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CITY OF HOUSTON'S OFFICE OF BUSINESS OPPORTUNITY



MWBE Task Force Recommendations

Status Report

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This Status Report will provide an update for the Mayor, City Council and Stakeholders on the progress of implementing the recommendations presented by the 2010 MWBE Transition Task Force Implementation Plan.

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INTRODUCTION

The Office of Business Opportunity (OBO) has made significant strides over the past year and a half to improve the mission, vision and image of the Department. These changes have positively improved the City's Small, Minority, Women and Persons with Disabilities Business Enterprise (S/MWPDBE) program and serve to enhance opportunities for the local small business community. Thanks to the leadership of Mayor Annise Parker, dedicated City employees and community stakeholders, many recommendations have been brought forward to assist in improving the OBO Department. This status report will provide an update for the Mayor, City Council and Stakeholders on the progress of implementing the recommendations presented by the 2010 Transition Task Force Implementation Plan.

BACKGROUND

Shortly after Annise Parker took office as Mayor, a Minority and Women Business Enterprise Transition Task Force ("Transition Task Force") was created to address the deficiencies in the Affirmative Action and Contract Compliance Division (AACC). On October 25, 2010, the MWDDBE Transition Task Force provided an Implementation Plan that included recommendations for improving the AACC. The recommendations provided by the Transition Task Force yielded an aggressive effort by Mayor Parker to establish a revised vision and mission for the AACC and bring in new leadership. Since October 2010, many of the recommendations brought forward by the Task Force have been addressed and/or implemented by OBO and the Parker Administration.

TASK FORCE RECOMMENDATIONS AND OBO RESPONSES

The Task Force presented recommendations for the following categories: Department Rebranding, Contracts/Policies/Procedures, Hire Houston First, Information Technology, Certification/Reciprocity and Capacity. The purpose of this report is to provide a summary of the progress that has been made to address and implement the organizational changes associated with these recommendations. The structure for each recommendation section will include a brief narrative describing the progress to-date and a graphic illustrating the progress.

DEPARTMENT REBRANDING

According to the extensive research conducted by the Controller's Office Audit Division in 2009, a disconnect existed between the AACC's mission statement and the expectations of City Council, Prime Contractors, and S/MWPDBE firms. In order to address this disconnect and better serve the small business community, the 2010 Task Force recommended a complete rebranding and name change for the Department, which also yielded a restructuring within the Department and programmatic improvements.

In April 2011, the AACC was renamed the Mayor's Office of Business Opportunity¹ (OBO) and Carlecia Wright was selected by Mayor Parker as the new director. In addition to the change in leadership, the Office of Business Opportunity revised its mission and vision to better serve the local small business community. OBO's

¹ On September 26, 2012, the Mayor's Office of Business Opportunity became its own Department and was renamed the Office of Business Opportunity.

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new mission is: To create a competitive and diverse business environment in the City of Houston by promoting the growth and success of local small businesses, with special emphasis on historically underutilized groups by ensuring their meaningful participation in the government procurement process.

Shortly after the appointment of the new Director, the Mayor’s Office of Business Opportunity hired a WBE firm, Spotlight Creative LLC, to develop a rebranding campaign to revamp the image of the new office. With the help of Spotlight Creative, a new logo was created for the Department and the OBO webpage was redesigned, and a newsletter template was created, which is distributed quarterly to certified firms.

In conjunction with the rebranding efforts, the Department was reorganized to include an External Affairs division focused on marketing OBO’s services to the community. The External Affairs team works to educate, connect and grow, partners with City departments, community partners, educational institutions and the private sector to provide education, training and networking opportunities to businesses OBO serves.

In conjunction with the Director’s Office, the External Affairs team accelerated outreach efforts and facilitated Memoranda of Understanding with trade organizations, chambers, and business organizations to identify prospective small businesses eligible to participate in the City’s S/MWPDBE program. Additionally, the Director maintains a robust outreach schedule that includes meeting one-on-one with firms and speaking engagements at stakeholder and trade organizations events.

Task Force Recommendation	Outcome	Progress
Rename the Office	✓ Office renamed to Office of Business Opportunity in April 2011.	Complete
Mayor Meets with Directors and City Council	✓ Mayor appoints Carlecia D. Wright as new OBO Director	Complete
Engage Outside Marketing Firm	✓ OBO hires WBE Firm, Spotlight Creative LLC	Complete
Launch Rebranding Campaign	✓ New OBO logo created ✓ Newsletter Template created ✓ One Page flyer ✓ Tri-fold brochure ✓ Website redesign	Complete
Plan Outreach/Networking Events	✓ OBO Strategic Planning ✓ External Affairs Division plans outreach and networking events ✓ Robust outreach schedule	Complete
Additional Oversight Entity	✓ OBO Advisory Board ✓ Disparity Study Working Group	Complete

CONTRACTS, POLICIES AND PROCEDURES

The Task Force made several recommendations regarding modifications to City contracts, policies and procedures. Each recommendation, along with the status of its implementation, is outlined in the chart below.

In 2009, under the White Administration, a Construction Industry Disparity Study was initiated in response to a settlement agreement reached to resolve long-term litigation. The study, completed by NERA Economic Consulting and released on April 18, 2012, yielded many recommendations for improving the S/MWPDBE program, some of which overlapped with recommendations made by the Task Force. The Disparity Study recommendations and the Task Force recommendations are being considered and will be incorporated into the final Disparity Study working group report. The Office of Business Opportunity will incorporate all relevant changes into its revised Policies and Procedures document. The Policies and Procedures will provide City Council, City departments and stakeholders with a better understanding of the S/MWPDBE program and required policy elements.

Task Force Recommendations	Outcome	Progress
<u>Contract Recommendations</u>		
Liquidated Damages Regarding MWBE Firms <ul style="list-style-type: none"> • Include liquidated damages language in all City contracts, where appropriate. 	<ul style="list-style-type: none"> • A pilot program is being explored to assess liquidated damages for failure to submit GFE and/or payroll documentation. 	Discussion in progress
<u>Policy Recommendations</u>		
Allow contractors more time to respond to bids.	✓ COH currently extends or lengthens the solicitation period on a case by case.	Complete
Consider lowering or eliminating 1 million/100K threshold for goal oriented contracts.	✓ This has been reviewed and determined that the current threshold has been effective; COH contract data also illustrates that M/WBEs have been able to participate on contracts below the threshold. Changing the policy may have unintended impact.	
<u>Procedure Recommendations</u>		
Require S/MWBE Utilization Plan or Good Faith Efforts as part of bid response.	<ul style="list-style-type: none"> • This was also recommended in the Disparity Study and is supported by the Disparity Study Working Group. 	Discussion in progress
Require contractors to use the utilization plan to track the utilization of S/MWBEs – submit plan monthly.	<ul style="list-style-type: none"> • This is a current requirement. • The COH Departments will be more engaged in monitoring utilization as part of their project management function to ensure compliance. 	

HIRE HOUSTON FIRST

In alignment with Mayor Parker’s vision, the Task Force presented a “Hire Houston First” initiative that would give the City of Houston the ability to give preference to businesses located within the City of Houston or local area when awarding city contracts. The Task Force initiative was approved by the 82nd Texas Legislature. Then on August 31, 2011, the Hire Houston First Ordinance was adopted by Houston City Council. The ordinance provided for a ramp up period to identify City and Local businesses and to track the efficacy of the program. So far, more than 600 companies have been designated and approximately \$139 million have been awarded to designated Hire Houston First companies, helping to sustain more than 6,000 jobs in Houston.

Task Force Recommendations	Outcome	Progress
Hire Houston First Provisions	✓ Research and investigate the ability of the City to utilize Hire Houston First provisions in awarding its contracts.	Complete
Legal Impediments	✓ The City lobbied the Texas Legislature to amend the law that prevented local preference in municipalities’ with greater population than 250,000 and counties with greater population than 400,000.	Complete
Legislative Initiative	✓ This City was successful in lobbying the Texas Legislature to amend the local government code to allow for local preference in cities with a population greater than 1.9 million.	Complete
Hire Houston First Ordinance	✓ The City Council passed the Hire Houston First Ordinance on August 31, 2011.	Complete
Hire Houston First Designations	✓ Over 600 firms designated	On going
Hire Houston First Awards	✓ Since December 2011, approximately \$139 million have been awarded to HHF firms, the firms awarded these contracts collectively employ more than 6,000 employees.	On going

INFORMATION TECHNOLOGY

The OBO has made improvements to its contract management database, B2G Now, based on the recommendations outlined below from the Task Force and the process of gathering the data required to conduct the 2012 Disparity Study. As result of the process of gathering the data required to conduct the Construction Industry Disparity Study, OBO has changed its data collection process for contracts to now require Prime Contractors to provide pay information of non-minority and/or non-certified subcontractors, in addition to payments to certified companies. All contract-related data is now uploaded into B2G Now for retention. OBO is currently working with the IT Department to integrate several procurement-related databases in order to better track and report utilization rates. In addition, OBO continues to work to enhance the B2G Now database in an effort to provide transparency to the City’s contracting process.

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Technological improvements made by OBO, over the past year, have enhanced OBO’s reporting function to include augmented utilization reports that provide a detailed account, by department, of the awards made by the City to S/MWBE and non-S/MWBE firms. In addition, improvements have resulted in providing stakeholders with easier access to contract information.

Task Force Recommendations	Outcome	Progress
Enhance S/MWDBE Management and Contract Compliance System (B2G Now)	<ul style="list-style-type: none"> ✓ Activate Invoicing Function – allows Project Managers/Contract Administrators access to current S/MWBE activity. Prime must complete and submit with pay application/invoice to the City. ✓ Enhance Invoice View Page <ul style="list-style-type: none"> ○ Add cumulative totals to the invoice view page, by vendor and total ○ Add “for credit” total-to-date numbers to invoice view page ✓ Create reports that summarize invoice totals by contract and per contract. ✓ Create reports that compare amounts invoiced to amounts paid. ✓ Add periodic reminders for primes to create invoice page. 	Complete
Enhance current Audit Summary Page	<ul style="list-style-type: none"> ✓ Add amount invoiced information to current Audit Summary Page ✓ Flag non-verified or disputed dollars on the Audit Summary Page 	Complete
Create High-Level Summary Page	<ul style="list-style-type: none"> ✓ Contract award value ✓ Original award value ✓ Goal ✓ Total invoiced amount ✓ Total paid amount ✓ Total MWDBE invoiced amount ✓ Total MWDBE paid amount ✓ MWDBE participation by invoice ✓ MWDBE participation by payments ✓ Amount reported not confirmed/in dispute 	Complete
Customize Department Reporting	<ul style="list-style-type: none"> ✓ The OBO has created score cards by department to report the utilization of the S/MWPDDBE Program by department and Citywide. 	Complete
Require Outline Agreement number to be entered upon initial contract input	<ul style="list-style-type: none"> ✓ The outline agreement number is now required to be entered upon initial contract input 	Complete
Allow public search of contract information	<ul style="list-style-type: none"> ✓ OBO has requested that B2G improve the service delivery for public searches of certified vendors and summary contract information. 	Complete

CERTIFICATION/ RECIPROCITY

Over the past year, in compliance with recommendations made by the Transition Task Force, OBO has expanded its outreach efforts to eligible companies for certification through partnerships with Chambers, Trade Associations and business organizations. In addition, OBO has executed Memoranda of Understanding between certifying partners Houston Minority Supplier Development Council and Women Business Enterprise Alliance to expedite the certification process for firms already certified with these agencies. To improve retention of certified firms, OBO has expanded the certification period from 1 year to 3 years. These efforts have increased the pool of certified companies by approximately 35% over the past two years. To further increase the certified firms pool and the industries in which these firms are certified, OBO is completing an analysis of City procurement for the past several years to identify gaps in certification to strategically target further outreach.

Task Force Recommendation	Outcome	Status
Streamline Certification Process	<ul style="list-style-type: none"> ✓ Redesign Certification Application to include eligibility checklist and requirements for certification which make the application easier to complete. ✓ Streamline Certification Application to address all certifications in one application. 	Complete
Improve Service Delivery	<ul style="list-style-type: none"> ✓ Develop and publish standard operating procedures (SOPs) for certification process. ✓ Expand certification period from 1 to 3 years. 	Complete
Memorandum of Understanding between Certifying Partners	<ul style="list-style-type: none"> ✓ Execute MOU with Houston Minority Supplier Diversity Council and Women’s Enterprise Alliance 	Complete
Expand Directory	<ul style="list-style-type: none"> ✓ Increase Certified Directory by approximately 25% 	Complete

CAPACITY

OBO has been able to accomplish several of the capacity building recommendations set forth by the Transition Task Force. The OBO collaborated with the U.S. Department of Transportation to launch a bonding education program that spanned over the course of seven weeks of training. This program resulted in nine firms being awarded bonding totaling approximately \$5 million. In addition, OBO will encourage Departments to forecast future contracting opportunities so that businesses can plan ahead and create partnerships for larger upcoming projects. Many of the recommendations made by the Task Force are also being discussed for implementation by the Disparity Study Working Group. Below, is the current status of each recommendation.

Task Force Recommendation	Outcome	Status
<p>Perform long-range planning and targeted outreach to S/MWDBEs prior to contract expiration and new awards.</p> <ul style="list-style-type: none"> • Quarterly review zero/low goal contracts • Mentor Protégé Program – project specific programs • Assign S/MWPDDBE Liaison from OBO to each Department. • Increase effort to include contract compliance officers in kick off meetings. • Encourage joint venture agreements. • Targeted outreach to certify firms in areas of opportunity for current City contracts. • Departments submit to OBO fiscal year project forecasts that identify large scale projects. 	<ul style="list-style-type: none"> • OBO plans to take a proactive approach to zero/low goal contracts. The creation of a plan to consistently review these projects is still in progress. • The External Affairs Division, in conjunction with the Business Development Manager, will work to plan a Mentor Protégé Program in 2013. • OBO plans to re-implement an S/MWPDDBE liaisons program using a customer service centered model. • OBO will work with Departments to attend as many kick off meetings as possible. ✓ OBO is currently working to produce a gap analysis that will identify the industries in which S/MWDBEs are participating and their levels of participation in all industries in order to direct resources to addressing the gaps identified. ✓ As a result of the Disparity Study recommendations, the OBO will continue to promote Joint Ventures. In addition, Departments will be required to submit yearly project forecasts. 	<p>90% Completed</p>
<p>Current Solicitations Limit S/MWPDDBE firms from becoming Prime Contractors.</p> <ul style="list-style-type: none"> • Unbundle contracts when applicable • SBE Program that identifies contracts under \$500,000. • Small contractor rotation program for contracts under \$50,000. 	<ul style="list-style-type: none"> ✓ Contracts are currently sized appropriately to the required scope to address project needs. Contracts will be unbundled when feasible. • Departments support the creation of a small business enterprise program, using the Target Market method that has a \$500,000 cap to encourage prime-level participation by small firms. Legislative support is needed. ✓ In compliance with AP 5-2, Departments currently require the solicitation of at least 3 bids from S/MWPDDBEs for informal procurements. 	<p>90% Complete</p>
<p>Bonding requirements limit S/MWDBE capacity and accessibility to COH projects</p>	<ul style="list-style-type: none"> ✓ The OBO launched a bonding education program in collaboration with the US DOT that spanned over the course of 	
<ul style="list-style-type: none"> • Facilitate programs to assist with 		

<p>increasing bonding capacity</p> <ul style="list-style-type: none"> Consider lowering bonding requirements on certain construction projects 	<p>seven weeks of training. OBO plans to continue this program.</p> <p>Bonding requirements will be reviewed periodically as part of overall risk management protocol.</p>	<p>Complete</p>
<p>Consider requiring Prime Contracts to bill bi-weekly</p> <ul style="list-style-type: none"> Provide mobilization fees for primes that must be shared with subcontractors. 	<ul style="list-style-type: none"> The payment structure does not lend itself to a more frequent payment cycle. 	
<p>Revise Chapter 15 to allow for goals to be assigned to contracts under one million dollars</p> <ul style="list-style-type: none"> Lower construction threshold to \$500,000 to provide additional subcontracting opportunities. Unbundle current contracts (where applicable) to create greater capacity for S/MWDBEs and afford them the opportunity to bid as prime. 	<ul style="list-style-type: none"> As a result of the Disparity Study recommendations, departments have agreed to explore an SBE program that would allow for set asides for contracts under \$500,000. Legislation change is required. It is the current policy of the COH to unbundle contracts when feasible. 	<p>Complete</p>
<p>Inconsistent Attention to S/MWPDBE Program</p> <ul style="list-style-type: none"> Citywide S/MWBE Program Compliance where department heads ensure internal compliance with S/MWPDBE provisions via department reports and performance reviews 	<ul style="list-style-type: none"> The OBO has created scorecard reports that are published bimonthly for each department to ensure compliance with the S/MWPDBE program. 	<p>Complete</p>

CONCLUSION

The recommendations from the Transition Task Force have served as a foundation for establishing strategy, implementing change, and enhancing the City’s Small, Minority, Women and Persons with Disabilities Business Enterprise program. Under the Mayor’s vision, the Office of Business Opportunity has enhanced its visibility and improved the efficacy of the program. The Affirmative Action and Contract Compliance Division, created 28 years ago, has been elevated from a Division of the Mayor’s Office to a City of Houston Department. The Office of Business Opportunity remains committed to its vision to create a competitive and diverse business environment in the City of Houston, by promoting the growth of local, small, minority and women–owned businesses in the city’s procurement process. The role of OBO has evolved into one that is critical to fulfilling the City’s priorities for fiscal responsibility, job creation and sustainability, and infrastructure. Since July 2010, the beginning of the first full fiscal year of the Parker Administration, \$576 million has been awarded to certified small, minority and women owned businesses and an additional \$139 million has been awarded to city and local businesses.