	PPS	SSE	All Contract Types
#	0	39	29	68	0	43	20	63
\$M	\$0.0	\$144.5	\$9.7	\$154.1	\$0.0	\$146.1	\$51.7	\$197.8

Source: OEO Annual Participation Report (FY 2014, FY 2015), Econsult Solutions, Inc. (2015, 2016)

Table 3.3.2 – FY 2015 Contracts with “Few or No Opportunity” (“FONO”) for M/W/DSBE Participation, as Determined by Office of Economic Opportunity⁶⁷

Contract #	Description	NAICS	Total Amount	Few or No Amount	Total Few or No Percentage
PPS CONTRACTS: 39 CONTRACTS TOTALING \$144,460,391					
HEALTH, DEPARTMENT OF PUBLIC					
1320099-02	Specialty Medical Services	5419	\$250,000	\$250,000	100%
HUMAN SERVICES, DEPARTMENT OF					
1320195-03	Placement Services - Treatment Foster Care	5419	\$14,734,218	\$14,734,218	100%
1320196-02	Reintegration Services	5419	\$146,000	\$146,000	100%
1320198-02	Placement Services - Treatment Foster Care	5419	\$2,194,831	\$2,194,831	100%
1320198-03	Placement Services - Treatment Foster Care	5419	\$185,000	\$185,000	100%
1320200-03	Reintegration Services	5419	\$474,500	\$474,500	100%
1320203-03	Placement Services - Treatment Foster Care	5419	\$9,062,437	\$9,062,437	100%
1320203-04	Reintegration Services	5419	\$1,800,000	\$1,800,000	100%
1320204-03	Placement Services - Treatment Foster Care	5419	\$3,969,610	\$3,969,610	100%

⁶⁵ FY 2014 includes \$1.6 million in sole source contracts.

⁶⁶ These disparity ratios assume that availability as calculated as the number of all M/W/DSBEs to all firms is a reasonable proxy for the proportion of PWA M/W/DSBEs to all RWA firms.

⁶⁷ Includes \$9.19 million in sole source contracts.

Contract #	Description	NAICS	Total Amount	Few or No Amount	Total Few or No Percentage
1320204-04	Reintegration Services	5419	\$2,400,000	\$2,400,000	100%
LIBRARY, FREE					
1420002-01	Wide Area Network Services	5415	\$1,034,700	\$1,034,700	100%
MANAGING DIRECTOR'S OFFICE					
1120378-06	General Consultant Services	5416	\$62,500,000	\$62,500,000	100%
OFFICE OF INNOVATION & TECHNOLOGY					
1120434-04	Computer and Information Svcs	5415	\$94,500	\$94,500	100%
1120600-05	Computer and Information Svcs (Subscription based research)	5415	\$41,900	\$41,900	100%
1120648-03	Cashiering System Support	5415	\$175,000	\$175,000	100%
1220388-03	Technical Services for Licensed Software	5415	\$456,987	\$456,987	100%
1220427-05	Scanning software licenses	5415	\$555,000	\$75,000	14%
1320598-01	Cashiering System Support (new system - support/maintenance)	5415	\$508,953	\$284,444	56%
1420233-01	Computer and Information Svcs - (EVDO Aircard Svcs)	5415	\$2,700,000	\$1,100,000	41%
1420393-01	Computer and Information Svcs (SaaS Related Costs)	5415	\$2,294,167	\$531,057	23%
1520427	Guaranteed Pavement Information System (GPIS) - support/maintenance	5415	\$438,732	\$16,000	4%
1520467	Computer and Information Svcs - Software Licensing	5415	\$4,111,382	\$1,754,976	43%
OFFICE OF THE INSPECTOR GENERAL					
1320764-02	Investigative Consultant	5416	\$75,000	\$75,000	100%
1520086	Investigative Consultant	5416	\$75,000	\$75,000	100%
POLICE					
1220140-03	Hair Testing for Drugs of Abuse	5416	\$35,000	\$35,000	100%

Contract #	Description	NAICS	Total Amount	Few or No Amount	Total Few or No Percentage
1520111	Quantitative Analysis of Drug and Alcohol in the Blood & Urine	5416	\$683,000	\$683,000	100%
PRISONS					
1320144-02	Inmate Housing	5416	\$3,197,500	\$3,197,500	100%
1320549-02	Contract Personnel Cost	5416	\$45,545,793	\$24,645,025	54%
1420152-01	Inmate Housing	5416	\$1,998,375	\$1,998,375	100%
1520449	off-site housing services	5416	\$8,466,290	\$8,466,290	100%
WATER DEPARTMENT					
1220186-03	General Consultant Services	5416	\$30,000	\$30,000	100%
1220333-04	General Consultant Services (Physical Performance Evaluation)	5416	\$230,000	\$230,000	100%
1220428-03	General Consultant Services (Injury Prevention)	5416	\$70,000	\$70,000	100%
1220435-03	Architect and Engineer Svcs (Leak Detection)	5413	\$150,000	\$150,000	100%
1220460-03	General Consultant Services (Measurements of Tidal Flow)	5416	\$498,448	\$498,448	100%
1220576-03	General Consultant Services (24 Hr. Call Center)	5416	\$795,594	\$795,594	100%
1320118-02	General Consultant Services (PCB Analysis)	5416	\$50,000	\$50,000	100%
1320228-02	General Consultant Services (Industry Based Plant Operations Safety Training)	5416	\$80,000	\$80,000	100%
1320540-02	Architect and Engineer Svcs	5413	\$100,000	\$100,000	100%
CITYWIDE SSE CONTRACTS: 6 CONTRACTS TOTALING \$6,032,713					
150080	San Born Maps	4251	\$32,001	\$32,001	100%
150101	800 MHz Radio System Maintenance Services	3342	\$5,273,657	\$5,273,657	100%
150118	Lubricants, Oils (Recycled and Virgin) and Greases	3241	\$525,572	\$525,572	100%

Contract #	Description	NAICS	Total Amount	Few or No Amount	Total Few or No Percentage
150145	Cole Directory Services	5418	\$32,001	\$32,001	100%
150170	Maintenance Service for Agilent Analytical Equipment and Gas Chromatograph/Inductively-Coupled Plasma Mass Spectrometer Systems	3345	\$111,220	\$111,220	100%
150183	Snap-on Tools Replacement Parts & Repair Services	4441	\$58,263	\$58,263	100%
SSE CONTRACTS: 23 CONTRACTS TOTALING \$3,642,050					
FIRE					
150147	Fire: Maintenance and Repair of Cutters Edge Saws	5416	\$58,000	\$58,000	100%
150208	Repair of Hurst Power Tools and Equipment	4236	\$64,875	\$64,875	100%
150247	Bauer Breathing Air Compressor, #BP25H-E3 w/Rear Control Panel	4238	\$49,872	\$49,872	100%
FLEET MANAGEMENT					
150237	Van, Custom Walk-In	3326	\$276,276	\$276,276	100%
HEALTH, DEPARTMENT OF PUBLIC					
150004	Purchase of Selenia Dimensions Tomo/AWS8000 System	3345	\$991,335	\$991,335	100%
150005	BD MGIT 960 Instrument and Reagents	3391	\$35,000	\$35,000	100%
150034	Health: Amplified Target Capture Assays	4246	\$32,000	\$32,000	100%
150049	Gaseous Samplers - Teledyne	3391	\$52,963	\$52,963	100%
150091	CME Software Annual Maintenance	5112	\$32,000	\$32,000	100%
150171	Insti HIV-1 Test Kits w/Support Controls	3345	\$266,298	\$266,298	100%
MANAGING DIRECTOR'S OFFICE					

Contract #	Description	NAICS	Total Amount	Few or No Amount	Total Few or No Percentage
150036	Tasers, Class III, X26P	3329	\$326,362	\$326,362	100%
PARKS & RECREATION					
150081	Composting Toilet System for Lardner's Point Park.	4233	\$117,950	\$117,950	100%
POLICE					
150105	Software Support and Maintenance for Barcoded Evidence Analysis, Statistics and Tracking (B.E.A.S.T.) System, 197 User Licenses for Laboratory Information Management System (LIMS)	4431	\$88,650	\$88,650	100%
150230	Liquid Chromatography Tandem Mass Spectrum/Mass Spectrum Instrument	3345	\$319,633	\$319,633	100%
PRISONS					
150057	Maintenance of Honeywell Temperature Control System at the Philadelphia Industrial Correctional Center	3345	\$63,703	\$63,703	100%
PROPERTY, DEPARTMENT OF PUBLIC					
150033	Siemens Fire Alarm System - Inspection, Testing and Repair	3345	\$133,263	\$133,263	100%
150112	Maintenance & Repair of Grinnell Fire Alarm System	4236	\$205,950	\$205,950	100%
RECORDS					
150030	Versatile Enterprise Software Support Services (Annual Maintenance)	4431	\$54,760	\$54,760	100%
STREETS					

Contract #	Description	NAICS	Total Amount	Few or No Amount	Total Few or No Percentage
150146	Q-Star Flash Cam Digital Vandalism Deterrent System	4431	\$63,605	\$63,605	100%
150218	Split Base For C-Post	4235	\$99,356	\$99,356	100%
WATER DEPARTMENT					
150010	YSI Equipment, Repair and Parts	3345	\$120,469	\$120,469	100%
150038	New Replacement Carbon Mixer Drive/S/N 00TFJ0340	3333	\$119,010	\$119,010	100%
150211	PFS Field Technician28	4236	\$70,720	\$70,720	100%
TOTAL = 68 CONTRACTS TOTALING \$154,135,155					

Source: Econsult Solutions, Inc. (2016); City of Philadelphia Office of Economic Opportunity (FY 2015)

4 RECOMMENDATIONS

4.1 RECOMMENDED PARTICIPATION GOALS

For some M/W/DSBE 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 M/W/DSBE categories and contract types, current utilization rates are higher than current availability rates (i.e. the disparity ratio is greater than 1.0). We base our recommended participation goals on these comparisons, and in some cases recommend a “stretch goal” that may be higher than both FY 2015 utilization and availability (see Table 4.1.1 and Table 4.1.2).

Table 4.1.1 - Recommended Citywide Participation Goals for City Contracts and Quasi Public Contracts, (Excluding Federally Funded City Contracts, Sole Source Contracts, and "FONO" Contracts) (by \$ Contracts Awarded)

M/W/DSBE Category	PW	PPS	SSE	All Contract Types	FY14/FY15 Actual
White Female	9.9% U	12.1% U	19.6% U	12.2% U	FY 14: 11.3% FY 15: 12.2%
Native American	0.2% A	0.2% A	0.2% A	0.2% A	FY 14: 0.0% FY 15: 0.0%
Asian American	4.1% A	8.1% A	5.8% A	5.1% A	FY 14: 2.9% FY 15: 2.9%
African American	5.3% U	20.8% U	3.1% U	13.0% U	FY 14: 11.0% FY 15: 13.0%
Hispanic	5.7% U	2.2% U	2.3% A	3.2% U	FY 14: 3.6% FY 15: 3.2%
All MBE	15.2% U	27.4% U	13.7% A	20.0% S	FY14: 18.5% FY15: 19.2%
All WBE	12.2% U	18.0% U	20.9% U	15.0% S	FY14: 14.2% FY15: 14.3%
City-Based M/W/DSBE	8.9% U	16.3% U	18.9% U	15.0% S	FY14: 13.6% FY15: 13.8%
All M/W/DSBE	25.0% U	38.6% U	31.2% A	35.0% S	FY14: 29.4% FY15: 30.6%
FY14/FY15 Actual	FY14: 22.3%	FY14: 36.3%	FY14: 18.7%	FY14: 29.4%	
	FY15: 25.0%	FY15: 38.6%	FY15: 23.7%	FY15: 30.6%	

Source: Econsult Solutions, Inc. (2015)

Table 4.1.2 – Actual and Recommended M/W/DSBE Utilization for City Contracts (Excluding Federally Funded City Contracts) and Quasi-Public Contracts

	Actual (incl. “Few or No Opportunity” Contracts) ⁶⁸						Actual (excl. “FONO”) ⁶⁹				Goal ⁷⁰
	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	
All M/W/DSBE	23.6%	22.3%	19.2%	19.0%	20.8%	23.3%	28.2%	28.1%	29.4%	30.6%	35%
MBE	17.7%	15.7%	14.8%	14.1%	14.9%	15.3%	21.2%	18.8%	18.5%	20.0%	20%
WBE	9.9%	10.8%	7.6%	8.6%	8.9%	10.8%	9.0%	12.2%	14.2%	15.0%	15%
PW	19.6%	16.5%	15.1%	12.1%	21.9%	19.8%	24.4%	20.6%	22.3%	25.0%	25%
PPS	25.8%	27.5%	22.7%	22.9%	15.2%	26.2%	30.2%	32.6%	36.3%	38.6%	39%
SSE	22.2%	17.1%	18.6%	12.8%	30.4%	18.9%	26.1%	20.8%	18.7%	23.7%	31%

Source: Econsult Solutions, Inc. (2016)

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.

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.

Thus, the levels suggested as participation goals can be offered as benchmark utilization rates that should be strived for, with a prefix of “U” signifying cases in which M/W/DSBE utilization

⁶⁸ FY 2006 to FY 2009 results are adjusted to include SSE waste management spending that was not previously accounted for in published Annual Disparity Studies because it was from amendments to existing contracts rather than awarded contracts. FY 2006 to FY 2011 results do not exclude City contracts for which there were few or no opportunities for M/W/DSBE participation.

⁶⁹ FY 2012 to FY 2014 results exclude City contracts for which there were few or no opportunities for M/W/DSBE participation. FY 2006 to FY 2011 results also do not include City contracts for electric utilities, which are included in the FY 2012 to FY 2014 results.

⁷⁰ The MBE and WBE goals add up to more than the overall goal because some M/W/DSBE participation will come from businesses that are both MBE and WBE. As a point of reference, in FY 2015, firms that were both MBE and WBE comprised 19.4 percent of the OEO Registry.

is currently greater than M/W/DSBE availability, and a prefix of “A” signifying cases in which M/W/DSBE utilization is currently lower than M/W/DSBE availability.

In the case of overall M/W/DSBE utilization, we recommend a participation goal that is higher than both FY 2015 utilization and FY 2015 availability. This **“stretch” goal**, signified with a prefix of “S,” represents a desire to reach past the limitations set by both historical utilization and historical availability. “Stretch” goals acknowledge that increasing participation beyond historical utilization and historical availability may be a worthwhile public policy goal.⁷¹

These particular “stretch” goals are also based on the fact that FY 2015 utilization for City operating departments was over 30 percent (30.6 percent). In addition, it should also be noted that the FY 2015 availability at the City of Philadelphia level was 31.0 percent (vs. 25.5 percent at Philadelphia MSA level). As the overall M/W/DSBE availability increases as indicated by SBO’s 2007 and 2012 results, higher stretch goals are supported above and beyond those in previous years.

The MBE and WBE goals may add up to more than the overall goal because it is assumed that some M/W/DSBE participation will come from businesses that are both MBE and WBE, or they may be less than the overall goal because these goals are meant to be minimums. Therefore it is not intended for the City to simply reach but also exceed its participation goals in PW, PPS, and SSE contracts, such that its overall participation level reaches or exceeds 35 percent. It is also meant to ensure that the City does not reach its overall participation goal simply by having very high participation in some but not all contract types; rather, it is hoped that the City reaches its overall participation goal and also has relatively high participation in all contract types.

4.2 RECOMMENDED PROGRAMATIC AND POLICY ACTIONS

The FY 2015 Disparity Study project team of Econsult Solutions, Inc. and Milligan & Company, LLC presents the following recommendations and program achievements to the City of Philadelphia Office of Economic Opportunity (OEO). This section reinforces many of the activities currently implemented by OEO and offers additional focus areas for continued sustainability.

⁷¹ 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, particularly as it relates to redressing specific patterns of past discrimination. Hence, recommending “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.

Table 4.2.1 summarizes the recommendations based on the findings from the FY 2015 study. There were many positive findings and others will need further exploration to increase utilization in specific groups. The overall increased utilization of M/W/DSBEs is a direct result of OEO's achievements in recent years.

Table 4.2.1 – FY 2015 Annual Disparity Study Recommendations

Findings and Recommendations		
Finding	Availability increased	<ul style="list-style-type: none"> Continue exploring availability in “few or no” categories and increasing capacity in existing spending categories
Finding	Continue increasing utilization	<ul style="list-style-type: none"> Enhance disabled-owned business program Develop a strategy to address Public Works contracting challenges
Finding	Supplier Diversity	<ul style="list-style-type: none"> Explore monitoring non-profit participation Pursue a strategy for Tier 2 tracking
Finding	Certification	<ul style="list-style-type: none"> Track national trends and continue to increase OEO Registry with City-based firms
Achievements		
Achievement	Performance	<ul style="list-style-type: none"> Exceeded annual participation goal Improved prime contractor performance Continued to grow the OEO Registry Improved goal benchmarking efforts
Achievement	Reporting & Monitoring	<ul style="list-style-type: none"> Launched OEO contract compliance reporting system Tracked women and executive board membership Added EOP employment reporting
Achievement	Outreach & Support	<ul style="list-style-type: none"> Increased opportunities for prime and subcontractor networking Partnered with PIDC to develop the “Contract Line-of-Credit” program Designed the “Doing Business in the City” program

4.3 FINDINGS AND RECOMMENDATIONS

4.3.1 Availability Increased

RECOMMENDATION: Continue exploring availability in “few or no” categories and increasing capacity in existing spending categories

In FY 2015, the City of Philadelphia met, and even slightly exceeded, the overall 30 percent goal for all M/W/DSBE contracts. While the city’s efforts in increasing M/W/DSBE participation should be commended, the FY 2015 data also revealed that disparity is still an issue within the city. Recall in Section 3.2 of this report that the disparity ratio for all M/W/DSBEs for FY 2015 is 0.85, suggesting that the participation of M/W/DSBEs in city contracting opportunities has not yet reached parity. As discussed previously in this report, disparity is a factor of both utilization and availability. In FY 2015 utilization increased, pushing the actual participation of M/W/DSBEs past the 30 percent goal to 30.6 percent. However, this FY 2015 report incorporates the most recent availability data from 2012, which reveals that the number of M/W/DSBE firms has grown, increasing the availability of M/W/DSBE firms ready, willing, and able to participate on contracts by 4 percent. The OEO Registry reflects this increase in availability through its consistent and continued growth, which now contains over 2500 firms. The FY 2015 increase in availability was greater than the increase in utilization and negatively affected the disparity ratio.

Greater availability of M/W/DSBE means that the City needs to explore how to keep pace with the increasing number of firms. Over the past several years, OEO has been exploring the challenges of contracts that provide “few or no opportunity” (FONO) for M/W/DSBE firms. Section 3.3 of this report provides details on the 68 FONO contracts, totaling \$154.1 million, identified in FY 2015. OEO has spent considerable time and effort exploring the possibility of M/W/DSBE availability for FONO identified commodities such as electricity, technology products and water treatment chemicals that the City purchases annually. OEO has discovered in most cases that these contracts will continue to provide few or no opportunities for M/W/DSBE firms because there is a barrier to entry that is either regulatory or proprietary. Other FONO contracts through the Departments of Human Services and Prisons include court-mandated social services or other services provided by non-profit entities are not for-profit M/W/DSBE firms.

Given the challenges and limitations of FONO contracts, OEO is beginning to look at how to help increase the participation of M/W/DSBE firms on contracts that do not have structural constraints and barriers to entry. In order to increase participation, OEO will need to explore how to increase capacity on existing spending where M/W/DSBEs already participate. This will require a deeper understanding of the existing contracts, the services the city purchases

annually, and further exploration of how available M/W/DSBEs in the marketplace can meet a greater share of the demand.

4.3.2 Continue Increasing Utilization

RECOMMENDATION: Enhance disabled-owned business program and develop a strategy to address Public Works contracting challenges

Disabled-Owned Business Program: Since FY 2013, the overall M/W/DSBE utilization increased from 28.1 percent to 30.6 percent in FY 2015. The FY 2015 participation breakdown consisted of 19.2 percent for MBEs, 14.3 percent for WBEs, and zero percent for disabled-owned businesses over the same period.⁷² The FY 2014 Disparity Study provided a recommendation that the Office of Economic Opportunity enhance the disabled-owned business program and that recommendation is reiterated for FY 2015. This goal is particularly important since the availability of M/W/DSBEs in the Philadelphia MSA has increased and OEO is seeking to increase utilization. OEO should reach out to other cities across the country to gather best practices for increasing disabled-owned business inclusion in City contracts.

Public Works Contracting: The data for FY 2015 indicates that M/W/DSBE prime contractor participation in Public Works (PW) contracts is another area OEO can examine to increase utilization. In FY 2015, PW contracts equated to 37 percent of total City spending. As table 2.4.1 shows, the average contract size of PW contracts primed by M/W/DSBEs is one-third the size of PW contracts non-M/W/DSBE primes, \$530,000 compared to \$1,570,000 respectively. The amount of PW contracts awarded to M/W/DSBE primes in FY 2015 totaled \$7.4 million or just 3.3 percent of the \$225.6 million in PW contracts awarded by the City. Some of the hurdles that M/W/DSBE primes face when seeking PW contracts include the cost of payment and performance bonds required, cash flow needed to prime a PW contract, the ability to pay subcontractors within five days of being paid by the City, as well as union relations specific to the City of Philadelphia. OEO has encouraged mentor-protégé type relationships and providing networking opportunities between larger prime construction contractors and M/W/DSBE firms. OEO's successful capacity building programs include small business development practices; bonding, insurance and financing practices; doing business with government; vendor outreach and networking; and unbundling contracts. OEO should continue this effort and add information and/or resources to assist M/W/DSBEs with building capacity to overcome the specific challenges associated with moving into the PW prime contractor level.

⁷² The MBE and WBE goals add up to more than the overall goal because some M/W/DSBE participation will come from businesses that are both MBE and WBE. As a point of reference, in FY 2015, firms that were both MBE and WBE comprised 19.4 percent of the OEO Registry.

4.3.3 Supplier Diversity

RECOMMENDATION: Explore monitoring non-profit participation and pursue a strategy for Tier 2 tracking

Many for-profit companies across the country have active supplier diversity programs. The City does business with for-profit as well as non-profit entities such as social service agencies and universities. In an effort to continue to encourage and increase utilization, OEO should pursue a strategy to monitor non-profit participation and gather information about the non-profit's utilization of M/W/DSBE subcontractors, also as known as Tier 2 participation.

Tier 2 can include the purchase of a variety of services, which may be provided by M/W/DSBE firms such as transportation, legal services, uniforms, maintenance, and custodial services. Prior to developing a strategy to track this level of participation, OEO needs to explore and consider what mechanisms could be used to capture this information including policies and available technology for tracking this data. Part of the strategy should include an exploration of other municipalities, if any, who are monitoring this level of data. If OEO could develop a Tier 2 process, OEO would be on the cutting edge of developing a national best practice and serve as a leader for other municipalities.

4.3.4 Certification

RECOMMENDATION: Track national trends and continue to increase OEO Registry with City-based firms

OEO currently does not certify M/W/DSBE firms and has not provided certifications in six years. The OEO Registry is comprised of firms that have been certified by a third-party. The certification process is time and resource consuming, therefore many city and smaller agencies are moving away from processing M/W/DSBE certification applications in favor of accepting federal, state level, and national organization certifications such as the Eastern Minority Supplier Development Council (EMSDC) and the Women's Business Enterprise National Council (WBENC).

Even though OEO no longer certifies M/W/DSBE firms directly, it should continue to grow the Registry, with a particularly focus on City-based firms, and explore new strategies for increasing diversity. In the past several years, there is increased interest in certification of firms that have not traditionally been a part of the M/W/DSBE pool. Locally-owned small businesses, known as Local Business Entities (LBEs), are already certified and tracked by the Procurement Department. Procurement maintains the LBE list and, at this time, it does not

appear that this function will shift to OEO. The expanding definition of diversity in contracting can include companies owned by veterans and LGBT persons. OEO should be tracking these trends as well as the best practices employed by other first class cities across the country. In addition to keeping on top of certification trends, OEO should explore new developments in goal setting and disparity study analyses while acknowledging Mayoral priorities.

4.4 ACHIEVEMENTS

4.4.1 Performance

Exceeded Annual Participation Goal

For the second time since the Annual Disparity Study has been produced, the City of Philadelphia has not only achieved but exceeded its M/W/DSBE contract goal. The FY 2015 goal was 30 percent utilization overall and the actual FY 2015 was 30.6 percent participation. This achievement is the culmination of OEO's efforts over the past eight years to increase utilization through various targeted programs including, but not limited to, the growth of OEO Registry, capacity building, and working with City departments to seek opportunities for M/W/DSBE contract participation.

Prime Contractor Performance

In FY 2015, M/W/DSBE prime contractor performance continued to improve. The total number of contracts awarded by the City decreased in FY 2015, however, the total dollar amount of contracts primed by M/W/DSBEs increased by \$9.5 million. This increase was driven by an increase in the average contract size in PW and SSE contracts primed by M/W/DSBE firms. Essentially, prime contractor performance was boosted by the award of a larger share of the total contract dollars available in FY 2015. This indicates that the capacity of M/W/DSBE primes is growing and that the efforts of OEO over the past several years are coming to fruition.

OEO Registry Continued Growth

As of January 2016, the OEO Registry contained 2560 firms, an increase of 52 percent since January 2010, despite OEO's periodic review and removal of inactive firms from the registry. The growth of the registry has occurred primarily since 2010, with 86 percent of the registry comprised of new certifications added in the past six years. OEO no longer certifies firms but accepts third-party certifications. The increase in the OEO Registry, coupled with the increased utilization of M/W/DSBE firms from OEO's Registry, indicates that the acceptance of third-party certifications has been successful. By not spending valuable resources reviewing certification applications, OEO can strategically focus on programs to build M/W/DBSE capacity and assist in increasing contracting opportunities to meet the City's goal.

Goal Benchmarking

At the request of the OEO, the FY 2014 Annual Disparity Study provided a cursory benchmark study of M/W/DSBE goals and achievements across the country. The Recommendations section of the FY 2014 report included a sample review of one state, one county, and three cities that had the most complete and useful public data for annual M/W/DSBE participation benchmarking available. Many of the participation reports reviewed for the benchmark study did not provide a detailed explanation of how results were calculated. Therefore, an equal comparison could not be made between the benchmark sample and OEO's goal achievement. However, based upon the review of the other entities tracking M/W/DSBE participation, it was determined that Philadelphia is one of the most transparent municipal entities that sets M/W/DSBE goals. OEO's M/W/DSBE contracting results are reported annually and goal setting methodology, contract utilization, and goal achievement are all available in the public domain.

On March 24, 2016, a new National Disadvantaged Business Enterprise (DBE) Roundtable was launched by OEO as a collaborative benchmarking and best practices effort between five cities and five states:

Cities Participating	States Participating
Philadelphia, PA	Delaware
Atlanta, GA	Illinois
Baltimore, MD	Maryland
Chicago, IL	New Jersey
New York, NY	New York

The first meeting of the DBE Roundtable covered M/W/DSBE certifications, participation, goals, "few or no opportunity" contracting areas, and reporting. As the DBE Roundtable continues to develop, the objective is to increase the number of cities and states participating in the benchmarking and best practices discussion.

4.4.2 REPORTING & MONITORING

OEO Contract Compliance Reporting System

In FY 2014, OEO launched a Contract Compliance Reporting System in collaboration with the Office of Innovations and Technology. The system is web-based and requires contractors on City-funded projects are required to use the reporting system to ensure that payments to M/W/DSBEs are accounted for and are not delayed beyond the five-day period. Noncompliance with these requirements may prompt an investigation from the City Controller's Office. System training is provided through online tools plus an online presentation, orientation materials, manuals and OEO staff.

Since inception, OEO has reported that the new system has had a significant impact on goal achievement, which is evident in the FY 2015 results. OEO now has the capability to monitor achievement during the life of a project and to verify that subcontractors are being paid promptly within the required five business days. The City was awarded the Public Technology Institute 2013/14 Solutions Award for Significant Achievement in Mobilizing Data to Drive Supplier Diversity.

Monitoring Including Tracking of Women on Boards and in Executive Positions

OEO's primary responsibility is the tracking of M/W/DSBE contract participation toward goal achievement. In carrying out this responsibility and seeking opportunities to increase participation through best practices and at the second-tier level, OEO has expanded its monitoring to include minorities who are partners or hold equity positions within firms (such as partners at law firms) who are involved in City contracts. The City has also recognized that women and minorities who serve on for-profit boards or executive staff of companies awarded City contracts are another resource that is important to track in order to understand what drives diversity in the marketplace. The City amended Chapter 17-104 of the Philadelphia Code entitled "Prerequisites to the Execution of City Contracts" requiring companies to include the percentage of female executive officers and board members, aspiration goals for women in executive and board positions, and the intended efforts of the contractor to meet aspirational goals. In FY 2015, 51 percent of companies awarded PW and SSE contracts by the City reported women at the board or executive staff level. OEO discovered that many of the companies that have women at the executive and board level do have aspiration goals, yet there were no strategies as to how to achieve aspirational goals included in the bid documentation. OEO should work with the Procurement Department to encourage companies bidding on City contracts to outline how their stated aspirational goals will be achieved.

EOP Employment Reporting

OEO launched an Economic Opportunity Plan (EOP) Dashboard on its website in FY 2014. The EOP Dashboard provides various EOP summaries by City departments, Quasi-Public agencies,

and private and non-profit projects by dollar value, percent participation achieved, and overall compliance. New in FY 2015, OEO added a private and nonprofit workforce summary to the EOP dashboard. The summary tracks employment percentages for minorities, women, and local hires on both active and closed EOP projects.

In FY 2014, OEO presented the Economic Opportunity Plan Analysis for the first time as an addendum to this Annual Disparity Study. That study was updated for FY 2015 and is included again as an addendum to this report. The EOP Analysis focuses only on the participation of M/W/DSBE firms on construction projects and informs just a portion of the story toward achieving the City's overall diversity goals.

For FY 2015, OEO requested that a study be conducted on the achievement of employment goals on EOP projects. Since EOPs relate to physical construction, the employment goals are limited to the laborers, apprentices, and skilled journeymen in the construction trades. The City's employment goals for EOPs are 32 percent minority, 7 percent women, and 50 percent apprentice. Labor participation on EOPs is tracked and reported by the City through the LCP Tracker system. Similar to the way the Annual Disparity Study analyzes the availability and utilization of M/W/DSBE firms, the FY 2015 EOP Employment Composition Analysis examines the availability and the utilization of the construction labor force. Although this is the first year the EOP Employment Composition Analysis is being presented, the data reveals that the City should consider a potential increase in the 32 percent minority EOP employment goal and decreasing the 7 percent EOP employment goal for women. The full EOP Employment Composition Analysis for FY 2015 is included as an addendum to this report.

4.4.3 OUTREACH & SUPPORT

Prime and Subcontractor Networking

Annually, OEO sponsors and/or participates in over 300 outreach and networking events. These events include networking programs, workshops, panels and meetings to provide information and resources on how to do business with the City, financing options, and capacity building efforts. Through the development of strategic partnerships with a wide variety of local and national prime contractors, OEO is able to bring prime contractors and M/W/DSBE subcontractors together. Frequently prime contractors work with whom they know and have an existing business relationship. These networking events help build important relationships and have resulted in contracting opportunities for M/W/DSBE subcontractors.

Contract Line-of Credit

Through the Philadelphia Industrial Development Corporation (PIDC), OEO has established an important capacity building partnership for M/W/DSBE firms in Philadelphia. Known as the

PIDC Contract Line-of-Credit, M/W/DSBE firms can access working capital and better manage cash flow. The program allows growing firms to successfully manage multiple contracts, which would not have been possible previously under the limitations of traditional bank financing. The utilization of the PIDC Contract Line-of-Credit by local businesses grew by 53 percent between FY 2014 and FY 2015 with \$17.5 million drawn down from the program in FY 2015 alone.

“Doing Business in the City” Program

In an effort to prepare M/W/DSBE firms for prime contracts, OEO designed a monthly “Doing Business in the City Program” to expand the firm’s capacity to perform on public and private sector work. OEO established 29 partnerships within City departments and with outside public organizations such as The Enterprise Center, WBNEC, EMSDC, SEPTA, SBA and the Minority Business Development Agency. Private and non-profit partnerships were established with Comcast, Sugar House Casino, Tuner Construction, Skanska, Verizon, Drexel University, Temple University, and University of Pennsylvania, among others.

LIST OF ACRONYMS

CEP	Philadelphia International Airport's Capacity Enhancement Program
DJMA	DJ Miller & Associates
DSBE(s)	Disabled Business Enterprise(s)
EMSDC	Eastern Minority Supplier Development Council
EOP	Economic Opportunity Plans
EORC	City of Philadelphia Economic Opportunity Review Committee
FONO	Few or No Opportunity
FY	Fiscal Year
LBE	Local Business Entity
L&I	Licenses and Inspections, Department of
M/W/DSBE(s)	Collective name for Minority, Women, and Disabled Business Enterprise(s)
MBE(s)	Minority Business Enterprise(s)
MPO	Miscellaneous Purchase Orders contract
MSA	Philadelphia Metropolitan Statistical Area
NAICS	North American Industry Classification System
NMSDC	National Minority Supplier Development Council
OEO	City of Philadelphia Office of Economic Opportunity
OHCD	City of Philadelphia Office of Housing & Community Development
OSH	City of Philadelphia Office of Supportive Housing
PIDC	Philadelphia Industrial Development Corporation
PPS	Personal and Professional Services contract
PW	Public Works contract
Q1	Quarter 1 or 1st Quarter
RWA	"Ready, willing and able" firms
SBA	Small Business Administration
SBO	US Census Survey of Business Owners

SEPTA	Southeastern Pennsylvania Transportation Authority
SMOBE/SWOBE	US Census Bureau Survey of Minority- and Women-Owned Business Enterprises
SOP	Small Order Purchases contract
SSE	Supplies, Services, and Equipment contract
WBE(s)	Women Business Enterprise(s)
WBNEC	Women's Business Enterprise National Council