

WHAT ARE **NEXT STEPS** FOR THE CBI PROGRAM?

- Summary
 - Evidence that disparities exist
 - City can consider continued implementation of CBI Program
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 - Dinner Briefing on November 13, 2017
 - Council vote on November 27, 2017
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PROGRAM HISTORY

MWBD Program (1981 – 2002) <i>Race and gender conscious program</i>	SBO Program (2003 – 2013) <i>Race and gender neutral program</i>	CBI Program (2013 – Present) <i>Hybrid MWSBE program</i>
<ul style="list-style-type: none"> • January 2002: Minority and Woman Business Development (MWBD) Program terminated by City Council in response to a lawsuit challenging its constitutionality. • December 2003: MWBE Disparity Study completed. 	<ul style="list-style-type: none"> • January 2003: City Council adopts race and gender neutral Small Business Opportunity (SBO) Program. • September 2011: MWBE Disparity Study Update completed. 	<ul style="list-style-type: none"> • April 2013: City Council adopts Charlotte Business INclusion (CBI) Policy. • CBI Policy sets both race and gender conscious (MWBE) and race and gender neutral (SBE) goals.

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DISPARITY STUDY TIMELINE

- **March 2016:** City issued request for proposals for disparity study
- **July 2016:** City awarded disparity study contract to BBC Research & Consulting (BBC)
- **2016-2017:** BBC gathered contracting, survey, and interview data from City and local businesses

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LEGAL JUSTIFICATION

In *City of Richmond v. J.A. Croson* (1989), the U.S. Supreme Court articulated an equal protection-based requirement that jurisdictions demonstrate:

- a “compelling governmental interest” in order to justify a race-conscious minority business program (*i.e.*, strict scrutiny); and
- an “important governmental interest” in order to justify a gender conscious women business program (*i.e.*, intermediate scrutiny).

Due to the age of the previous disparity study, the race and gender conscious measures of the Charlotte Business INclusion Policy, including the establishment of MWBE goals, are currently set to expire on December 31, 2017 unless the Council adopts a new study that justifies continued use of race and gender conscious measures.

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OUTLINE

- Background
- Participation
- Availability
- Disparities
- Qualitative evidence
- Conclusions

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BACKGROUND

WHAT IS A **DISPARITY STUDY**?

Study to assess whether minority/woman business enterprises (M/WBEs) face barriers in agency contracting

- Monitor M/WBE participation
- Engage with M/WBE community
- Refine M/WBE programs
- Compliance with legal standards

\$1.8 billion
contracting

- All relevant industries
- Prime and subcontracts
- Goals and no-goals

ARE M/WBES RECEIVING AN **EQUITABLE SHARE** OF CITY CONTRACTING DOLLARS?

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PARTICIPATION

HOW MANY DOLLARS DID M/WBEs RECEIVE?

City Data

- All relevant industries
- Prime and subcontracts
- City-funded contracts*
- 07/01/11– 06/30/16



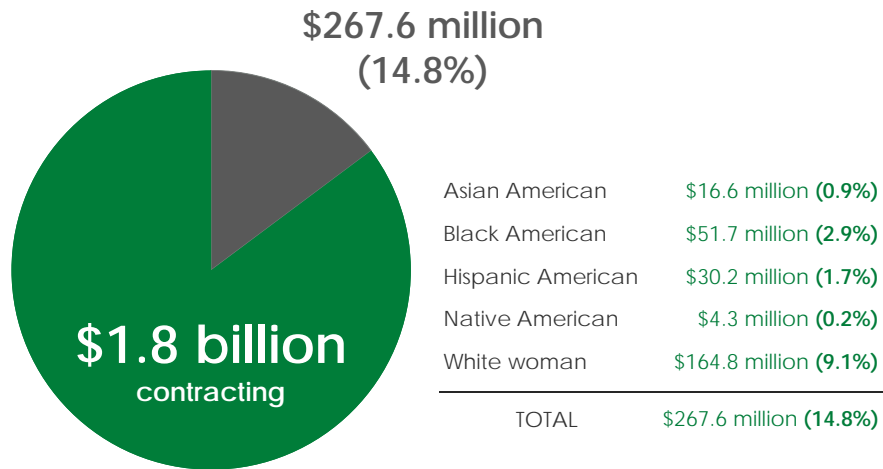
Survey data

- Lines of work
- Race and gender

* Study did not include analysis of federally-funded contracts or state-funded contracts.

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HOW MANY DOLLARS DID M/WBEs RECEIVE?



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AVAILABILITY

HOW MANY DOLLARS **MIGHT** M/WBEs RECEIVE?

City Data

- All relevant industries
- Prime and subcontracts
- City-funded contracts*
- 07/01/11– 06/30/16

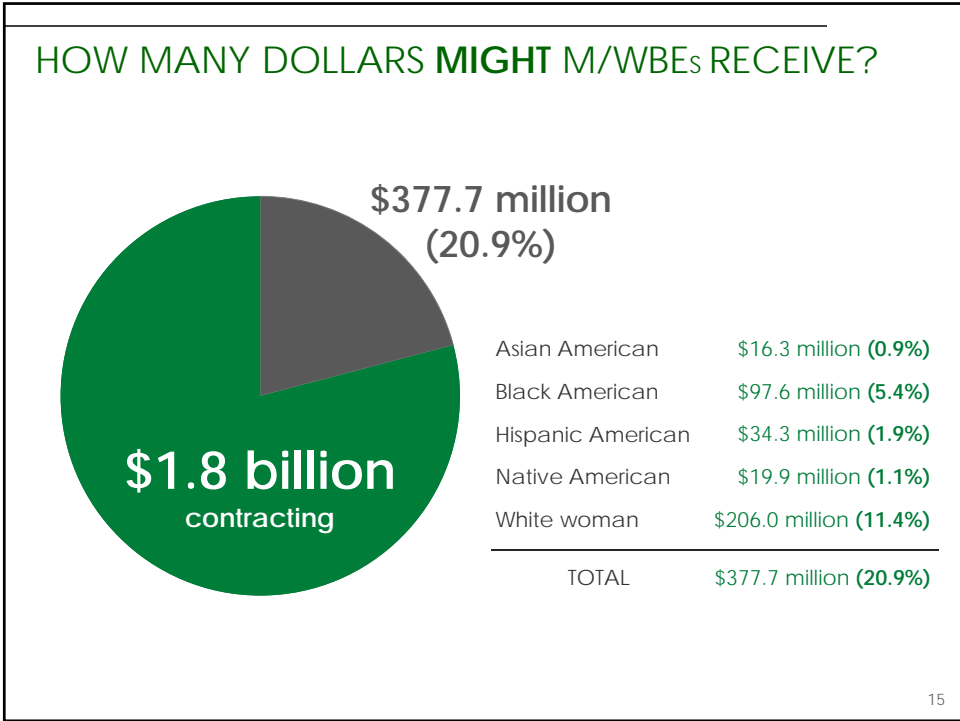
Survey data

- Lines of work
- Vendor role
- Year established
- Relative capacity
- Qualifications and interest
- Race and gender

M/WBE availability

* Study did not include analysis of federally-funded contracts or state-funded contracts.

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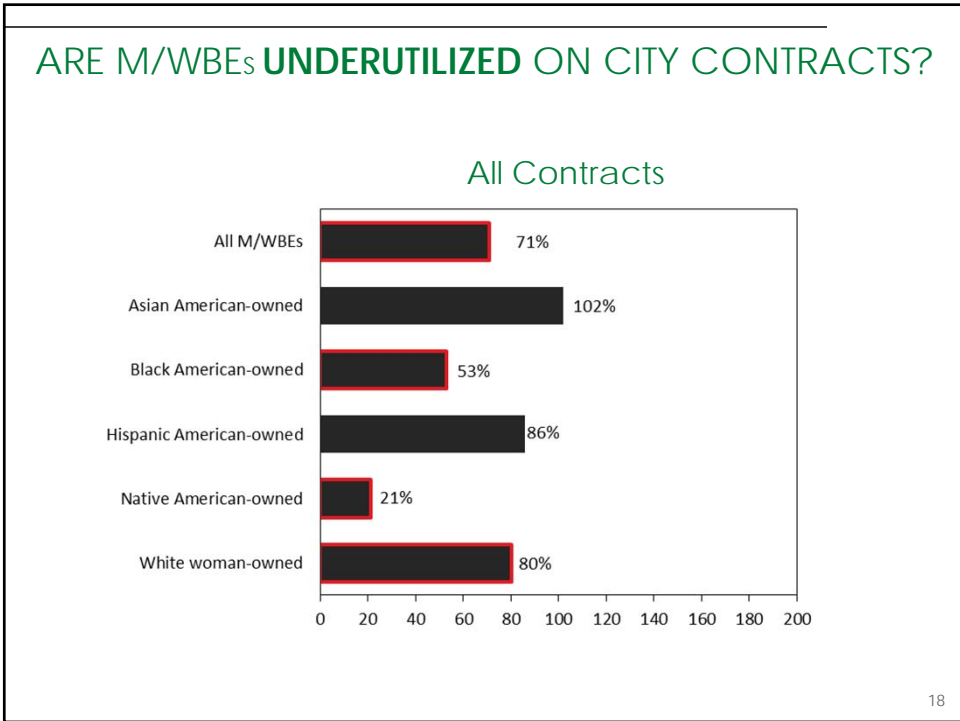
DISPARITIES

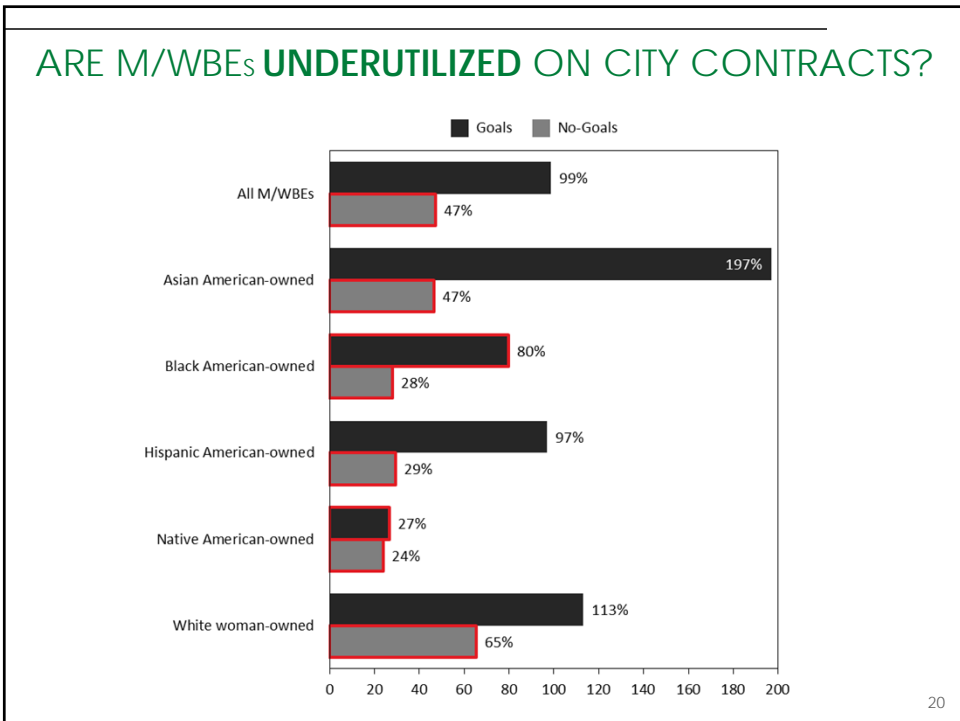
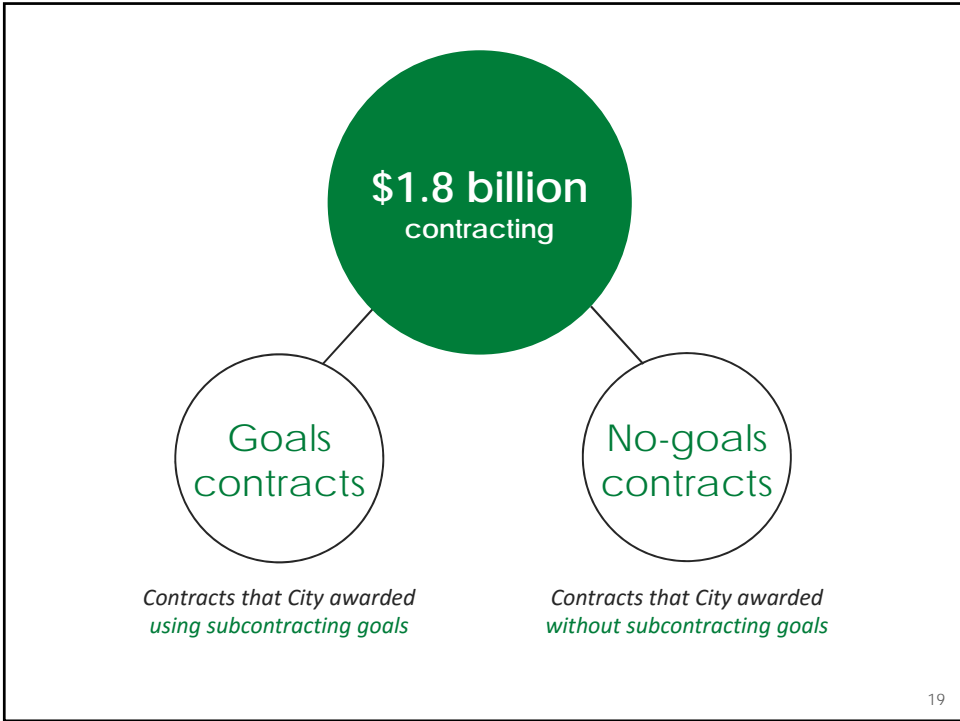
ARE M/WBEs **UNDERUTILIZED** ON CITY CONTRACTS?

$$\frac{\text{Dollars received}}{\text{Dollars available}} = \text{DISPARITY INDEX}$$

80% or less = substantial underutilization

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QUALITATIVE EVIDENCE

IS THERE **QUALITATIVE EVIDENCE** OF BARRIERS?

- In-depth interviews (*20 interviewees*)
- Public meetings (*2 meetings*)
- Telephone surveys (*1,228 surveys*)

IS THERE QUALITATIVE EVIDENCE OF BARRIERS?

- Most M/WBEs said they perform small contracts so contract size can be a barrier
- Many businesses said they do not solicit M/WBEs for bids because of existing relationships
- Several M/WBEs indicated that it is difficult for them to get loans
- Most M/WBEs and other businesses reported that slow payment is a substantial issue
- Some businesses expressed concern that same businesses seem to always win City contracts
- Some M/WBEs reported unfavorable work environments due to race or gender
- Several businesses reported the existence of business networks closed to minorities and women

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CONCLUSIONS

WHAT ARE KEY RESULTS FROM THE STUDY?

- M/WBEs available for 20.9% of City contracting dollars
- Overall, M/WBEs substantially underutilized on City contracts (M/WBE disparity index = 71%)
- Underutilization much worse on contracts City awarded without goals (M/WBE disparity index = 47%)
- Subcontracting goals effective in encouraging M/WBE participation (M/WBE disparity index = 99%)
- Minorities, women, and M/WBEs face various barriers in capital markets, business ownership, etc.
- Anecdotal evidence also suggests many barriers in marketplace for small businesses and M/WBEs

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QUESTIONS