

# ANNUAL DISPARITY STUDY

FISCAL  
YEAR  
2017

## CITY OF PHILADELPHIA

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OFFICE OF ECONOMIC  
OPPORTUNITY



Department of  
**Commerce**

CITY OF PHILADELPHIA

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**ADDENDA:**

**City of Philadelphia – Economic Opportunity Plan Analysis FY 2017**

**City of Philadelphia – EOP Employment Composition Analysis FY 2017**

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## EXECUTIVE SUMMARY

### 1 INTRODUCTION

Econsult Solutions, Inc. and Milligan & Company, LLC are pleased to submit the Annual Disparity Study for Fiscal Year (FY) 2017 to the City of Philadelphia. The study includes a brief discussion of the purpose, results of the study, and recommendations for FY 2018 and beyond.

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 \$976 million, or less than one-quarter of the City's \$4.3 billion annual operating budget, were directly analyzed in this Disparity Study. This represents sealed bid and non-sealed contracts. It does not include \$21.2 million in federally funded PW contracts over which the City has no goal-setting influence, for which M/W/DSBE utilization was 13.8 percent. This includes \$245.3 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 26.7 percent. Combined, City contracts and quasi-public contracts achieved utilization of 31.7 percent in FY 2017.

There were an additional 155 contracts totaling \$105.1 million in FY 2017 for which there are few or no M/W/DSBEs available to participate. This study reports utilization levels excluding these "few or no opportunity" contracts. It is important to note that some contracts with "few or no opportunity", represented as "FONO" in this report, are the result of court order and not within the City's control. An example is court ordered foster care which is typically handled by non-profit agencies.

## 2 2017 ACHIEVEMENTS

The Office of Economic Opportunity (OEO) at the City of Philadelphia continues to be a leader in setting best practices for M/W/DSBE inclusion as the highlighted achievements in Table ES.1 illustrate.

**Table ES.1 – OEO FY 2017 Achievements**

Achievements	
Performance	<ul style="list-style-type: none"><li>• Exceeded prior year participation</li><li>• Dollar Value of M/W/DSBE contracts growing</li><li>• Continued growth of the OEO Registry</li></ul>
Outreach	<ul style="list-style-type: none"><li>• Emerging Vendors Program</li><li>• Tools for enhanced communication</li></ul>
Monitoring	<ul style="list-style-type: none"><li>• In-house training</li></ul>
Certification	<ul style="list-style-type: none"><li>• OEO has formed relationships with two new certification agencies</li></ul>
Increased Oversight	<ul style="list-style-type: none"><li>• Hired new EOP Enforcement Managers</li></ul>

### 2.1 Performance

**ACHIEVEMENT:** Exceeded prior year participation

OEO's programs, outreach, and monitoring efforts resulted in M/W/DSBE firm participation of 31.7 percent in FY 2017, which exceeded the City's participation of 30.7 percent in FY 2016.

**ACHIEVEMENT:** Dollar Value of M/W/DSBE contracts growing

The value of City contracts awarded to M/W/DSBE firms increased by 13.4 percent, from \$216 million in FY 2016 to nearly \$245 million in FY 2017.

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**ACHIEVEMENT:** Continued growth of the OEO Registry

The OEO Registry continues to grow consistently each year, despite attrition and removal of inactive firms, reaching 2,940 firms as of January 2018, up from 2,740 in FY 2016, an increase of seven percent.

## 2.2 Outreach

**ACHIEVEMENT:** Emerging Vendors Program

OEO developed a pilot project designed to increase the pool of Philadelphia-based certified M/W/DSBEs providing the tools for the firms to grow and scale. The technology platform designed to support this program is currently under construction. The pilot will be launched in partnership with the City's Rebuild Initiative.

**ACHIEVEMENT:** Tools for enhanced communication

OEO created several communication tools including the OEO monthly e-Blast and the quarterly newsletter to provide contract and bidding opportunities and networking events to firms on a consistent basis.

## 2.3 Monitoring

**ACHIEVEMENT:** In-house training

OEO provided in-depth training for OEO Specialists and over 40 newly designated OEO Officers and alternates mandated by Executive Order 03-17. To enhance its monitoring efforts, the focus of the training was on project payment activity including payments to primes and subcontractors, timeliness of payments, and compliance with contract commitments.

## 2.4 Certification

**ACHIEVEMENT:** OEO has formed relationships with two new certification agencies

A formal partnership with The United States Business Leadership Network (USBLN) has been formed to accommodate third-party certifications for disabled business enterprises (DBE). The Enterprise Center will certify minority business Enterprises (MBE) as well as disabled business enterprises (DSBE)

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## 2.5 Increased Oversight

**ACHIEVEMENT:** Hired new EOP Enforcement Managers

OEO has hired two EOP Enforcement Managers. The new managers will provide direct oversight to EOP Oversight committees, plans as well as manage all data tracking related to EOP achievement.

### 3 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. M/W/DSBE contract spending increased in FY 2017. M/W/DSBE utilization was 33.5 percent for City contracts and 26.7 percent for quasi-public contracts. Combined, City contracts and quasi-public contracts achieved utilization of 31.7 percent in FY 2017 versus 13.8 percent for federally funded City contracts (see Table ES.2).

*Goals for federally funded contracts are set by the Federal government, thus OEO has no goal-setting influence. Federally funded contracts also require different business certifications. As a result, federally funded City contracts were excluded from the data sets throughout the report.*

**Table ES.2 – FY 2017 and FY 2016 Utilization of M/W/DSBEs Located in the US by Contract Type (Percentage of Contract Dollars Awarded)<sup>1</sup>**

	FY 17 PW	FY 17 PPS	FY 17 SSE <sup>2</sup>	FY 17 All Contract Types <sup>3</sup>	FY 16 PW	FY 16 PPS	FY 16 SSE	FY 16 All Contract Types	FY 16 – FY 17 Change
<b>City Contracts</b>	26.2%	42.8%	22.9%	33.5%	25.3%	38.9%	24.4%	32.0%	+1.5 pp
<b>Quasi-Public Contracts<sup>4</sup></b>	N/A	N/A	N/A	26.7%	N/A	N/A	N/A	27.7%	-1.1 pp
<b>City + Quasi-Public Contracts</b>	26.2%	42.8%	22.9%	31.7%	25.3%	38.9%	24.4%	30.7%	+1 pp
<b>Federally Funded City Contracts<sup>5</sup></b>	13.8%	N/A	N/A	13.8%	13.2%	N/A	N/A	13.2%	+0.6 pp

Source: OEO Annual Participation Report (FY 2016, FY 2017), Econsult Solutions, Inc. (2017, 2018)

<sup>1</sup> This table excludes “FONO” Contracts.

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

<sup>3</sup> 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 was not available for some quasi-public agencies.

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

<sup>5</sup> 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 \$309.9 million out of \$976 million in contracts in FY 2017, compared to \$303.9 million out of \$991 million in eligible contracts in FY 2016. Utilization increased by 1.5 percentage points to 33.5 percent in FY 2017 from 32.0 percent in FY 2016 (see Table ES.3).

***M/W/DSBEs were awarded \$6 million (or 2%) more in contracts in FY 2017.***

**Table ES.3 – FY 2017 and FY 2016 Utilization of M/W/DSBEs Located in the US by Contract Type and M/W/DSBE Category (Percentage of Contract Dollars Awarded)<sup>6</sup>**

M/W/DSBE Category	FY 17 PW	FY 17 PPS	FY 17 SSE	FY 17 All Contract Types	FY 16 PW	FY 16 PPS	FY 16 SSE	FY 16 All Contract Types	FY 16 – FY 17 Change
White Female	11.3%	15.5%	18.2%	14.2%	10.7%	11.8%	21.1%	12.4%	+1.8 pp
Native American	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	+0 pp
Asian American	5.1%	4.2%	0.5%	4.1%	4.2%	4.3%	0.0%	3.2%	+0.9 pp
African American	4.7%	20.8%	4.4%	12.2%	7.5%	19.4%	3.1%	13.1%	-0.9 pp
Hispanic	4.8%	2.1%	0.0%	2.9%	2.8%	2.6%	0.1%	2.4%	+0.5 pp
<b>All MBE</b>	<b>14.9%</b>	<b>27.3%</b>	<b>4.9%</b>	<b>19.3%</b>	<b>14.6%</b>	<b>27.0%</b>	<b>3.3%</b>	<b>19.6%</b>	<b>-0.3 pp</b>
<b>All WBE</b>	<b>12.2%</b>	<b>20.4%</b>	<b>18.7%</b>	<b>16.9%</b>	<b>11.8%</b>	<b>18.2%</b>	<b>22.5%</b>	<b>16.3%</b>	<b>+0.6 pp</b>
<b>Disabled</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>+0 pp</b>
<b>All M/W/DSBE</b>	<b>26.2%</b>	<b>42.8%</b>	<b>22.9%</b>	<b>33.5%</b>	<b>25.3%</b>	<b>38.9%</b>	<b>24.4%</b>	<b>32.0%</b>	<b>+1.5 pp</b>
<b>Including Quasi-Public City Contracts</b>									
<b>US</b>				<b>31.7%</b>				<b>30.7%</b>	<b>+1 pp</b>
<b>Non-M/W/DSBEs</b>				<b>68.3%</b>				<b>69.4%</b>	<b>-1.1 pp</b>

Source: OEO Annual Participation Report (FY 2016, FY 2017), Econsult Solutions, Inc. (2017, 2018)

<sup>6</sup> This table excludes federally funded City contracts and "FONO" contracts.

**Increased Use of M/W/DSBEs within the City** – The participation of M/W/DSBEs located inside the city continues to increase. City-based participation increased by 2 percentage points to 17.0 percent in FY 2017 from 15.0 percent in FY 2016, while participation by M/W/DSBEs located within the Philadelphia Metropolitan Statistical Area (MSA)<sup>7</sup> increased by 3 percentage points to 26.0 percent in FY 2017 from 23.0 percent in FY 2016 (see Table ES.4).

*Local M/W/DSBE growth continued to outpace use of M/W/DSBE at the national level.*

**Table ES.4 – FY 2017 and 2016 Utilization of M/W/DSBEs by Contract Type and Location (Percentage of Contract Dollars Awarded)<sup>8</sup>**

Location of M/W/DSBE <sup>9</sup>	FY 17	FY 17	FY 17	FY 17	FY 16	FY 16	FY 16	FY 16	FY 16 - FY 17
	PW	PPS	SSE	All Contract Types	PW	PPS	SSE	All Contract Types	Change
<b>City</b>	<b>10.2%</b>	<b>22.4%</b>	<b>18.5%</b>	<b>17.0%</b>	<b>11.0%</b>	<b>17.3%</b>	<b>18.4%</b>	<b>15.0%</b>	<b>+2.0 pp</b>
In Metro but Outside City	9.4%	10.4%	3.3%	9.0%	9.6%	7.8%	4.1%	8.0%	
<b>MSA</b>	<b>19.6%</b>	<b>32.8%</b>	<b>21.8%</b>	<b>26.0%</b>	<b>20.6%</b>	<b>25.1%</b>	<b>22.4%</b>	<b>23.0%</b>	<b>+3.0 pp</b>
In US but Outside Metro	6.6%	10.0%	1.1%	7.5%	4.6%	13.7%	2.0%	9.0%	
<b>US</b>	<b>26.2%</b>	<b>42.8%</b>	<b>22.9%</b>	<b>33.5%</b>	<b>25.2%</b>	<b>38.9%</b>	<b>24.4%</b>	<b>32.0%</b>	<b>+1.5 pp</b>
Non-M/W/DSBEs	73.8%	57.2%	77.1%	66.5%	74.7%	61.1%	75.6%	68.0%	
<b>Including Quasi-Public Contracts<sup>10</sup></b>									
<b>US</b>				<b>31.7%</b>				<b>30.7%</b>	
Non-M/W/DSBEs				<b>68.3%</b>				<b>69.3%</b>	

Source: OEO Annual Participation Report (FY 2016, FY 2017), Econsult Solutions, Inc. (2017, 2018)

<sup>7</sup> 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).

<sup>8</sup> This table excludes federally funded City contracts and "FONO" contracts.

<sup>9</sup> "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.

<sup>10</sup> Contract-level data was 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.

**The Average M/W/DSBE Contract Size and the Percentage of M/W/DSBE Prime Contractors Increased** — The percentage of contract dollars awarded to M/W/DSBE prime contractors increased 1.5 percentage points from 11.4 percent in FY 2016 to 12.9 percent in FY 2017. The average contract size increased to \$280,000 in FY 2017 (vs. \$390,000 for non-M/W/DSBE prime contractors) up from \$260,000 in FY 2016 (vs. \$340,000 for non-M/W/DSBE prime contractors) (see Table ES.5). In FY 2017, the average contract size ratio for M/W/DSBE prime contractors to non-M/W/DSBE prime contractors was 0.70 (\$280,000/\$390,000), a decrease of 8 percent from the FY 2016 ratio of 0.76 (\$260,000/\$340,000). In FY 2017, M/W/DSBE prime contractors received 17.4 percent of contracts compared to 14.6 percent in FY 2016, an increase of 2.8 percent.

**Table ES.5 – FY 2017 and 2016 Utilization of M/W/DSBE Primes by Contract Type (Percentage of Contracts and Contract Dollars Awarded)<sup>11</sup>**

	FY 17 PW	FY 17 PPS	FY 17 SSE	FY 17 All Contract Types	FY 16 PW	FY 16 PPS	FY 16 SSE	FY 16 All Contract Types	FY 16 – FY 17 Change
<i>% Primed by M/W/DSBE</i>									
<b>By #</b>	6.3%	23.8%	8.7%	17.4%	5.8%	21.1%	5.0%	14.6%	+2.8 pp
<b>By \$</b>	0.4%	23.0%	4.0%	12.9%	2.1%	19.5%	3.7%	11.4%	+1.5 pp
<i>Average Contract Size (\$M)</i>									
<b>M/W/DSBE Primes</b>	\$0.14	\$0.58	\$0.17	\$0.28	\$0.71	\$0.55	\$0.22	\$0.26	\$0.02
<b>Non-M/W/DSBE Primes</b>	\$2.70	\$0.61	\$0.39	\$0.39	\$2.09	\$0.61	\$0.30	\$0.34	\$0.05

Source: OEO Annual Participation Report (FY 2016, FY 2017), Econsult Solutions, Inc. (2017, 2018)

*An increase in utilization and slight improvement in availability resulted in a disparity ratio near parity for FY 2017.*

**Availability of M/W/DSBEs is Fairly Stable** – In FY 2017, M/W/DSBEs represented 26.3 percent of “ready, willing, and able” firms within the Philadelphia MSA, up 0.7 percentage points from 25.6 percent in FY 2016 (see Table ES.6).<sup>12</sup> The FY 2017 report uses 2012 US Census Bureau

<sup>11</sup> This table excludes federally funded City contracts and “FONO” contracts.

<sup>12</sup> “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

Survey of Business Owners (“SBO”) data, which contains the most recent availability calculations. Since the utilization increased and the baseline availability calculation was largely unchanged, the disparity ratio increased from 0.90 in FY 2016 (MSA utilization of 23 percent vs. MSA availability of 25.6 percent) to 0.99 in FY 2017 (MSA utilization of 26 percent vs. MSA availability of 26.3 percent), when looking at all contracts types (see Table ES.7). An overall disparity ratio of less than 1.0 means that M/W/DSBE utilization is not yet in parity with M/W/DSBE availability.

**Table ES.6 – FY 2017 and FY 2016 Availability of Ready, Willing, and Able M/W/DSBE Firms within the Philadelphia MSA**

M/W/DSBE Category	FY 17 PW	FY 17 PPS	FY 17 SSE	FY 17 All Contract Types	FY 16 PW	FY 16 PPS	FY 16 SSE	FY 16 All Contract Types	FY 16 – FY 17 Change
All MBE	7.8%	13.2%	10.9%	10.6%	5.0%	12.6%	13.6%	9.8%	+0.8 pp
All WBE	13.0%	18.7%	13.7%	15.7%	11.2%	18.8%	18.1%	15.8%	-0.1 pp
All M/W/DSBE	20.8%	31.8%	24.6%	26.3%	16.2%	31.4%	31.7%	25.6%	+0.7 pp

Source: US Census Bureau Survey of Business Owners (2007, 2012), OEO Annual Participation Report (FY 2016, FY 2017), Econsult Solutions, Inc. (2017, 2018)

**Table ES.7 – FY 2017 and FY 2016 Summary Disparity Ratios for the Philadelphia MSA**

M/W/DSBE Category	FY 17 PW	FY 17 PPS	FY 17 SSE	FY 17 All Contract Types	FY 16 PW	FY 16 PPS	FY 16 SSE	FY 16 All Contract Types	FY 16 – FY 17 Change
MSA Utilization	19.6%	32.8%	21.8%	26.0%	20.6%	25.1%	22.4%	23.0%	+3.0 pp
MSA Availability	20.8%	31.8%	24.6%	26.3%	16.2%	31.4%	31.7%	25.6%	+0.7 pp
Disparity Ratio	0.94	1.03	0.89	0.99	1.27	0.80	0.71	0.90	+0.09

Source: Econsult Solutions, Inc. (2017, 2018); Utilization = FY 2017 OEO Participation Report (2017); Availability = US Small Business Administration – Philadelphia District Office (2007, 2012)

former studies: the Survey of Minority-Owned Business Enterprises 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.

## 4 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”<sup>13</sup> that may be slightly higher than both FY 2017 utilization and availability. Stretch goals are within four percentage points of actual utilization (see Table ES.8). Our recommended stretch goal for M/W/DSBE utilization for all contract types is 35 percent (see Table ES.8 and Table ES.9) and is above FY 2017 utilization and availability for City and quasi-public contracts.<sup>14</sup>

*The recommended goal for M/W/DSBE utilization for all contract types is 35 percent excluding federally funded City contracts and contracts with few or no opportunity for M/W/DSBE participation.*

The exclusion of “few or no opportunity” (FONO) contracts does not indicate that M/W/DSBEs are unable to participate on these contracts but that additional outreach is necessary. There are likely barriers to M/W/DSBE utilization that are systemic or administrative. With the identification of the specific types of barriers and increased outreach these FONO categories may be reduced over time as utilization increases.

<sup>13</sup> Updated Census Bureau SBO data from 2007 to 2012 shows a 1.4 percent increase in availability within the City for M/W/DSBE firms, and a 4.1 percent 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.

<sup>14</sup> Excluding federally funded City contracts, as well as contracts with few or no opportunity for M/W/DSBE participation.

**Table ES.8 – Recommended Participation Goals for City Contracts and Quasi-Public Contracts**

M/W/DSBE Category	PW	PPS	SSE	All Contract Types	FY16/FY17 Actual
White Female	11.3% U	15.5% U	18.2% U	14.2% U	FY16:12.4% FY17:14.2%
Native American	0.2% A	0.1% A	0.1% A	0.1% A	FY16: 0.0% FY17: 0.0%
Asian American	5.1% U	7.9% A	6.5% A	5.9% A	FY16: 3.2% FY17: 4.1%
African American	4.7% U	20.8% U	4.4% U	12.2% U	FY16:13.1% FY17:12.2%
Hispanic	4.8% U	2.1% U	1.4% A	2.9% U	FY16: 2.4% FY17: 2.9%
<b>All MBE</b>	<b>14.9% U</b>	<b>27.3% U</b>	<b>10.9% A</b>	<b>19.3% U</b>	<b>FY16: 19.6%</b> <b>FY17: 19.3%</b>
<b>All WBE</b>	<b>13.0% A</b>	<b>20.4% U</b>	<b>18.7% U</b>	<b>16.9% U</b>	<b>FY16: 16.3%</b> <b>FY17: 16.9%</b>
<b>City-Based M/W/DSBE</b>	<b>10.2% U</b>	<b>22.4% U</b>	<b>18.5% U</b>	<b>17.0% U</b>	<b>FY16: 15.0%</b> <b>FY17: 17.0%</b>
<b>All M/W/DSBE</b>	<b>26.2% U</b>	<b>42.8% U</b>	<b>24.6% A</b>	<b>35.0% S</b>	<b>FY16: 30.7%</b> <b>FY17: 31.7%</b>
<b>FY16/FY17 Actual</b>	<b>FY16: 25.3%</b>	<b>FY16: 38.9%</b>	<b>FY16: 24.4%</b>	<b>FY16: 30.7%</b>	
	<b>FY17: 26.2%</b>	<b>FY17: 42.8%</b>	<b>FY17: 22.9%</b>	<b>FY17: 31.7%</b>	

Source: Econsult Solutions, Inc. (2018)

This entire report excludes federally funded City contracts. Goals for federally funded contracts are set by the Federal government, thus OEO has no goal-setting influence on these goals. **The recommended stretch goal of 35 percent presented in Table ES. 8 does not include federal contracts.** This report focuses only on the contract goals the City can control and should be held accountable for.

**Table ES.9 – Actual and Recommended M/W/DSBE Utilization for City Contracts (Excluding Federally Funded City Contracts) and Quasi-Public Contracts<sup>15</sup>**

	Actual (incl. FONO Contracts) <sup>16</sup>						Actual (excl. FONO) <sup>17</sup>						Goal
	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY17	
<b>All M/W/DSBE</b>	<b>23.6%</b>	<b>22.3%</b>	<b>19.2%</b>	<b>19.0%</b>	<b>20.8%</b>	<b>23.3%</b>	<b>28.2%</b>	<b>28.1%</b>	<b>29.4%</b>	<b>30.6%</b>	<b>30.7%</b>	<b>31.7%</b>	<b>35.0%</b>
<b>MBE</b>	<b>17.7%</b>	<b>15.7%</b>	<b>14.8%</b>	<b>14.1%</b>	<b>14.9%</b>	<b>15.3%</b>	<b>21.2%</b>	<b>18.8%</b>	<b>18.5%</b>	<b>19.2%</b>	<b>19.6%</b>	<b>19.3%</b>	<b>19.3%</b>
<b>WBE</b>	<b>9.9%</b>	<b>10.8%</b>	<b>7.6%</b>	<b>8.6%</b>	<b>8.9%</b>	<b>10.8%</b>	<b>9.0%</b>	<b>12.2%</b>	<b>14.2%</b>	<b>14.3%</b>	<b>16.3%</b>	<b>16.9%</b>	<b>16.9%</b>
<b>PW</b>	<b>19.6%</b>	<b>16.5%</b>	<b>15.1%</b>	<b>12.1%</b>	<b>21.9%</b>	<b>19.8%</b>	<b>24.4%</b>	<b>20.6%</b>	<b>22.3%</b>	<b>25.0%</b>	<b>25.3%</b>	<b>26.2%</b>	<b>26.2%</b>
<b>PPS</b>	<b>25.8%</b>	<b>27.5%</b>	<b>22.7%</b>	<b>22.9%</b>	<b>15.2%</b>	<b>26.2%</b>	<b>30.2%</b>	<b>32.6%</b>	<b>36.3%</b>	<b>38.6%</b>	<b>38.9%</b>	<b>42.8%</b>	<b>42.8%</b>
<b>SSE</b>	<b>22.2%</b>	<b>17.1%</b>	<b>18.6%</b>	<b>12.8%</b>	<b>30.4%</b>	<b>18.9%</b>	<b>26.1%</b>	<b>20.8%</b>	<b>18.7%</b>	<b>23.7%</b>	<b>24.4%</b>	<b>22.9%</b>	<b>24.6%</b>

Source: Econsult Solutions, Inc. (2018)

<sup>15</sup> This table excludes federally funded City contracts.

<sup>16</sup> 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.

<sup>17</sup> FY 2012 to FY 2017 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.

## 5 RECOMMENDATIONS

The FY 2017 Disparity Study project team of Econsult Solutions, Inc. and Milligan & Company, LLC presents the following recommendations to the City of Philadelphia Office of Economic Opportunity (OEO). This section reinforces many of the activities currently planned or implemented by OEO and offers additional focus areas for continued sustainability.

Table E.S. 10 summarizes the recommendations based on the findings from the FY 2017 study. The continued annual increased utilization of M/W/DSBEs is a direct cumulative result of OEO's programs and achievements in recent years. While this report indicates progress in overall M/W/DSBE contract utilization, there is still opportunity to further explore increased utilization in specific groups. The data reveals that there is still potential for OEO to be a larger part of the success of M/W/DSBE firms, particularly M/W/DSBE Primes. Many of the recommendations presented are interconnected and when implemented together, will build upon OEO's current success in assisting M/W/DSBE firms to grow and thrive in the Philadelphia marketplace.

**Table E.S.10 – FY 2017 Annual Disparity Study Recommendations**

Findings and Recommendations	
Continue Growing M/W/DSBE Prime Capacity	<ul style="list-style-type: none"> <li>• Create a Mentor-Protégé program</li> <li>• Implement the Emerging Vendors Program</li> </ul>
Continue Increasing Utilization	<ul style="list-style-type: none"> <li>• Track Non-profit spending on M/W/DSBEs</li> <li>• Consider a LGBT-owned business program</li> <li>• Enhance disabled-owned business program</li> </ul>
Disparity Remains an Issue	<ul style="list-style-type: none"> <li>• Conduct an Access to Capital analysis</li> <li>• Continue peer agency benchmarking</li> <li>• Conduct more robust Disparity Study</li> </ul>

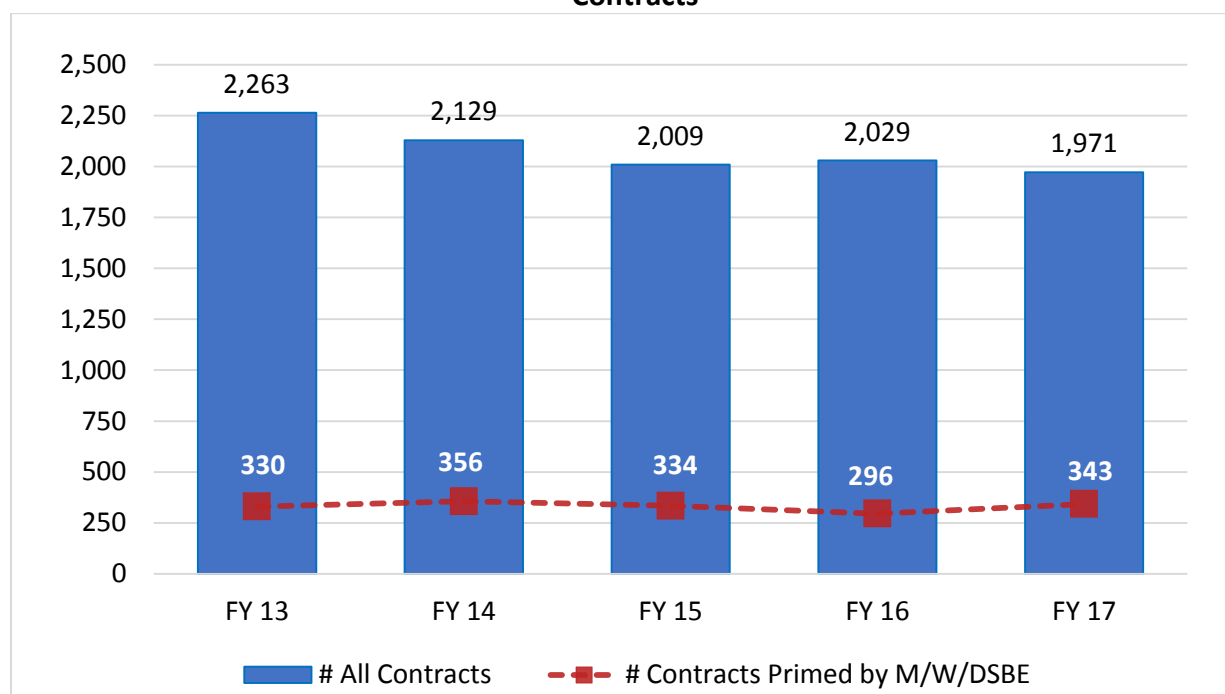


## RECOMMENDED PROGRAMMATIC AND POLICY ACTIONS

### 5.1 Continue Growing M/W/DSBE Prime Capacity

The utilization of M/W/DSBE Prime contractors continues to lag behind the participation of non-M/W/DSBE Prime contractors. Since the number of contracts and the dollar amount of contracts varies year to year based upon the types of good and services the City purchases, there are annual fluctuations in the overall utilization M/W/DSBE firms. Figure E.S.11 shows a five-year trend comparing the number of annual contracts primed by M/W/DSBEs compared to the number of all contracts awarded by the City.<sup>18</sup> Between FY 2013 and FY 2017, MWDSBEs received an annual average of 16 percent of all contracts awarded.

**Figure E.S.11 FY 2013 to FY 2017 Number of M/W/DSBE Prime Contracts Compared to All Contracts**



Source: OEO Annual Participation Report (FY 2013 – FY 2017), Econsult Solutions, Inc. (2014 - 2018)

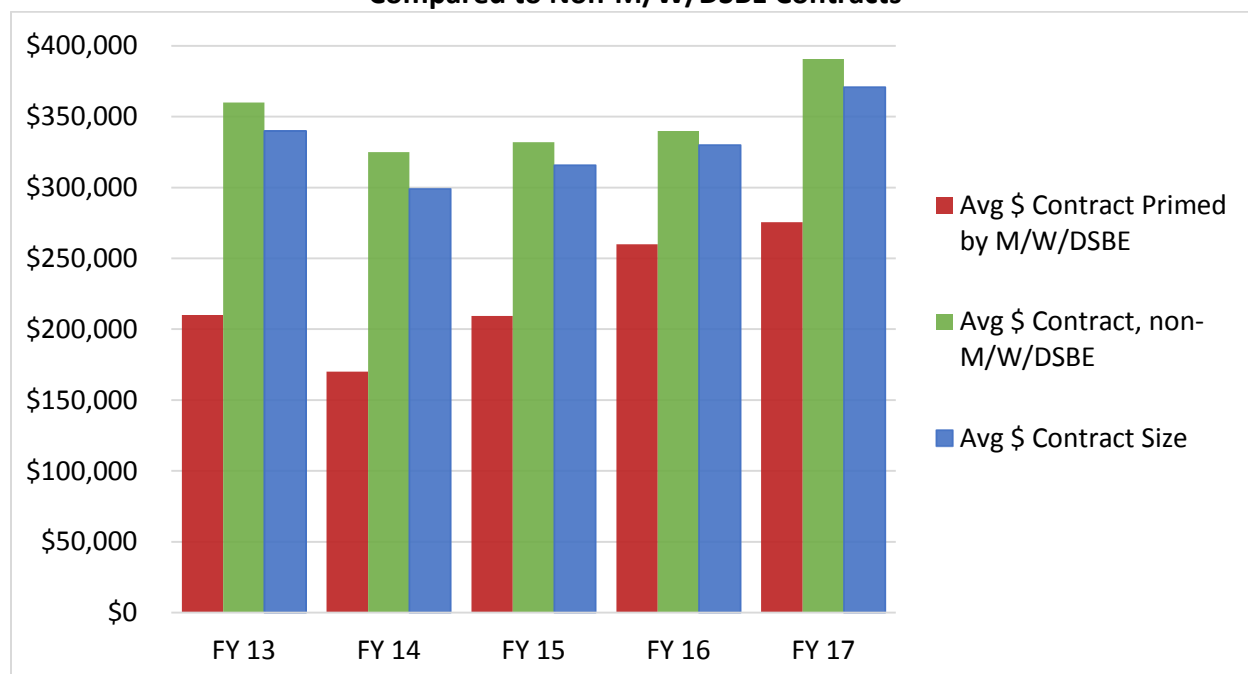
While the total number of contracts awarded by the City has steadily decreased, it should be noted that the number of contracts primed by M/W/DSBE has stayed fairly consistent. This

<sup>18</sup> Table 4.4.1 included in Section 4 of this report provides the FY 2016 and FY 2017 details of M/W/DSBE utilization by contract number and amount. Details for FY 2013 through FY 2015 are provided in the Annual Disparity Study produced for each fiscal year.

trend is most noticeable when comparing FY 2016 and FY 2017 where the total number of contracts decreased by 2.9 percent but the number of contracts awarded to M/W/DSBE Primes increased by 15.9 percent.

Figure E.S.12 shows a five-year trend of the average dollar value of contracts awarded to M/W/DSBE Prime contractors and non-M/W/DSBE Primes. The average dollar value of prime contracts awarded to M/W/DSBE is also consistently lower when compared to the average value of contracts non-M/W/DSBEs are awarded. As with the number of contracts, it is important to point out that the average dollar value of contracts awarded to M/W/DSBE Primes has been growing steadily since FY 2015. Overall, the five-year trend shows improvement in M/W/DSBE Prime contractor participation. However, when compared to the total number of contracts and the average dollar values, the City should be exploring strategies to grow more M/W/DSBE firms into Prime contractors and assist M/W/DSBE Primes build capacity to successfully handle larger City contracts.

**Figure E.S.12 FY 2013 to FY 2017 Average Dollar Value of M/W/DSBE Prime Contracts Compared to Non-M/W/DSBE Contracts**



Source: OEO Annual Participation Report (FY 2013 – FY 2017), Econsult Solutions, Inc. (2014 - 2018)

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**RECOMMENDATION:** *Create a Mentor-Protégé Program*

As demonstrated in Figures E.S.11, M/W/DSBEs participate as Primes on City-funded contracts at a persistently lower ratio than non-disadvantaged firms. The City of Philadelphia can consider developing additional assistance programs aimed at growing and preparing small M/W/DSBEs to compete as Primes. The 2010 Inclusion Works: Economic Opportunity Strategic Plan and the FY 2011 Annual Disparity Study both recommended that the City explore the creation of a Mentor-Protégé program as a strategy to grow the capacity of M/W/DSBEs to prime City contracts.

One of the challenges that impedes successful implementation of any Mentor-Protégé program is insufficient participation and engagement of Prime contractors as mentors. Reasons for marginal Prime involvement usually include a lack, or perceived lack, of tangible incentives. The most direct benefit for Primes would be for the City to consider offering additional points to bidders who are actively enrolled in the Mentor-Protégé program. The qualifying requirements of mentor enrollment and participation for additional bid points would need to be determined by the City. A longer-term benefit for Prime contractors includes developing relationships with M/W/DSBEs that can result in a strong, reliable, and competent pool of available M/W/DSBE firms with enhanced performance and capabilities for partnering on projects.

There are several approaches that OEO can use to structure an informal or a formal program so that Prime contractors can benefit from taking part in a Mentor-Protégé relationship. An informal approach can include expansion of existing or previously offered training and networking events that bring M/W/DSBEs and non-minority Primes together more frequently in a structured format. The city already offers a regular “Doing Business in the City” program and participates in the Goldman Sachs 10,000 Small Business Initiative. In the past OEO has offered a Capacity Enhancement Program and a Construction Management Building Blocks Program with established large construction management firms in Philadelphia. All these programs are aimed at small firms and/or M/W/DSBE participants, and with a few exceptions, have not included Prime contractors working directly with M/W/DSBEs. Even an informal program encouraging Primes to understand project and industry challenges from the M/W/DSBEs perspective can lead to increased competitive advantage when teaming and bidding on projects. Another strategy to encourage Prime participation can include diversity awards and city-wide recognition for Primes participating in the program and inviting Primes to City-sponsored outreach events to showcase their services.

A formal Mentor-Protégé program can be a time-consuming commitment for Prime contractors. One strategy to minimize the time commitment is to implement a program based on focused mentoring. Since each M/W/DSBE is unique, the type of mentoring support offered by Primes can be focused depending on the greatest need of the M/W/DSBE and can highlight any of the following areas: management support, technical assistance, internal business systems, contract assistance, access to capital, bonding, administrative assistance, project management, construction techniques, trade education, business development, plan interpretation and/or cost estimating. Allowing the Prime contractor to decide in advance what type of assistance they are willing to share through focused mentoring will help to more clearly define their obligation to the program.

While a successful Mentor-Protégé program requires committed prime contractor participation, the program's primary goal has to address the individual needs of the M/W/DSBE protégé. The identification of barriers preventing M/W/DSBE growth should be assessed during the Mentor-Protégé application process. A survey can be incorporated as part of the program intake that would allow the M/W/DSBE to self-assess issues and help OEO determine areas that have prevented the firm's ability to grow and compete as a prime. Once the primary issue is identified, OEO can help match the M/W/DSBE with a Prime contractor for focused mentoring. If creating a formal Mentor-Protégé program, OEO should consider incorporating federal Disadvantage Business Enterprise (DBE) guidelines so that M/W/DSBEs with a federal DBE Certification do not jeopardize their federal status by participating in the program.

Creating and managing a formal Mentor-Protégé program would require consistent effort on OEO's part. The program, once set up, would require ongoing monitoring and technical assistance to both M/W/DSBE and Prime contractor participants. The program should have established goals with measurable outcomes and an ongoing assessment process that supports the continued development of M/W/DSBEs throughout their enrollment in the program. Mentor-Protégé programs typically have three-year time limits.

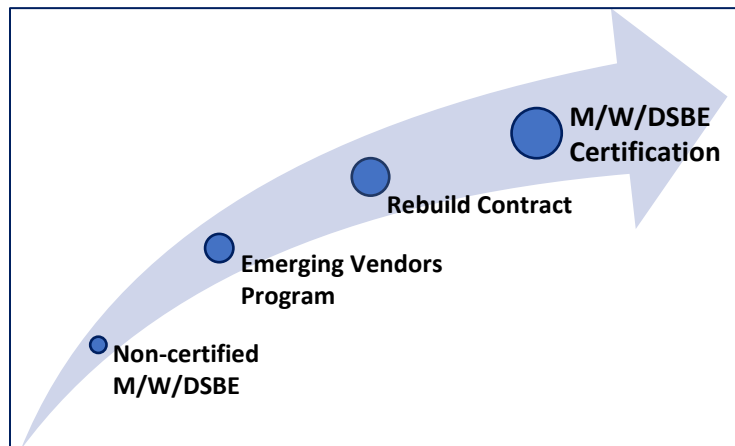
**RECOMMENDATION:** *Implement the Emerging Vendors Program*

OEO's Emerging Vendors Program (EVP) will be rolling out with the City's Rebuilding Community Infrastructure (Rebuild) program. The goal of the EVP is to assist small eligible disadvantaged firms to become M/W/DSBE certified over an eighteen-month period. Firms accepted into the EVP will be counted toward the Rebuild Economic Opportunity Plan (EOP) goals. By initially tying the EVP within the parameters of the Rebuild program, OEO can pilot

the EVP, refine it as needed over time, and determine if the program is suitable for city-wide implementation.

To be eligible, the EVP candidate must be a disadvantaged Philadelphia-based company that is not already M/W/DSBE certified. Firms accepted into the EVP will be limited to a \$150,000 individual Rebuild contract amount. A \$150,000 contract cap on small projects awarded for EVP firms will minimize risk for the firm and keep the project to a manageable size. In relation to the Rebuild program, the \$150,000 annual contract limit will mostly likely will be a single Rebuild contract.

The ideal candidate for the EVP is a new, small, locally based, M/W/DSBE-owned firm with low capacity or identified hardship that is not fully independent and therefore currently unable to qualify to become M/W/DSBE certified. Acceptance into the EVP would require an eighteen-month commitment with no renewal into the program. EVP



businesses will be provided with supportive services and receive technical assistance through the Rebuild program and external agencies. This support will address each firms' individual challenges and impediments to becoming M/W/DSBE certified. The services and resources received through the EVP will strengthen the likelihood of securing future work on City projects, while providing a platform of support to increase firm longevity and independence. Upon completion of the program, firms also will have gained the experience to handle larger City contracts.

OEO will need to track the EVP firms who become certified M/W/DSBEs to understand what the EVP to M/W/DSBE certified conversion rate is in the first eighteen months. If a permanent EVP is adopted and implemented city-wide, OEO should consider longer-term monitoring and tracking of EVPs that become M/W/DSBE certified to help measure the success of the program. It's further recommended that OEO compile and analyze information of firms that are terminated from the EVP to determine the reasons for inability or unwillingness to complete the program and use the information to continually improve the EVP.

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## 5.2 Continue Increasing Utilization

### **RECOMMENDATION:** *Track Non-profit spending on M/W/SDBEs*

During the 2017 Fiscal Year, the City of Philadelphia spent an estimated \$2.2 billion doing business with non-profit organizations. To be an informed consumer and to be more transparent and innovative, OEO should consider expanding their monitoring to consider non-profit participation on City contracts. The City cannot regulate non-profit spending in terms of accountability and participation goals but the City can request information about 2<sup>nd</sup> tier M/W/DSBE subcontract spending, board composition, and the employment and workforce composition of non-profits from which the City procures goods and services.

OEO is already working across City departments to identify how they currently collect and report diversity and participation metrics. To capture how data is being collected and what happens to the information once collected, OEO is preparing to survey all departments. The survey results will help OEO develop a process for consistent tracking of non-profit spending across departments. The objective is to create a uniform collection tool and process that insures OEO receives the non-profit spend data for annual reporting.

Since the OEO already tracks non-profit board composition; monitoring efforts would increase to include non-profit workforce diversity and subcontractor utilization. Tracking the subcontract dollar amounts, workforce diversity, and board composition on non-profit participation will likely increase the current tracking efforts that OEO expends annually.

### **RECOMMENDATION:** *Consider a LGBT-owned business program*

The extent of discriminatory business practices that adversely affect the LGBT community in Philadelphia is not yet fully known. The Commonwealth of Pennsylvania is currently undertaking a large multi-year state-wide Disparity Study that includes LGBT business ownership. Any data gathered from this study will not be available until late 2018 at the earliest. The results of the state-wide study can help inform OEO how to proceed with the inclusion of LGBT businesses in the OEO directory.

To successfully measure the disparity in LGBT business equity in Philadelphia an analysis should be included in the City's Disparity Study.<sup>19</sup> An analysis can illustrate how loss of business

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<sup>19</sup> Allyn, Bobby. "LGBT Businesses Seek Share of Contracts Philly Awards to Minorities." WHYY, 14 Dec. 2017, [whyy.org/segments/lgbt-businesses-seek-share-contracts-philly-awards-minorities/](http://whyy.org/segments/lgbt-businesses-seek-share-contracts-philly-awards-minorities/)

revenue and lower contract award adversely affect the LGBT community due solely to sexual orientation discrimination. Until an in-depth study can be undertaken, OEO should consider developing a deeper understanding of the discriminatory challenges that face LGBT-owned businesses. This can be achieved through relationships with the National LGBT Chamber of Commerce (NGLCC) and the Independence Business Alliance, in addition to developing a business relationship with the City's Office of LGBT Affairs.

In the City's continuing efforts to increase diversity and inclusion within its contracting opportunities, the OEO may consider incorporating an LGBT Business Enterprise certification designation in the existing directory. Currently, the city does not track LGBT business utilization. Adding a LGBT certification requires business owners to self-identify and an extensive verification process. OEO could incorporate the existing LGBT-owned business certification into the directory by accepting third-party certifications already in place. Currently, the NGLCC is a nationally recognized certifying agency that offers LGBT Business Enterprise certification. The LGBT business community in Philadelphia has expressed that although they want participation to be counted in contract award, they do not want LGBT-owned business goals to be set by OEO.<sup>20</sup>

**RECOMMENDATION:** *Enhance the Disabled-owned business certification*

In an effort to increase City contracting opportunity for disabled-owned businesses, Executive Order 3-12 regarding the City's Anti-discriminatory Policy was signed on September 20, 2012 and a corresponding Amendment was signed on January 4, 2016. Through this order, the City aims to increase participation of contracting with disabled-owned businesses. Since 2016 the OEO Registry's DSBE has increased incrementally and currently includes nine firms identified as Disabled-owned businesses. To expand the Registry and include a greater number of DSBE certified firms, the OEO has partnered with The Enterprise Center to introduce a new MBE/DSBE Certification program. As of March 1, 2018, OEO is now accepting The Enterprise Center's DSBE Certification as well as the US Business Leadership Network (USBLN) Disability-owned Business Certification.

With these changes, future Annual Disparity Studies are anticipated to have increased data on DSBE certification and participation. In addition to these new DSBE certification efforts, it's recommended that OEO consider developing a partnership with other intergovernmental and

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<sup>20</sup> Owens, Ernest. "White Gay Male Business Owners Aren't a Vulnerable Minority in Philly." Philadelphia Magazine, 22 Dec. 2017, [www.phillymag.com/news/2017/12/22/white-gay-men-business-contracts/](http://www.phillymag.com/news/2017/12/22/white-gay-men-business-contracts/)

local agencies to benchmark best practices when including disabled-owned businesses in contracting opportunities. Since OEO is already tracking minority and women-owned participation on City projects, the impact of including DSBE participation should be minimal. Tracking systems that are already in place may require modification to include the DSBE designation.

### 5.3 Disparity Remains an Issue

**RECOMMENDATION:** *Conduct an M/W/DSBE Access to Capital analysis*

To further OEO's efforts to address and remove barriers to M/W/DSBE participation it is recommended that a baseline M/W/DSBE Access to Capital analysis be conducted. By conducting this analysis, OEO will be able to gain valuable information regarding systematic bias in lending practices. Access to personal and commercial lending is necessary to support the creation and sustainability of M/W/DSBE firms. The ability to access capital influences the cash flow needed to open and operate a business. Therefore, if there are lending issues that prevent M/W/DSBEs from obtaining loans in the first place, then that will affect the formation of businesses and thus the overall availability of M/W/DSBE firms in the marketplace.

Understanding access to capital and lending trends over time can be determined by analyzing Community Reinvestment Act data. By comparing the following data points, it can help illuminate if there are systemic lending issues:

- Small business lending activity in Philadelphia (i.e. dollars and number of loans)
- Small business lending in minority census tracts
- Small business lending by track income level
- Distribution of loans to small businesses with revenues less than \$1 million (by minority and income tract)
- Bank branch location penetration (i.e. per 1,000 households)

Each year for the past decade, Econsult Solutions and MFR Consultants have conducted an analysis of the City's authorized depositories which includes a detailed analysis of small business lending citywide and in selected neighborhoods. This analysis covers many of the data points listed above, and can be used as a very good jumping off point for a deeper exploration of the extent to which capital access is a factor in differences in utilization and availability levels between M/W/DSBEs and non-M/W/DSBEs. The insight that is gained from the analysis can be used to not only assist M/W/DSBE firms but also benefit lenders by educating banking



institutions in the challenges that local, small, minority businesses face. Through the analysis, lenders can understand how best to assist firms in successfully obtaining loan capital by creating reasonable requirements and attainable standards, thereby decreasing the financial limitations that local M/W/DSBEs face when trying to do business with the City.

The City has recently taken a step to make it easier for small businesses to access capital by creating a one-stop lending portal through the newly created Capital Consortium.<sup>21</sup> Philadelphia-owned businesses can submit a single commercial loan application which is then reviewed by the financial institutions who are members of the Capital Consortium. Upon submission of the loan application, all the lenders receive and review the application. Within ten days, any lenders determining that they have resources to meet the project and capital needs of the business contact the business directly to discuss financing options. The program is managed through the Philadelphia Department of Commerce and there are currently 36 lenders who are Consortium members. Tracking data on the types of businesses who apply and what types of financial products are offered and accepted, if any, would provide additional data to inform an Access to Capital analysis.

**RECOMMENDATION:** *Continue peer agency benchmarking*

In 2015, Milligan & Company researched and prepared goal benchmarking as part of the City of Philadelphia's FY 2014 Annual Disparity Study. The information presented below is an update to the 2015 research and includes the most recent goal data available for governmental entity included in the original benchmark. The following four benchmarking examples are a sample of state, county, and municipal entities that publicly report minority, women, and in some cases, disabled-owned business participation results annually.

In 2015, Philadelphia was one of the most transparent municipal entities setting M/W/DSBE goals. The availability of information published on the internet in 2018 from the benchmarked cities has greatly improved in three years. Previously it was difficult to find or obtain copies of multi-year Disparity Studies and Annual Reports were typically posted only for the current year. As OEO has done for many years, other governmental entities have begun to post current as well as historical records from previous years for easier public access.

Although the City of Philadelphia has not conducted a comprehensive multi-year Disparity Study, OEO's M/W/DSBE contracting results continue to be reported annually and goal setting

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<sup>21</sup> City of Philadelphia, Business Services, Philadelphia Capital Consortium

methodology, contract utilization analysis, and detailed goal achievements are available in the public domain. Most Annual Reports produced by other entities do not provide a detailed explanation of how results were calculated, especially if a comprehensive Disparity Study has been completed, making an equal comparison to OEO's achievement difficult. Philadelphia's overall goal of 35 percent and achievement of 31.7 percent as analyzed in the FY 2017 Annual Disparity Report is the one of the highest goals and M/W/DSBE utilization indicated in this evaluation. These results provide an appreciation of OEO's consistent and continued success in achieving contract diversity in Philadelphia.

### ***New York State***

New York State completed its most recent comprehensive Disparity Study in 2016 covering the period April 1, 2010 through March 31, 2015. New York has been producing Annual Minority and Women's Business Development Reports since 2007. In 2014, Governor Cuomo increased the MWBE goal from 20 percent to 30 percent when the 2014 Annual Report showed MWBE utilization had exceeded 25 percent.

<b>NY State MWBE Utilization</b>	<b>FY 2016-2017</b>	<b>FY 2013-2014</b>	<b>Change</b>
Statewide Goal	<b>30.0%</b>	20.0%	10.0%
Statewide MWBE Utilization	<b>27.2%</b>	25.1%	2.1%
Total spend	<b>\$8,165,019,743</b>	\$7,803,308,805	4.4%
Total MWBE Spend	<b>\$2,220,523,755</b>	\$1,960,095,714	11.7%
Total MBE Awards	<b>\$1,031,074,376</b>	\$939,512,604	8.9%
Total WBE Awards	<b>\$1,189,449,379</b>	\$1,020,583,110	14.2%

<b>NY State MWBE Contracts by Industry</b>	<b>FY 2016-2017</b>	<b>FY 2013-2014</b>	<b>Change</b>
Construction	<b>53%</b>	57%	-4%
Non-Construction Professional Services	<b>27%</b>	23%	4%
Construction Related Professional Services	<b>5%</b>	10%	-5%
Commodities	<b>15%</b>	10%	5%

### ***Houston, TX***

Houston completed a comprehensive Disparity Study in 2006 and a construction-specific Disparity Study in 2012 which resulted from a 2005 lawsuit. An updated Disparity Study for the period covering July 1, 2011 through December 31, 2015 is underway. Houston has produced

Annual Award Reports since 2011 and quarterly reports since 2013. Houston is most like Philadelphia in that it divides its goals into similar contract types and Houston's Annual Reports are most comparable to OEO's Annual Reports in format.

Houston MWSBE Goal by Contract Type*	FY 2016-2017
Construction	34%
Professional Services	24%
Goods & Services	11%

*\*Goals were determined by the 2006 and 2012 Disparity Studies.*

In FY 2014, Houston awarded \$1.37 billion in contracts, of which \$296 million went to MWSBEs. In FY 2017, \$1.20 billion in contracts were awarded of which \$230.6 million was awarded to MWSBEs. Like Philadelphia, the City of Houston also tracks exempt contracts—contracts that receive various MWSBE waivers and non-goal oriented contracts—which affects the overall goal achievement. Removing the exempt contracts from the FY 2017 data increases Houston's FY 2017 average MWSBE utilization to 27.2 percent compared to the grand total of 20.6 percent.

Houston Contract Type	FY 2017 Goal Achieved	FY 2014 Goal Achieved	Change
Construction Total	30.5%	23.6%	6.9%
Professional Services Total	32.2%	35.9%	-3.7%
Purchasing Total	16.3%	19.4%	-3.1%
<b>Total</b>	<b>27.2%</b>	25.2%	2.0%
Exempt Contracts	5.5%	2.7%	2.8%
Waiver Contracts	1.1%	4.8%	-3.7%
Non-Goal Oriented	39.3%	37.4%	1.9%
<b>Grand Total</b>	<b>20.6%</b>	21.6%	-1.0%

### ***Allegheny County, PA***

Allegheny County has been producing Annual Minority, Women, and Disadvantaged Business Enterprise Reports since 2008. The Annual Report is short, providing highlights of departmental achievements, contract awards, and summary utilization data. Until 2012, the report did not include data analysis, utilization comparisons, or multi-year trending. The Annual Reports also

do not include county-wide or departmental analysis measured against goal achievement. Allegheny County also produces quarterly progress reports similar to OEO's EOP Dashboard. The Allegheny M/W/DBE goal has not changed since the original ordinance was enacted in 1981.

Comparing MBE and WBE achievement between FY 2013 to FY 2016, most contract types continue to exceed the WBE goal and meet or exceed the MBE goal. Overall, many departments had lower participation in FY 2016 compared to FY 2013.

Overall Allegheny County Goal*	FY 2016 Goal	FY 2013 Goal
MBE	13%	13%
WBE	2%	2%

*\*the county-wide average is not calculated in the annual reports*

Allegheny County Contract Type	FY 2016 Utilization	FY 2013 Utilization	Change
Purchasing and Supplies	35.1%	39.7%	-4.6%
Staples	15.2%	18.8%	-3.6%
Public Works	17.8%	30.2%	-12.3%
Human Services	Not Provided	30.6%	Not Available
Economic Development	8.0%	22.0%	-14.0%
Airport Authority	Not Provided	15.7%	Not Available
Housing Authority	44.7%	11.0%	33.7%
Sanitary Authority	18.0%	Not Included	Not Available
Port Authority	21.9%	19.8%	2.1%
Sports & Exhibition Authority	9.9%	35.7%	-25.8%

### **Denver, Co**

The most recent comprehensive Disparity Study for Denver was completed in 2013 for the period January 1, 2005 through December 31, 2011. An updated Disparity Study for the period covering January 1, 2012 through December 31, 2016 is underway and will be released in 2019. Denver also completes a short Annual Report which provides contracting and participation highlights. In January 2016, Denver launched a Mentor-Protégé program with five mentors and five protégés.

Denver sets aspirational goals. The aspirational goals did not change between FY 2014 and FY 2016.

Denver Contract Categories	Aspirational Goal	FY 2016 Goal Achieved	FY 2014 Goal Achieved	Change
Construction	24.0%	<b>23.0%</b>	23.1%	<b>-0.1%</b>
Professional Services	33.0%	<b>30.0%</b>	27.1%	3.0%
Goods*	5.0%	<b>0.0%</b>	9.1%	<b>-9.1%</b>
Services**	8.0%	<b>58.0%</b>	10.1%	47.9%

\* In 2016, there were no goods contracts large enough to have an M/WBE goal set.

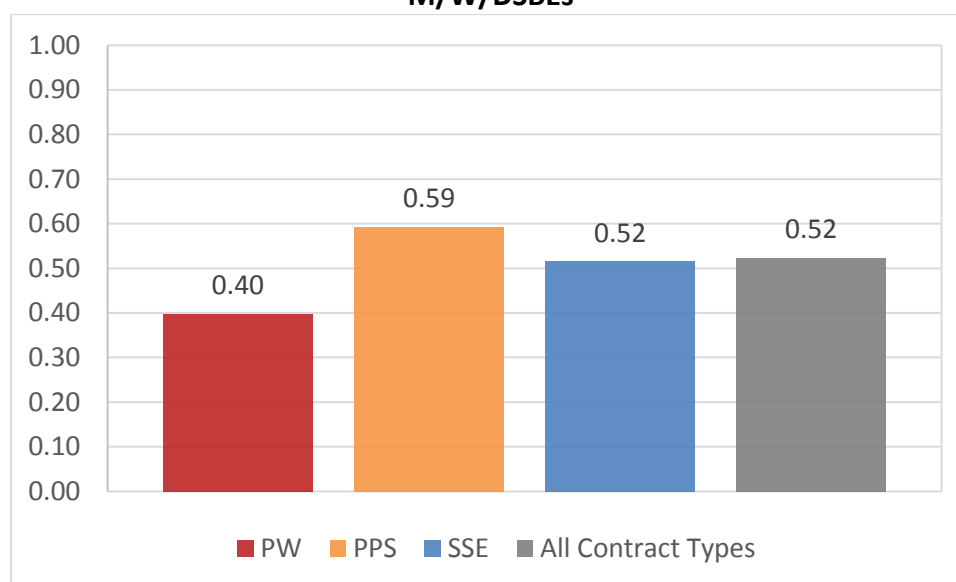
\*\* In 2016, several services contracts were awarded with 100% M/WBE participation.

While Philadelphia continues to be a leader in contract diversity, a full understanding of the level of M/W/DSBE inclusion cannot be determined without a comprehensive Disparity Study. Three of the four agencies (New York State, Houston, and Denver) examined have already completed multiple large comprehensive Disparity Studies. The Commonwealth of Pennsylvania is currently engaged in conducting a large study to be released in late 2018. Other first-class cities that have recent Disparity Studies or are currently conducting a study include: Los Angeles (LA Metro), New York City, Chicago (CTA), New Orleans, Charlotte, and Kansas City. Some cities, such as Chicago and Los Angeles, are benefiting from Disparity Studies conducted by regional transit agencies. Since neither SEPTA or nor any other regional agency has conducted a recent study in the region, Philadelphia trails behind other peer cities in conducting a comprehensive multi-year Disparity Study.

**RECOMMENDATION:** *Conduct a full-scale Disparity Study*

The data presented in this report shows at the Philadelphia MSA level, the FY 2017 disparity ratio is near parity (1.0) for all M/W/DSBEs and all contract types.<sup>22</sup> However, as show in Figure E.S.13, at the City of Philadelphia level no M/W/DSBEs were close to reaching parity in FY 2017.

**Figure E.S.13 FY 2017 Disparity Ratio for the City of Philadelphia, by Contract Type for All M/W/DSBEs**



*Source: OEO Annual Participation Report (FY 2017), Econsult Solutions, Inc. (2018)*

As recommended in previous Annual Disparity Study reports, the City of Philadelphia should consider the benefits of undertaking a more systematic approach to the Disparity Study to fully understand the barriers specific to the Philadelphia marketplace. A full-scale Disparity Study provides more proof of disparity, giving the City stronger statistical grounds for the continued use of race-specific and gender-specific goals. It also delves deeper into not only whether and where disparity is occurring but why. By identifying the root causes of disparity in M/W/DSBE utilization the OEO can then take a more targeted approach to tackling barriers caused by discrimination. The soon to be released Pennsylvania Disparity Study can be used as a framework to inform the direction of a full study for Philadelphia. In addition to an analysis on availability and utilization, a comprehensive study typically includes a business owner survey and a full Access to Capital analysis as well as interviews to collect anecdotal information from M/W/DSBEs regarding their experiences in the marketplace.

<sup>22</sup> See tables 5.2.1 and 5.2.2 in Section 5 of this report.

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To prepare for a large Disparity Study, it is recommended that the City consider partnering with and having formal discussions with other local agencies. Sharing the cost of a full study makes economic sense and provides a more complete representation of disparity across the City. If undertaking a multi-agency study, several issues would need to be resolved including the accounting and tracking of actual spend instead of committed contract dollars. Each agency would need to use equivalent contracting data so that a cross-agency analysis can be conducted. This would require the creation of relevant City data by purchase order. Additionally, the City uses several systems that would need to be reconciled, namely FAME and B2GNow. To take advantage of any relevant and current data from the Pennsylvania Disparity Study, discussions with partner agencies ideally should occur in 2018 so that the project can be planned and prepared for throughout 2019 with the intention of commencing the comprehensive study in 2020.

# 1 STUDY OVERVIEW

This section provides an outline of the entire study and the organization of the report. The Recommendations (Section 2), 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.

The Context, Scope, and Methodology section (Section 3) of this report explains the background of the report, defines the data sets used for this report, and the methodology used to complete the analyses. 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 4) discusses the OEO M/W/DSBE Registry. This section also provides a detailed analysis of utilization for FY 2017 detailed by M/W/DSBE category, contract amount, geographic location, contracting department, and M/W/DSBE prime status. The FY 2017 results are compared to the FY 2016 results in order address the annual change in the city of Philadelphia and the Philadelphia MSA.

The final section, Availability and Disparity section (Section 5) 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 location and industry distribution of all contracts. Additional detail on the “Few or No Opportunity” (FONO) contracts is also included. The disparity analysis is a comparison of utilization to availability rates and provides details for the M/W/DSBE categories for this report.

Addenda: The FY 2017 Annual Disparity Study contains two addenda that serve as companion reports:

- The City of Philadelphia Economic Opportunity Plan Analysis Fiscal Year 2017 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 for 2017 discusses the achievement of EOP projects in employing the minority construction trades workforce.



## 2 RECOMMENDED PARTICIPATION GOALS

This section discusses the recommended participation goals and includes a comparison of M/W/DSBE utilization on City contracts across fiscal years. It is important to note that 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 2017 utilization and availability (see Table 2.1.1 and Table 2.1.2).

**Table 2.1.1 - Recommended Citywide Participation Goals for City Contracts and Quasi Public Contracts, (Excluding Federally Funded City Contracts and "FONO" Contracts) (by \$ Contracts Awarded)**

M/W/DSBE Category	PW	PPS	SSE	All Contract Types	FY16/FY17 Actual
White Female	11.3% U	15.5% U	18.2% U	14.2% U	FY16:12.4% FY17:14.2%
Native American	0.2% A	0.1% A	0.1% A	0.1% A	FY16: 0.0% FY17: 0.0%
Asian American	5.1% U	7.9% A	6.5% A	5.9% A	FY16: 3.2% FY17: 4.1%
African American	4.7% U	20.8% U	4.4% U	12.2% U	FY16:13.1% FY17:12.2%
Hispanic	4.8% U	2.1% U	1.4% A	2.9% U	FY16: 2.4% FY17: 2.9%
<b>All MBE</b>	<b>14.9% U</b>	<b>27.3% U</b>	<b>10.9% A</b>	<b>19.3% U</b>	<b>FY16: 19.6%</b> <b>FY17: 19.3%</b>
<b>All WBE</b>	<b>13.0% A</b>	<b>20.4% U</b>	<b>18.7% U</b>	<b>16.9% U</b>	<b>FY16: 16.3%</b> <b>FY17: 16.9%</b>
<b>City-Based M/W/DSBE</b>	<b>10.2% U</b>	<b>22.4% U</b>	<b>18.5% U</b>	<b>17.0% U</b>	<b>FY16: 15.0%</b> <b>FY17: 17.0%</b>
<b>All M/W/DSBE</b>	<b>26.2% U</b>	<b>42.8% U</b>	<b>24.6% A</b>	<b>35.0% S</b>	<b>FY16: 30.7%</b> <b>FY17: 31.7%</b>
<b>FY16/FY17 Actual</b>	<b>FY16: 25.3%</b>	<b>FY16: 38.9%</b>	<b>FY16: 24.4%</b>	<b>FY16: 30.7%</b>	
	<b>FY17: 26.2%</b>	<b>FY17: 42.8%</b>	<b>FY17: 22.9%</b>	<b>FY17: 31.7%</b>	

Source: Econsult Solutions, Inc. (2018)

**Table 2.1.2 – Actual and Recommended M/W/DSBE Utilization for City Contracts (Excluding Federally Funded City Contracts) and Quasi-Public Contracts**

	Actual (incl. “FONO” Contracts) <sup>23</sup>						Actual (excl. “FONO”) <sup>24</sup>						Goal
	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY17	
<b>All M/W/DSBE</b>	23.6%	22.3%	19.2%	19.0%	20.8%	23.3%	28.2%	28.1%	29.4%	30.6%	30.7%	31.7%	35.0%
<b>MBE</b>	17.7%	15.7%	14.8%	14.1%	14.9%	15.3%	21.2%	18.8%	18.5%	19.2%	19.6%	19.3%	19.3%
<b>WBE</b>	9.9%	10.8%	7.6%	8.6%	8.9%	10.8%	9.0%	12.2%	14.2%	14.3%	16.3%	16.9%	16.9%
<b>PW</b>	19.6%	16.5%	15.1%	12.1%	21.9%	19.8%	24.4%	20.6%	22.3%	25.0%	25.3%	26.2%	26.2%
<b>PPS</b>	25.8%	27.5%	22.7%	22.9%	15.2%	26.2%	30.2%	32.6%	36.3%	38.6%	38.9%	42.8%	42.8%
<b>SSE</b>	22.2%	17.1%	18.6%	12.8%	30.4%	18.9%	26.1%	20.8%	18.7%	23.7%	24.4%	22.9%	24.6%

Source: Econsult Solutions, Inc. (2018)

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 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 2017 utilization and FY 2017 availability. This **“stretch” goal**, signified with a prefix of “S,” represents a desire to reach past the limitations set by both historical utilization and

<sup>23</sup> 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.

<sup>24</sup> FY 2012 to FY 2017 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.

historical availability. “Stretch” goals acknowledge that increasing participation beyond historical utilization and historical availability may be a worthwhile public policy goal.<sup>25</sup>

***The overall stretch goal is based upon City + Quasi Public contracts and excludes Federal contracts because the City has no control over the Federal goal-setting.***

These particular “stretch” goals are also based on the fact that FY 2017 utilization for City of Philadelphia operating departments was over 30 percent (31.7 percent). In addition, it should also be noted that the FY 2016 availability at the city level was 30.7 percent (vs. 25.6 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.

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<sup>25</sup> 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.

## 3 CONTEXT, SCOPE, AND METHODOLOGY

### 3.1 STUDY BACKGROUND

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, and the expenditure context.

Pursuant to Title 17 of the Philadelphia Code, as amended by Ordinance 060855-A, this study is designed to analyze the City of Philadelphia's utilization of Minority Business Enterprises (MBEs), Women Business Enterprises (WBEs), and Disabled Business Enterprises (DSBEs) (collectively known as 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 \$976 million, or less than one-quarter of the City's \$4.3 billion annual operating budget, were directly analyzed in this Disparity Study. This represents sealed bid and non-sealed contracts. It does not include \$21.2 million in federally funded PW contracts over which the City has limited goal-setting influence, for which M/W/DSBE utilization was 13.8 percent. This includes \$245.3 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 26.7 percent. Combined, City contracts and quasi-public contracts achieved utilization of \$309.9 million, or 31.7 percent, in FY 2017.

### 3.2 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 of Philadelphia’s utilization of Minority Business Enterprises (MBEs), Women Business Enterprises (WBEs), and Disabled Business Enterprises (DSBEs), collectively known as M/W/DSBEs,<sup>26</sup> 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.<sup>27</sup>

### 3.3 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 the fact that, though 50 percent of the city population was African American, less than one percent of construction contracts were awarded to minority business enterprises.

The Supreme Court found the City of Richmond’s reliance on the disparity between the number of prime contracts awarded to M/W/DSBEs and the minority population in the city “misplaced”.

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<sup>26</sup> “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.

<sup>27</sup> 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.)

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.*<sup>28</sup>

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,<sup>29</sup> 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

**“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.<sup>30</sup> Stated briefly, the utilization rate for a given M/W/DSBE category

<sup>28</sup> *Richmond v. J.A. Croson Company* (1989)

<sup>29</sup> “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.

<sup>30</sup> For more detail on participation and utilization, see the Office of Economic Opportunity's Fiscal Year 2017 Annual Report: <http://www.phila.gov/commerce/Documents/FINAL%20FY15%20Annual%20Participation%20Report.pdf>

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.”

### 3.4 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.<sup>31</sup> 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 2016 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.<sup>32</sup> 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 3.4).

<sup>31</sup> 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.

<sup>32</sup> See Section 3.10 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 2017 Disparity Study results.



**Table 3.4 – M/W/DSBE Categories and City Contract Types of Interest**

M/W/DSBE Categories		City Contract Types
<ul style="list-style-type: none"> <li>• Native American males</li> <li>• Asian American males</li> <li>• African American males</li> <li>• Hispanic males</li> <li>• Disabled</li> <li>• Other race males</li> </ul>	<ul style="list-style-type: none"> <li>• Native American females</li> <li>• Asian American females</li> <li>• African American females</li> <li>• Hispanic females</li> <li>• Caucasian females</li> <li>• Other race females</li> </ul>	<ul style="list-style-type: none"> <li>• Public Works (PW)</li> <li>• Personal and Professional Services &gt;\$32K (PPS)</li> <li>• Services, Supplies, and Equipment &gt;\$32K (SSE)</li> </ul>

*Source: City of Philadelphia (2018)*

### 3.5 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 City contracts. OEO was created in 2008 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 the Mayor’s elevation of OEO in terms of holding his administration accountable for success in this arena. With the election of Mayor Kenny, additional mayoral priorities included the creation of a new Diversity Inclusion Office, pursuing a “best value” approach to contracts awards instead of “lowest bid”, and a focus on both contracting and workforce diversity. In 2016, OEO underwent a change in executive leadership and created a three-year strategic plan with the participation of a cross-departmental planning stakeholder group.

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.<sup>33</sup>

<sup>33</sup> 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 according to “best value.” 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:

- 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.



### 3.6 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 2017 operating expenditures for the City were \$4.3 billion.<sup>34</sup> However, only \$976 million, or less than one-quarter, were directly analyzed in this Annual Disparity Study. That \$976 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 \$245.3 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 26.7 percent. Combined, City contracts and quasi-public contracts achieved utilization of 31.7 percent in FY 2017 (see Tables 3.6.1 and 3.6.3).

The FY 2017 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 3.6.2). M/W/DSBE utilization for FY 2016 federally funded City contracts was 13.8 percent.

There were an additional 155 contracts totaling \$105.1 million in FY 2017 for which there are few or no M/W/DSBEs available to participate (see Section 5.3). This study reports utilization levels excluding these "few or no opportunity" (FONO) contracts. The remainder of the

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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.

<sup>34</sup> City of Philadelphia Mayor's Operating Budget in Brief for Fiscal Year Ending June 30, 2017, as published by the Office of the Director of Finance in June 2017

utilization not addressed 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.

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 \$245.3 million in contracts in FY 2017 (down from \$317.1 million in FY 2016), for which there was M/W/DSBE participation of 26.7 percent (down from 27.7 percent in FY 2016) (see Table 3.6.1). Combined M/W/DSBE utilization on City and quasi-public City Contracts was 31.7 percent in FY 2017, up from 30.7 percent in FY 2016 (see Table 3.6.3).

**Table 3.6.1 – FY 2017 and FY 2016 M/W/DSBE Utilization for Selected Quasi-Public Agencies**

Entity	Time Period	FY 2017				FY 2016			
		All \$ Contracts	MBE%	WBE%	DSBE%	All \$ Contracts	MBE%	WBE%	DSBE%
RDA	7/1-6/30	\$226.1	18.0%	7.0%	2.0%	\$238.3	18.8%	6.6%	0.0%
PHDC	7/1-6/30	\$14.1	32.3%	18.6%	0.0%	\$49.8	29.1%	9.0%	0.0%
PIDC	7/1-6/30	\$5.1	16.1%	14.7%	0.0%	\$28.9	24.3%	4.6%	0.0%
<b>Total</b>		<b>\$245.3</b>	<b>26.7%</b>			<b>\$317.1</b>	<b>27.7%</b>		

Source: OEO Annual Participation Report (FY 2016, FY 2017), Econsult Solutions, Inc. (2017, 2018)

Federally funded contracts totaling \$21.2 million are excluded from the overall FY 2017 analysis due to OEO's goal setting limitation over these types of contracts. In FY 2017, federally funded contracts achieved a utilization of 13.8 percent (see Table 3.6.2).

**Table 3.6.2 – FY 2017 M/W/DSBE 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	3	\$21.2	13.8%	No
PPS	0	\$0.0	N/A	
SSE	0	\$0.0	N/A	
<b>All Contract Types</b>	<b>3</b>	<b>\$21.2</b>	<b>13.8%</b>	<b>No</b>

Source: OEO Participation Report (FY 2017), Econsult Solutions, Inc. (2018)

**Table 3.6.3 – FY 2017 and FY 2016 Utilization of M/W/DSBEs Located in the US by Contract Type (Percentage of Contract Dollars Awarded)<sup>35</sup>**

	FY 17 PW	FY 17 PPS	FY 17 SSE <sup>36</sup>	FY 17 All Contract Types	FY 16 PW	FY 16 PPS	FY 16 SSE	FY 16 All Contract Types
City Contracts	26.2%	42.8%	22.9%	33.5%	25.3%	38.9%	24.4%	32.0%
Quasi-Public City Contracts	N/A	N/A	N/A	26.7%	N/A	N/A	N/A	27.7%
City + Quasi-Public City Contracts	26.2%	42.8%	22.9%	31.7%	25.3%	38.9%	24.4%	30.7%
Federally Funded City Contracts	13.8%	N/A	N/A	13.8%	13.2%	N/A	N/A	13.2%

*OEO Annual Participation Report (FY 2016, FY 2017), Econsult Solutions, Inc. (2017, 2018)*

Certain local public-sector units are under the jurisdiction of the State of Pennsylvania, such as the Southeastern Pennsylvania Transportation Authority (SEPTA) or the School District of Philadelphia, and are outside the scope of this report.

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 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 non-profit prime contractors and their sub-contractors, such as the ones described above, are excluded from direct analysis. However, OEO has been working on ways to measure and account for spending associated with contracts to non-profit prime contractors as noted in the Recommendations section of the Executive Summary of this report.

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**.<sup>37</sup> 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 this Annual

<sup>35</sup> This table excludes "FONO" Contracts.

<sup>36</sup> Services, Supplies and Equipment (SSE) utilization includes both citywide and departmental totals for this contract type.

<sup>37</sup> These limitations also make disparity comparisons across cities difficult, since mayoral control over various local government functions is not uniform across cities.

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 92 percent of the Philadelphia MSA's Gross Domestic Product of \$413 billion.<sup>38</sup>

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.<sup>39</sup>

### 3.7 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 2017 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.<sup>40</sup> The utilization data also includes "Certifiabiles" not listed in the OEO Registry. "Certifiabiles" participate as primes on small contracts. OEO accepts "Certifiabiles" as M/W/DSBEs for the purpose of measuring M/W/DSBE utilization, but they are not listed in the OEO Registry. "Certifiabiles" are firms (sole-practitioners) which individual City Departments have identified as minority- or women-owned. In addition, "Certifiabiles" include minority or women billing partners within law firms.

<sup>38</sup> As of 2016, private industries contributed \$393 billion, while federal, state, and local governments contributed \$38 billion. "Gross Domestic Product by Metropolitan Area," US Department of Commerce – Bureau of Economic Analysis (September 2017)

<sup>39</sup> 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.

<sup>40</sup> Importantly, the OEO-registered list we use in determining which contract dollars were awarded to OEO-registered firms is from January 2018. 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.

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.<sup>41</sup>
- 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 number of contracts that represent local public-sector procurement opportunities but 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. In 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 uses B2GNow, 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

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<sup>41</sup> 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 2017, 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.

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).

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 benefiting from their participation in City contracts. OEO is moving toward full implementation of B2GNow's capabilities to capture expenditure data and report on purchase orders and/or actual payments. Additionally, a more robust disparity study would address this issue and would reveal if there are disparities in City performance in awarded contracts versus actual disbursements to M/W/DSBEs.

- 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 do not show up as M/W/DSBEs, although this is a relatively rare occurrence.
- In May 2017, Philadelphia voters approved a ballot measure to amend the Home Rule Charter for the procurement of contracts. As of July 2017, the City can now award contracts based on "best value" instead of "lowest responsible bidder." Since this change did not go into effect until the first quarter of FY 2018 the impact on M/W/DSBE disparity, if any, is unknown at this time.

### 3.8 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.<sup>42</sup>

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<sup>42</sup> 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 strive 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.<sup>43</sup>

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 Phoenix<sup>44</sup> and Mason Tillman in New York City<sup>45</sup> 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 narrower 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 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.

<sup>43</sup> In FY 2012 and FY 2014, OEO conducted a survey of M/W/DSBEs in its directory to explore these aspects of capacity.

<sup>44</sup> Second Generation Disparity Study, MGT of America, Inc. (1999)

<sup>45</sup> City of New York Disparity Study, Mason Tillman and Associates, Ltd. (2005)



Using a broader definition of RWA, one could use the US Census Survey of Business Owners (SBO),<sup>46</sup> 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.<sup>47</sup>

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 most recent SBO data (2012), whereas our "narrow" approach utilized OEO and Procurement Department data.<sup>48</sup>

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<sup>46</sup> 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.

<sup>47</sup> 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.

<sup>48</sup> 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.



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. Finally, 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.

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.<sup>49</sup> In other cases, it has been validated that the relevant geographic market for a government's disparity analysis extends beyond that government's jurisdiction. For example: a state whose disparity analysis includes counties in another state, or a local entity whose disparity analysis includes surrounding municipalities or counties, to the extent that those nearby jurisdictions are natural sources for firms in a position to bid on and be awarded contracts within that jurisdiction.<sup>50</sup>

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, 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,

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<sup>49</sup> See *Coral Construction*, 941 F. 2d at 925: "An MBE program must limit its geographical scope to the boundaries of the enacting jurisdiction"

<sup>50</sup> See *Concrete Works*, 823 F.Supp. 821, 835-836 (D. Colo. 1993), in which the Denver MSA was upheld as the appropriate market area.

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.<sup>51</sup>

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.<sup>52</sup> Disparity Studies necessarily have to utilize existing data and cannot perfectly know the actual availability rate because of the challenge in quantifying the appropriate universe of RWA firms.<sup>53</sup>

### 3.9 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),<sup>54</sup> 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

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<sup>51</sup> 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.

<sup>52</sup> 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 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.

<sup>53</sup> 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.

<sup>54</sup> 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).

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 3.9.1).

**Table 3.9.1 – 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. (2018)

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 3.9.2).

**Table 3.9.2 – Components of a Disparity Ratio**

<b>Utilization</b>		<b>Availability</b>	
\$ 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”	
Total \$ value of City contracts awarded to all for-profit prime contractors and sub-contractors	<b>divided by</b>	All for-profit firms that are “ready, willing, and able”	
			<p><b>Utilization</b> M/W/DSBEs 40% All Contractors</p> <p><b>Availability</b> M/W/DSBEs 50% All Contractors</p> <p><b>Disparity Ratio:</b> 40% ÷ 50% = 0.8</p>

Source: Econsult Solutions, Inc. (2018)

For the purposes of this report, we are interested exclusively in FY 2017 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.

### 3.10 DATA SETS

#### 3.10.1 US Census (Used for Availability) “A2” and “A6”

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 at the city-level 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”).<sup>55</sup> 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 the 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”

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<sup>55</sup> The next SBO data release will use 2017 data, and will be available publicly sometime between 2019 and 2020.

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.<sup>56</sup>

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:

1. Contracts are manually sorted into two-digit NAICS codes by OEO staff.
2. Spending, as reported in the FY 2017 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 total amounts spent by contract type (and for all spending).
3. SBO data were obtained for all M/W/DSBE types and for all two-digit NAICS codes.<sup>57</sup>

<sup>56</sup> “Philadelphia County” can be selected, yielding data for the city of Philadelphia by itself.

<sup>57</sup> 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.

4. These SBO results were then multiplied through by FY 2017 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. For example, the datasets do not include the number of business owners who are both women *and* belong to an ethnic minority.

### 3.10.2 Disparity Study Datasets and Related Files

**Table 3.10.2 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 4 <sup>th</sup> Quarter FY 17 Report.xls".
"OEO Vendors with Race FY 2017"	MS Excel (.xls)	The original file provided to Econsult by OEO listing all current registered vendors.
"OEO Contract Participation 4 <sup>th</sup> Qtr FY17 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, and employer WBEs. The cells that are blank represent categories for which the Census provides no data.

Source: Econsult Solutions, Inc. (2018)

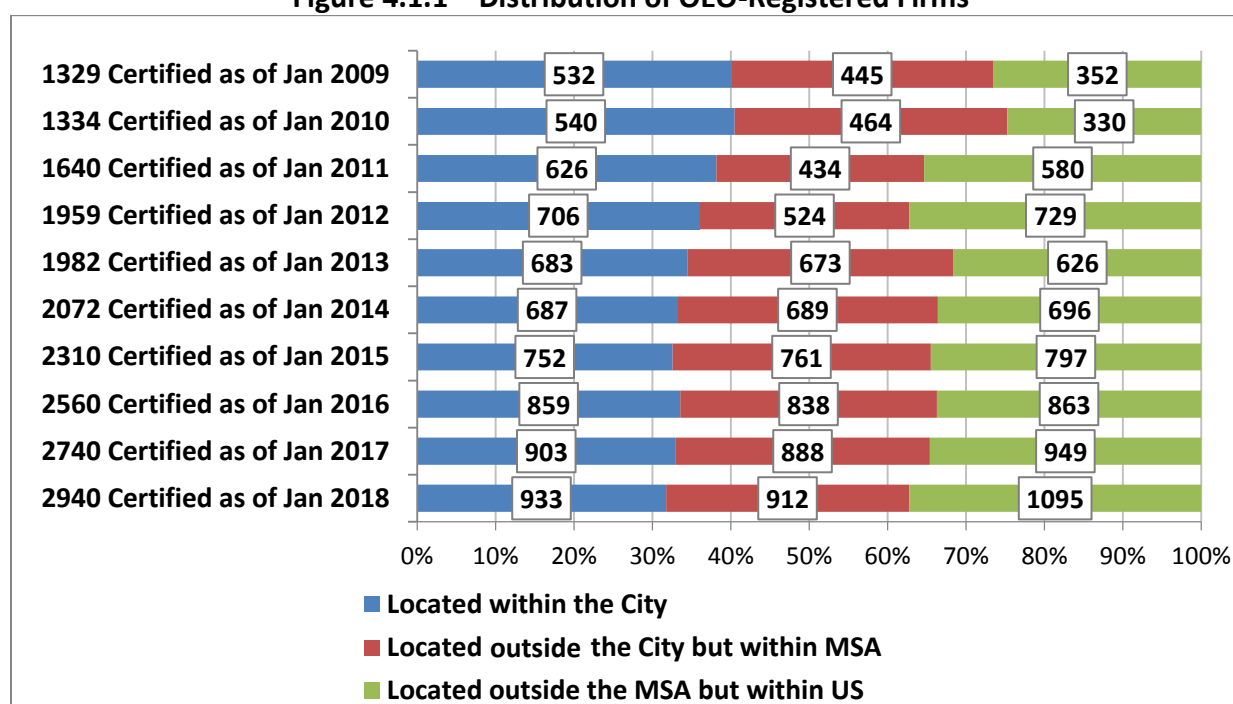


## 4 UTILIZATION

### 4.1 COMPOSITION OF DIRECTORY

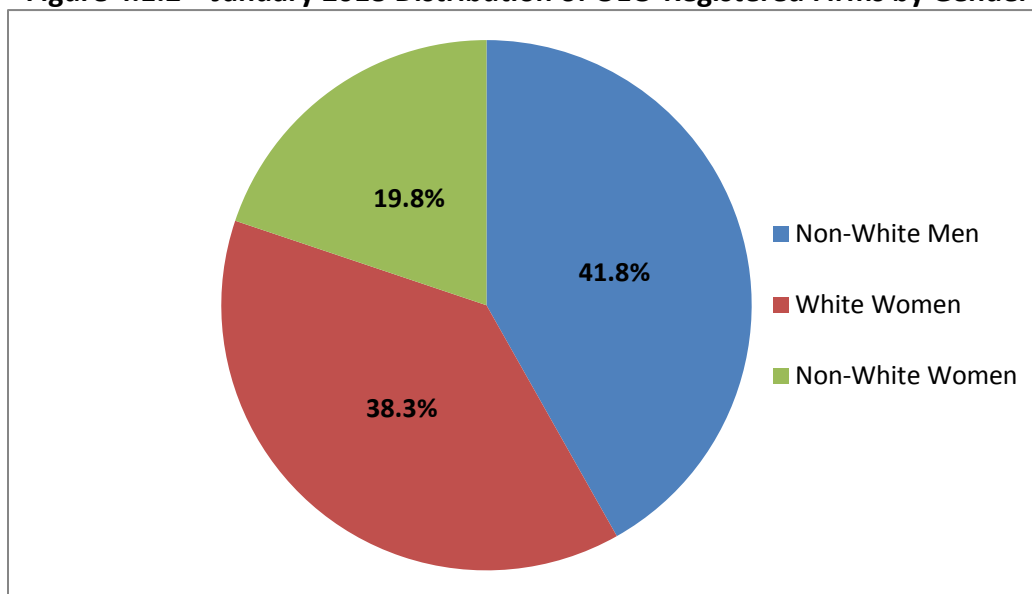
Of the M/W/DSBE firms registered on the OEO directory, 31.7 percent are located within the City of Philadelphia, 31.0 percent are located within the MSA but outside of the city, and the remaining 37.2 percent are located outside of the MSA (see Figure 4.1.1). Since 2009, the number of OEO registered firms has more than doubled to 2,940 firms in 2018.

**Figure 4.1.1 – Distribution of OEO-Registered Firms**



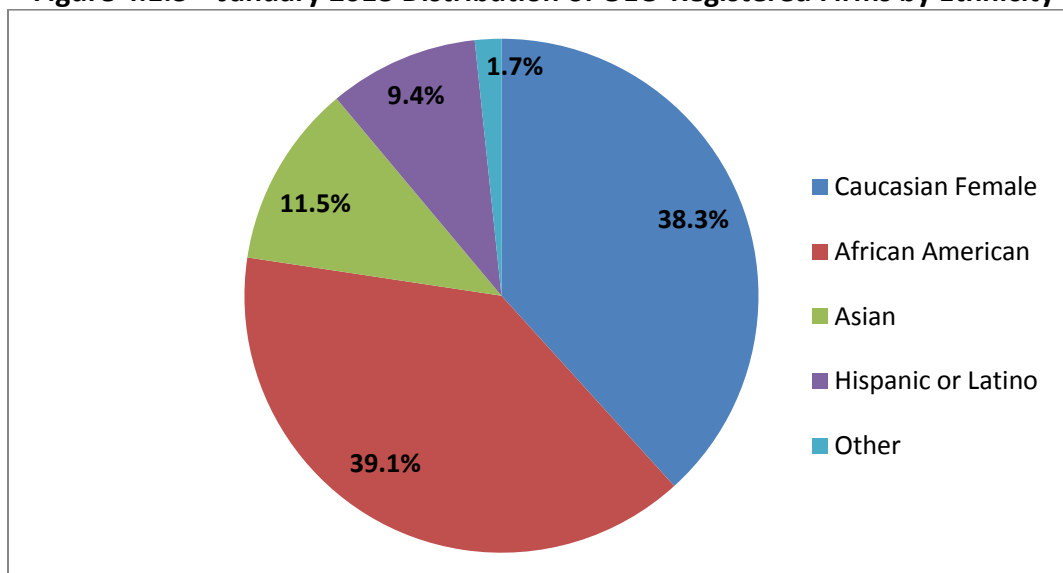
Source: City of Philadelphia Office of Economic Opportunity (2007-2016), Econsult Solutions, Inc. (2007-2018)

Of the M/W/DSBE firms registered on the OEO directory, firms owned by non-white men represent the largest portion of the firms (41.8 percent) followed by firms owned by white women (38.3 percent). Firms owned by non-white women represent 19.8 percent of the companies registered in the OEO directory (see Figure 4.1.2).

**Figure 4.1.2 – January 2018 Distribution of OEO-Registered Firms by Gender**

Source: City of Philadelphia Office of Economic Opportunity (2017), Econsult Solutions, Inc. (2018)

As shown in Figure 4.1.3 below, 39.1 percent of OEO-registered firms are owned by African Americans while 38.3 percent of OEO-registered firms are owned by white women. The remaining 22.6 percent of firms are owned by Asian Americans (11.5 percent), Hispanic or Latinos (9.4 percent), and Other (1.7 percent).

**Figure 4.1.3 – January 2018 Distribution of OEO-Registered Firms by Ethnicity**

Source: City of Philadelphia Office of Economic Opportunity (2017), Econsult Solutions, Inc. (2018)

**Table 4.1.4 Distribution of OEO-Registered Firms by State (as of January 2018)<sup>58</sup>**

State	Number of Firms	% of Total
Pennsylvania	1,762	60.0%
New Jersey	421	14.3%
Maryland	129	4.4%
New York	125	4.3%
Delaware	71	2.4%
Texas	45	1.5%
Other	387	13.2%
<b>Total</b>	<b>2,940</b>	<b>100.0%</b>

Source: City of Philadelphia - Office of Economic Opportunity (2016), Econsult Solutions, Inc. (2018)

## 4.2 DISTRIBUTION OF CONTRACT DOLLARS BY M/W/DSBE TYPE

As described in Section 3.7, 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 2017 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 units of geography represent the three different ways we can express utilization (see Table 4.2.1).

**Table 4.2.1 – Utilization Methods Employed in This Report**

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 2017)
"U2"**	Utilization of M/W/DSBEs located in the Philadelphia MSA ÷ utilization of all firms	OEO Annual Participation Report (FY 2017)
"U3"**	Utilization of M/W/DSBEs located in the US ÷ utilization of all firms	OEO Annual Participation Report (FY 2017)

Source: Econsult Solutions, Inc. (2018)

\*\* Denotes Weighted More Heavily in Determining Participation Goals

<sup>58</sup> Includes 132 "certifiable" firms.

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 4.2.2), "U2" is utilization of M/W/DSBEs that are located within the Philadelphia MSA (see Table 4.2.3), and "U3" is utilization of M/W/DSBEs that are located within the US (see Table 4.2.4).

As noted previously, the FY 2017 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 4.2.2 – FY 2017 and FY 2016 Utilization (U1) of M/W/DSBEs Located within the City of Philadelphia (Percentage of Contract Dollars Awarded)<sup>59</sup>**

M/W/DSBE Category	FY 17 PW	FY 17 PPS	FY 17 SSE	FY 17 All Contract Types	FY 16 PW	FY 16 PPS	FY 16 SSE	FY 16 All Contract Types
White	3.9%	3.8%	14.6%	5.3%	4.7%	1.0%	16.4%	4.1%
Native American	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asian American	2.3%	0.4%	0.5%	1.2%	2.1%	0.2%	0.0%	0.8%
African American	2.3%	16.6%	16.6%	9.1%	2.8%	14.1%	1.9%	8.5%
Hispanic	1.7%	1.6%	0.0%	1.4%	1.4%	2.2%	0.1%	1.6%
<b>All MBE</b>	<b>6.3%</b>	<b>18.6%</b>	<b>3.8%</b>	<b>11.7%</b>	<b>6.3%</b>	<b>16.4%</b>	<b>2.0%</b>	<b>11.0%</b>
<b>All WBE</b>	<b>4.7%</b>	<b>6.3%</b>	<b>14.8%</b>	<b>6.8%</b>	<b>5.7%</b>	<b>4.3%</b>	<b>16.5%</b>	<b>6.2%</b>
<b>Disabled</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>All M/W/DSBE</b>	<b>10.2%</b>	<b>22.4%</b>	<b>18.5%</b>	<b>17.0%</b>	<b>11.0%</b>	<b>17.3%</b>	<b>18.4%</b>	<b>15.0%</b>

Source: OEO Annual Participation Report (FY 2016, FY 2017), Econsult Solutions, Inc. (2017, 2018)

<sup>59</sup> U1 is equal to 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, and "FONO" Contracts).

**Table 4.2.3 – FY 2017 and FY 2016 Utilization (U2) of M/W/DSBEs Located within the Philadelphia MSA (Percentage of Contract Dollars Awarded)<sup>60</sup>**

<b>M/W/DSBE Category</b>	<b>FY 17 PW</b>	<b>FY 17 PPS</b>	<b>FY 17 SSE</b>	<b>FY 17 All Contract Types</b>	<b>FY 16 PW</b>	<b>FY 16 PPS</b>	<b>FY 16 SSE</b>	<b>FY 16 All Contract Types</b>
White	10.0%	11.0%	17.2%	11.4%	9.8%	4.3%	20.0%	8.0%
Native American	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asian American	2.5%	1.5%	0.5%	1.7%	2.4%	1.7%	0.0%	1.7%
African American	4.7%	18.3%	4.1%	11.0%	6.0%	16.3%	2.8%	10.9%
Hispanic	2.2%	1.9%	0.0%	1.9%	2.4%	2.3%	0.1%	2.0%
<b>All MBE</b>	<b>9.6%</b>	<b>21.8%</b>	<b>4.6%</b>	<b>14.6%</b>	<b>10.9%</b>	<b>20.9%</b>	<b>2.9%</b>	<b>15.0%</b>
<b>All WBE</b>	<b>10.9%</b>	<b>14.5%</b>	<b>17.4%</b>	<b>13.4%</b>	<b>10.9%</b>	<b>9.1%</b>	<b>20.6%</b>	<b>11.0%</b>
<b>Disabled</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>All M/W/DSBE</b>	<b>19.6%</b>	<b>32.8%</b>	<b>21.8%</b>	<b>26.0%</b>	<b>20.7%</b>	<b>25.1%</b>	<b>22.4%</b>	<b>23.0%</b>

Source: OEO Annual Participation Report (FY 2016, FY 2017), Econsult Solutions, Inc. (2017, 2018)

<sup>60</sup> U2 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, and "FONO" Contracts).

**Table 4.2.4 – FY 2017 and FY 2016 Utilization (U3) of M/W/DSBEs Located within the US (Percentage of Contract Dollars Awarded)<sup>61</sup>**

M/W/DSBE Category	FY 17 PW	FY 17 PPS	FY 17 SSE	FY 17 All Contract Types	FY 16 PW	FY 16 PPS	FY 16 SSE	FY 16 All Contract Types
White	11.3%	15.5%	18.2%	14.2%	10.7%	11.8%	21.1%	12.4%
Native American	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asian American	5.1%	4.2%	0.5%	4.1%	4.2%	4.3%	0.0%	3.2%
African American	4.7%	20.8%	4.4%	12.2%	7.5%	19.4%	3.1%	13.1%
Hispanic	4.8%	2.1%	0.0%	2.9%	2.8%	2.6%	0.1%	2.4%
<b>All MBE</b>	<b>14.9%</b>	<b>27.3%</b>	<b>4.9%</b>	<b>19.3%</b>	<b>14.6%</b>	<b>27.0%</b>	<b>3.3%</b>	<b>19.6%</b>
<b>All WBE</b>	<b>12.2%</b>	<b>20.4%</b>	<b>18.7%</b>	<b>16.9%</b>	<b>11.8%</b>	<b>18.2%</b>	<b>22.5%</b>	<b>16.3%</b>
<b>Disabled</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>All M/W/DSBE</b>	<b>26.2%</b>	<b>42.8%</b>	<b>22.9%</b>	<b>33.5%</b>	<b>25.3%</b>	<b>38.9%</b>	<b>24.4%</b>	<b>32.0%</b>
<b>Including Quasi-Public City Contracts</b>								
<b>US</b>				<b>31.7%</b>				<b>30.7%</b>
<b>Non-M/W/DSBEs</b>				<b>68.3%</b>				<b>69.4%</b>

Source: OEO Annual Participation Report (FY 2016, FY 2017), Econsult Solutions, Inc. (2017, 2018)

The M/W/DSBE utilization in all City contracts and contracts of quasi-public entities (excluding federal contracts) increased by 1 percentage point, from 30.7 percent in FY 2016 to 31.7 percent in FY 2017 (see Table 4.2.4). Participation in Personal and Professional Services (PPS) contracts increased 3.9 percentage points since FY 2016. Participation in Public Works (PW) contracts also increased over the year, up 0.9 percentage points, while participation in Services, Supplies, and Equipment (SSE) contracts decreased by 1.5 percentage points.

***There was a slight increase in M/W/DSBEs in City contracts in FY 2017.***

Participation increased in all contracts types for MBE firms. Participation increased for WBE firms for PPS and PW contracts, up 2.2 and 0.4 percentage points respectively. WBE participation in SSE contracts decreased 3.8 percentage points over-the-year.

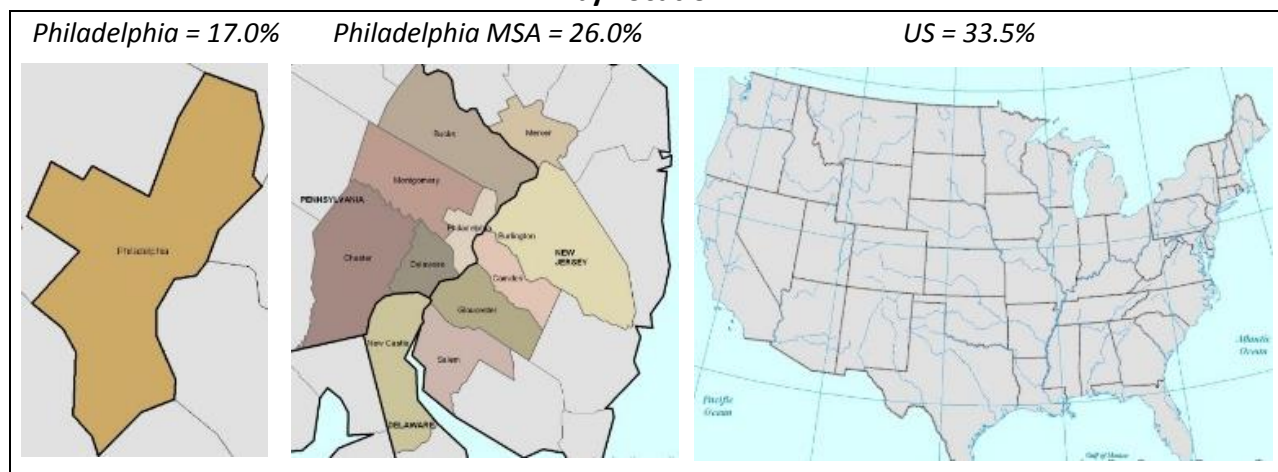
<sup>61</sup> U3 of for-profit M/W/DSBE Prime Contractors and Sub-Contractors located within the US, divided by Utilization of all for-profit Prime Contractors and Sub-Contractors on City Contracts (excluding Federally Funded City Contracts and "FONO" Contracts).

### 4.3 DISTRIBUTION OF CONTRACT DOLLARS BY M/W/DSBE LOCATION

Utilization of M/W/DSBEs based in the City of Philadelphia increased by 2.0 percentage points to 17.0 percent in FY 2017, up from 15.0 percent in FY 2016 (see Figure 4.3.1 and Table 4.3.2). Utilization of city-based M/W/DSBEs for PPS contracts increased 5.1 percentage points in FY 2017. Utilization of city-based M/W/DSBEs for SSE contracts was largely unchanged (up 0.1 percentage point over the year), while utilization for city-based M/W/DSBEs for PW contracts decreased 0.8 percentage point during the same time period.

***Participation of M/W/DSBEs located in the city increased by 2 percentage points in FY 2017.***

**Figure 4.3.1 – FY 2017 Utilization of M/W/DSBEs in City Contracts and Quasi-Public Contracts by Location**



Source: OEO Participation Report (FY 2016, FY 2017), Econsult Solutions, Inc. (2017, 2018)

**Table 4.3.2 – FY 2017 and FY 2016 Utilization of M/W/DSBEs by Contract Type and Location  
(Percentage of Contract Dollars Awarded)**

Location of M/W/DSBE	FY 17 PW	FY 17 PPS	FY 17 SSE	FY 17 All Contract Types	FY 16 PW	FY 16 PPS	FY 16 SSE	FY 16 All Contract Types
<b>City</b>	<b>10.2%</b>	<b>22.4%</b>	<b>18.5%</b>	<b>17.0%</b>	<b>11.0%</b>	<b>17.3%</b>	<b>18.4%</b>	<b>15.0%</b>
In Metro but Outside City	9.4%	10.4%	3.3%	9.0%	9.6%	7.8%	4.1%	8.0%
<b>MSA</b>	<b>19.6%</b>	<b>32.8%</b>	<b>21.8%</b>	<b>26.0%</b>	<b>20.6%</b>	<b>25.1%</b>	<b>22.4%</b>	<b>23.0%</b>
In US but Outside Metro	6.6%	10.0%	1.1%	7.5%	4.6%	13.7%	2.0%	9.0%
<b>US</b>	<b>26.2%</b>	<b>42.8%</b>	<b>22.9%</b>	<b>33.5%</b>	<b>25.2%</b>	<b>38.9%</b>	<b>24.4%</b>	<b>32.0%</b>
Non-M/W/DSBEs	73.8%	57.2%	77.1%	66.5%	74.7%	61.1%	75.6%	68.0%
<b>Including Quasi-Public City Contracts</b>								
<b>US</b>				<b>31.7%</b>				<b>30.7%</b>
Non-M/W/DSBEs				68.3%				69.3%

Source: OEO Annual Participation Report (FY 2016, FY 2017), Econsult Solutions, Inc. (2017, 2018)

The dollar value of contracts awarded to city-based M/W/DSBEs increased by \$22.7 million to \$124.1 million in FY 2017, up from \$101.4 million in FY 2016 (see Table 4.3.3). In FY 2017, there was an increase of \$16.5 million in contract dollars awarded to city-located M/W/DSBEs for PPS contracts, an increase of \$3.6 million awarded to city-located M/W/DSBEs for SSE contracts, and an increase of \$2.3 million awarded to city-located M/W/DSBEs for PW contracts.

The dollar value of contracts awarded to M/W/DSBEs is likely higher than the \$124.1 million shown in Table 4.3.3. A geographic breakdown of the Quasi-Public contracts is not available; therefore, it is unknown how much of the \$65.4 million awarded to M/W/DSBEs were city-based M/W/DSBE firms. Additionally, many of the Quasi-Public contracts are for Public Works (PW), which tend to be awarded to local firms.



**Table 4.3.3 – FY 2017 and FY 2016 Utilization of M/W/DSBEs by Contract Type and Location<sup>62</sup>**

Location of M/W/DSBE	FY 17 PW	FY 17 PPS	FY 17 SSE	FY 17 All Contract Types	FY 16 PW	FY 16 PPS	FY 16 SSE	FY 16 All Contract Types
<b>City</b>	<b>\$28.8</b>	<b>\$76.8</b>	<b>\$17.6</b>	<b>\$124.1</b>	<b>\$26.5</b>	<b>\$60.3</b>	<b>\$14.0</b>	<b>\$101.4</b>
In Metro but Outside City	\$26.6	\$35.6	\$3.2	\$65.9	\$23.2	\$27.0	\$3.1	\$53.8
<b>MSA</b>	<b>\$55.4</b>	<b>\$112.4</b>	<b>\$20.8</b>	<b>\$190.0</b>	<b>\$49.7</b>	<b>\$87.3</b>	<b>\$17.2</b>	<b>\$155.1</b>
In US but Outside Metro	\$18.5	\$34.1	\$1.3	\$54.5	\$11.1	\$47.7	\$1.5	\$61.0
<b>US</b>	<b>\$73.9</b>	<b>\$146.5</b>	<b>\$22.1</b>	<b>\$244.5</b>	<b>\$60.8</b>	<b>\$135.1</b>	<b>\$18.7</b>	<b>\$216.1</b>
Non-M/W/DSBEs	\$208.2	\$195.9	\$73.3	\$486.2	\$179.9	\$212.5	\$57.8	\$458.3
<b>Including Quasi-Public City Contracts</b>								
<b>US</b>				<b>\$309.9</b>				<b>\$303.9</b>
Non-M/W/DSBEs				\$666.1				\$687.5

Source: OEO Annual Participation Report (FY 2016, FY 2017), Econsult Solutions, Inc. (2017, 2018)

#### 4.4 UTILIZATION OF M/W/DSBE AS PRIME CONTRACTORS

Information from the FY 2017 OEO Participation Report indicates that 343 City contracts, or 17.4 percent of all City contracts, were primed by M/W/DSBEs, up from 296 contracts and 14.6 percent of contracts in FY 2016. M/W/DSBEs primed 23.8 percent of PPS contracts, 8.7 percent of SSE contracts, and 6.3 percent of PW contracts in FY 2017. These M/W/DSBE-primed contracts represent 12.9 percent of the aggregate dollar value of all City contracts, an increase from 11.4 percent in FY 2016. The average size of contracts primed by M/W/DSBEs increased from \$260,000 in FY 2016 to \$280,000 in FY 2017, but the average size of contracts primed by non-M/W/DSBEs also increased, from \$340,000 in FY 2016 to \$390,000 in FY 2017, so there is still a disparity in average contract size for M/W/DSBE primes versus non-M/W/DSBE primes (see Table 4.4.1).

<sup>62</sup> Utilization is calculated by dividing the Utilization of for-profit M/W/DSBE Prime Contractors and Sub-Contractors by Utilization of all for-profit Prime Contractors and Sub-Contractors on City Contracts (excluding Federally Funded City Contracts, and "FONO" Contracts) and Quasi-Public City Contracts, by Contract Type and location of M/W/DSBE. Contract value reported in millions.

**Table 4.4.1 – FY 2017 and FY 2016 Utilization of M/W/DSBE Primes in City Contracts<sup>63</sup>**

	FY 17 PW	FY 17 PPS	FY 17 SSE	FY 17 All Contract Types	FY 16 PW	FY 16 PPS	FY 16 SSE	FY 16 All Contract Types
<b>All Contracts</b>								
# Contract	111	568	254	<b>1,971</b>	120	583	260	<b>2,029</b>
Amount (\$M)	\$282.1	\$342.4	\$95.4	<b>\$730.7</b>	\$240.7	\$347.5	\$76.4	<b>\$674.3</b>
Avg Contract (\$M)	\$2.54	\$0.60	\$0.38	<b>\$0.37</b>	\$2.01	\$0.60	\$0.29	<b>\$0.33</b>
<b>Primed by M/W/DSBE</b>								
# Contract	7	135	22	<b>343</b>	7	123	13	<b>296</b>
Amount (\$M)	\$10.0	\$78.7	\$3.8	<b>\$94.5</b>	\$5.0	\$67.8	\$2.8	<b>\$77.1</b>
Avg Contract (\$M)	\$0.14	\$0.58	\$0.17	<b>\$0.28</b>	\$0.71	\$0.55	\$0.22	<b>\$0.26</b>
<b>Primed by non-M/W/DSBE</b>								
# Contract	104	433	232	<b>1,628</b>	113	460	247	<b>1,733</b>
Amount (\$M)	\$281.1	\$263.7	\$91.6	<b>\$636.2</b>	\$235.7	\$279.7	\$73.6	<b>\$597.2</b>
Avg Contract (\$M)	\$2.70	\$0.61	\$0.39	<b>\$0.39</b>	\$2.09	\$0.61	\$0.30	<b>\$0.34</b>
<b>% of # Primed by M/W/DSBE</b>	<b>6.3%</b>	<b>23.8%</b>	<b>8.7%</b>	<b>17.4%</b>	<b>5.8%</b>	<b>21.1%</b>	<b>5.0%</b>	<b>14.6%</b>
<b>% of \$ Primed by M/W/DSBE</b>	<b>0.4%</b>	<b>23.0%</b>	<b>4.0%</b>	<b>12.9%</b>	<b>2.1%</b>	<b>19.5%</b>	<b>3.7%</b>	<b>11.4%</b>
<b>Avg Contract Size, M/W/DSBE (\$M)</b>	<b>\$0.14</b>	<b>\$0.58</b>	<b>\$0.17</b>	<b>\$0.28</b>	<b>\$0.71</b>	<b>\$0.55</b>	<b>\$0.22</b>	<b>\$0.26</b>
<b>Avg Contract Size, non-M/W/DSBE (\$M)</b>	<b>\$2.70</b>	<b>\$0.61</b>	<b>\$0.39</b>	<b>\$0.39</b>	<b>\$2.09</b>	<b>\$0.61</b>	<b>\$0.30</b>	<b>\$0.34</b>

Source: OEO Annual Participation Report (FY 2016, FY 2017), Econsult Solutions, Inc. (2017, 2018)

<sup>63</sup> "All Contract Types" Includes Miscellaneous Purchase Orders and Small Order Purchases. Contract value reported in millions.

## 4.5 UTILIZATION OF M/W/DSBEs 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 4.5.1). 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, makes it difficult to compare performance across categories clearly.

**Table 4.5.1 – FY 2017 Utilization (U3) of M/W/DSBEs in the US by Department (Percentage of Contracts Dollars Awarded)<sup>64</sup>**

City Department	FY17 Dept Total (in \$M)	FY17 M/W/DSBE Total (in \$M)	FY17 M/W/DSBE %Utilization Actual	FY16 M/W/DSBE %Utilization Actual
Aviation	\$78.9	\$25.6	32.4%	29.2%
Behavioral Health & Intellectual Disability	\$18.4	\$18.1	97.9%	13.9%
City Commissioner	\$0.3	\$0.0	0.0%	N/A
City Representative	\$0.04	\$0.00	0.0%	0.0%
Commerce	\$0.1	\$0.0	30.6%	73.4%
Community Service	\$0.03	\$0.00	0.0%	N/A
Controller, Office of	\$0.03	\$0.03	76.9%	N/A
District Attorney	\$0.1	\$0.1	87.6%	N/A
Division of Technology	\$22.9	\$5.6	24.7%	26.2%
Finance	\$15.9	\$5.5	34.3%	30.3%
Fire	\$5.3	\$1.1	20.4%	18.9%
Fleet Management	\$6.0	\$0.1	1.7%	2.7%
Health, Department of Public	\$6.3	\$3.9	61.3%	44.1%
Human Services, Department of	\$18.0	\$8.6	47.7%	30.1%
Law Department	\$14.2	\$5.4	37.9%	32.4%
Library, Free	\$1.0	\$0.5	44.0%	12.0%
Licenses and Inspections, Department of (L&I)	\$7.4	\$2.5	34.3%	24.6%
Managing Director's Office	\$0.8	\$0.1	11.9%	10.6%
Mayor's Office	\$0.8	\$0.3	33.3%	35.6%

<sup>64</sup> This table shows FY 2017 Utilization (U3). U3 is equal to Utilization by Department of For-Profit M/W/DSBE Prime Contractors and Sub-Contractors located in the US (excluding Federally Funded City Contracts and "FONO" Contracts) divided by Utilization of all For-Profit Prime Contractors and Sub-Contractors.