

City of Madison Public Works Disparity Study



David Keen, Principal
Keen Independent Research LLC
100 Fillmore St., 5th Floor
Denver CO 80206
303-385-8515
928-684-3021 (fax)
dkeen@keenindependent.com

Renée Lauber
Lauber Consulting LLC
1252 Morrison Court
Madison WI 53703
608-577-9997
LauberConsulting@gmail.com

Stan Davis, Partner
The Davis Group
4230 East Towne Blvd., #305
Madison, WI 53704
608-469-7208
standavis32@yahoo.com

March 3, 2015 Common Council Presentation
March 4 and 5, 2015 Public Meetings



Public Works Disparity Study briefing

1. Background on the study
2. Marketplace conditions
3. Firms available for City Public Works contracts
4. Share of City Public Works contract dollars going to minority- and women-owned firms, 2008-2013
5. Disparity analysis for City Public Works contracts, 2008-2013
6. Conclusions
7. Types of potential actions
8. Next steps

1. Background on the study

Why conduct a disparity study?

- *City of Richmond v. J.A. Croson Company* U.S. Supreme Court decision
- Study examined whether there is a “level playing field” for minority- and women-owned construction firms in the local marketplace
- Disparity study provides information to help the City:
 - Determine if SBE Program, alone, is an effective remedy
 - Whether additional or different measures are needed

What is a certified Small Business Enterprise (SBE)?

- Independently owned and controlled business with annual gross receipts of \$4 million or less (averaged over the 3 years)
- Personal net worth maximum of \$1.32 million

1. Background on the study (continued)

- Examined City prime contracts and subcontracts for 2008-2013
- Conducted telephone interviews with local businesses
- Outreach and opportunities for public involvement:
 - Press release
 - Website (www.cityofmadison.com/madisoncontractingstudy)
 - Dedicated email address (contractingdisparitystudy@cityofmadison.com)
 - Telephone hotline (608-441-5110)
 - External Stakeholder Group meetings
 - Telephone interviews with hundreds of business owners
 - In-depth personal interviews with business owners, trade associations and others
 - Distributed draft report for public comment and other input
 - March 4-5, 2015 public meetings

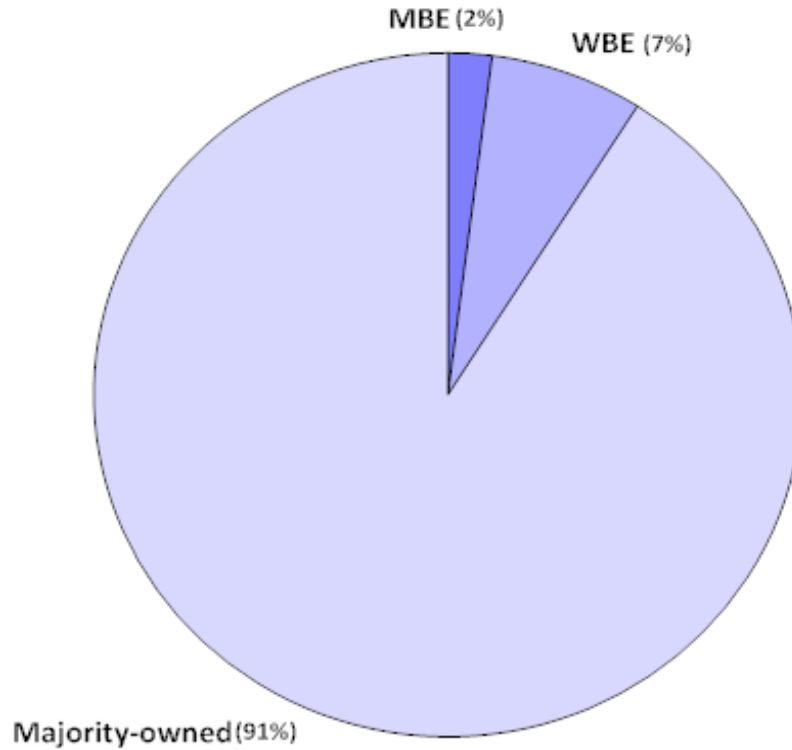
2. Marketplace conditions: entry and advancement of workers

- Minority workers comprise 12% of construction workforce in Dane County, lower than other industries
- Female workers comprise 10% of construction workforce, substantially below other industries
- Very low representation of minorities and women in certain trades
- Relatively few minorities advance to manager
- In study interviews, some reported racism and bias in the industry
- Evidence indicates there is not a level playing field for minorities and women to obtain jobs and advance in local industry

2. Marketplace conditions: minority- and women-owned businesses

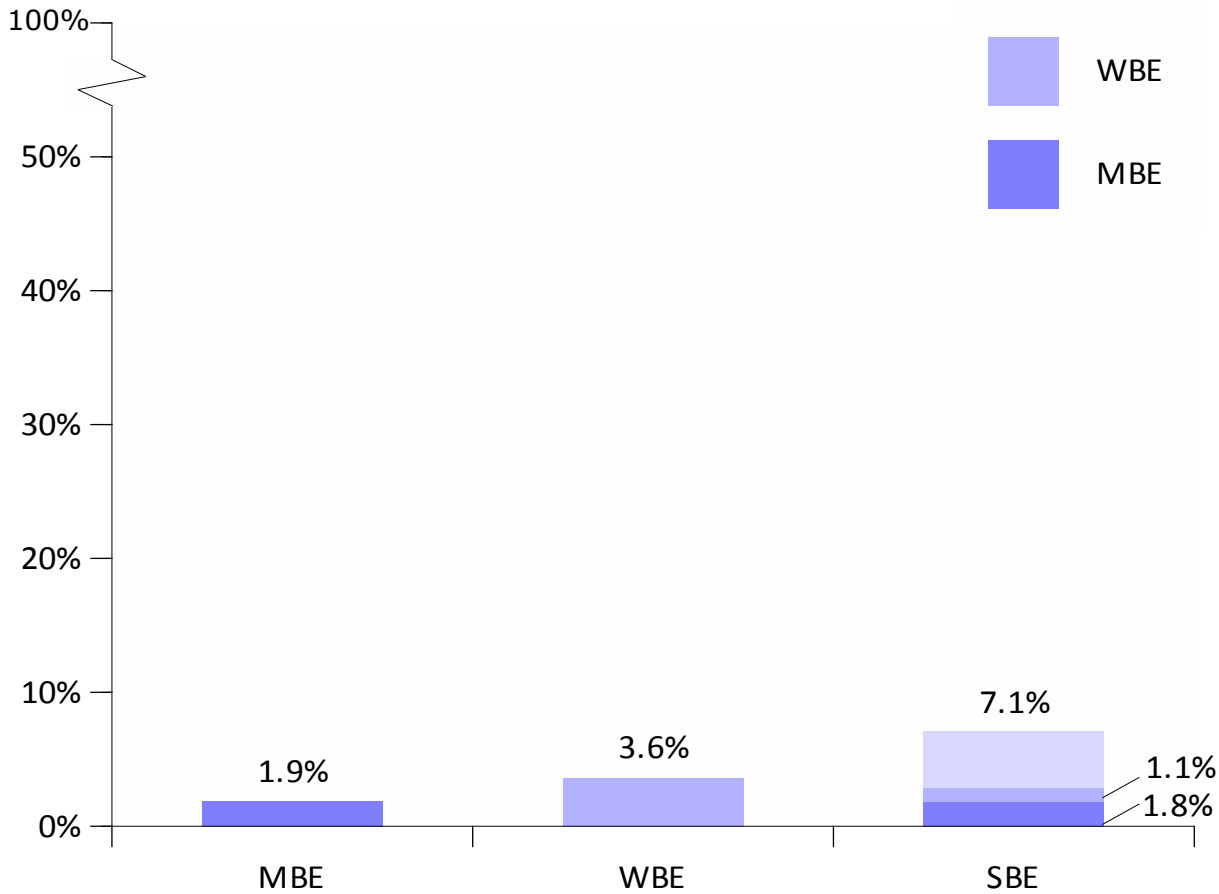
- Relatively few businesses owned by African Americans, Latinos and women working in the industry
- Disparities for minorities concerning access to capital
- Higher closure rates for minority-owned firms in Wisconsin
- Lower revenue for minority- and women-owned construction firms in Wisconsin
- Disparities in revenue persist even when controlling for characteristics of the business owner

3. Firms available for City Public Works contracts

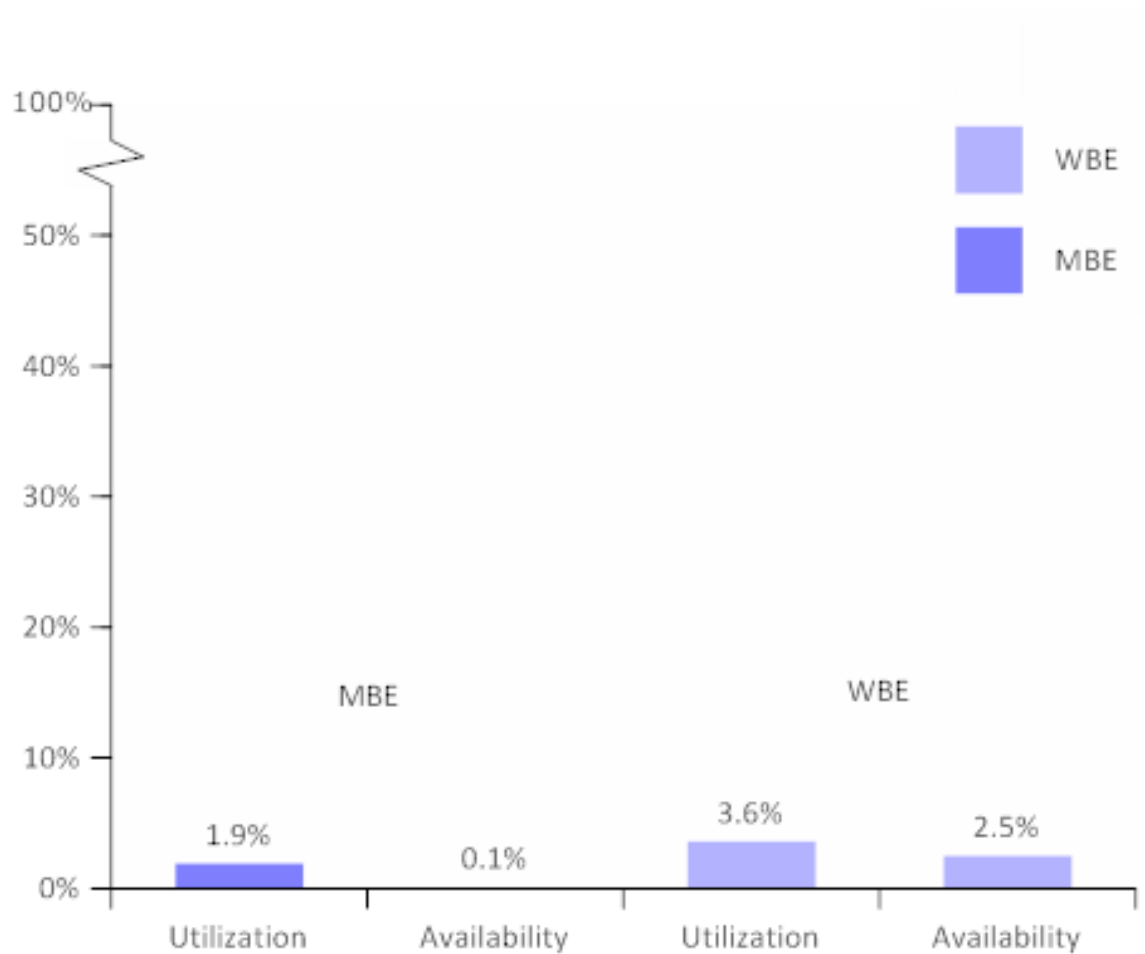


All Dane County firms indicating qualifications and interest in City Public Works contracts in Disparity Study telephone interviews

4. Share of City Public Works contract dollars going to minority- and women-owned firms, 2008-2013



5. Disparity analysis for City Public Works contracts, 2008-2013



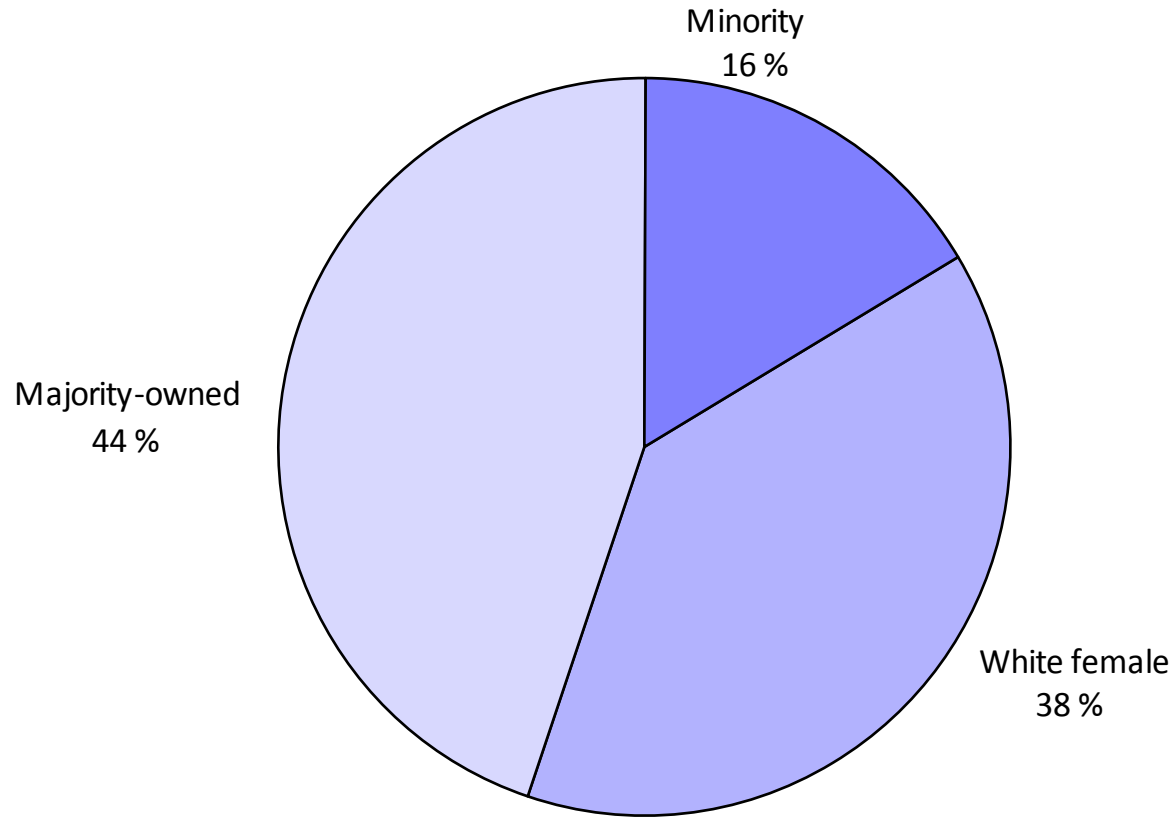
6. Conclusions

- SBE Program has encouraged MBE and WBE participation in City Public Works contracts
- However, SBE Program alone does not create a level playing field for local minority- and women-owned construction firms
- There are barriers in the local industry that an SBE contracting goals program does not address
 - These barriers appear to be widely known in the industry; 40+ local organizations provide different types of assistance
 - City might take a larger role in helping to develop minority- and women-owned firms
 - Assistance might include support for minorities and women entering and receiving training in construction trades

7. Types of potential actions

1. Further improving the SBE contract goals program
2. Further building an SBE prime contracting part of the Program
3. Creating a business development component to the SBE Program, including mentorship and a City SBE coach
4. Minimizing barriers in public works prequalification
5. Expanding communication of City bid opportunities
6. Improving prime contractor payment of subcontractors and relaxing retainage policies
7. Supporting local technical assistance, bonding and financing programs and creating new programs when necessary
8. Supporting local efforts to encourage minorities and women to enter, receive training and obtain jobs in the construction industry

7. Actions (continued): Monitor SBE-certified construction firms



8. Next steps

- Made draft report available for public review and comment
- Obtaining input at public meetings on March 4 and 5
- Requesting written comments through March
- Will incorporate public input into final report
- City will make final report available to the public