

City of Madison Disparity Study



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November 10, 2014
Third Stakeholder Meeting



Agenda for Stakeholder Meeting

1. Introductions
2. Brief recap of prior meetings
3. Legal update
4. Public Works contract data collection and analysis
5. Relevant geographic market area and subindustries
6. Preliminary analysis of MBE/WBE utilization in City contracts
7. Preliminary analysis of MBE/WBE availability in the Madison area
8. Quantitative analysis of Madison area construction marketplace
9. Preliminary results of in-depth personal interviews
10. Input concerning current or potential new programs
11. Opportunities for further public involvement
12. Next steps

2. Recap of prior meetings

Why conduct a disparity study?

- 1989 U.S. Supreme Court decision in *City of Richmond v. J.A. Croson Company* established the strict scrutiny standard of review for race-conscious programs adopted by state and local governments
- The disparity study will examine whether there is a “level playing field” for minority- and women-owned firms in the local marketplace
- Analysis compares percentage of \$ going to MBEs and WBEs with what might be expected based on relative availability for that work
- Disparity study provides information to help the City:
 - Determine if the current 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 when averaged over the past three years
- Personal net worth maximum of \$1.32 million dollars

2. Recap, continued

In summer 2014 , reviewed preliminary contract information, and then supplemented data

Outreach and opportunities for public involvement:

- Press release
- Website
- Email address
- Telephone hotline
- Stakeholder Group meetings
- Telephone interviews with hundreds of business owners
- In-depth personal interviews with business owners, trade associations and others
- In 2015, draft report distributed for public comment and other input
- Public meetings in 2015 prior to final report
- Other meetings and presentations

3. Legal update

- Monitoring pending cases, including:
 - *Midwest Fence Corporation v. USDOT, the FHWA, the Illinois DOT and the Illinois State Toll Highway Authority*
 - *Mountain West Holding Co., Inc. v. The State of Montana, Montana DOT et al.*
- Monitoring appeals of federal district court decisions, including:
 - *Dunnet Bay Construction Company v. Gary Hannig, in its official capacity as Secretary of the Illinois DOT and the Illinois DOT*

4. Public works contract data collection and analysis

- Obtained prime contract and subcontract information from City databases for 2008 through 2013
- Coded type of work for each prime contract and subcontract from City data and other sources
- Determined dollars retained by prime
- Identified ownership status of each firm through:
 - DBE/MBE/WBE certification data
 - City data
 - Dun & Bradstreet data
 - Telephone calls (attempted to contact each utilized business)
- City reviewed preliminary information for each prime contractor and subcontractor

5. Relevant geographic market area and subindustries

- Relevant geographic market area identified geography for availability interviews and marketplace analyses
 - 90% of Public Works contract dollars to firms located in Dane County
- Analysis of subindustries identified subset of firms for availability interviews
 - Subindustries on following page account for 99% of City Public Works contract dollars

5. City Public Works dollars by subindustry, 2008-2013

Type of work	Dollars (millions)	Percent of total
General road construction	\$98	29%
Asphalt paving	\$53	16%
General public building construction	\$23	7%
Water and sewer lines	\$23	7%
Concrete flatwork (sidewalk, curb, gutter and paths)	\$18	5%
Electrical work	\$16	5%
Landscaping and related work	\$13	4%
Plumbing and HVAC	\$13	4%
Other concrete work	\$11	3%
Trucking and hauling	\$10	3%
Culverts, drainage and water retention	\$9	3%
Excavation, demolition and other site prep	\$7	2%
Roofing, siding and sheet metal work	\$5	2%
Water and sewer plants	\$5	2%
Construction materials supply	\$3	1%
Waterways and dams	\$3	1%
Drywall and insulation	\$3	1%
Carpentry and floor work	\$3	1%
Masonry, stonework, tile setting and plastering	\$2	1%
Temporary traffic control	\$2	1%
Windows and doors	\$2	<1%
Other building construction related	\$2	<1%
Bridge construction	\$1	<1%
Structural steel work	\$1	<1%
Drilling and foundations	\$1	<1%
Office furniture and equipment installation	\$1	<1%
Bridge and other structure painting	\$1	<1%
Fencing and gates	\$1	<1%
Concrete cutting	\$1	<1%
Pavement marking	\$1	<1%
Other construction (not otherwise specified)	\$1	<1%
Total	\$335	100%

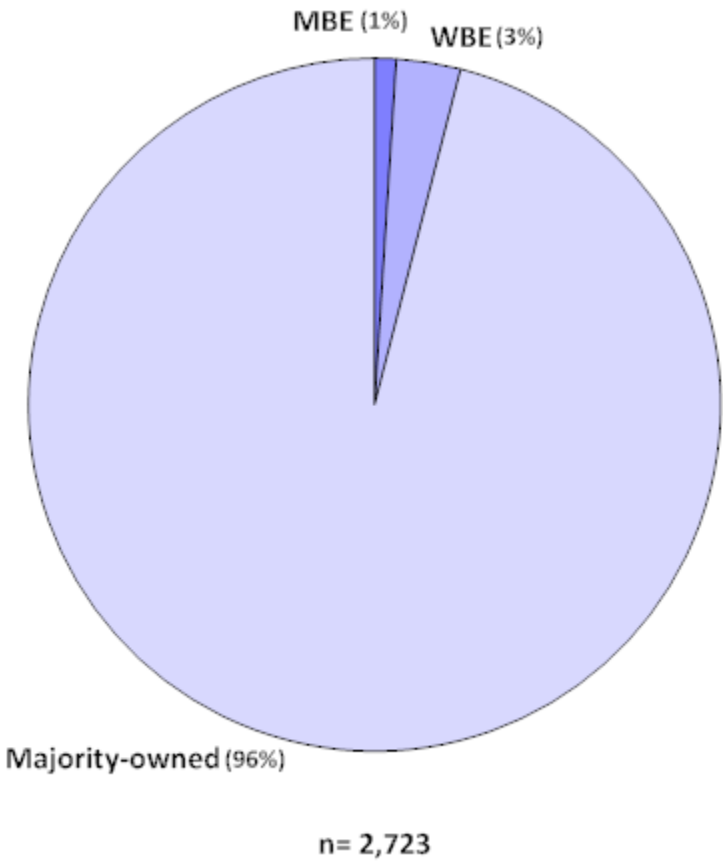
6. Preliminary analysis of MBE/WBE utilization

Utilization of minority- and women-owned firms in City-funded Public Works contracts, 2008-2013

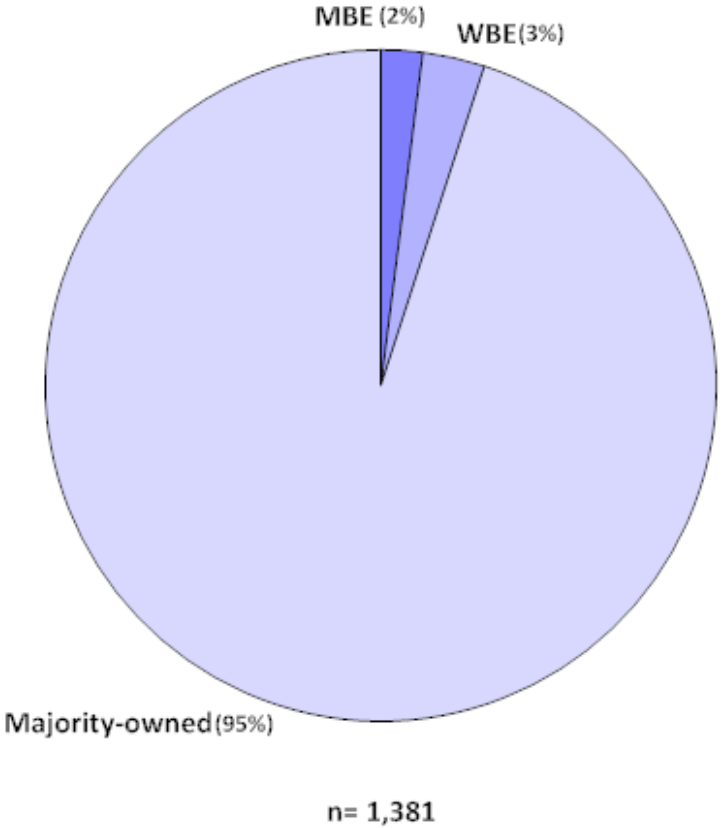
	With SBE goals		Without SBE goals		Total	
	Millions	Percent	Millions	Percent	Millions	Percent
MBE	\$ 5.7	2.0 %	\$ 0.4	0.9 %	\$ 6.2	1.9 %
WBE	8.8	3.1	2.3	4.9	11.0	3.3
Majority-owned	<u>269.2</u>	<u>94.9</u>	<u>43.4</u>	<u>94.2</u>	<u>312.6</u>	<u>94.8</u>
Total	\$ 283.8	100.0 %	\$ 46.1	100.0 %	\$ 329.8	100.0 %

7. Preliminary analysis of MBE/WBE availability in Madison area: firms in construction industry

All construction firms in Dane County
(identified by D&B, includes trucking firms
and materials suppliers)

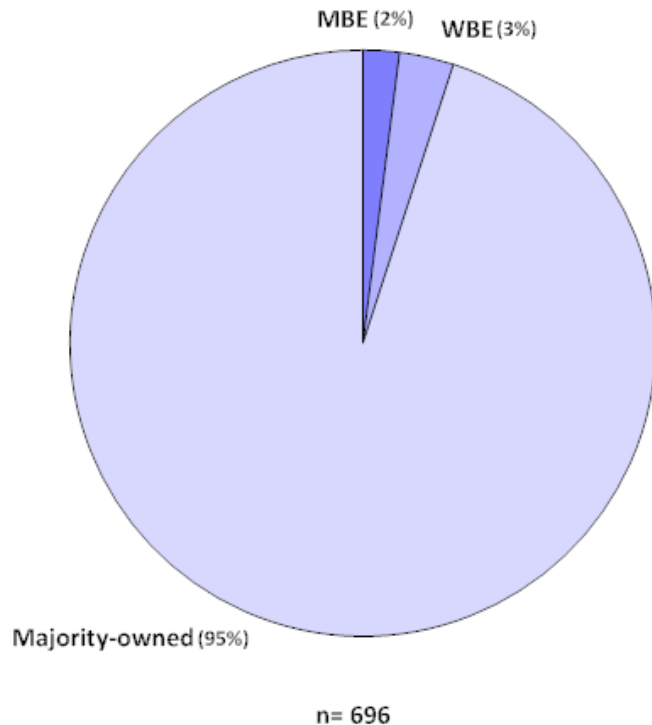


All firms in Public Works-related subsectors in Dane County
with working phone numbers

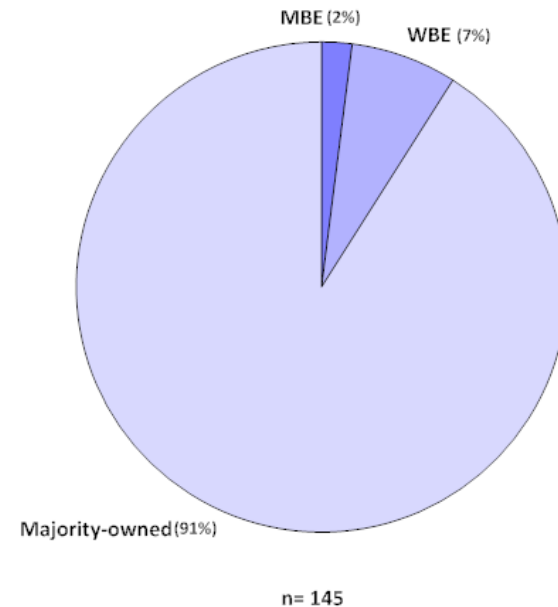


7. Preliminary analysis of MBE/WBE availability in Madison area: firms contacted in availability interviews

All Dane County firms in Public Works-related subsectors
successfully contacted in study team telephone interviews

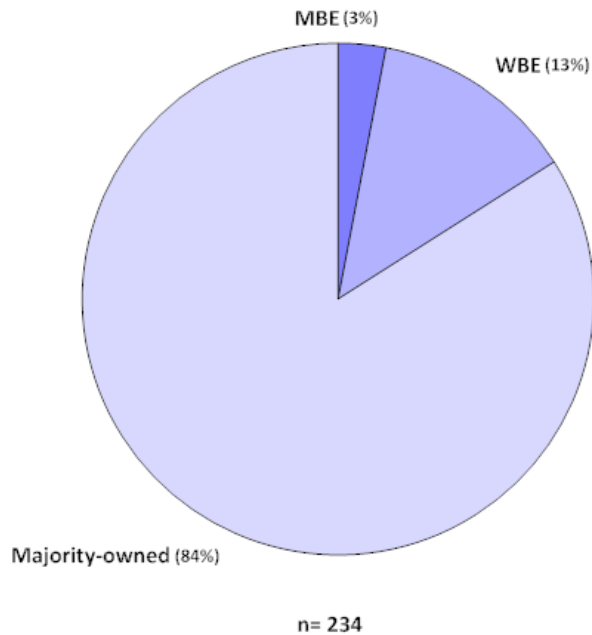


All Dane County firms indicating qualifications and interest in
City Public Works contracts in telephone interviews

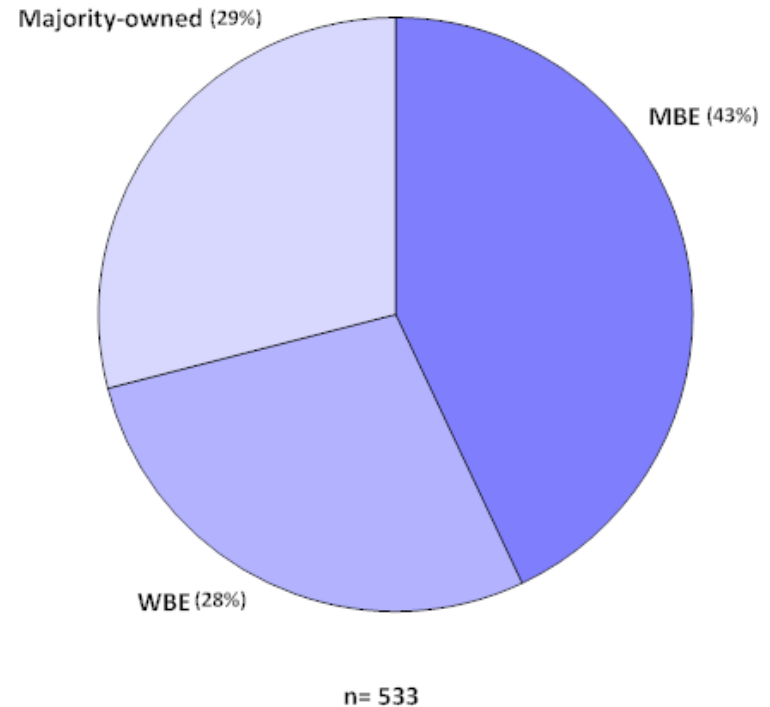


7. Preliminary analysis of MBE/WBE availability in Madison area: firms that are prequalified, firms that are certified SBEs

All firms prequalified for City Public Works contracts
(in and outside Dane County)



All firms certified as SBEs by the City
(in and outside Dane County)



8. Quantitative analysis of marketplace conditions

In the Madison area, there is quantitative evidence of barriers for minorities and women to enter and advance in the construction industry:

- Minority workers comprise 12% of construction workforce in 2008-2012, up from 5% in 2000, but still less than in other industries
- Female workers comprise 10% of construction workforce in 2008-2012, substantially below other industries
- There are large differences in the representation of minorities and women among construction trades
- Relatively few minorities in construction advance to the position of manager

8. Quantitative analysis of marketplace conditions (continued)

There is quantitative evidence of disparities for minorities and women related to business ownership, access to capital and business success

- Relatively few African Americans, Latinos and women working in the construction industry own businesses
- There are disparities for minorities concerning access to capital
- Minority-owned firms in Wisconsin have higher closure rates than non-minority-owned businesses
- Minority- and women-owned construction firms in Wisconsin have lower revenue than non-minority-owned businesses
- Disparities in revenue persist even when controlling for characteristics of the business owner

9. In-depth interviews with business owners, trade associations, others

In the Madison area, are there barriers for minorities and women or minority- and women-owned businesses related to:

- Entering and advancing within the construction industry?
- Starting construction businesses?
- Growth and success within the construction industry?
- Participating in City contracts as a subcontractor?
- Bidding on and winning City contracts as a prime contractor?

What existing or new programs help to address any barriers?

10. Input concerning current or potential new programs

- Existing City programs, including SBE goals program
- Any changes to City Public Works bidding processes
- Potential new City programs, including women entrepreneurship and small business fund
- Other agencies' existing programs
- Potential new programs for other agencies

11. Opportunities for further public involvement

- Completion of in-depth interviews
- Comments through website or hotline
- Draft report available for public review in early 2015
- Comments from individuals or groups on results in the draft report
- 2 public meetings
- Final presentations to City

12. Next steps

- Review feedback from November 10 meetings
- Complete the availability and disparity analyses
- Complete the in-depth interviews with business owners and others
- Further explore potential programs and other action items
- Complete draft report
- Make draft report available for public review and comment
- Hold public meetings
- Incorporation public input into final report
- Make final presentations

12. Overall schedule

