

February 14, 2017

FOR YOUR INFORMATION

To: Mayor and Members of Council
From: Harry Black, City Manager **HB**
Subject: **2016 Year End MBE/WBE Utilization Report**

Background

Per the Disparity Study published in July 2015, the City was proven to have a past pattern of discrimination in contracting specifically related to Minority and Women Owned Businesses (M/WBEs). In response on January 1, 2016, thanks to strong leadership from the Mayor and City Council, the City established a Minority and Women Owned Business Enterprise Program.

Results

The attached MBE/WBE Utilization Report prepared by the Department of Economic Inclusion (DEI) focuses on award data for contracts approved for award by the City Manager's Procurement Review Team during the period January 1 through December 31, 2016.

Combining City procurement and our leveraging of developer commitments, in 2016 the City helped secure \$52.8 million in MBE/WBE commitments, of which \$36.2 million was specifically awarded in 2016 (the balance will be awarded as the projects proceed). I am glad to report the City has made great strides, including already surpassing its MBE goal.

Awards per CMC 324-1

In accordance with Cincinnati Municipal Code (CMC) 324-1, this year the City awarded nearly a quarter, 24.85%, of its outside expenditures with MBE/WBE firms. The total 2016 MBE/WBE award including prime and subcontracting participation was \$27.9 million. Of that amount, \$19.6 million (17.44%) was awarded to MBEs and \$8.3 million (7.41%) was awarded to WBEs across all contract types.

During 2016, total City contract awards of \$112.5 million were approved by the City Manager's Procurement Review Team for award with mandatory inclusion goals and/or to an MBE or WBE prime contractor, or were MSD awards which included City-certified MBE and WBE subcontractors.

Developer Awards

In addition to contracts governed by CMC 324-1, the City works with developers to establish MBE and WBE goal commitments for City-sponsored economic development (construction) contracts that are not subject to mandatory inclusion goals. For these economic development projects, the City engages the developer to voluntarily commit to inclusion goals per project.

To date, City-sponsored economic development projects achieved a developer MBE/WBE commitment of \$24.8 million, with \$8.2 million already awarded in 2016 (\$8.1 million MBE/\$174,950 WBE). The remaining \$16.5 million (\$10.5 million MBE/\$6 million WBE) committed will be awarded this year, providing a significant head start in 2017 versus 2016.

This, when added to the \$27.9 million awarded through the City's 2016 Chapter 324-1, totals \$36.2 million (prime/subcontract) awarded to MBE/WBE firms in 2016. When the remaining 2016 developer commitments are factored in with the 2016 amounts already awarded, the total amount generated in 2016 is \$52.8 million.

When the developer 2017 commitments are factored in with the 2016 amounts awarded, this equals \$52.8 million.

Certified Vendors

In the first year of the MBE/WBE program, through vigorous outreach and engagement activities, the City has registered 205 MBE, MWBE and WBE firms. This is a critical step because without certified vendors able to do the work the success achieved to date will not be sustained.

This year, DEI continues to engage through a number of outreach efforts to encourage businesses to apply for City MBE, and especially WBE certification. Additional detail regarding MBE and WBE awards, certifications, and outreach and capacity building is provided in the attached report.

Conclusion

This success we are realizing is not possible without the continued steadfast support and leadership provided by the Mayor and City Council who have recognized the need to enhance contracting participation for all those wishing to do business with the City and has provided the essential resources needed to implement these programs. I also want to acknowledge the DEI staff, led by Ms. Markiea Carter, who has worked with great dedication to drive these results.

This represents a strong foundation for future success. I am certain that with your continued commitment this only represents the beginning in making Cincinnati a city whose diversity in contracting matches its tremendous diversity in population.

Attachments

February 14, 2017

To: Harry Black, City Manager
From: Markiea L. Carter, Director of Economic Inclusion *MLC*
Copies: Sheila Hill-Christian, Assistant City Manager
Subject: **MBE/WBE Utilization Update- Year Ending 2016**

Attached is the MBE/WBE Utilization Update report as of December 31, 2016. The Minority and Women Business Enterprise Program has been in effect since the beginning of January 1, 2106. The MBE/WBE Utilization Update report focuses on award data for contracts approved for award by the City Manager's Procurement Review Team during the period January 1 through December 31, 2016. Spend data for 2016 will be reported in 2017.

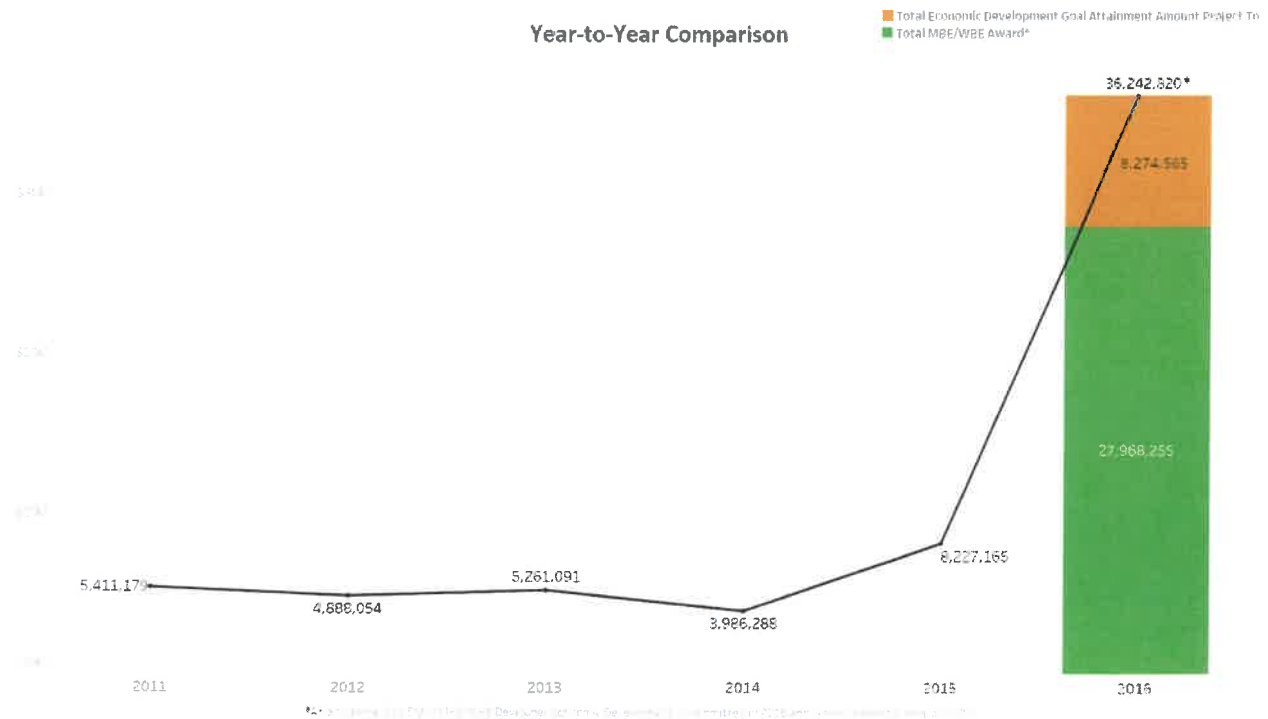
Attachments

MBE/WBE Utilization Update - Year Ending December 31, 2016

I. INTRODUCTION

The ordinance ordaining Cincinnati Municipal Code Chapter 324, "Minority and Women Business Enterprise Program," was passed by City Council on September 30, 2015 and became effective on January 1, 2016. This report focuses on contract award data for the period January 1 through December 31, 2016.

In year one, substantial progress has been made in achieving program goals including a sharp increase in MBE/WBE contracting overall when compared with previous years.



Additionally, in 2016:

- The City awarded nearly a quarter, 24.85%, of outside expenditures with MBE/WBE firms.
- \$36.2 million was awarded to MBE/WBE firms.
- The MBE 17.44% award percentage surpassed the program goal.
- \$8.2 million was awarded to MBE/WBE firms by contractors working on City sponsored economic development projects in 2016. An additional \$16.5 million has been committed for award in 2017.
- The City certified a total of 205 firms as MBE, MWBE or WBE.

While the City’s historical performance has been far surpassed in year one, much work remains. As explained herein the MBE/WBE program, along with the continued implementation of the Mayor’s EAC recommendations and a series of internal procurement process improvements has established a solid foundation leading to immediate improvements and laying the groundwork for even greater success in the coming months and years.

II. AWARDS THROUGH DECEMBER 31, 2016

Effective January 1, 2016, before any contract valued at \$50,000 or more and subject to the requirements of Chapter 324 of the Cincinnati Municipal Code can be let, it must be evaluated by DEI for mandatory MBE and WBE goals. Before an Invitation to Bid (ITB) or Request for Proposal (RFP) is released, DEI sets goals for the project on a contract-by-contract basis, taking into consideration the nature of the work that can be subcontracted and the availability of City-certified MBEs and WBEs to perform that particular work. The overall MBE/WBE participation goals are 17% MBE and 10% WBE for construction, and 14% MBE and 16% WBE for professional services. All inclusion goals are subject to approval by the City Manager’s Procurement Review Team (CMPRT). Once a proposed vendor is selected, the particular contract, and its MBE/WBE goals, must also be approved by the CMPRT. DEI tracks those ITBs, RFPs and contracts that have been approved by the CMPRT with MBE and WBE subcontracting goals or that have been approved by the CMPRT for award to an MBE or WBE prime contractor. Below is the historical data able to be compiled representing the City’s past MBE and WBE spend and award.

	2011 ¹		2012 ¹		2013 ¹		2014 ³		2015 ³		2016 ⁴	
TOTAL	\$5,411,179.00	3.22% ²	\$4,888,054.00	2.66% ²	\$5,261,091.00	3.10% ²	\$3,986,288.18	2.39%	\$8,227,165.41	4.21%	\$27,968,254.65	24.85% ⁵
											\$8,274,565.00 ⁶	
											\$36,242,819.65	2016 Total

¹Data taken from the African American column of the Hamilton County spend table in Attachment II to the Annual Small Business Enterprise (SBE) Report filed with City Council for the year indicated. Ethnicity was determined by voluntary self-reporting.

²In comparison to that year’s total City spend in Hamilton County for the year in each category.

³Reported by DEI in Economic Inclusion 2015 Milestone FYI Memo (January 12, 2016). Ethnicity was determined by voluntary self-reporting

⁴Represents the value of all MBE subcontracting on contracts approved for award by CMPRT, all MBE or MWBE prime awards approved by CMPRT, and the value of all MSD subcontracts on which City-certified MBEs are working. Includes the economic developer inclusion commitments to date.

⁵ In comparison to the total value of all contracts approved by the CMPRT on which MBE or WBE subcontracting goals have been set and/or that have been awarded to MBEs or WBEs and all MSD contracts under which City-certified MBEs or WBEs are working and all development contracts on which MBE and WBE developer inclusion commitments apply.

⁶As determined by reference to subcontractor approval forms submitted to DEI and to prime and subcontractor tracking through VCCS. DEI continues to monitor progress toward attainment of goal commitments, and will continue to report that progress on a quarterly basis. An additional \$16.5M has been committed that will likely be awarded in 2017.

Table 1 provides illustration of the total MBE and WBE contract awards and developer voluntary inclusion commitments as of the end of CY2016. The total approved contract awards to MBEs and WBEs including developer voluntary inclusion commitments through the end of CY2016 was \$36,242,819.65.

During the first year of the MBE/WBE program, contract awards in the total amount of \$112,549,642.68 were approved by the CMPRT for award with mandatory inclusion goals and/or to an MBE or WBE prime contractor, or were MSD awards which included City-certified MBE and WBE subcontractors. Table 2 provides a detailed breakdown, by both contract type and certification type, of the Chapter 324 awards and MSD awards with MBE and WBE participation as of December 31, 2016. In CY2016, the total MBE/WBE award, including both prime and subcontracting participation, was \$27,968,254.65 (24.85% of the total award). Of that amount, \$19,630,369.65 (17.44%) was awarded to MBEs and \$8,337,885.00 (7.41%) was awarded to WBEs across all contract types.

Specifically, MBE/WBE awards in construction totaled \$13,738,114.74 (16.03%). MBEs and WBEs were awarded professional services contracts in the total amount of \$2,682,950.75 (47.30%) and supplies/services contracts valued at \$11,547,189.16 (54.56%).

The significance of those figures is apparent when compared to the City's most recent Disparity Study published July 2015. As stated on Page 3-10, Section F.1 of the study, African Americans received 96 or 6.14% of all construction prime contracts during the study period, representing \$ 5,247,455 or 0.97% of the construction prime contract dollars. In regards to construction subcontracts, Page 4-3, Section B.1 states African Americans received 58 or 4.37% of the City's construction subcontracts during the study period, representing \$4,350,864 or 3.82% of the construction subcontract dollars.

In addition to the contracts governed by Chapter 324, the City continues to work with Developers to establish MBE and WBE goal commitments for City-sponsored economic development (construction) contracts that are not otherwise subject to mandatory inclusion goals. For these economic development projects, the City engages the sponsoring organization developer to voluntarily commit to inclusion goals for a particular project. Thus far, this voluntary approach has proven effective.

Table 3 provides a detailed breakdown by project of economic development subcontract goals and progress toward those goals as of December 31, 2016. A total of \$162,887,173.00 in economic development related projects were applicable in CY2016. The developer subcontract goal commitments totaled \$24,824,796.31 which represents 15.24% of the total. To date, the amount attained totaled \$8,274,565.00 representing 5.08% of the total. While these awards

are not governed by Chapter 324 of the Cincinnati Municipal Code, the developers signed goal sheets which apply MBE and WBE goals to these particular projects. The City is committed to continue working with developers to create opportunities for inclusion on these and future economic development projects.¹ Due to the nature of economic development projects it is expected these numbers will continue to grow.

III. MBE, MWBE, and WBE CERTIFICATION OUTREACH AND CAPACITY BUILDING

As of the end of CY2016, the City had certified a total of 205 MBE, MWBE and WBE firms out of a pool of approximately 12,824 vendors registered to do business with the City. Of those certified firms, 95 are male-owned MBEs, 44 are MWBEs, and 66 are WBEs owned by non-minority (as defined by the CMC) women. Among the MBEs certified as of December 31, 2016, 91 are African American-owned, and 4 are Asian American-owned. Of the MWBEs, 39 are African American-owned and the other 5 are Asian American-owned. Sixty three of the WBEs are Caucasian-owned, 1 is Asian American-owned, and 2 are Hispanic American-owned.

A total of 123 of the firms certified as MBEs, MWBEs, and WBEs under Chapter 324 of the Municipal Code (60%) are also certified under the Small Business Enterprise Program of Chapter 323. There were 259 firms certified as SBEs under Chapter 323 at year end, 51 (19.69%) of which also were certified as MBEs, 22 (8.49%) of which were MWBEs, and 50 (19.31%) of which were WBEs.

Given the ability to set mandatory MBE and WBE goals on a contract is directly related to the number of City-certified firms capable of performing work on that contract, DEI has engaged in a number of outreach efforts to encourage eligible businesses to apply for certification and to help build the capacity of those businesses to perform on City contracts. DEI established a Business Training Center offering classes designed to help small, minority and women owned businesses grow and operate more efficiently. A total of 19 firms certified by the City as MBEs, MWBEs, or WBEs attended those trainings during the 2016/2017 fall and spring semesters. More than 40 firms registered for the fall 2016/2017 semester, and there are 26 firms currently registered for the spring semester, which began on January 10, 2017, 11 of which are either certified or in the process of being evaluated for certification.

In its first year, DEI conducted 3 separate full-day certification campaigns. The “Race for the MBE” and “Race for the WBE” events conducted in January and April were targeted toward those firms eligible for MBE and WBE certification, respectively. Each member of the DEI staff dedicated an entire day for each “Race” event to one-on-one appointments with firms seeking

¹ These goal commitments are voluntary as the projects to which they have been applied are outside the scope of Chapter 324.

certification to assist them with completing the application process. Concurrent with those events, DEI had representatives from the State of Ohio on-site to answer questions for participants about doing business with the State of Ohio and state certifications. Most recently, on October 26, DEI staff conducted another certification day at CMHA to assist MBE-eligible Section 3 businesses in the same manner in order to position them to take advantage of upcoming community development construction opportunities in both public and private sector construction projects.

DEI partnered with ODOT and the Ohio Minority Business Assistance Center as hosts of Construction Summit 2016 on March 9 to increase opportunities for minorities in construction, provide information on certification, and to create an environment where MBEs and SBEs could network with large primes about possible future business opportunities. DEI leadership and staff have also made presentations to and served as panelists on events sponsored by various organizations interested in inclusion, including but not limited to the African-American Chamber Exchange, the Woman’s City Club of Cincinnati, the Hispanic Chamber of Commerce, and the Lexington Bluegrass Area Minority Business Expo.

As part of its effort to give small, minority-owned and women-owned businesses a competitive “green” advantage, DEI offers a sustainability program through which those firms can earn an Advanced Sustainability Education Certificate and/or SEMSTM™ Certification. Ten businesses were recognized at the 2016 Midwest Regional Sustainability Conference as SEMSTM-certified businesses, 4 of which were MBE, MWBE or WBE. Fifteen additional businesses, 6 of which were either currently certified or had certification applications pending at the time, were recognized for their progress toward SEMSTM certification, and one MWBE received a special award as Emerging Sustainable Supplier of the Year for its sustainability impact. Since that time, 6 additional MBEs, MWBEs and WBEs have achieved SEMSTM certification. Currently there are 4 minority male-owned businesses, 2 minority female-owned businesses, and 2 non-minority female-owned business working to achieve SEMSTM certification. Of the 216 attendees at the first sustainability webinar series program, “Building for the Future,” 125 of them were minority- and/or women-owned firms.

IV. CY2016 MBE/WBE SPEND

In that the nature of public procurement is such that there is an inevitable, and sometimes significant, lag between approval of contracts for solicitation, approval of award to a particular vendor, and the ultimate confirmation of payments received by subcontractors after work has begun. Much of the spend on awards may not occur until the following year. For multi-year contracts, that spend will be captured over a period of years.

The VCCS system that tracks City payments to prime contractors and prime contractor payments to subcontractors allows prime contractors until the 15th of January to report payments made to their subcontractors in the month of December. Those subcontractors are then given a window of 30 days in which to confirm receipt of those payments. After the reporting period for December is closed, DEI will prepare a CY2016 MBE/WBE spend report.

V. REPORTING

With recent leadership changes within DEI, staff have and will continue to review all data tracking, monitoring and reporting practices in order to ensure accuracy and comprehensiveness. This report begins to reflect these efforts.

VI. CONCLUSION

This report provides a snapshot view of how the City is progressing toward reaching its annual MBE and WBE goals. The information gathered will be used to inform the strategy going forward. None of this work is possible without the continued strong commitment and leadership provided by the Mayor, City Council and City Manager.

VII. DEFINITIONS

For purposes of this report, key terms are defined by the Department of Economic Inclusion (DEI) as follows:

“Award” means contracts approved by the City Manager’s Procurement Review Team (CMPRT) for award to a particular vendor in accordance with Administrative Regulation 62, and on which either MBE and WBE subcontracting goals have been set or for which prime awards have been made to an MBE or WBE.

“MBE” means a business that has been certified by the City of Cincinnati as a minority business enterprise, as that term is defined by CMC § 324-1-M. Based on the results of the City’s most recent disparity study, only African American-owned firms and Asian American-owned firms are eligible for MBE certification, but Asian American-owned firms may be certified only for non-professional services and supplies. Under Chapter 324, MBEs may be male-owned or female-owned. However, for purposes of certification data tracking, DEI designates female-owned MBEs as MWBEs.

“MWBE” means a business that has been certified by the City of Cincinnati as both a minority business enterprise and as a women business enterprise, as each is defined by CMC § 324-1-M and CMC § 324-1-W1, respectively. Based on the results of the City’s most recent disparity study, only African American-owned firms and Asian American-owned firms are eligible for MWBE certification, but Asian American-owned firms may be certified only for

construction and for non-professional services and supplies. Firms certified as MWBEs may be counted either toward the MBE goal or toward the WBE goal on a contract; they may not be counted toward both on the same contract.

“WBE” means a business that has been certified by the City of Cincinnati as a women business enterprise, as that term is defined by CMC § 324-1-W1.

Table 1

MBE/WBE Approved Contract Award Amounts (Chapter 324 and Includes MSD) & Developer Voluntary Inclusion Commitment Summary

January 1 - December 31, 2016

Approved Contract Award Amounts - All Projects & All Contract Types					
Type of Award	MBE Award*		WBE Award*		Total Award**
Award Amount	\$19,630,369.65	17.44%	\$8,337,885.00	7.41%	\$112,549,642.68
			\$27,968,254.65	24.85%	
Developer Voluntary Inclusion Commitment					
	MBE		WBE		Total MBE/WBE ***
Economic Development Goal Attainment Amount Project To Date	\$8,099,615.00		\$174,950.00		\$8,274,565.00
Combined Total MBE/WBE Award					
					Total MBE/WBE Award*
					\$27,968,254.65
					Total Economic Development Goal Attainment Amount Project To Date***
					\$8,274,565.00
					Total
					\$36,242,819.65
Economic Development Projects Subcontract Commitments Made in 2016 and Anticipated to be Realized in 2017					
\$16,550,231.31					

*This includes Chapter 324 subcontract awards and MBE/WBE prime contract awards approved by the CMPRT as well as the amount of MBE or WBE subcontracting on MSD awards.

**"Total Award" includes the total value of those contracts approved by the CMPRT for award to a particular vendor, in accordance with Administrative Regulation 62, and or which either MBE and WBE subcontracting goals have been set or for which prime awards have been made to an MBE or WBE, and those MSD contracts which include City-certified MBE and WBE subcontractors.

***As determined by reference to subcontractor approval forms submitted to DEI and to prime and subcontractor tracking through VCCS. DEI continues to monitor progress toward attainment of goal commitments, and will continue to report that progress on a quarterly basis. Due to the dynamics of economic development projects start-up, the bulk of these realized goals will be attained in future years. The total Developer Voluntary Inclusion Commitment is \$24.8 M. Another \$16.5M was committed by Developers in 2016 that we expect to be attained in 2017.

MBE/WBE Approved Contract Award Amounts (Chapter 324) By Contract Category Type

January 1 - December 31, 2016 (Includes MSD)

Category	MBE/WBE Approved Award Amounts - By Contract Type					Total Award*
	MBE Award	WBE Award	MBE/WBE Award	MBE/WBE Award	MBE/WBE Award	
Construction	\$11,616,406.61	\$2,121,708.13	\$13,738,114.74	13.55%	2.48%	\$85,714,039.15
Professional Services***	\$2,377,754.15	\$305,196.60	\$2,682,950.75	41.92%	5.38%	\$5,672,444.56
Supplies/Services**	\$5,636,208.89	\$5,910,980.27	\$11,547,189.16	26.63%	27.93%	\$21,163,158.97
Total	\$19,630,369.65	\$8,337,885.00	\$27,968,254.65	17.44%	7.41%	\$112,549,642.68

*"Total Award" includes those contracts approved by the PRC for award to a particular vendor, in accordance with Administrative Regulation 62, and on which either MBE and WBE subcontracting goals have been set or for which prime awards have been made to an MBE or WBE, and those MSD contracts which include City-certified MBE and WBE subcontractors.

** Includes 5 MBE Prime Awards and 3 WBE Prime Awards.

*** Includes 2 MBE Prime Awards and 1 WBE Prime Award.

MBE/WBE Subcontractor Goal Commitments Not Otherwise Subject to Mandatory Inclusion Goals (City-Sponsored Economic Development-Construction) By Project

January 1 - December 31, 2016

Project	Estimated Project Value	Developer	MBE/WBE Goal Commitments- Not Subject to Mandatory Inclusion Goals			Subcontract Goal Attainment (To Date)**	
			Developer Subcontract Goal Commitment*	Developer Subcontract Goal	Subcontract Goal Attainment (To Date)**		
4th & Race Garage Redevelopment	\$28,805,436.00	Fourth and Race Redevelopment LLC	MBE	\$4,896,924.12	17.00%	\$356,900.00	1.24%
			WBE	\$1,440,271.80	5.00%	\$174,950.00	0.61%
4th & Race Residential***	\$41,743,004.00	Flaherty & Collins Properties, Inc.	MBE	\$6,261,450.60	15.00%	\$0.00	0.00%
			WBE	\$2,087,150.20	5.00%	\$0.00	0.00%
Music Hall Revitalization	\$82,180,324.00	Music Hall Revitalization Company	MBE	\$5,752,622.68	7.00%	\$4,825,568.00	5.87%
			WBE	\$1,643,606.48	2.00%	\$0.00	0.00%
Ziegler Park Redevelopment	\$10,158,409.00	Ziegler Park, LLC	MBE	\$1,726,929.53	17.00%	\$2,917,147.00	28.72%
			WBE	\$1,015,840.90	10.00%	\$0.00	0.00%
TOTAL	\$162,887,173.00		MBE/WBE	\$24,824,796.31	15.24%	\$8,274,565.00	5.08%

*As determined by reference to DEI goal sheets signed by developers.

**As determined by reference to subcontractor approval forms submitted to DEI and to prime and subcontractor tracking through VCCS. DEI continues to monitor progress toward attainment of goal commitments, and will continue to report that progress on a quarterly basis. Another \$16.5M was committed by Developers in 2016 that we expect to be attained in 2017.

***This project has not yet begun.