

Disparity Study: Final Presentation



Acknowledgements

Miller³ Consulting, Inc acknowledges the leadership and
commitment of

City of Knoxville

The Mayor's Office

Purchasing Department

Small Business & Diversity Outreach Office

Along with:

Finance Department

Information Systems

Operational Departments

In participating in the Disparity Study process in the best
interest of those whom they serve.





Outline of Presentation

- 01 Approach and Methodology
- 02 Statistical Findings
- 03 Qualitative Findings
- 04 Recommendations



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Southern Solutions
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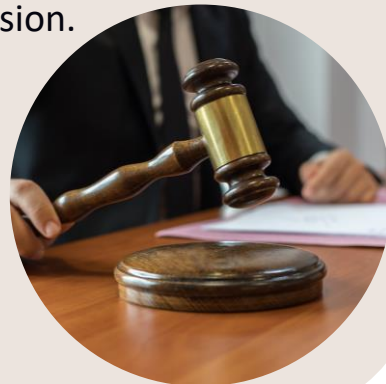


Approach and Methodology: 10-part methodology

What is a Disparity Study?

A Disparity Study is a type of research study that is designed to assess whether there are disparities, or differences, in the participation rates and opportunities for various groups in a particular program or industry.

The goal of a disparity study is to identify any barriers or obstacles that may be preventing certain groups from participating fully, and to develop strategies to promote greater diversity and inclusion.



Richmond v. Croson

Compelling governmental interest provides a factual predicate for an MWBE/DBE program

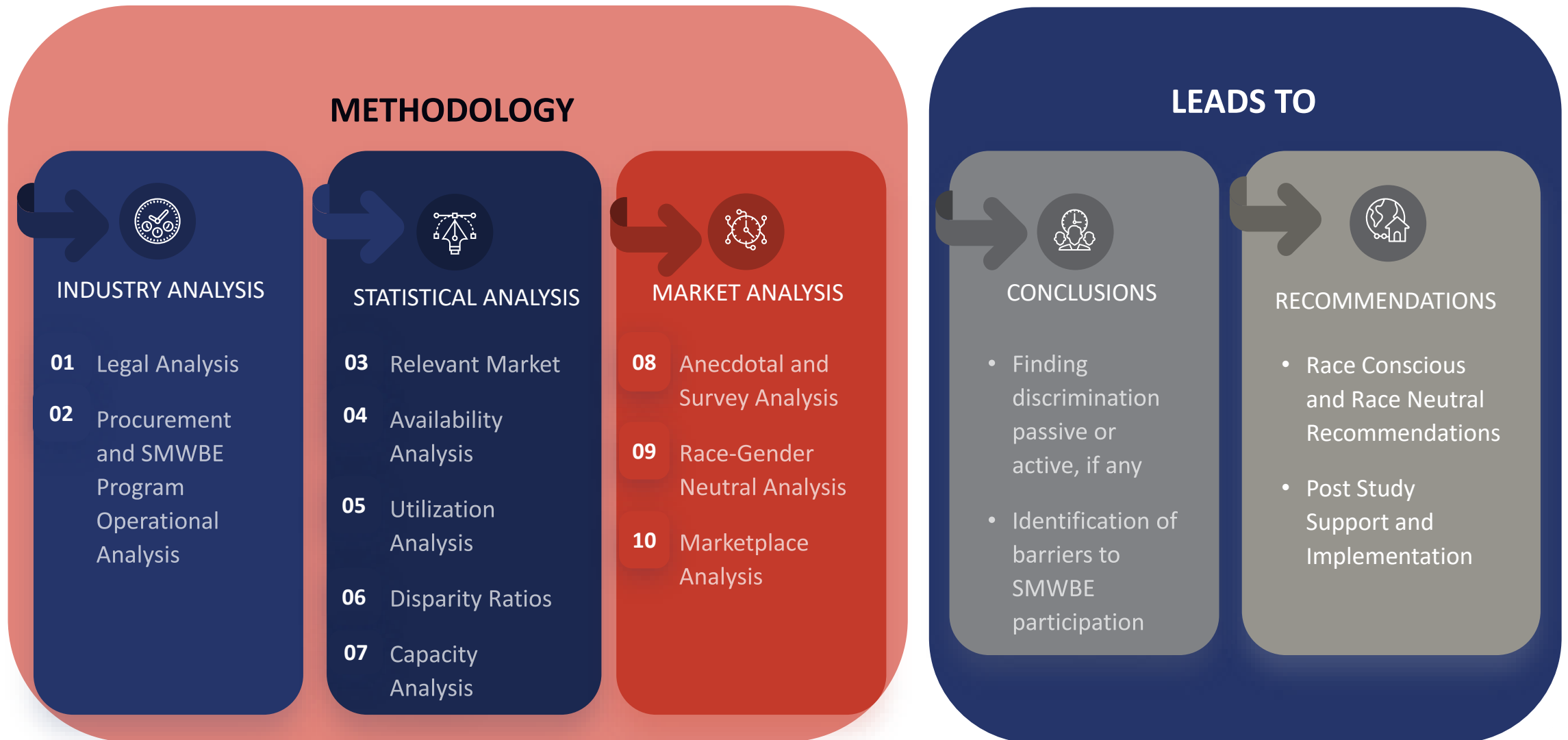
- Active participant in discrimination
- Passive participant in discrimination

Narrow Tailoring -- program must be focused on remedy to identified discrimination

Takeaways:

- A means to eliminate discrimination against minority and women owned business enterprises (M/WBE) with respect to contracting activities
- A means to legally develop preference programs or set-aside for the impacted demographic group
 - One “tool”
 - Policy Improvements
 - Oversight/Performance/Testing
 - Sunset

M³ Consulting's 10 Part Methodology



Overview of Findings



Procurement Type Allocation

Absence of commodity and NAICS codes; inability of the city of query key information; procurement process not upheld



Data Collection

Inability to enforce requirements as it relates to forms resulting in incomplete data; difficulty developing a robust dataset



Relevant Market

The relevant market is consistent with expectations except for non-professional services which is nationwide



Personnel Concerns

Shortages caused overlap in responsibilities of duties; under-resourcing impacts the city's ability to adequately support vendor community



Anecdotal

The perception of an inability to break into business community impacts current M/WBE participation with the City



MWBE Access to Capital

Difficulty in accessing financial capital to promote and enhance MWBE business readiness to pursue opportunities



Statistical Findings

for Architecture & Engineering, Construction,
Non-Professional Services, Professional Services, and Goods & Supplies

Relevant Market Findings

Availability Findings

Utilization Findings

Disparity Findings

Note: Observations Reflect The Study Period Of FY 2017 Through FY 2021.

Relevant Market Determination FY 2017-FY 2021

Procurement Type	City	~MSA	State	Nationwide
Architecture & Engineering*	✓			
Construction**		✓		
Professional Services*			✓	
Non-Professional Services*				✓
Goods & Supplies*				✓

Relevant Market defined as the area where 70-75% of the vendors utilized are located

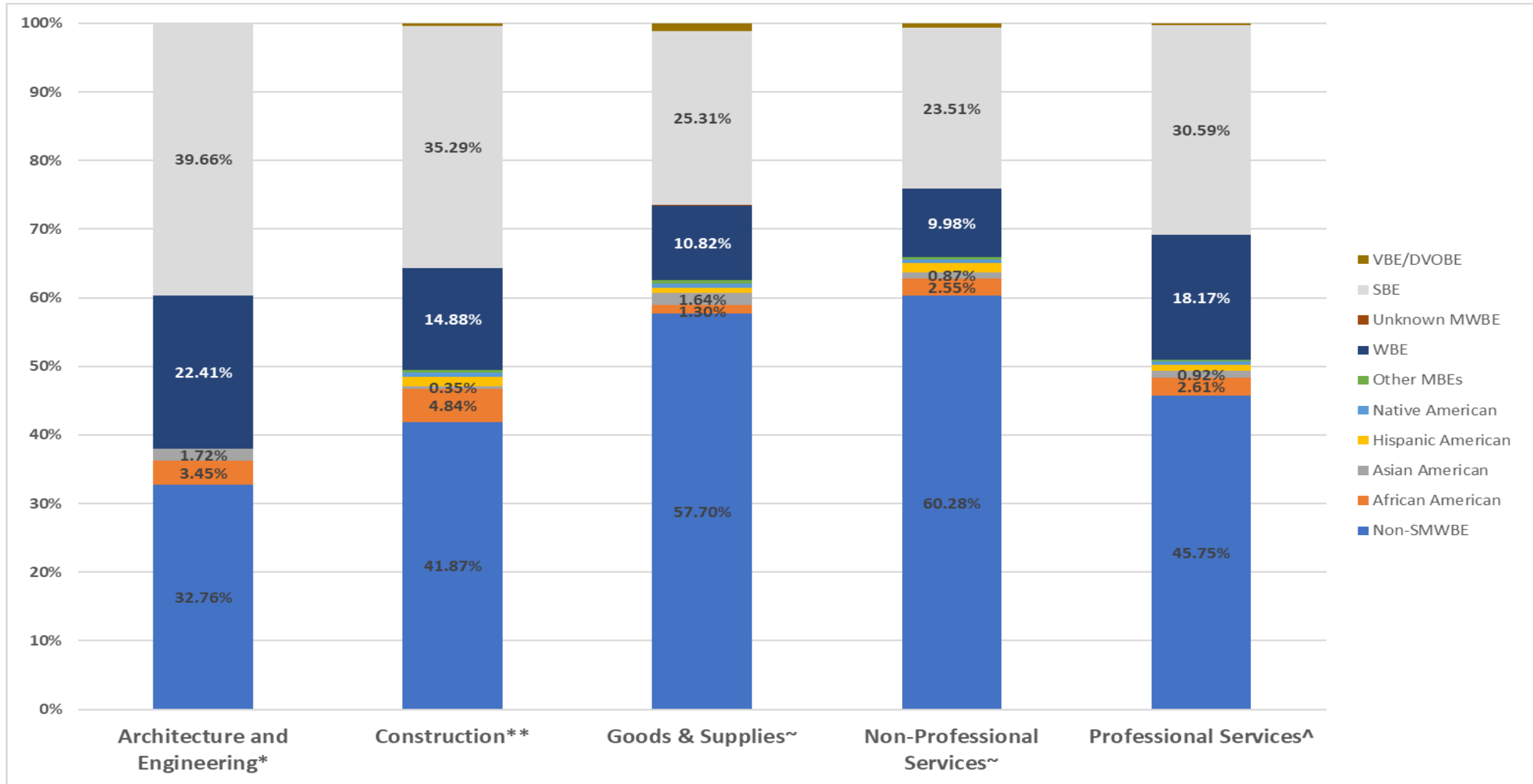
* Purchase Order data used as utilization measure

**Payment data used as utilization measure

MSA – Metropolitan Statistical Area

~For Census purposes the Knoxville MSA was defined to consist of the following 9 counties: Anderson, Blount, Campbell, Grainger, Knox, Loudon, Morgan, Roane and Union Counties.

Level 2 RWASM Availability by Relevant Market



Source: Miller³ Consulting, City of Knoxville's Contract awards data, PO data and AP data for FY 2017-2021

*Relevant Market – City

**Relevant Market – MSA

~Relevant Market – Nationwide

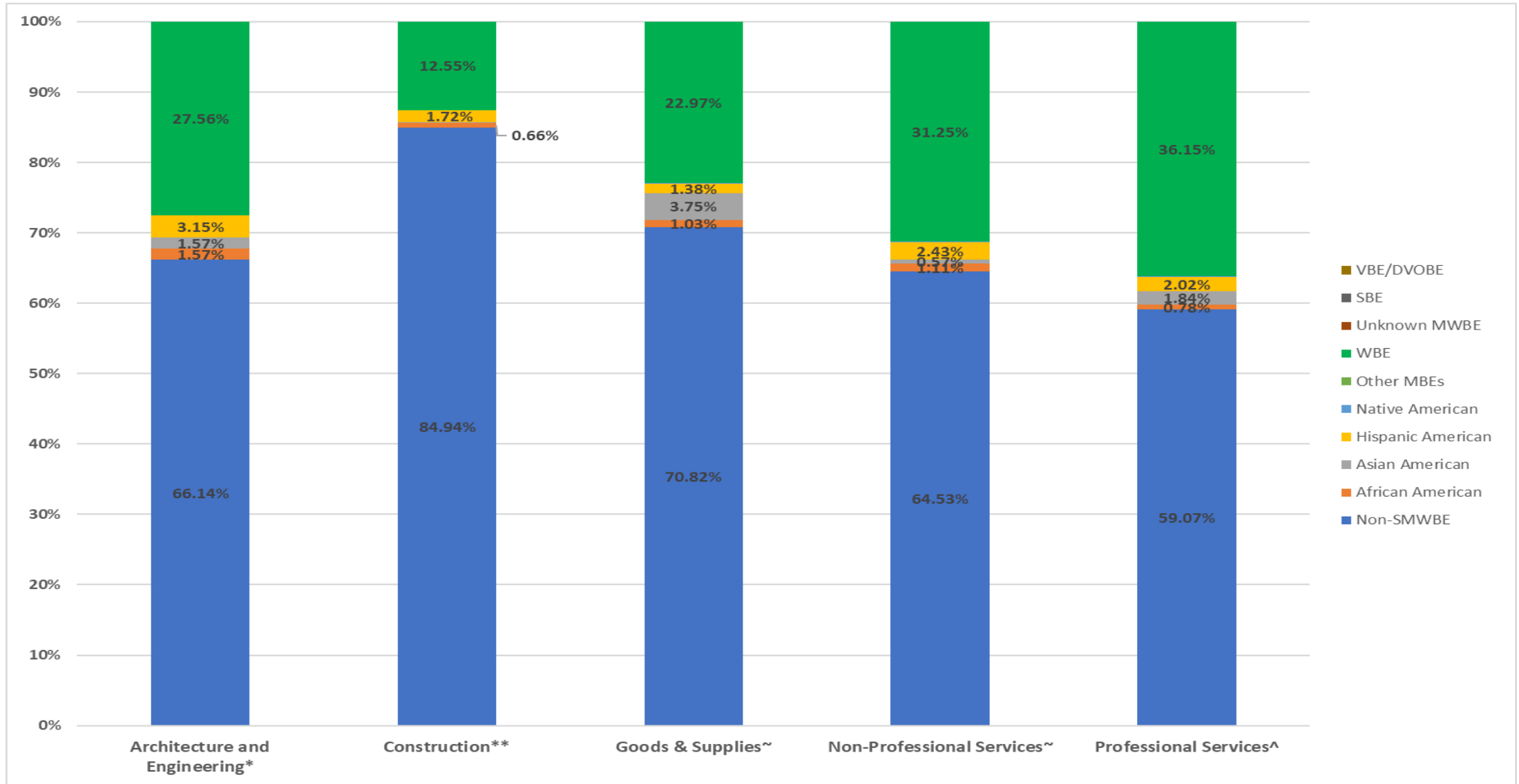
^Relevant Market - State

Takeaways: Level 2 RWASM Availability by Relevant Market

- There is a small footprint of minorities in A&E
- Higher availability of SBEs compared with MWBEs across all procurement types
- Higher availability of WBEs compared to all MBEs combined
- Nationwide, MWBEs account for 15.73% of which 10.47% are WBEs; SBEs represent 22.78%. Total SMWBE is around 40% across all procurement categories
- WBEs take up over 50% of MWBEs across all procurement categories



Marketplace Availability by Relevant Market



Source: Miller³ Consulting, Data Axle data

*Relevant Market – City

**Relevant Market – MSA

~Relevant Market – Nationwide

^Relevant Market - State

M³ Takeaways: Marketplace Availability by Relevant Market

- Marketplace still shows a lack of adequate minority representation in A&E
- Consistent with RWASM, there is higher availability of WBEs compared with MBEs with WBEs more than tripling MBE availability across all procurement types
- Nationwide, MWBEs account for 33.45% of which 28.81% are WBEs
- For both RWASM and Marketplace Availability, WBEs consistently dwarf MBE availability



Utilization Analysis

01

Procurement categories

02

Race, gender and ethnicity

03

Relevant market

04

Prime and subcontractor utilization (where possible)

05

Competitive and non-competitive thresholds



Utilization Analysis

Definition

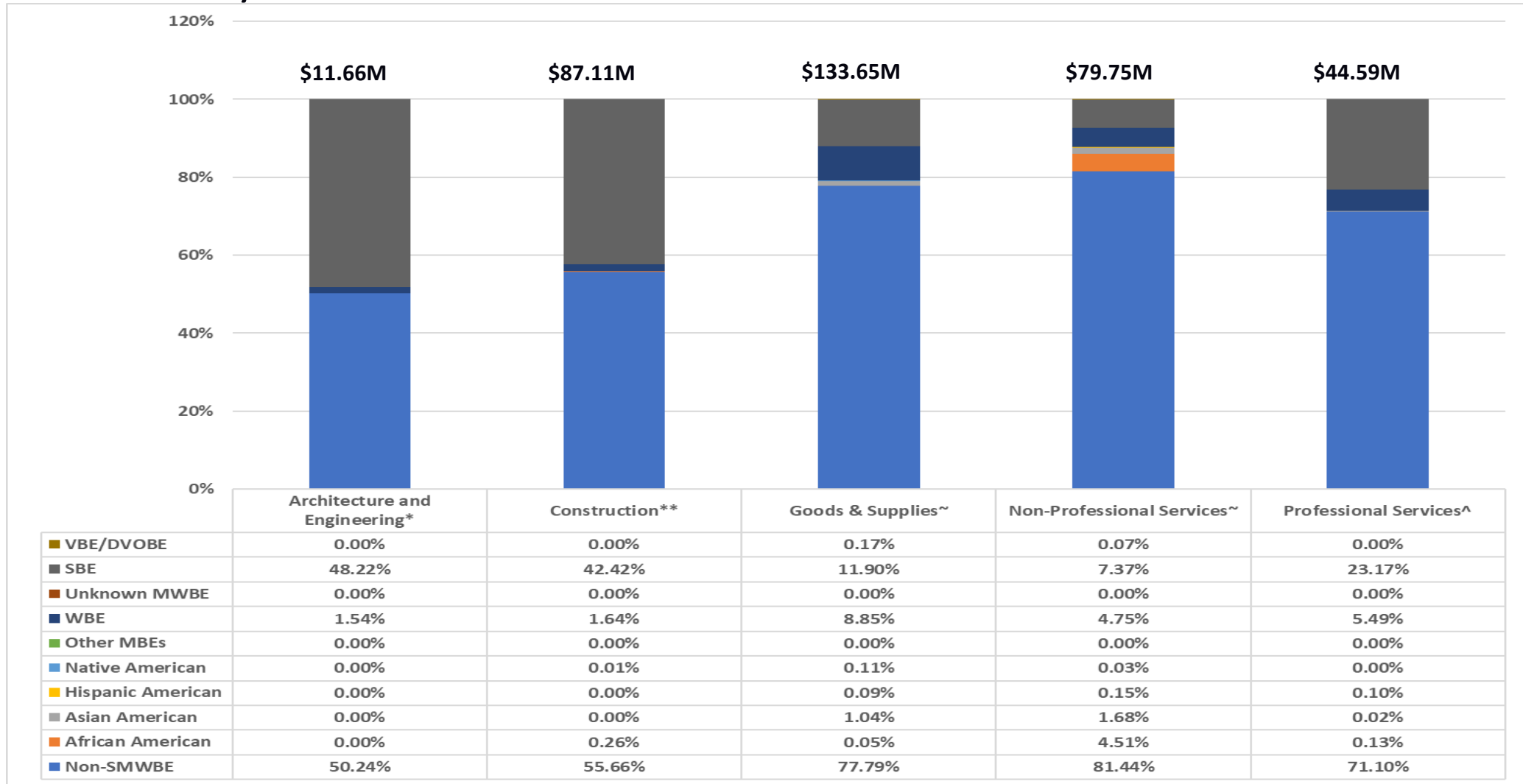
The actual procurement award or purchasing activity of The City of Knoxville.

Data Sources Reviewed and Analyzed

Architecture & Engineering	Contract Awards	Purchase Orders*	Payments
Construction	Contract Awards	Purchase Orders	Payments*
Professional Services	Contract Awards	Purchase Orders*	Payments
Non-Professional Services	Contract Awards	Purchase Orders*	Payments
Goods & Supplies	Contract Awards	Purchase Orders*	Payments

*Indicates the dataset used for disparity ratio computations

Utilization by Relevant Market



Source: Miller³ Consulting, City of Knoxville's Contract awards data, PO data and AP data for FY 2017-2021

*PO Data, Relevant Market – City

**AP Data, Relevant Market – MSA

~PO Data, Relevant Market – Nationwide

^PO Data, Relevant Market - State



Takeaways: Utilization by Relevant Market

- Except for Non-Professional Services, MBE utilization does not reach 5%
- Total minority utilization in A&E, Construction and Professional Services is below 1%
- SBE utilization is substantial except in Non-Professional Services
- MWBEs were better utilized in Non-Professional Services than SBEs



Utilization Analysis – Top 10 Non-Commercial Vendors (Payments)

Vendor Name	Amount (\$)	% of Total Utilization*
Public Building Authority	55,000,397	10.47
Knoxville's Community Development	22,659,732	4.31
Knoxville-Knox County Community	12,259,196	3.85
Knoxville Zoological Gardens	12,161,587	2.33
Knoxville Utilities Board	8,017,108	2.32
Knoxville/Knox County Planning	3,906,422	1.53
Neighborhood Housing, Inc.	1,760,047	0.74
Volunteer Ministry Center, Inc	1,522,730	0.34
Tennessee Association of Chiefs	661,776	0.29
East Tennessee Housing	584,508	0.13
Subtotal for Top Ten	\$118,533,503	26.00
TOTAL FY 17-21	\$525,185,818	100.00

Takeaways:

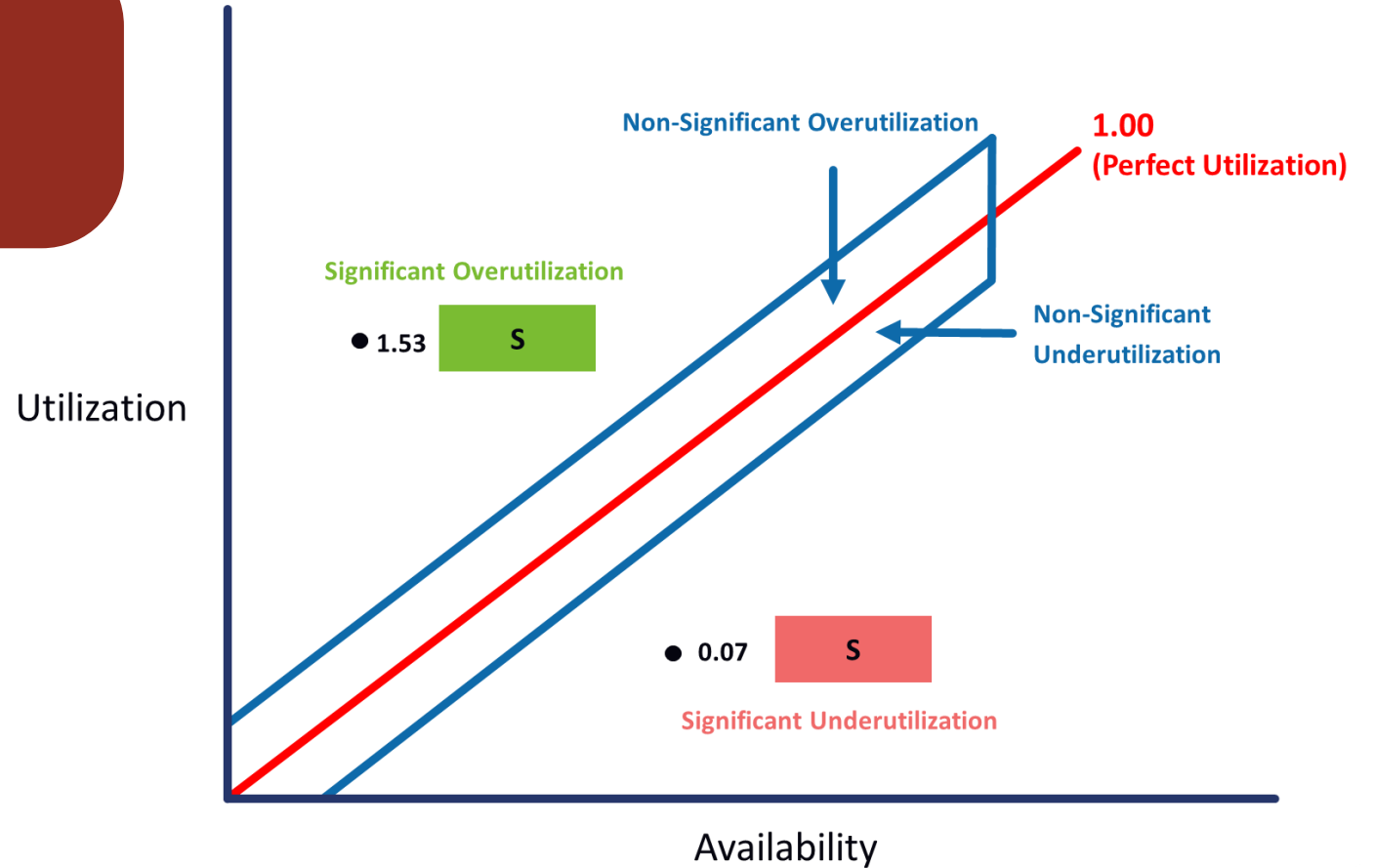
- Opportunity areas are available to have grant fund recipients to share in the responsibility of inclusion.
- The City, where possible, should implement its DBE program with the recipients of grants to increase participation of MWBEs

M³ Consulting Disparity Ratio[©] Calculation & Concept

Definition

The ratio of the percentage of M/WBEs in the market (availability) compared to the percentage of dollars spent with those businesses (utilization).

$$D = \frac{U}{A}$$



City of Knoxville Disparity Findings Based on Utilization and Level 2 RWASM

(by Relevant Market and Percent, FY 2017 - FY 2021)

Inference of Discrimination Based on Findings of Statistically Significant Disparity By Race/Ethnicity/Gender By Procurement Type					
Race/Ethnicity	Architecture & Engineering (Purchase Orders)	Construction (Payments)	Non-Professional Services (Purchase Orders)	Professional Services (Purchase Orders)	Goods & Supplies (Purchase Orders)
African American	Underutilization	Significant Underutilization*	Significant Overutilization*	Significant Underutilization*	Significant Underutilization*
Asian American	Underutilization	Significant Underutilization*	Significant Overutilization*	Underutilization	Significant Underutilization*
Hispanic American	ND	Significant Underutilization*	Significant Underutilization*	Underutilization	Significant Underutilization*
Native American	ND	Significant Underutilization*	Underutilization	Underutilization	Significant Underutilization*
WBE	Significant Underutilization*	Significant Underutilization*	Significant Underutilization*	Significant Underutilization*	Significant Underutilization*

Source: Source: Miller³ Consulting, City of Knoxville's Contract awards data, PO data and AP data for FY 2017-2021

*Statistically Significant

Red–Significant Underutilization

Green – Significant Overutilization

Unshaded – Non-Significant Underutilization

ND – Not Determined (Zero Availability)

S Significant Underutilization

S Significant Overutilization



Qualitative Findings

Procurement
Anecdotal
Race Neutral



Procurement Findings

Observations Impacting S/MOB/WOB/DBE Participation in City of Knoxville's Procurement System During FY 2017 - FY 2021

- Substantial grant funding to organizations without DBE policy requirements (Attainment Opportunity Cost)
- Resource deficits negatively impact post-award contract monitoring and auditing tasks in real time via site visits and desk audits
- CoK's Purchasing Division is responsible for documenting vendor performance, but no formalized process is in place to disseminate vendor performance "score cards"
- The Diversity Business Advisory Council (DBAC) has not been impactful in developing initiatives that increased the amount of business being done with CoK's DBE community during the Study period
- CoK does conduct annual DBE mid-year review meetings with the appropriate decision makers to discuss DBE inclusion performance and make recommendations regarding strategies to meet End of Year (EOY) inclusion goals
- Limited internal and external dissemination of DBE attainment data and reporting
- Solicitation response requirements are not very tailored to the specific opportunities resulting in some response requirements being perceived as overly cumbersome
- CoK has only one staff person (Small Business Diversity Outreach Manager) charged with working with areas MFTA providers and all their various partners, which fosters perceptions of under service and disconnect to the vendor community



Anecdotal Themes

366

Survey Responses

20

One-on-ones

28

Focus Groups Participants

1) Inequitable Low Bid Policies

- found COK's low bid policies to be unfair and to deter SMWBE's from bidding and winning contract awards

2) Gap in Trust and Confidence

- strong belief that pursuing contracts is “a waste of time” and that the COK is not serious about implementing new strategies, practices, and policies that eliminate barriers and challenges for disadvantaged firms attempting to transact business

3) Disconnect Between Buyers/Decision-Makers

- outreach does not equate to impact for small, minority, and women owned firms

4) Need for Debundled COK Contracts

- challenges accessing adequate bonding, insurance, and capital to meet COK bid requirements on contracts

5) Perception of Blatant Discriminatory Practices

- several described negative past experiences with COK officials that were deemed as discriminatory or exclusionary acts and practices

6) Need for Implementation of Prime Contractor/SWMBE Matchmaking/ Mentor Protege Program

- expressed a need to learn and build sustainable relationships with the COK and its Prime Contractors

1) Best Practices and Tracking of SMWBEs Are Generally Not Being Shared

- sharing of best practices, proven programs, and tracking of SMWBEs and their failure or success stories amongst the partners was lacking

2) Lack of Accessing Capital is a Barrier for SMWBEs, but Not the Availability of Capital

- agency leaders identified the lack of capital as a barrier for start-up and seasoned SMWBEs growth, however, the numbers indicate sufficient available capital for SMWBEs in East Tennessee

3) Lack of Investment in, and Resources Made Available for DBE Offices

- performing technical services for SMWBEs with antiquated technologies and software systems

4) Goal Based Programs Are Not Taken Seriously Without Race-Based Remedies

- the interviewed Managerial, Financial and Technical Assistance (MFTA) Service Provider Program Executives, Managers, and Directors agreed that a level playing field could never be achieved on contracting opportunities in which large majority firms compete directly against SWMBEs without ethnicity and gender conscious remedies and policy changes



Recommendations

Defining Conscious vs. Neutral

Race - and Gender - Conscious

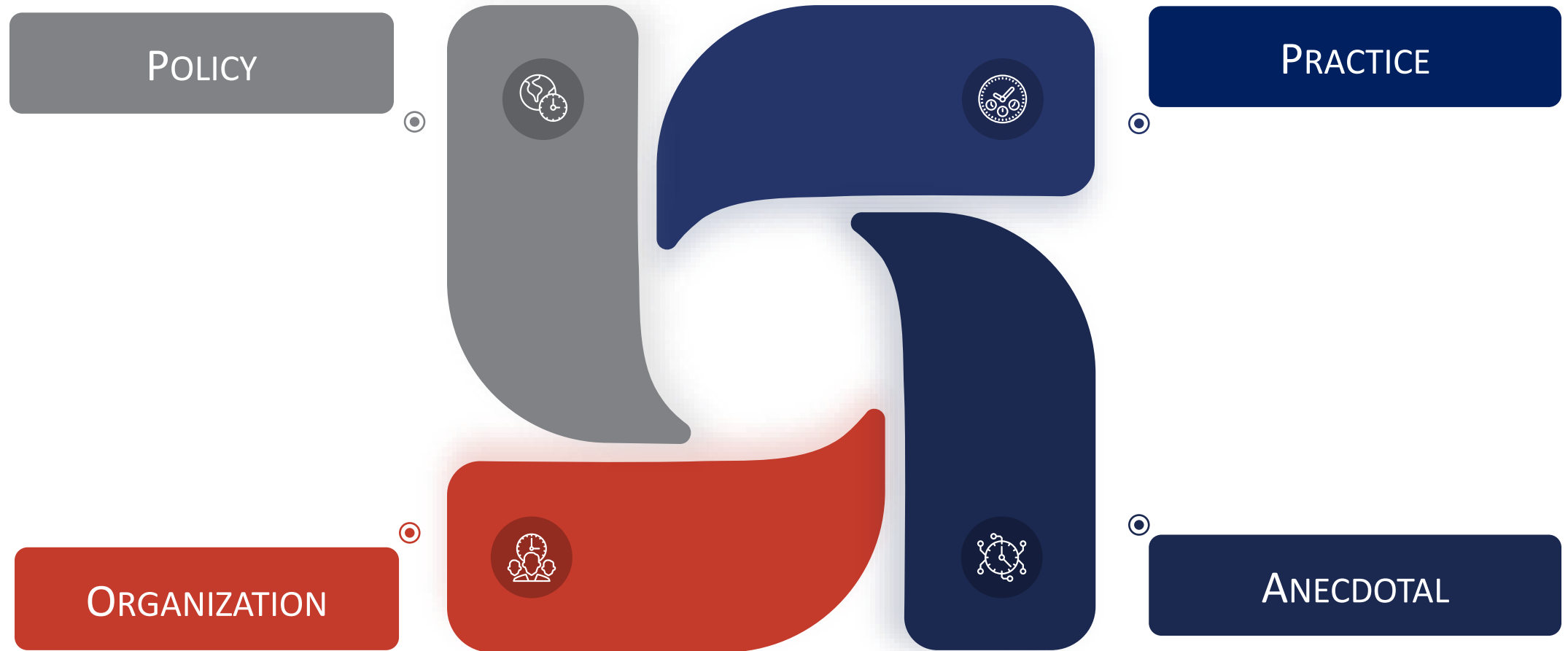
any business development plan or program which uses race and gender as criterion for participation

Race - and Gender - Neutral

any business development plan or program in which race and gender is not among the criteria for participation



Overview of Recommendations for City of Knoxville



Policy



- Consider best value bid policy over low bid policy
- Increase awareness and usage of the shareable vendor list readily accessible to internal and external stakeholders
- Implement additional measures to increase vendor awareness of upcoming opportunities
- Utilize CoK Procurement Manual to requisitioners and buyers for the simplification of procurement/contract specifications and terms to increase opportunities for participation by DBEs
- Establish proper documentation for classifying Procurement Types
- Implement organizational guard rails for adherence to procurement policies to ensure policies are upheld



Organization

- Ensure that the role of COK's current Contracts Manager in concert with identified responsible department staff include post award contract monitoring tasks
- Include oversight of ensuring timely contract payments, facilitating dispute resolution and post-award administration duties in the role of the Contracts Manager (buttressed anecdotally)
- Regulate the use of change orders to ensure proper procedures are adhered to documenting the why and the amount value of all change orders
- Recommendation to use a standardized classification system (i.e. NIGP or NAICS codes)
- Increase adherence to compliance when completing required procurement forms during contract solicitation
- Establish a policy and an operational procedure for contract closeout evaluation including identifying the responsible job position for vendor evaluation and as a liaison to the Procurement Division



Practice

- Articulate the required steps to accurately respond to solicitations
- Equip Procurement/MWBE staff to accurately respond to solicitation needs from the vendor community
- Enhance how-to videos, webinars and FAQ's currently on the website
- Implement standard practice to include the addition of a check list for vendor solicitations
- Create formalized documentation process for evaluating contractor performance
- Create a comment box to submit questions on a rolling basis and checks and balances to ensure responses are given in a timely manner
- Document clicks, traffic and website analytics
- Formalize current partnerships with managerial, financial and technical assistance (MFTA) firms
- Establish a standard debriefing session with proposers to enhance success in future opportunities
- Extend advertising period of opportunities to release 90-120 days prior to due date.

Anecdotal



- Develop FAQ's to help the vendor community understand how to do business with COK
- Leverage relationships with Management, Financial and Technical Assistance (MFTA) providers to include round table discussions to recognize trends, document and promote best practices
- Simplify solicitation documents to enhance table of contents



Recommendations for Programmatic Initiatives

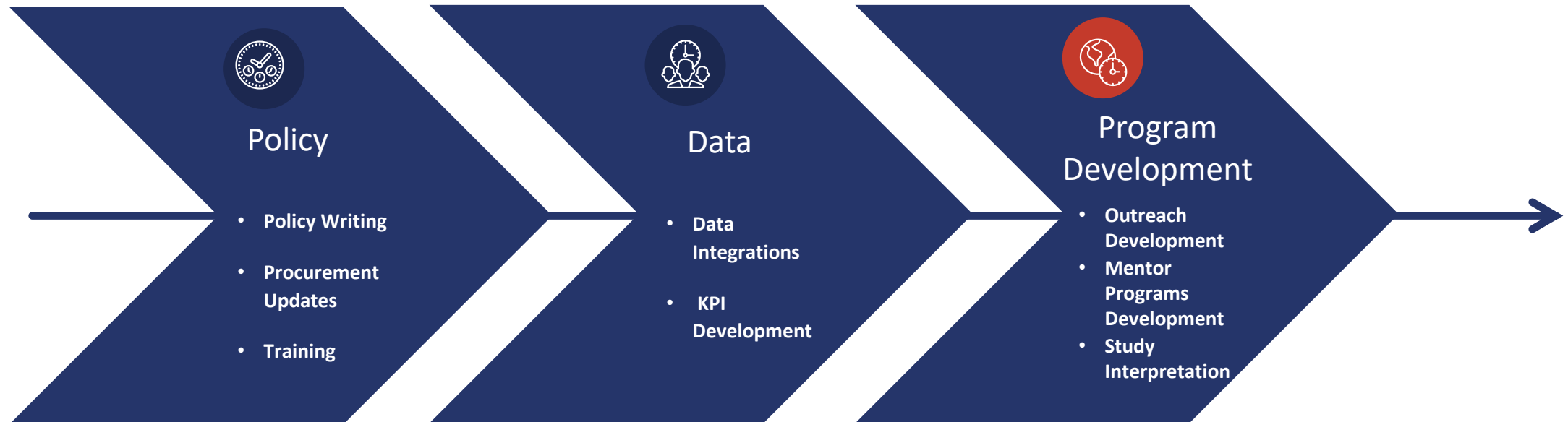
Procurement Type	Race and Gender-Conscious*	Race and Gender-Neutral
Architecture & Engineering	WBEs	African American* Asian American* Hispanic American~ Native American~
Construction	African American Asian American Hispanic American Native American WBEs	No Targeted Group
Non-Professional Services	Hispanic American WBEs	African American^ Asian American^ Native American*
Professional Services	African American WBEs	Asian American* Hispanic American* Native American*
Goods & Supplies	African American Asian American Hispanic American Native American WBEs	No Targeted Group

* Finding of Statistical significance

^Significant Overutilization
*Non-Significant Underutilization
~ Zero Availability

Implementing Next Steps

Based on the findings and recommendations, Miller³ has tailored a recommended list of post-study support. Listed below are some of Miller³'s offerings to aide in the implementation of COK's next steps.





Thank You.

Miller³ Consulting, Inc. (M³ Consulting) provides advisory services and consultancy to governments and corporations seeking practical solutions to real world problems that arise from the cross-section of cultures and interests in which our clients interact and operate. We focus on understanding the organizational environment, its policies, processes, and people, in order to develop a customized roadmap to our clients' success in providing measurable results to their stakeholders.

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Recommendations: Race Neutral Goal Programs and Non-Discrimination



GOOD FAITH EFFORTS



NON-DISCRIMINATION



SMALL AND MICRO
BUSINESS GOALS



LOCAL BUSINESS GOALS



DISADVANTAGED-
SOCIOECONOMIC GOALS



VETERAN GOALS



LGBTQ GOALS

Recommendations: Six Components of M/WBE Program

OUTREACH AND MATCHMAKING

- Availability and Capacity Building Initiatives
- Increase number of bidders on Knoxville opportunities
- Matchmaking on specific projects with opportunities identified

CERTIFICATION

- Focus on Identifying Qualified Firms
- Reciprocal Agreements with current certifying agencies

TECHNICAL ASSISTANCE

- Wrap Up Insurance
- Prompt Pay
- Working Capital Loans

M/WBE INCLUSION IN BID OPPORTUNITY

- M/WBE programs for Large Construction Projects
- M/WBE Participation at Prime Level
- Increase SBE Sheltered Markets
- Joint Venture and Mentor-Protege

CONTRACT COMPLIANCE

- Enhance monitoring and tracking of bid, award, and payment data to ensure compliance with stated M/WBE objectives

ORGANIZATIONAL PERFORMANCE

- Assess Performance of Personnel with Buying Authority
- Technology enhancements

Miller³ Post-Study Support



ACTION &
COMMUNICATIONS
PLAN



AUDIT EVALUATION &
LITIGATION SUPPORT



TECHNICAL
ASSISTANCE



DATA INTEGRATIONS



PROGRAM DESIGN &
KPI DEVELOPMENT



CONTRACTING, AND
PROCUREMENT
AUDITS

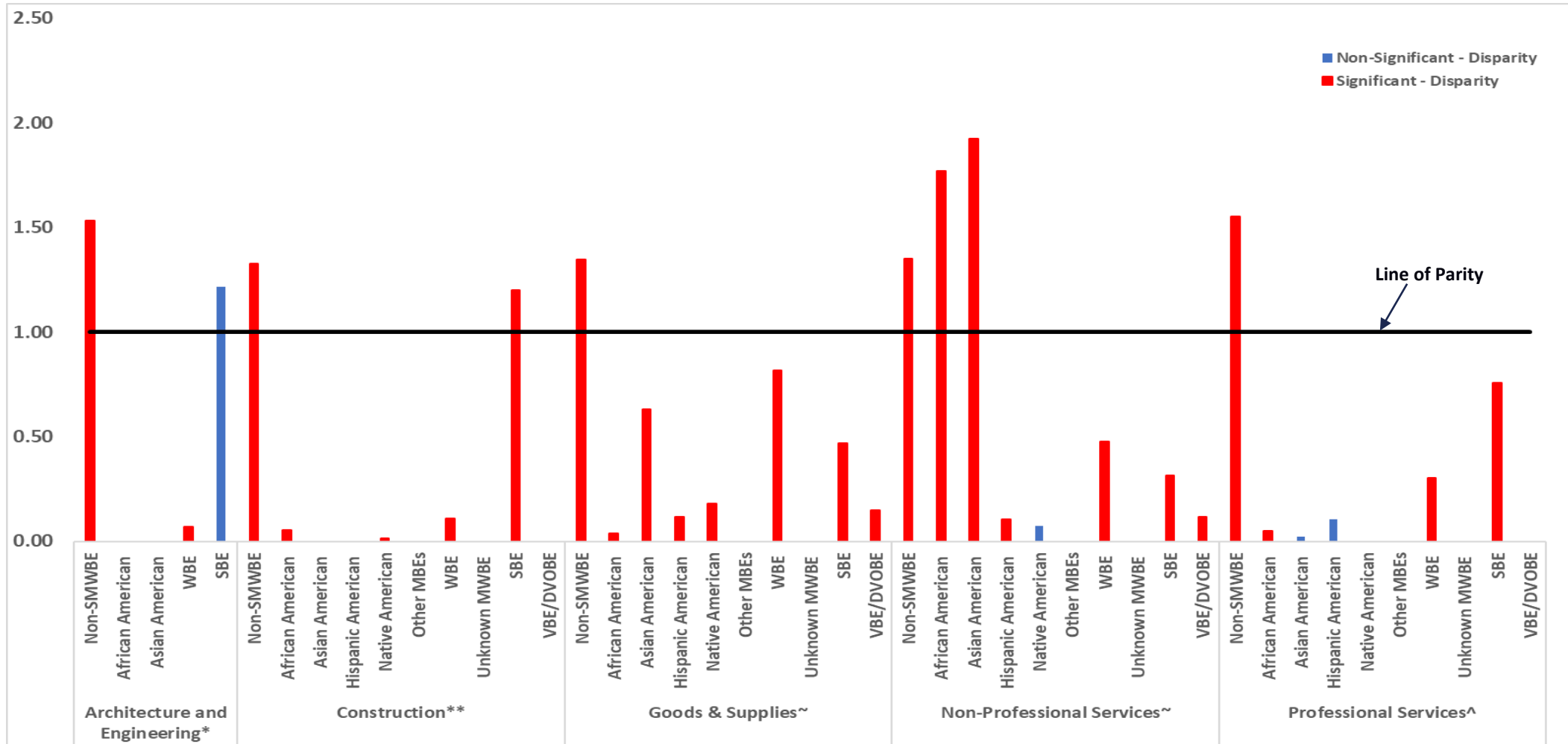


DRAFTING
LEGISLATION



EXPERT TESTIMONY

City of Knoxville Disparity Findings Based on Utilization and Level 2 RWASM (by Relevant Market, FY 2017 - FY 2021)



Statistically significant disparity shown by red bars and below the line of parity reflects disparity for which race/gender-conscious remedies may be utilized; Non statistically significant disparity below the line of parity are shown by blue bars and can be attributed to chance.

*PO Data, Relevant Market – City

**AP Data, Relevant Market – MSA

~PO Data, Relevant Market – Nationwide

^PO Data, Relevant Market - State

City of Knoxville Disparity Findings Based on Utilization and Level 2 RWASM

(by Relevant Market and Percent, FY 2017 - FY 2021)

Ethnicity	Architecture & Engineering (Purchase Orders)		Construction (Payments)		Non-Professional Services (Purchase Orders)		Professional Services (Purchase Orders)		Goods & Supplies (Purchase Orders)	
	Ratio	Sign.	Ratio	Sign.	Ratio	Sign.	Ratio	Sign.	Ratio	Sign.
Non-SMWBE	1.53	S	1.33	S	1.35	S	1.55	S	1.35	S
African American	0.00	NS	0.05	S	1.77	S	0.05	S	0.04	S
Asian American	0.00	NS	0.00	S	1.93	S	0.02	NS	0.63	S
Hispanic American	NA	NA	0.00	S	0.11	S	0.10	NS	0.12	S
Native American	NA	NA	0.02	S	0.07	NS	0.00	NS	0.18	S
Other Minority	NA	NA	0.00	S	0.00	S	0.00	NS	0.00	S
<i>Total Minority</i>	<i>0.00</i>	<i>NS</i>	<i>0.04</i>	<i>S</i>	<i>1.13</i>	<i>NS</i>	<i>0.05</i>	<i>S</i>	<i>0.26</i>	<i>S</i>
WBE	0.07	S	0.11	S	0.48	S	0.30	S	0.82	S
Unknown M/WBE	NA	NA	NA	NA	NA	NA	NA	NA	0.00	NS
Total M/WBE	0.06	S	0.09	S	0.71	S	0.24	S	0.64	S
SBE	1.22	NS	1.20	S	0.31	S	0.76	S	0.47	S
VBE	NA	NA	0.00	S	0.12	S	0.00	NS	0.15	S

Source: Miller³ Consulting, City of Knoxville's Contract awards data, PO data and AP data for FY 2017-2021

S Significant Underutilization
S Significant Overutilization

Ruby Smith

Program Manager II | Bay Area Rapid Transit Agency (BART)

“We hired them to conduct a disparity study and am pleased to say we got much more. M³ Consulting became a trusted advisor on the issues of MWBE and DBE participation and inclusive procurement...particularly when seeking more than just a disparity study. [They] can be counted on to assist with needs related to enhancing the participation of small, minority and women-owned businesses in procurement and contracted opportunities.

