



2011-12

Minority, Women, Emerging Small Business
and First Opportunity Target Area

Programs Report

November 2012

About Metro

Clean air and clean water do not stop at city limits or county lines. Neither does the need for jobs, a thriving economy, and sustainable transportation and living choices for people and businesses in the region. Voters have asked Metro to help with the challenges and opportunities that affect the 25 cities and three counties in the Portland metropolitan area.

A regional approach simply makes sense when it comes to providing services, operating venues and making decisions about how the region grows. Metro works with communities to support a resilient economy, keep nature close by and respond to a changing climate. Together we're making a great place, now and for generations to come.

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Kathryn Harrington, District 4

Rex Burkholder, District 5

Barbara Roberts, District 6

Auditor

Suzanne Flynn



DATE: November 15, 2012

TO: Tom Hughes, Council President
Shirley Craddick, Councilor
Carlotta Collette, Councilor
Carl Hosticka, Councilor
Rex Burkholder, Councilor
Kathryn Harrington, Councilor
Barbara Roberts, Councilor

SUBJECT: MWESB AND FOTA REPORT FOR FY 2011-12

The enclosed report represents the utilization rates, highlights, and recommendations of the minority, woman and emerging small business (MWESB) program. The reporting period covers FY 2011-12, and spans July 1, 2011 through June 30, 2012. The data is reported by total dollars spent with MWESB firms, percent of all contracts awarded to MSESB firms, and total and percent of contracts by certification type. Some utilization detail by department is included.

Metro Code 2.04 directs our office to report this activity to the Metro Council on an annual basis.

Additionally, this report identifies contracts awarded to, and purchase card activity in the first opportunity target area (FOTA).

The FOTA is a geographic area significant to the Metropolitan Exposition Recreation Commission, or MERC, in which the venues focus solicitation, hiring and purchasing efforts. Goods and services purchased, and contract activity within the FOTA are included herein.

Metro's MWESB program conducts outreach and education to internal departments and staff, and external partner organizations. Through a variety of outreach activities, the program ensures that, historically disadvantaged businesses have the opportunity to compete in our purchasing and contracting processes.

This report summarizes our program activities and areas of focus for outreach and education. It details the total number and percent of contracts awarded out of all contracts, to minority business enterprises (MBE), woman owned business enterprises (WBE), and emerging small businesses (ESB). MWESB utilization by each Metro department is noted, as well as FOTA activity by the MERC venues. Program highlights and accomplishments are noted and recommendations for future program enhancement are included.

It is difficult to compare Metro to other local public agencies, due to the nature of our business model, and the variety of ways in which successes in MWESB programs are reported. However, Metro's performance in the utilization of MWESBs is very low comparatively.

We welcome your suggestions and feedback on our MWESB and FOTA programs.

Best practices dictate that agency staff, senior management, the contracting community, and the program manager, ideally are equally invested in positive program results. Metro's investment in these positive outcomes is clear when talking with our community partners, and the disadvantaged businesses with whom we contract.

Please feel free to contact us if you require additional information.

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Program overview

HISTORY

In 1997 the Metro Council agreed with the determination that historical patterns of exclusion had resulted in inequities for MWESBs and that full participation in our free enterprise system by these firms was fundamental. It was and is understood that greater economic opportunity for disadvantaged firms is essential to create the livable region we envision. Promotion of MWESB firms provides for a stronger local economy, has the impact of the multiplier effect and stimulates competition; a contributing factor in the responsible use of public funds.

Metro's Minority, Women, and Emerging Small Business, (MWESB) program, was created in response to the Oregon Regional Consortium Disparity Study conducted in 1996. Along with other public agencies, Metro developed its contracting programs to provide opportunities to MWESB contractors. These programs sought to increase the opportunity to contract with Metro within the disadvantaged business communities, increase competition amongst bidders, and boost the local business economy.

The region is experiencing greater cultural, economic and social diversity than ever before and that diversity is expected to grow. Therefore, it is critical to commit to the MWESB program, and expand on it, in order to create opportunities for those businesses that represent the wide range of experience and diversity within the region Metro serves.

METRO'S PROGRAM

Procurement Services, a division within the Finance and Regulatory Services department, administers Metro's MWESB program on behalf of the Chief Operating Officer. Policies are established through Metro Code Chapter 2.04.

Metro's contracting policies are race and gender neutral. All contractors are eligible to compete in our contracting processes, regardless of race or gender, and minority business enterprise (MBE), woman business enterprise (WBE) and emerging small business (ESB) can compete as long as they are certified by the State of Oregon as a MBEs, WBEs and/or ESBs. Certification as an MWESB is completed through the State of Oregon's Office of Minority, Women and Emerging Small Business.

Metro's MWESB program partners with and conducts outreach in the minority, women and emerging small business communities through participation in events planned by the minority chambers of commerce, and professional and trade associations. Metro interfaces with these communities via the internet, on the phone, and in person. Opportunities to work with Metro are shared at events, posted to our partners' websites, posted in online newsletters and advertised in local newspapers depending on the size of the contract. Contracting opportunities are posted to Metro's website if they are \$100,000 or more.

The program also provides technical assistance and training to Metro's internal customers (Metro staff). Project Managers, Department Managers, and Department Procurement staff are taught to use the MWESB program to its full potential, and reminded of its importance to Metro's mission through the e-learning system, and in-person staff trainings in cooperation with our disadvantaged business partners.

Program activities that promote the use of MWESB firms include:

- Focused outreach to local MWESB firms through participation in minority chambers of commerce, and professional, business and trade associations.
- Communication of Metro's commitment to working with ALL members of our business community.
- Providing technical assistance to firms by directing them to resources on bidding, bonding, insurance, and other business assistance programs.
- Working with Metro staff to structure or "right-size" contracts to encourage the use of MWESB firms.
- Providing ongoing, updated education via the intranet and in person to Metro staff regarding the MWESB program process.

- Hosting events that bring MWESB professionals, small business owners, and contractors together with Metro staff who plan and implement projects.
- Ensuring MWESB plan centers receive Metro requests for bid, and requests for proposals on projects estimated to be more than \$100,000.
- Advertisement in minority business publications for formal solicitations more than \$100,000.

Metro policies also establish the following requirements in the purchasing and contracting process to ensure opportunities are provided to MWESB firms.

Informal purchasing opportunities

Metro encourages but does not require contacting MWESB firms for projects costing less than \$5,000. Purchases and contracts between \$5,000 and \$50,000 are open to all bidders, but require that at least one MBE, one WBE, and one ESB are contacted for all opportunities more than \$5,000.

Sheltered market

Construction or trade related projects up to \$50,000 are bid competitively amongst qualified MWESB contractors. Competitive bidding requirements still apply, but it is within the sheltered market of MWESB firms. The contractors that participate in Metro's sheltered market are qualified, experienced, and insured, just like contractors outside the sheltered market.

Formal purchasing opportunities

Formal procurement opportunities for purchases and contracts \$100,000 and more are open to all bidders, but require that at least one MBE, one WBE, and one ESB be contacted.

Good faith effort

On all construction projects more than \$100,000, Metro requires prime bidders to demonstrate a good faith effort to invite MWESB firms to bid on sub-contracts. The intent is to encourage sub-contracting with local MWESB firms, so that they can increase their capacity and compete for work within their area of expertise. As part of the bid submission, prime contractors are required to identify all MWESB subcontractors contacted, all MWESBs to be used on a project, as well as the dollar amount and percent of total dollars awarded.

The target utilization rate for prime contractors is 15 percent.

Advertising

On all formal procurements (more than \$100,000), Metro advertises in at least one minority business publication. These include *The Portland Observer*, *The Skanner*, *El Hispanic*¹, and *The Asian Reporter*. We simultaneously place public notices in the *Portland Daily Journal of Commerce*.

For all projects, notices are sent electronically to our partners who send regular electronic newsletters to their members. These partner organizations include:

- Oregon Association of Minority Entrepreneurs (OAME).
- The Metropolitan Hispanic Chamber of Commerce (MHCC).
- The National Association of Minority Contractors (NAMC-Oregon).
- The ARC Plan Center.

Outreach

In order to increase opportunities for MWESB businesses, the Metro Code identifies outreach as one of the key activities of the program. Metro participates in a number of business groups and events that support the use of small businesses in the region. These include the organizations listed above.

In addition to membership in the above organizations, the MWESB Program sponsored events during FY 2011-12 that include Turner Construction's School of Construction, the Business Diversity Institute's MED Week (minority enterprise development), and a minority outreach event with Hoffman Construction.

¹ There is an IRS Notice of Levy against *El Hispanic News* and Padilla & Associates, LLC as of September 2011. Metro has not advertised with this newspaper since notification.

Metro also hosted an event titled *Making Connections*, held at the Expo Center. Staff from PCPA, Expo Center, Oregon Zoo, OCC and Parks and Environmental Services were available to local MWESB and FOTA vendors there to learn about contracting and employment opportunities.

Internal Training

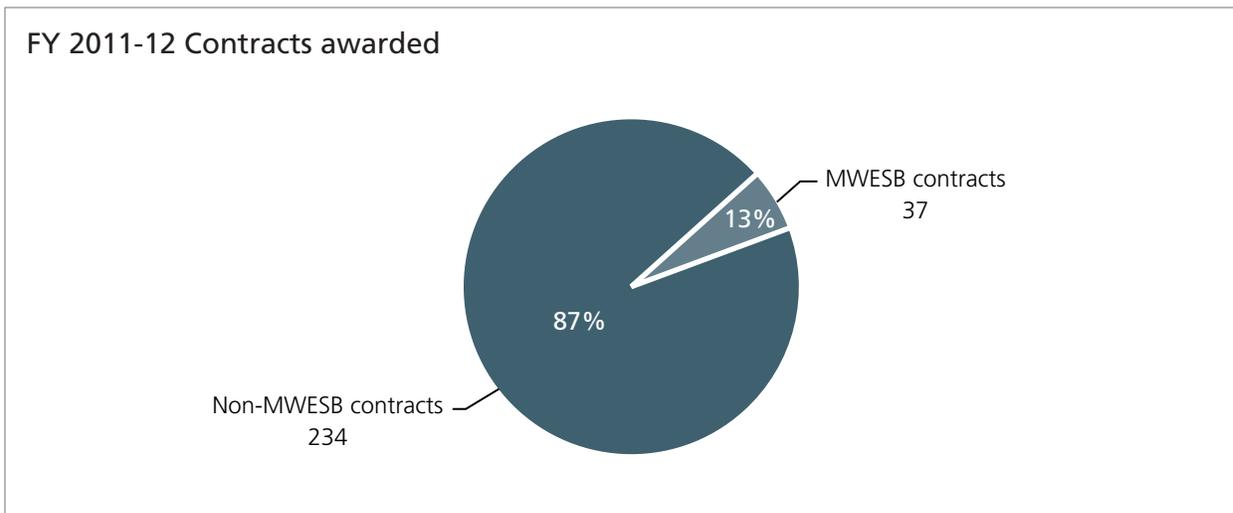
MWESB 101 internet based training module was available through Metro’s e-learning portal, but has not been widely viewed. Recently the online learning module has been updated, and will be advertised shortly to Metro staff.

Procurement staff also conducted an in-person training this year that was well attended and well received.

Summary of results

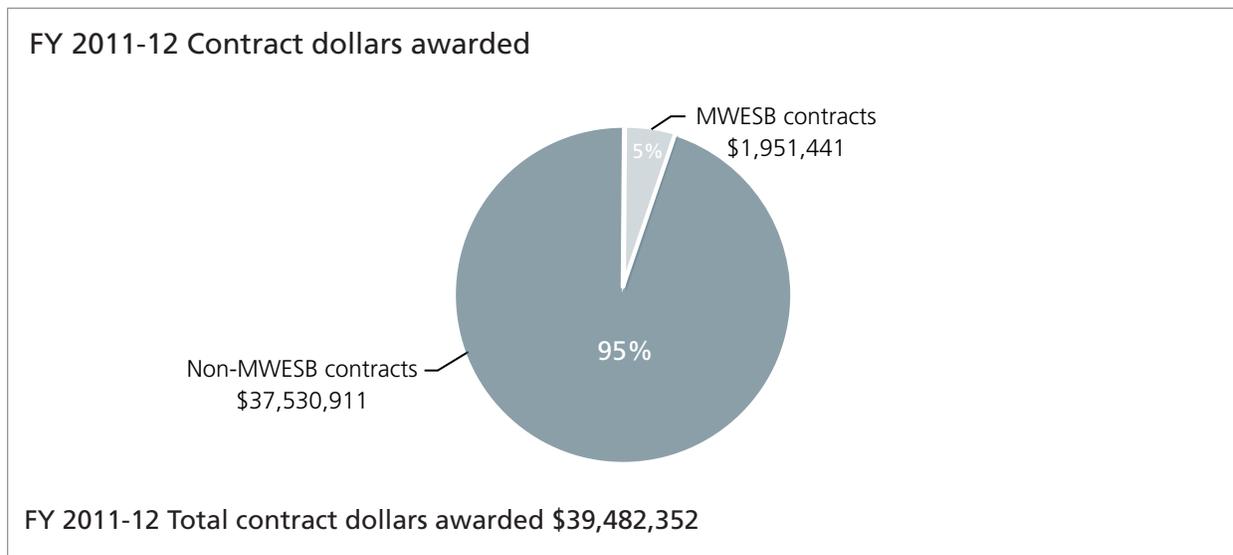
NUMBER OF CONTRACTS AWARDED DURING FY 2011-12

During FY 2011-12, Metro awarded 271 eligible contracts through the competitive procurement process. This does not include intergovernmental agreements or grants. Of the total contracts awarded, 37 went to MWESB firms. The MWESB awards represent 13 percent of the total count of contracts awarded.



CONTRACT DOLLARS AWARDED DURING FISCAL YEAR 2010-11

During the past fiscal year, Metro awarded a total of \$39,482,532. Firms that were MWESB certified earned a total of \$1,951,441 in contract awards. This represents a utilization rate of 5 percent by dollar amount.

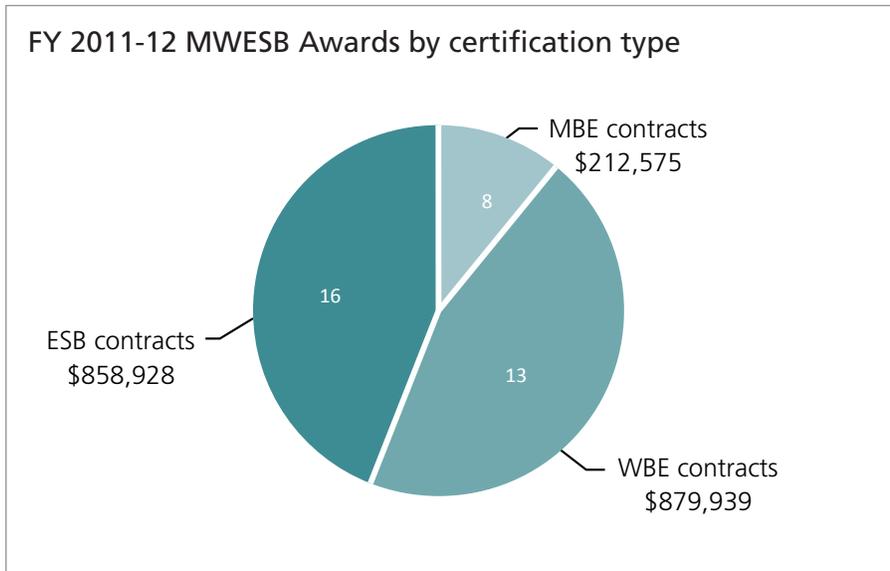


Breakdown by MBE, WBE and ESB

CONTRACT DOLLARS AWARDED BY MBE, WBE AND ESB

In FY 2011-12 emerging small businesses earned the bulk of awards, with women owned business a close second; 16 awards, and 13 awards respectively. Women owned businesses led in the amount of dollars awarded. Women owned businesses contracted four times the dollar amount than minority owned firms, which were awarded eight contracts total.

See the chart below for the breakdown of contract dollars to MBE, WBE and ESB firms.



ABOUT AWARDS BY CERTIFICATION TYPE, MBE, WBE AND ESB

In many cases, businesses are certified in more than one category. For instance, a minority owned business might also have an emerging small business certification. For the purposes of this report, in those cases where the business has more than one certification the minority owned, or woman owned certifications would be counted, and not the emerging small business certification. Emerging small business were counted, like the others, as a separate category.

The number and value of contracts awarded in each category (MBE, WBE, and ESB) continues to be an area of focus for Metro. In past years, contractors certified as ESB have earned the highest number of contracts and the most contract dollars.

Metro is required to maintain a program that is race and gender neutral, however, we remain committed to investigating the balance of the award of contracts in the disadvantaged business communities, such that they reflect the size of the market in the region. A goal for the MWESB program would be to strive for a utilization rate that mirrors the *availability* of firms in each category, by industry, according to the most current Census and US Bureau of Labor Statistics data. For instance, if the makeup of the tree pruning market were 4% Hispanic, then ideally we would expect to have a utilization rate close to that number.

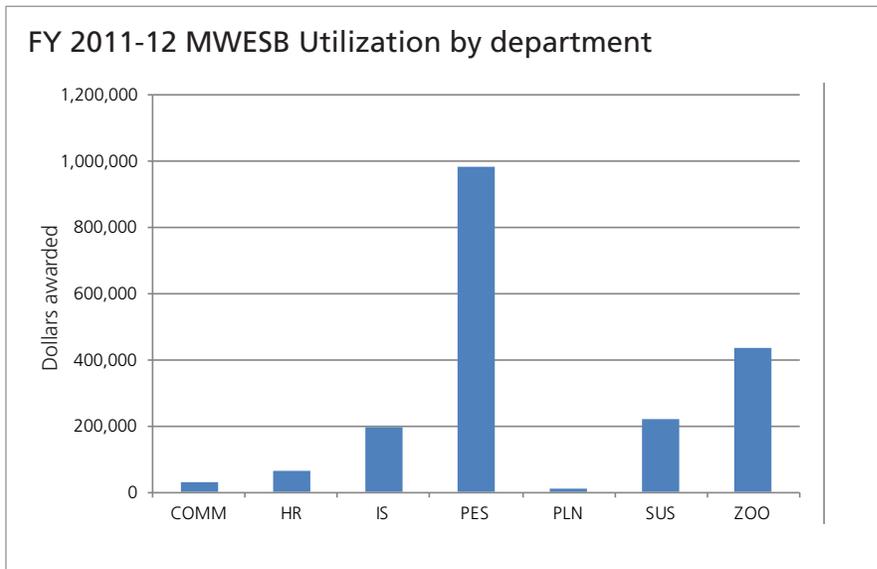
SELECTED DEPARTMENTAL HIGHLIGHTS

Some of Metro's departments performed exceptionally in terms of MWESB utilization:

- **Parks and Environmental Services** continued its tradition of strong MWESB utilization in their contracts. With one of the largest departmental budgets, PES contract awards to MWESB's totaled \$982,802 surpassing last year's contracting total.
- **The Oregon Zoo** awarded seven contracts to MWESBs for a total of \$439,098.

- The Sustainability Center contracted \$220,660 in awards to MWESBs.
- Information Services awarded \$198,636 in awards to MWESBs.

Parks and environmental services is particularly impressive, although a more accurate measure would be the ratio of MWESB spend to department budget.



UTILIZATION HISTORY AT METRO

The following data represents the agency’s MWESB utilization during the past decade. In some years, Metro’s utilization rate has spiked, while other years have not produced the desired results.

This spike and fall pattern may reflect larger contracts awarded, or more contracts going out the door. Bond funding may also be a contributing factor. Metro should look for a correlation between the utilization trends, and explore the factors that may influence the trend and the variance in usage. This will enable Metro to make a determination as to why consistently high utilization rates are not achieved.



FOTA and MWESB participation at MERC venues

Background

The first opportunity target area, (FOTA) was originally established in 1989. The program was intended to provide employment opportunities to “*economically disadvantaged residents living in economically distressed neighborhoods in the immediate vicinity of the Oregon Convention Center site.*”

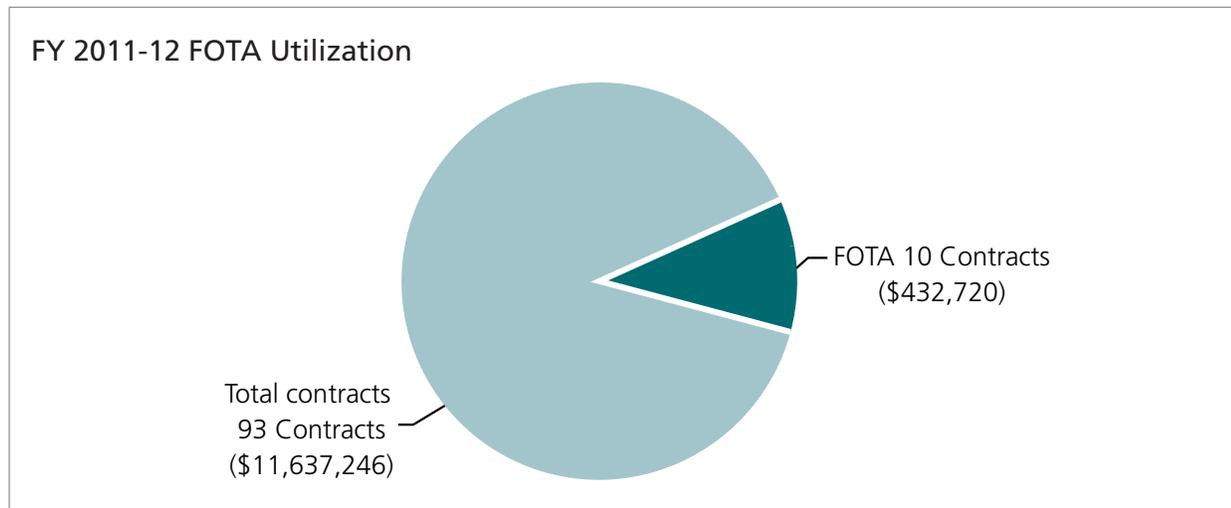
The Metropolitan Exposition Recreation Commission (MERC) later expanded the program to include the Portland Center for the Performing Arts (PCPA) and the Portland Expo Center (Expo). Later, the FOTA program was expanded to include purchase and contracting opportunities.

Program Requirements

Under MERC’s current contracting rules, FOTA requirements apply to public contracts between \$5,000 and \$100,000. At least one quote must be solicited from an M, W, or ESB contractor *within* FOTA. Additional quotes are required to be solicited from certified M, W, or ESB contractors from *anywhere*.

MERC Venues’ FOTA and MWESB Participation – Purchases

Total spending by MERC Venues was \$12,069,966. Of this, a total of \$432,720 was spent in the FOTA; representing 4 percent of the total spend. Of these purchases, 11 MBEs and 16 WBEs were employed. This suggests that Metro could do a better job of widening its outreach in order to work with a broader customer base. See the chart below.

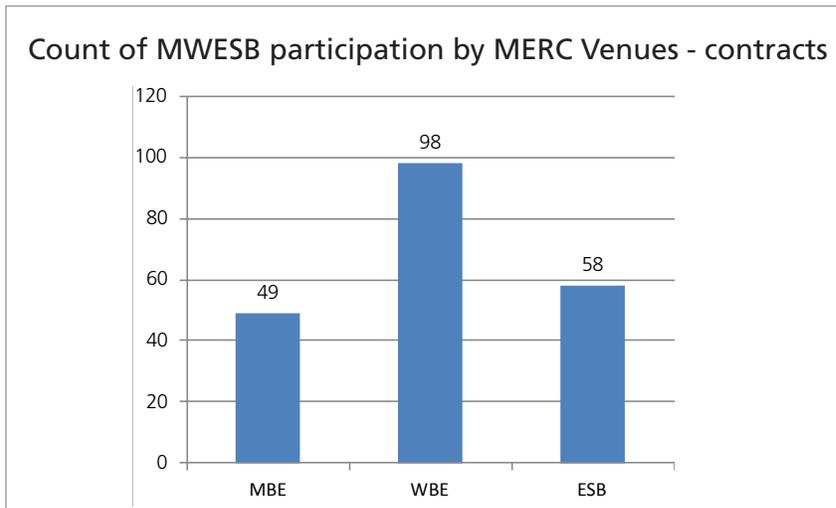


MERC Venues’ FOTA Participation - Contracts

During FY 2011-12 MERC awarded 93 contracts total, 10 to businesses within FOTA, or 11 percent. The total value of these contracts was \$1,887,148 and FOTA spending represented 6 percent of the MERC venues’ contract spends (\$114,974).

Many of the firms are certified in two or three categories; some firms that are minority-owned, are also certified as women owned and/or, emerging small business certified. To be sure that purchases and contracts were not double counted, firms certified in all three categories were counted first as minority owned, or woman owned, and then emerging small business. MERC Venues contracted with 49 minority only owned firms, 98 woman only owned firms, and 58 emerging small business firms. Forty firms were certified both minority and woman owned.

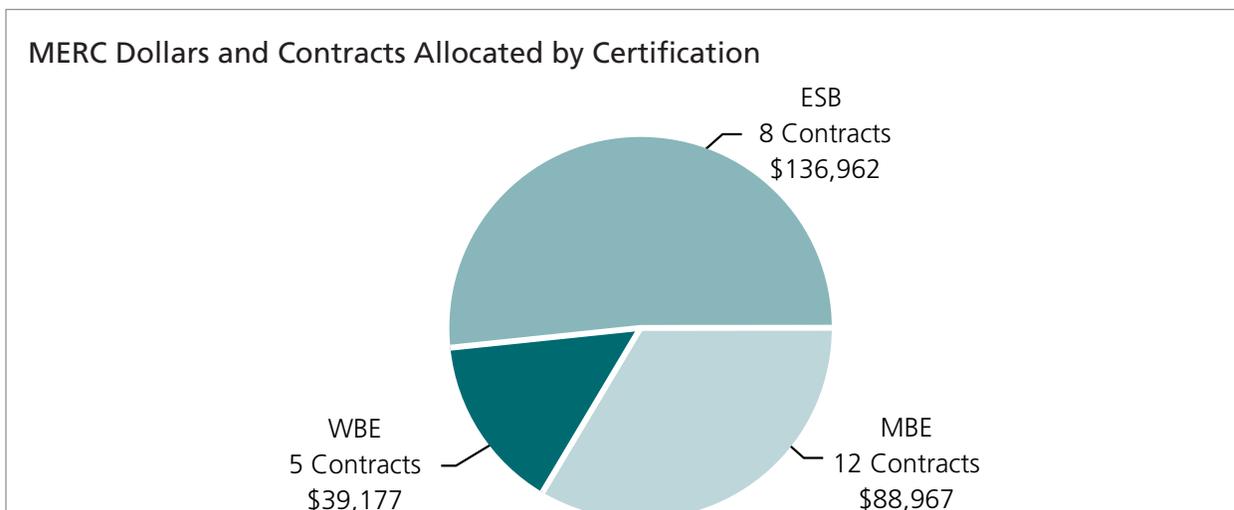
A total of \$265,106 was spent with MWESB's throughout the region, representing 2 percent of total spending.

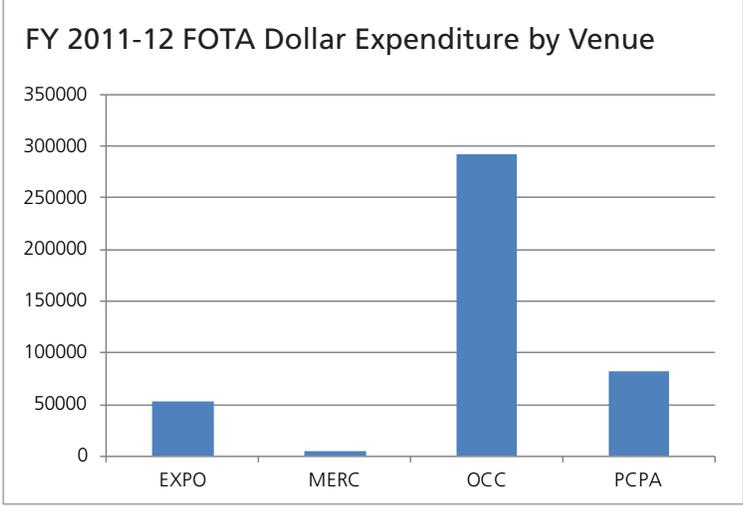


MWESB Participation by MERC Venues

MERC awarded 25 contracts to MWESB certified businesses during FY 2011-12. The total contracts value was \$251,457, which represents a utilization rate of 5 percent.

MERC Venues spent \$251,457 with MWESB firms with the highest percentage spent by the OCC, followed by PCPA. See the chart on the next page for FOTA detail by venue. For MERC MWESB spending by certification, as shown in the below pie chart.





Success Stories

Metro continues to manage an MWESB program, and does so in accordance with state and local procurement regulations. Compared with other area agencies, Metro is smaller in both size and contract spend. However, all departments have worked to maximize the use of MWESB firms in our contracting processes.

Highlights during this year come from Metro project managers and owners of MWESB firms:

Metro Central Transfer Station and **Greenlife Construction, Inc.**

One of the projects Greenlife Construction, a minority owned firm completed for Metro was the replacement of the gutters on the Metro Central Transfer Station. The project was complicated by the roofline of the buildings, and the complex design of the gutter system at the Metro Transfer Station. This was not a sheltered market project, and the project manager will recommend Greenlife Construction based on the quality of their work.

Planning and Development, Communications and **JLA Public Involvement**. JLA Public Involvement, a woman owned business, partnered with Planning to deliver Climate Change workshops, and Title IV assistance. JLA partnered with Communications for multi-cultural translation and writing services for contracts totaling more than \$135,000.

Communications and Lara Media Services, a full service media company certified MBE and WBE that won a \$100,000 contract with the communications department for multi-cultural translation services.

Memberships and Sponsorships

Metro was actively engaged in supporting the MWESB and small business communities through attendance at meetings, community events, and through targeted sponsorships during this fiscal year:

- The Turner Construction School
- Business Diversity Institute (MED Week)
- Oregon Association of Minority Entrepreneurs
- Metropolitan Hispanic Chamber
- 2012 African American Business Directory
- Oregon Tradeswomen Inc.

Turner School of Construction Management

Metro continues its support of small business by hosting 2012 school

During April 2012 Metro collaborated with Turner Construction to host the Annual School of Construction Management. Since 1969, Turner has been providing classes to small contractors on estimating, project management, and subcontracting. For the sixth year, a school has been provided in the Portland area. Metro provided use of training rooms at the Metro Regional Center over several weeks. Additionally, Metro staff participated in the kick-off celebration and graduation ceremony.

This past year, approximately 35 contractors graduated from the Turner School of Construction Management. Many of these contractors submit prime and sub bids on Metro projects, and have been successful in securing contracts with other public and private organizations in the region.

Making Connections

In November 2011 Metro hosted an event titled Making Connections, held at Expo. Staff from PCPA, Expo, Oregon Zoo, OCC, Office of Metro Attorney, the Procurement Department, the Executive Department and Parks and Environmental Services was available to local MWESB and FOTA vendors to learn about contracting and employment opportunities. Invitations were emailed to all MWESBs in the three county area and several hundred people came by to learn about our agency.

Status Report on Council Recommendations

The overall performance of the MWESB program in FY 2011-12 was 5 percent, much lower than local public agencies, and lower than our aspirational rate of 15 percent. The program has had a variety of staffing levels from full-time, dedicated staff, to staff assigned to manage the program while participating in other procurement duties, to no staff devoted to managing the activities of the program. During FY 2011-12, there was procurement staff that actively engaged with MWESB communities, and Metro staff, attended events, hosted outside events, and assisted internal staff with activities related to searching for MWESB contractors.

The program has some challenges in meeting its aspirational goals. The biggest challenge may be that many businesses are unaware of Metro's functions. Continuing to conduct outreach and communications targeted to the MWESB communities will help with this. Other challenges are the perception that it is difficult to conduct business with Metro, and the difficulty stakeholders have in understanding our procurement processes.

While outreach and communications in the MWESB communities is important, additional focus needs to occur within our organization. We need to assure that all agency staff who conduct business with outside vendors understand why we have an MWESB program, and how best to use the program. Making the process user friendly, understandable, and easy for staff to participate will increase MWESB utilization.

FINDINGS

- It can be difficult for small businesses to contract with Metro. Metro's MWESB program has not been proactive. Unlike other local public agencies, we are unable to notify contractors and Oregon certified businesses when work appears in their specialty areas. We have no coordinated way to reach out to the public, and rather we have the contracting public come to us. This puts the burden on the small business owner, as Metro does not have a system in place to advertise, track, and monitor our vendors, suppliers and contractors. Small business owners having to come to us is a barrier to their participation with our program.
- Metro staff knowledge of the MWESB program is inconsistent. Metro staff does not have consistent understanding of the program, and how they can best use the program. Use of the program is inconsistent within the agency.
- We advertise projects more than \$100,000 in the minority newspapers and on our website, but we do not advertise our smaller projects. Metro posts solicitations valued at \$100,000 and more to our website. Projects of this size may be out of reach for the MWESB business owners. Lowering the dollar amount that triggers advertising on our website, and posting all solicitations to the website, and plan centers would increase participation.
- Metro's program is driven by old data. Metro has not participated in a disparity study in 16 years, but the City of Portland conducted a study published in 2011. Metro could learn from this and other recent area disparity studies. Along with analyzing the study, Metro should analyze the size of particular markets, and compare the saturation rates of those markets within the MWESB community.

RECOMMENDATIONS

- Investigate the benefits of an electronic bidding system to advertise projects, track vendors, and systemize communication with MWESBs.
- Focus on Project Manager training and knowledge of the program for all Departments including MERC venues.
- Post solicitations for all projects to Metro website. Consider advertising all projects more than \$5,000 including professional and technical in minority newspapers, and in plan centers.
- Borrow from City of Portland's Disparity Study findings to continue looking at barriers to participation in Metro's program.
- Host events throughout the year to bring the MWESB community together with Metro staff.