



**Greater Los Angeles  
African American  
Chamber of Commerce**

# **The Case for Minority Business Contracting Reform in the City of Los Angeles**



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**Inside Front Cover**

# Foreword

In keeping with the Greater Los Angeles African American Chamber of Commerce's (GLAAACC) mission to focus on the development of business opportunities, business alliances and legislative advocacy, we are pleased to present, "The Case for Minority Business Contracting Reform in the City of Los Angeles."

This report supports our position that minority businesses are not receiving an adequate share of business contracts with the City of Los Angeles. Supervisor Mark Ridley-Thomas, the Asian Business Association, Latino Business Chamber and Councilman Heb Wesson are just a few who support GLAAACC's position for the Minority Business Reform in the City of Los Angeles. Information for this report was gathered from a variety of sources, including, the Los Angeles County Board of Supervisor's Chief Executive Office's Report on Community Business Enterprise and Local Small Business Enterprise Programs, the U.S. Census, the Latino Business Chamber of Greater Los Angeles' "Strengthening Latino Businesses in Greater Los Angeles" report and others. The County CEO's report included a survey of contracting programs in California and major U.S. cities. Findings from these sources lead to the conclusion that the City of Los Angeles lags behind when it comes to procuring contracts with minority business.

The post California Proposition 209 era has ushered in a political climate of conservatism and cautiousness when it comes to awarding City contracts to minority businesses. The City of Los Angeles' current policy requires outreach only with no penalty for lack of "real" participation by women and minorities. In addition to presenting low levels of City contracts with minority businesses, "The Case for Minority Business Contracting Reform in the City of Los Angeles," makes recommendations for tangible improvement.

It is our objective that, "The Case for Minority Business Contracting Reform in the City of Los Angeles," will begin a dialogue with the Mayor's office and ultimately pave the way for minority businesses to continue to play an increasingly vital role in driving Los Angeles' economic recovery.



Regards,

A handwritten signature in black ink that reads "Gene Hale". The signature is fluid and cursive, with the first name "Gene" and last name "Hale" clearly distinguishable.

Gene Hale  
*Chairman*  
*Greater Los Angeles African American*  
*Chamber of Commerce*

# Elected Officials, Business and Community Leaders Support “The Case for Minority Business Contracting Reform in the City of Los Angeles”



“As Supervisor of the Second District which is home to many of the businesses that have suffered greatly in this economy, I commend the Greater African American Chamber of Commerce for their leadership role in presenting a solution to the declining number of local disadvantaged small business firms that participate in the awards of contracts and construction projects with the City of Los Angeles. The recommendations outlined in this

report, present a common sense approach to putting systems in place that will assure that qualified local disadvantaged and minority firms have an opportunity to participate in the City of Los Angeles procurements.

“ ‘The Case for Minority Business Contracting Reform in the City of Los Angeles,’ is a good first step in beginning a dialogue with the Mayor’s office about the declining number of local disadvantaged and minority businesses that have been awarded contracts or subcontracting opportunities on major construction projects. I anticipate that the County of Los Angeles in the near future will follow suit.”

**Supervisor Mark Ridley-Thomas**  
*County of Los Angeles, 2nd District*



“Los Angeles’ economic future depends upon the strength of all segments of the business community – particularly minority firms, which, despite the economy, are growing at a steady pace. These firms will shape our future in critical ways. The Asian Business Association supports the Greater Los Angeles African American Chamber of Commerce in leading the effort to mandate the City of Los Angeles to increase contracts with qualified minority firms through the release of the report, ‘The Case for Minority Business Contracting Reform in the City of Los Angeles.’ ”

**Dennis Huang**  
*Executive Director  
Asian Business Association*



“The Los Angeles Urban League supports the efforts of the Greater Los Angeles African American Chamber of Commerce to open a dialogue with the City of Los Angeles to increase contracts with qualified small businesses and firms owned by minorities and women. The report – ‘The Case for Minority Business Contracting Reform in the City of Los Angeles’ – succinctly sets forth the point that the City must demonstrate a renewed commitment to level the playing field for contract opportunities for minority-owned business. The League stands with GLAAACC in a willingness to work with the City to find practical solutions for contract reform and to put systems in place that will assure qualified minority business are strongly positioned to be awarded City contracts.”

**Blair Taylor**  
*President and CEO  
Los Angeles Urban League*



“Congratulations to the Greater Los Angeles African American Chamber of Commerce on, ‘The Case for Minority Business Contracting Reform in the City of Los Angeles.’ The important focus of the report is a reflection of the Chamber’s strong commitment to opening doors of opportunity to the businesses of our community.

“GLAAACC’s outstanding advocacy has made an important difference in the advancement of minority business enterprise. This is especially significant considering the economic downturn that continues to impact our region.”

**Councilmember Herb Wesson**  
*City of Los Angeles, 10th District*



“The Latino Business Chamber of Greater Los Angeles supports the Greater Los Angeles African American Chamber of Commerce in their effort to work with the City of Los Angeles in reforming the current minority contracting policy. The City’s economy depends upon robust growth among minority-owned firms. ‘The Case for Minority Business Contracting Reform in the City of Los Angeles,’ is a step towards rebuilding the city’s economic base utilizing one of its greatest resources – minority businesses.”

**Jorge C. Corralejo**  
*Chairman and CEO  
Latino Business Chamber of Greater Los Angeles*



“It’s unconscionable for a city as diverse as Los Angeles not to have a meaningful small business program aside from a general good faith effort. ‘The Case for Minority Business Contracting Reform in the City of Los Angeles,’ is a report that is long overdue.

“I fully support GLAAACC in their effort to encourage the City of Los Angeles to implement an effective small business program that will have a meaningful economic impact on the minority businesses of Los Angeles.”

**Danny Bakewell, Sr.**  
*Executive Publisher and CEO  
Los Angeles Sentinel*

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# Executive Summary

The consensus of minority businesses is that the City of Los Angeles' enforcement of their own local small business enterprise policy has neither been effective in sustaining, nor in increasing the level of participation of small and minority firms in the awarding of public contracts. In evaluating the City of Los Angeles' current policy, a case will be made for a more effective approach to help MBEs remain viable and help stimulate the local economic recovery.

The Los Angeles minority-owned business program originated with an Executive Order issued by Mayor Tom Bradley in 1985 and was designed to direct all Los Angeles city agencies to make efforts to do business with minority and women-owned companies in the areas of construction and professional services. In 2001, Mayor Richard Riordan updated it with Executive Order 2001-26 to include anticipated levels of participation for procurement as well.

California's Proposition 209 eliminated state and local government affirmative action programs in the areas of public employment, public education, and public contracting to the extent that these programs involve "preferential treatment" based on race, sex, color, ethnicity, or national origin. In addition, programs that gave preference to women-owned or minority-owned companies on public contracts were also eliminated. Since the passage of Proposition 209, the trend in California has been to make governmental outreach programs race and gender neutral.

The negative impact of Proposition 209 has been devastating in its effect on the number of minority businesses that receive contracts with the City of Los Angeles. In an effort to recycle dollars in the local Los Angeles economy, Mayor Antonio Villaraigosa instructed his administration to modify Executive Order 2001-26 (1B and 1C) to include new small business programs. As of June 2010, no action has been taken to modify or implement a new plan.

We recommend that immediate action be taken to implement a new policy which includes the following:

1. Amend the Mayor's Executive Order Number 2001-26 (1B and 1C) to include the new City of Los Angeles Small Local Disadvantaged Business Enterprise (SLDBE) and Local Service Disabled Veterans Business Enterprise (LSDVBE) programs.
2. Authorize and conduct a Disparity Study for the City of Los Angeles.
3. Appoint a Director of SLDBE, Small Business Compliance. The salary is to be paid by Los Angeles World Airports (LAWA), Department of Water & Power (DWP) and Port of Los Angeles.
4. Amend the City of Los Angeles Small Local Business Advisory Committee. Change the name to the "City of Los Angeles Small Business Commission."

In light of Proposition 209 and other race neutral programs, some cities and public agencies around the country have found creative ways to reach out to minority businesses while complying with state and federal law. Many have conducted disparity studies to demonstrate past discrimination and justify mandated outreach programs for minority and woman-owned firms. Table 1-1 compares the contracting goals and results of California cities and agencies that have conducted disparity studies. From these studies it is evident that, even in a post Proposition 209 era, other cities and government agencies have successfully made diversity in contracting a priority.

With a \$485 million budget deficit, the City of Los Angeles – specifically the Mayor's office - must do all it can to make sure all businesses have an equal opportunity to grow and to contribute to the city's immediate economic recovery. Reforming contracting policies for minority businesses and enforcing those reforms with every city department and agency is a major step towards bridging the budget divide.

## Introduction

This report will evaluate the City of Los Angeles' current policy for awarding contracts to minority businesses. The minority business community is concerned that given the current economic environment in Los Angeles, the shrinking business opportunities, and the stiffening competition for business, the dramatic decline in the percentage of contracts awarded to Small, Minority, Women and Other Business Enterprise (SBE/MBE/WBE/OBE) firms will continue.

In spite of current and previous city administration's strongly stated support for local community and local small business enterprises, which are mainly comprised of minority-owned businesses, MBEs appear to be losing ground. In evaluating the City of Los Angeles' current policy, a case will be made for a more rigorous approach to help MBE's remain viable and help stimulate the local economic recovery.

*“...the City of Los Angeles' enforcement of their own local small business enterprise policy has neither been effective in sustaining, nor in increasing the level of participation of SBE/MBE firms in the awarding of public contracts.”*



## Background

The Los Angeles minority-owned business program originated with an Executive Order issued by Mayor Tom Bradley in 1985 and was designed to direct all Los Angeles city agencies to make efforts to do business with minority and women-owned companies in the areas of construction and personal services. In 2001, Mayor Richard Riordan updated it with Executive Order 2001-26 to include anticipated levels of participation for procurement as well. Once firms are certified by designated city agencies as minority business enterprises (MBEs), they are included in a database from which city agencies, private contractors and others can identify them to participate in city generated business opportunities. When city agencies are contracting for goods and services, most are required to make an effort to include opportunities for certified MBE firms to participate.

## Croson Decision and Proposition 209

Although affirmative action procurement practices were common, they were frequently contested in court. In 1989, the U.S. Supreme Court issued a major ruling on affirmative action programs for public contracting with the City of Richmond v. J.A. Croson Co. The case resulted in two key decisions: (1) the highest level of judicial review should be applied to race-conscious programs; (2) race-conscious programs must be justified by evidence of past discrimination. Then in November 1996, explicit affirmative action procurement goals came to a full halt when voters amended the state constitution with the passage of Proposition 209. This proposition eliminated state and local government affirmative action programs in the areas of public employment, public education, and public contracting to the extent these programs involve “preferential treatment” based on race, sex, color, ethnicity, or national origin. In addition, programs that give preference to women-owned or minority-owned companies on public contracts were also eliminated. Since the passage of Proposition 209, the trend in California has been to make governmental outreach programs race and gender neutral.

The negative impact of Proposition 209 and the Croson decision has been devastating. In an effort to recycle dollars in the local Los Angeles economy, Mayor Antonio Villaraigosa instructed his administration to modify Executive Directive 2001-26 (1B and 1C) to include new small business programs (As of the printing of this report, no modifications have taken place.).

To create a more equitable playing field, many major cities in the United States have adopted minority business enterprise programs as part of their city’s economic development efforts and have sustained such programs over the years. These programs ensure that city departments and construction projects include “mandatory” local small disadvantaged business participation. Participating cities include Washington D.C.; Baltimore, MD; Oakland, CA; Atlanta, GA; and other large diverse communities. Most of these cities have conducted disparity studies to justify establishing and retaining contracting goals for women and ethnic minorities. The City of Los Angeles, one of the most diverse cities in the U.S., has not done a disparity study.



“The City of Los Angeles, one of the most diverse cities in the U.S., has not done a disparity study.”



# Current Contracting Practice in the City of Los Angeles

The City of Los Angeles requires all departments to include the MBE/WBE and OBE subcontractor outreach policy in every Request for Proposals issued. The policy states:

*It is the policy of the City of Los Angeles to provide Minority Business Enterprises (MBEs), Women Business Enterprises (WBEs) and Other Business Enterprises (OBEs) an equal opportunity to participate in the performance of all City contracts. Proposers shall assist the City in implementing this policy by taking all reasonable steps to ensure that all available business enterprises, including local MBEs, WBEs and OBEs, have an equal opportunity to compete for, and participate in, City contracts. As outlined below, the following indicators and point scale will be used to determine the bidders and Proposer's compliance with the Good Faith Effort requirements.*

The policy outlines ten (10) requirements as well as the necessary documentation for those requirements (also referred to as “indicators”) to demonstrate an effort to seek out MBE, WBE, or OBE for subcontracting opportunities. Each indicator is given a point value. The required documentation must be included in the RFP in order for the bidder to receive the minimum 75 out of 100 evaluation points necessary to establish compliance with the Good Faith requirements. Failure to include supporting documentation of good faith efforts and applicable subcontractor outreach with the proposal may render the proposer non-responsive and result in its rejection.

The Los Angeles Office of Affirmative Action Compliance (OAAC) surveyed the City of Los Angeles' Community Business Enterprise (CBE) contracting program. (CBEs are defined as “at least 51% owned by a minority, women, disadvantaged business owner or disabled veteran”). The City of Los Angeles reported that they generally met or exceeded their contract goals; however, the City did not respond to OAAC's request for statistics on their success rate in time to be included in their report.

The OAAC also surveyed 11 other major metropolitan cities and government agencies around the nation. The recommendations for reforming minority businesses contracting in the City of Los Angeles are partly based on statistical success rates of these cities and agencies in regards to contracting with minority, women or disadvantaged businesses.



# Recommendations for Reforming the City of Los Angeles' Minority Contracting Policy

The following recommendations apply to Executive Directive 2001-26 (1B and 1C) and would apply to all city departments, proprietary departments, CRA, boards and commissions, which may by their authority, award construction, commodities and professional service contracts.

The Mayor's Office of Economic Development shall have primary responsibility for coordinating and managing city business development and outreach efforts designed to enhance business opportunities for Small Local Disadvantaged Business Enterprises (SLDBE) and Service Disabled Veterans Business Enterprises (SDVBE).

This report recommends the immediate implementation of the new directive with the following inclusions:

## Recommendation #1

**Amend the Mayor's Executive Order Number 2001-26 (1B and 1C) to include the new City of Los Angeles Small Local Disadvantaged Business Enterprise (SLDBE) and Local Service Disabled Veterans Business Enterprise (LSDVBE) programs.**

The programs are designed to recycle dollars in the local community of Los Angeles and generate revenue for the City of Los Angeles from sales taxes, new licenses, etc.

The recommended SLDBE and LSDBE definitions, goals, certifications and size standards are as follows:

### SLDBE Definition

A company that is at least 51% owned by one or more individuals who are socially and economically disadvantaged and has maintained a branch office in a council district of the City of Los Angeles for at least two years and possesses a business license from the City of Los Angeles.

### SLDBE Goals

Each eligible city agency will spend 35% of its annual goods and services procurement budget with SLDBEs. Additionally, 25% of awarded construction contract dollars shall be subcontracted to SLDBEs. This includes the Community Redevelopment Agency (CRA).

### LSDVBE Definition

As defined by the State of California or U.S. Small Business Administration, and that has maintained a branch office in a council district of the City of Los Angeles for at least two years, and possesses a business license from the City of Los Angeles.

### LSDVBE Goals

All City departments shall spend 8% of their annual budgets with LSDVBEs (5% with LSDVBEs and 3% with Veteran Business Enterprises - VBEs) and 8% of awarded construction contract dollars must be subcontracted to LSDVBEs (5% with LSDVBEs and 3% with VBEs), including CRA.

### Certification

The Bureau of Contract Compliance will be responsible for the issuance of SLDBE and LSDVBE certifications.

### Size Standards

The U.S. Small Business Administration Title 13, Part 121, based on NAICS for revenue or number of employees, shall determine size standards.

### Where It's Working

The city and county of San Francisco's program subcontracting goals are set for contracts based on subcontracting opportunities and availability of LBE contractors. From September 2006 to December 2008, the total percent of awards to LBEs was over 58% which included 20.2% MBEs, 4.5% WBEs.

# Recommendations for Reforming the City of Los Angeles' Minority Contracting Policy

## Recommendation #2

### Authorize a Disparity Study for the City of Los Angeles

According to the County of Los Angeles Report on Community Business Enterprise and Local Small Business Enterprise Programs, courts have generally ruled that before government agencies implement race/gender conscious remedies, the agency must first conduct a "Disparity Study" that factually identifies the discriminatory effects of the agency's contracting policies toward minority and women-owned businesses. These studies determined that M/WBEs were disadvantaged in the area of receiving contract awards. Caltrans, METRO, and the County of Santa Clara's race/gender conscious program elements are in accordance with U.S. Department of Transportation Disadvantaged Business Enterprise requirements and are based on the findings of a disparity study conducted by Caltrans. The City of Los Angeles has yet to commission its own disparity study. We believe, in light of Proposition 209, a disparity study would demonstrate past discrimination in minority contracting practices and justify reforming the City's existing W/MBE contracting policies. .

### Where It's Working

EBMUD conducted a disparity study to justify the contracting goals for women and ethnic minorities. Although East Bay Municipal Utility District (EBMUD) has not achieved its 25% goal for ethnic minority contracts, they did report an annual average of 15% for ethnic minority participation

## Recommendation #3

**Appoint a Director of SLDBE, Small Business Compliance. The salary is to be paid by Los Angeles World Airports (LAWA), Department of Water & Power (DWP) and Port of Los Angeles.**

To reach the goals set forth herein, the General Managers of the respective agencies will be responsible for:

- Developing an annual plan of action to meet the

SLDBE and LSDVBE goals established by the Mayor's office.

- Annual Performance reviews for General Managers will reflect their effectiveness in meeting goals.
- Providing the SLDBE Director a quarterly progress report for reaching goals.
- Submitting a corrective action plan to the SLDBE Director should their department fall short of meeting the goals.

### Where It's Working

The District City Council enacted a new program entitled the Equal Opportunity for Local, Small and Disadvantaged Business Enterprise Act of 1992 (ACT). In accordance with the Act, the LSDBE program must be independently evaluated every three years to: 1) assess the differential costs of awards to LSDBEs; 2) assess the economic outcomes of the program; and 3) to determine the LSDBEs program's strengths and weaknesses and recommend improvements. In 2002, the report indicated that 45% of the agencies had achieved their goal of awarding 50% of the expendable budget to LSDBEs and most had exceeded the 50% goal.





# Recommendations for Reforming the City of Los Angeles' Minority Contracting Policy

## Recommendation #4

**Amend the City of Los Angeles Small Local Business Advisory Committee. Change the name to the City of Los Angeles Small Business Commission.**

The Commission will be composed of seven members:

- Five (5) appointed by the Mayor
- Two (2) appointed by the President of the City Council
- The Mayor will then select the Chairman

### Where It's Working

Oakland has a "Mentor-Protégé" Program to encourage relationships to help build capacity in underutilized service areas. On a case-by-case basis Oakland will allow a 5% preference for Mentor-Protégé teams on construction and professional services contracts. Oakland's L/SLBE Program 2007 statistics indicate they achieved 17% LBE, 48% SLBE and 10% in their apprentice program.

## Conclusion

In light of Proposition 209 and the Croson decision, some cities and agencies around the country have found creative ways to reach out to minority businesses while complying with state and federal law. Many have conducted disparity studies to demonstrate past discrimination and justify mandated outreach programs for minority and woman-owned firms. Table 1-1 to compares the contracting goals and results of California cities and agencies that have conducted disparity studies. The appendix gives detailed information on the full OAAC study. From these studies it is evident that, even in a post Proposition 209 era, other cities and government agencies have successfully made diversity in contracting a priority.

There is little question that small businesses in Los Angeles are "engines of innovation that create new lines of business, new jobs and new ways to drive economic recovery." The most recent U.S. Census Bureau survey of business owners shows that sales and receipts for minority businesses in Los Angeles County exceeded \$81 million. Minority businesses are arguably the fastest growing segment of small business in Los Angeles. With a \$485 million budget deficit, the City of Los Angeles – specifically the Mayor's office - must do all it can to make sure all businesses have an equal opportunity to grow and to contribute to the City's immediate economic recovery. Reforming contracting policies for minority businesses and enforcing those reforms within every city department and agency will be a major step in bridging the budget divide. It will also bring the city closer to the original vision that Mayor Tom Bradley had over 25 years ago for a mutually beneficial economic partnership between minority businesses and the City of Los Angeles.





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# Appendix

## Overview of California Minority Contracting Programs

### City and County of San Francisco, CA

San Francisco's Local Business Enterprise Program (defined as small/local/other economically disadvantaged) concentrates on Local Business Enterprise (LBE) with M/WBEs tracking. The program assists certain financially disadvantaged businesses to increase their ability to compete effectively for San Francisco contracts. Once a business is certified as local, it is entitled to a bid discount or rating bonus on submitted bids.

Goals are established on a contract-by-contract basis based on subcontracting opportunities and availability of LBE contractors. From September 2006 to December 2008 the total percent of awards to LBEs was over 58% which included 20.2% MBEs and 4.5% WBEs. The remaining 33.3% of LBEs were OBEs.

San Francisco reports that a disparity study was conducted.

### East Bay Municipal Utility District (EBMUD), San Francisco, CA

The purpose of EBMUD's program is to enhance equal opportunities for business owners of all races, ethnicities, and genders who are interested in doing business with EBMUD. The Contract Equity Program's (CEP) key components are 1) Ten Good Faith Outreach Efforts; 2) a Small Business Enterprise (SBE) Program; and 3) encouragement of Local Businesses' participation on all contracts. All bidders must document good faith outreach efforts in ten areas.

The contracting objectives are further identified into contracting categories. Each of the categories has a contracting goal for each availability group. For example: White Male and Ethnic Minorities have a contracting goal of 25% for Construction, Professional, and Materials and Supplies. White Female goals are 9%, 6%, and 2% respectively. EBMUD has not achieved its 25% goal for

ethnic minority, reporting an annual average of 15% ethnic minority participation.

Data from EBMUD indicates that a disparity study was conducted to justify the contracting goals for women and ethnic minorities.

### Los Angeles Metropolitan Transportation Authority (LA METRO), CA

METRO has two subcontractor outreach programs. In accordance with U.S. Department of Transportation (DOT) regulations, METRO has a DBE Program that is DBE race/gender neutral and UDBE race/gender conscious component requiring outreach to subcontractors. They also have an SBE program for state and/or locally funded contracts/subcontracts and an M/WBE Voluntary Anticipated Levels of Participation program for state and/or locally funded non-negotiable contracts. Outreach subcontracting requirements are applicable to both prime and subcontractors.

For the period of October 1, 2006 to September 30, 2007, a total of 6.6% of the total dollars were awarded to DBEs (without identifying by race/gender). Additionally, there is a 25% participation goal of certified SBEs and 3% for DVBes for all state funded purchases. In 2006, METRO suspended the use of DBE contract race/gender conscious goals and now only utilizes race/gender –neutral measures to meet its annual goal. METRO has also begun the process to hire a consultant to conduct an independent disparity study to determine if discrimination is present in METRO's transportation construction contracting market. METRO is one of four members of a consortium formed to conduct a regional study, as recommended by the FTA, to reduce costs.

*Source: Office of Affirmative Action Compliance, Survey of Agency Programs.*

# Appendix

## Overview of California Minority Contracting Programs

### City of Oakland, CA

Oakland has Local and Small Local Business Enterprise Program (L/SLBE), which includes outreach to subcontractors. The programs provide economic opportunity to local residents and businesses by supporting local economic development while paying competitive prices for goods and services.

Oakland's program has a 20% minimum participation requirement for all construction contracts over \$100,000 and professional services contracts over \$50,000. All construction contracts below \$100,000 and all professional services contracts below \$50,000 must include outreach to certified local firms so that three local firms are included in the solicitation. The 20% local business participation requirement must be met with minimum participation of 10% of LBE and 10% for SBEs. Program incentives are also applied at the rate of 1% or one preference point for every 10% of contract dollars attributable to certified firms. No more than 5% in bid discounts or five preference points may be earned.

In addition, Oakland has a "Mentor-Protégé" Program to encourage relationships to help build capacity in underutilized service areas. On a case-by-case basis, Oakland will allow a 5% preference for Mentor-Protégé teams on construction and professional services contracts. Oakland's L/SLBE Program 2007 statistics indicate they achieved 17% LBE, 48% SLBE and 10% in their apprentice program.

In 2005, Oakland and its Redevelopment Agency commissioned a Fairness in Purchasing and Contracting Disparity Study to determine if Oakland was actively or passively discriminating. Disparity findings included underutilization of M/WBEs in construction, professional services, and prime contractors.

*Source: Office of Affirmative Action Compliance, Survey of Agency Programs.*

### California Department of Transportation (Caltrans)

Caltrans has a DBE Program with DBE race/gender neutral and UDBE race/gender conscious component which requires outreach to M/WBE subcontractors. This program requires local agencies who receive DOT funding to establish a DBE program.

For the period October 1, 2006 to September 30, 2007, a total of 6.6% of the total dollars were awarded to DBEs (without identifying by race/gender). Additionally, there is a 25% participation goal of certified SBEs and 3% for DVBEs for all state funded purchases.

In 2007, an Availability and Disparity Study was conducted which identified that Caltrans' DBE program did not bring utilization of minority and women-owned firms to the level expected based on relative availability of M/WBEs and was not effective in removing barriers to prime contract opportunities.



# Appendix

## Overview of Minority Contracting Programs Outside of California

### Washington, D.C.

The District has a Certified Business Enterprise Program (CBE) for Local, Small, Disadvantaged and Local Business Enterprise Development and Assistance (LSDBE). The program was set up to develop contract and procurement preference opportunities for District-based businesses.

The District's Small and Local Business Development program has six categories of certifications: Local, Small, Disadvantaged, Resident, Longtime, and Enterprise Zone. Unique to the District is that discretionary spending can be directed to District businesses that support and contribute directly to job creation in the tax base. Each District agency must set aside every contract or procurement of \$100,000 or less for Small Business Enterprises unless the agency determines that there are not at least 2 responsible certified SBEs.

Agencies award preferences as follows: LRB- 10%; SBE – 3%; DBE – 2%; RBO 5%; LBE – 2%; Enterprise Zone – 2%. The District has a 50% overall small business goal for construction, goods and services. To achieve this goal, the District has a bid preference for certified businesses, a set-aside for small businesses, and a set-aside for certified local businesses. Preferences are established from two points to 10 points or 2% to 10% price reduction. In addition, at least 35% of construction dollars will be subcontracted to small businesses. If there are insufficient qualified small businesses to fulfill the requirement, then it may be satisfied by certified businesses. In 2002, the report indicated that 45% of the agencies had achieved their goal of awarding 50% of the expendable budget to LSDBEs and most had exceeded the 50% goal.

### City of Atlanta, GA

Atlanta has an Equal Business Opportunity (EBO) subcontracting, race/gender conscious program. The program is designed to promote opportunities for diverse businesses, including minority and females to compete for contracts as subcontractors or suppliers. Small

Business Enterprise Opportunity (SBEO) is race/gender neutral. The program is designed to raise the consciousness of SBEs about Atlanta's business opportunities and provide information regarding taking advantage of the program benefits. EBO sets its goals on a contract-by-contract basis. M/WBE participation levels are based on the percentage of M/WBEs available in the relevant industries. SBEO set a goal of 25% for each specific prime contract with subcontracting and supplier possibilities.

The Mayor's Office of Contract Compliance contracted for an updated disparity study. Findings of this study were used as the basis to craft new ordinances in support of Atlanta's revised Equal Business Opportunity Program (EBO).

### City of Baltimore, MD

Baltimore has a Minority/Women Business Opportunities (M/WBO) program, which is targeted at local businesses (race/gender conscious). Baltimore's program provides subcontracting opportunities designed to increase the number, magnitude, and the success rate of local M/WBEs in Baltimore's contracting. The programs goals are: Minorities – 27% and female – 10%. A disparity study was conducted in 2007.

### City of Chicago, IL

Chicago has a M/WBE local, race/gender conscious program. The M/WBE programs certifies minority and women business enterprises and employs all lawful means to increase the participation of MBEs and WBEs in City contracting. For DOT projects only, Disadvantaged Business Enterprise (DBE) goals are race neutral. The focus is on contractors who can legitimately qualify as socially and economically disadvantaged business owners.

The contracting goals for minority business is 25% of the contract dollar value and 5 % for women-owned businesses.

A disparity study was conducted and determined that M/WBEs were subject to past discrimination.

*Source: Office of Affirmative Action Compliance, Survey of Agency Programs.*



# Appendix

## City of Los Angeles and Comparisons of California Cities and Government Agencies that have conducted Disparity Studies

Table 1 – 1

City Government Agency	Disparity Study	Goals / Results
Los Angeles, CA	No	<b>Goals</b> – set on a contract by contract basis <b>Results</b> – N/A
City/County of San Francisco	Yes	<b>Goals</b> – set on a contract by contract basis <b>Results</b> – Total % of awards From 9/06 – 12/08: LBEs – over 58% (including 20.2% MBEs 4.5% WBES and 33.3% OBEs)
East Bay Municipal Utility District, CA (SF area)	Yes	<b>Goals</b> – based on availability of all firms in geographic Market areas that are interested in and able to do business with the district. <b>Results</b> – annual avg of 15% ethnic minority participation
City of Oakland, CA	Yes	<b>Goals (L/SBE)</b> – 20% minimum participation requirement for all construction contracts over \$100k and professional services contracts over \$50k; <b>Results (2007)</b> – 17% LBE; 485 SLBE and 10.5% apprentice program
Caltans, CA	Yes	<b>Goals</b> – The Disad Business Program for Federally funded projects is race/gender conscious Underutilized Disadvantaged Business Enterprise (UDBE) and race gender neutral. <b>Results (10/06 – 9/07)</b> – 6.6% of total dollars were awarded to DBEs

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