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# 2023 Countywide Disparity Study

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COUNTY OF SANTA CLARA  
MGT OF AMERICA CONSULTING, LLC.

# Introduction and Background

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- On March 9, 2021 (Item No. 46), Administration recommended engaging consultants to conduct a study on the County's utilization of DIV-BEs across its portfolio of contracted goods and services.
- Administration needed to first establish baseline data of available firms and their utilization in all County contracting activities.
- A study's findings and recommendations would guide County efforts and advance the Board's policy goals on contracting to ensure fairness and equal access to business opportunities in the County.
- Contract with MGT of America Consulting, LLC approved on January 25, 2022, (Item No. 81).

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# 2023 Disparity Study Methodology and Findings

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MGT OF AMERICA CONSULTING, INC.

# Study Overview

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The disparity study identifies gaps between diverse business enterprise availability and utilization and recommend County policy and program revisions to remedy the imbalance.

The study analyzed the County's entire portfolio of acquired goods and services between July 1, 2016, and June 30, 2021, including:

- Professional services
- Non-professional services
- Goods and related services
- Construction

# Diverse Business Enterprises

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Identified vendor communities listed in Board of Supervisors Policy Manual Section 3.11:

- Minority-owned business enterprises (MBEs)
- Women-owned business enterprises (WBEs)
- LGBT-owned business enterprises (LBGT-BEs)
- Disabled Veteran-owned business enterprises (DV-BEs)

Collectively "Diverse Business Enterprises" (DIV-BE)

# Procurement Overview

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MGT reviewed County contracting-related policies, processes, and technologies to inform qualitative data analysis and make recommendations for selected procurement and vendor engagement practices.

Activities and materials reviewed included:

- Reviewed relevant sections of County Ordinance Code, Board of Supervisors Policy Manual, and Administrative Guidelines.
- Assessed existing County procurement technologies and data structure.
- Interviewed 49 County staff, from line staff to executives across 17 different departments and agencies.

# Procurement Overview

## Findings

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- No inherent or built-in policy barriers identified which would intentionally restrain or constrain vendors from participating in procurement opportunities.
- However, the way in which some policies are operationalized can preclude both staff and vendors from participating in a transformative procurement culture.
  - Identified that the County's existing Local Preference Policy is not well known to the vendor community.
  - Current procurement systems impede the County's ability to effectively process procurement transactions and efficiently analyze data.
  - Vendor outreach initiatives and County-hosted events, whether virtual or in person, generally have good attendance.

# Data Assessment

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MGT Analyzed ~\$2.4 Billion of County spend in FY2017-2021 by procurement categories.

The following types of transactions were excluded from the analysis:

- Direct Payments authorized by County Ordinance A15-17
- Administrative items (e.g., utility payments, leases for real estate or insurance)
- Salary and fringe benefits, training, parking, or conference fees
- Field Purchase Orders and P-Card Transactions
- COVID-related expenditures
- Transactions associated with nonprofit organizations and governmental entities
- Assumed contracts
- Sole source agreements and contracts otherwise exempt from competitive procurement
- Contract spend associated with affordable housing development pursuant to a loan or grant from the County
- Lease agreements



# Quantitative Data Limitations

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- Only vendors who proactively self-identified or certified their firms as a DIV-BE with a third-party entity (e.g., Dunn and Bradstreet) prior to this Study were considered in scope for the utilization analysis.
- Diverse business enterprises who might have been subcontractors (to County "prime" contractors) were included in the utilization analysis but responses were limited.
- The County's procurement systems are not presently configured or utilized to collect vendor or subcontractor demographic data. In addition, the configuration of the County's systems make it challenging to generate comprehensive contracting reports.
- A large volume of small dollar spend is exempt from competition and was out of scope for the Study.
- While the County purchased goods and services from DIV-BEs in response to the COVID-19 pandemic, much of the spend was exempt from competitive procurement and therefore excluded from the Study analysis.

# Geographic Market Area Analysis

**The Relevant Geographic Market Area** was determined by examining the geographic areas where most County purchases are procured.

The County's market area defined 15 counties within the greater Bay Area and Central Valley regions of California.

Market Area Analysis, Distribution of Dollars by County

COUNTY, STATE	AMOUNT PAID	PERCENT
SANTA CLARA COUNTY, CA	\$ 985,117,852.48	40.81%
ALAMEDA COUNTY, CA	\$ 200,292,744.20	8.30%
SAN FRANCISCO COUNTY, CA	\$ 122,168,050.54	5.06%
SANTA CRUZ COUNTY, CA	\$ 60,704,268.86	2.51%
SAN MATEO COUNTY, CA	\$ 50,275,637.06	2.08%
CONTRA COSTA COUNTY, CA	\$ 48,152,059.28	1.99%
STANISLAUS COUNTY, CA	\$ 28,284,980.70	1.17%
MARIN COUNTY, CA	\$ 21,821,258.25	0.90%
SONOMA COUNTY, CA	\$ 13,309,237.15	0.55%
MONTEREY COUNTY, CA	\$ 6,968,925.33	0.29%
SAN JOAQUIN COUNTY, CA	\$ 6,615,996.16	0.27%
MERCED COUNTY, CA	\$ 1,103,904.20	0.05%
NAPA COUNTY, CA	\$ 803,449.09	0.03%
SOLANO COUNTY, CA	\$ 593,109.55	0.02%
SAN BENITO COUNTY, CA	\$ 39,717.75	0.00%
LOS ANGELES COUNTY, CA	\$ 79,435,167.73	3.29%
COOK COUNTY, IL	\$ 76,532,308.21	3.17%
STARK COUNTY, OH	\$ 49,244,857.72	2.04%
FULTON COUNTY, GA	\$ 43,262,345.40	1.79%

# Utilization Analysis

MGT analyzed in-scope spend data to identify the amount the County spent with each DIV-BE subcategory.

Total DIV-BE utilization was 15.12% of County spend in the study period.

Utilization Analysis by Business Ownership Classification

BUSINESS OWNERSHIP CLASSIFICATION	ALL PROCUREMENT CATEGORIES	
	Dollars (\$)	Percent (%)
Black/African Americans	\$6,667,743.75	0.28%
Asian American	\$171,654,445.96	7.11%
Hispanic Americans	\$15,688,633.16	0.65%
Native Americans	\$3,106,966.37	0.13%
<b>Total MBE Firms</b>	<b>\$197,117,789.25</b>	<b>8.17%</b>
Non-Minority Women	\$167,748,837.44	6.95%
<b>Total DIV-BE Firms</b>	<b>\$364,866,626.69</b>	<b>15.12%</b>
Unclassified Firms	\$2,048,992,064.75	84.88%
<b>TOTAL</b>	<b>\$2,413,858,691.44</b>	<b>100.00%</b>

\*Unclassified Firms are firms either (1) identified as nonminority male or (2) there was no indication of business ownership

\*\* Minority Women Owned Firms are classified and assigned to their corresponding minority groups

Utilization Analysis by DV-BE and LGBT Firms

BUSINESS OWNERSHIP CLASSIFICATION	ALL PROCUREMENT CATEGORIES	
	Dollars (\$)	Percent (%)
DV-BE	\$36,882,732.14	1.53%
LGBT	\$1,688,882.35	0.07%
<b>TOTAL</b>	<b>\$38,571,614.49</b>	<b>2.00%</b>

# Availability Analysis

Using a custom census approach, MGT estimated the volume of vendors located in the defined Geographic Market Area that are "willing and able" to work with the County.

Total DIV-BE availability in the County's marketplace is estimated at 27.91%.

Estimation of Available Firms, All Procurement Categories

Business Ownership Classification	PUBLIC WORKS & CONSTRUCTION	PROFESSIONAL SERVICES	NON-PROFESSIONAL SERVICES	GOODS & RELATED SERVICES	TOTAL
BLACK/AFRICAN AMERICAN	1.21%	1.98%	0.43%	0.13%	1.21%
ASIAN AMERICAN	8.29%	5.42%	6.41%	0.88%	5.57%
HISPANIC AMERICAN	4.70%	3.91%	3.91%	0.12%	3.43%
NATIVE AMERICAN	0.00%	2.05%	0.41%	0.23%	0.85%
MBE	14.20%	13.36%	11.16%	1.36%	11.06%
NON-MINORITY WOMAN	14.26%	25.72%	16.47%	4.45%	16.85%
DIV-BE	28.46%	39.08%	27.63%	5.81%	27.91%
UNCLASSIFIED FIRMS	71.54%	60.92%	72.37%	94.19%	72.09%
TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%

# Detailed Utilization Analysis by Business Category

RACE-ETHNICITY-GENDER	PUBLIC WORKS AND CONSTRUCTION	PROFESSIONAL SERVICES	NON-PROFESSIONAL SERVICES	GOODS & RELATED SERVICES	GRAND TOTAL
AFRICAN AMERICAN	\$60,000.00	\$310,715.16	\$5,331,449.08	\$965,579.51	\$6,667,743.75
ASIAN AMERICAN	\$69,474,842.38	\$20,898,333.66	\$8,185,776.04	\$73,095,493.88	\$171,654,445.96
HISPANIC AMERICAN	\$3,336,733.78	\$6,065,126.89	\$321,737.12	\$5,965,035.37	\$15,688,633.16
NATIVE AMERICAN	\$1,525,872.44	\$110,706.75	\$1,470,387.18	\$ -	\$3,106,966.37
MBE	\$74,397,448.60	\$27,384,882.46	\$15,309,349.42	\$80,026,108.77	\$197,117,789.25
NON-MINORITY WOMEN	\$33,216,182.31	\$116,850,197.01	\$8,109,074.24	\$9,573,383.88	\$167,748,837.44
M/WBE	\$107,613,630.91	\$144,235,079.47	\$23,418,423.66	\$89,599,492.65	\$364,866,626.69
UNCLASSIFIED	\$695,022,912.56	\$766,271,673.21	\$199,446,628.24	\$388,250,850.74	\$2,048,992,064.75
Grand Total	<b>\$802,636,543.47</b>	<b>\$910,506,752.68</b>	<b>\$222,865,051.91</b>	<b>\$477,850,343.38</b>	<b>\$2,413,858,691.44</b>

RACE-ETHNICITY-GENDER	PUBLIC WORKS AND CONSTRUCTION	PROFESSIONAL SERVICES	NON-PROFESSIONAL SERVICES	GOODS & RELATED SERVICES	GRAND TOTAL
AFRICAN AMERICAN	0.01%	0.03%	2.39%	0.20%	0.28%
ASIAN AMERICAN	8.66%	2.30%	3.67%	15.30%	7.11%
HISPANIC AMERICAN	0.42%	0.67%	0.14%	1.25%	0.65%
NATIVE AMERICAN	0.19%	0.01%	0.66%	0.00%	0.13%
MBE	9.27%	3.01%	6.87%	16.75%	8.17%
NON-MINORITY WOMEN	4.14%	12.83%	3.64%	2.00%	6.95%
M/WBE	13.41%	15.84%	10.51%	18.75%	15.12%
UNCLASSIFIED	86.59%	84.16%	89.49%	81.25%	84.88%
Grand Total	100.00%	100.00%	100.00%	100.00%	100.00%

# Disparity Analysis

MGT's disparity index methodology gives the evidence necessary to infer whether discrimination in the marketplace has occurred.

The disparity index is a proportional calculation that divides utilization rates (percent of dollars awarded to firms by subcategory) by their associated availability (percent of firms available to work within that same class) and multiplies this value by 100.

**Disparity Indices and Significance Testing**  
**All Procurement Categories**

Business Ownership Classification	Utilization	Availability	Disparity Index	Disparity Impact	Statistical Significance	Disparity Conclusion
Black/African Americans	0.28%	1.21%	22.76	Underutilization		Disparity
Asian Americans	7.11%	5.57%	127.75	Overutilization		No Disparity
<b>Hispanic Americans</b>	<b>0.65%</b>	<b>3.43%</b>	<b>18.97</b>	<b>Underutilization</b>	<b>***</b>	<b>Disparity</b>
Native Americans	0.13%	0.85%	15.06	Underutilization		Disparity
Total MBE Firms	8.17%	11.06%	73.83	Underutilization		Disparity
<b>Non-Minority Women</b>	<b>6.95%</b>	<b>16.85%</b>	<b>41.25</b>	<b>Underutilization</b>	<b>***</b>	<b>Disparity</b>
<b>Total DIV-BE Firms</b>	<b>15.12%</b>	<b>27.91%</b>	<b>54.16</b>	<b>Underutilization</b>	<b>***</b>	<b>Disparity</b>
Unclassified Firms	99.42%	88.97%	117.74	Overutilization	<b>***</b>	No Disparity

Note: Disparity index values may vary slightly from calculations of depicted figures due to rounding of presented levels of utilization and availability.

"\*" indicates an adverse disparity that is statistically significant at the 15% level or better (85% confidence).

"\*\*" indicates the disparity is significant at a 10% level or better (90% confidence).

"\*\*\*" indicates significance at a 5% level or better (95% confidence).

**BOLD** indicates substantial statistically significant disparity.

# Disparity Indices by Contract Category

RACE-ETHNICITY-GENDER	PUBLIC WORKS & CONSTRUCTION	PROFESSIONAL SERVICES	NON-PROFESSIONAL SERVICES	GOODS & RELATED SERVICES	TOTAL
BLACK/AFRICAN AMERICAN	<b>0.6</b>	<b>1.7*</b>	562.6*	153.6	<b>22.8</b>
ASIAN AMERICAN	104.4	<b>42.4</b>	<b>57.3</b>	1740.7*	127.8
HISPANIC AMERICAN	<b>8.8</b>	<b>17.0*</b>	<b>3.7*</b>	1000.5*	<b>19.0*</b>
NATIVE AMERICAN	<b>0.0*</b>	<b>0.6*</b>	161.0	<b>0.00</b>	<b>15.1</b>
ALL MINORITY-OWNED BUSINESSES	<b>65.3</b>	<b>22.5*</b>	<b>61.5*</b>	1230.8*	<b>73.8</b>
NON-MINORITY WOMAN-OWNED BUSINESSES	<b>29.0</b>	<b>49.9*</b>	<b>22.1*</b>	<b>45.0*</b>	<b>41.3*</b>
TOTAL DIVERSE BUSINESS ENTERPRISES (DIV-BE)	<b>47.1*</b>	<b>40.5*</b>	<b>38.0*</b>	322.6*	<b>54.2*</b>
DISPARITY IMPACT	<b>Underutilization Substantial Disparity</b>	<b>Underutilization Substantial Disparity</b>	<b>Underutilization Substantial Disparity</b>	Overutilization	<b>Underutilization Substantial Disparity</b>
UNCLASSIFIED	121.1*	138.1*	123.6*	86.3*	117.7*

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**BOLD** indicates substantial disparity.

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# Private Sector Analysis

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- Leveraging key US Census Bureau data, MGT assessed any existing disparities in the private sector of the relevant geographic marketplace.
- Evidence of passive discrimination stands alongside the disparities observed in public sector contracting to illustrate that substantial discriminatory inequities exist in the County's Market Area.
- Results provide evidence that disparities exist in the broader private sector and support the need for the County to implement remedies to avoid passive participation in discrimination.



# Qualitative Data Analysis

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- Qualitative data and anecdotal comments were gathered by MGT to understand the perceptions and opinions of individuals as they relate to discrimination in the County's marketplace.
- This analysis assesses the broad patterns among large groups of businesses based on their business ownership classification and industry.
- These opinions informed the Study findings and remedies if they were corroborated by other statements and the quantitative data compiled to substantiate these perceptions.

# Opportunities to Participate

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## Vendor Community Outreach and Participation

- 57 Professional Association focus groups, interviews, and surveys
- 280 Surveys of firms within market area
- 37 participants throughout 6 Business engagement meetings
- 15 Personal interviews with business owners
- 10 Email Campaigns
- 2 Press Releases
- County social media campaigns
- Disparity Study Website and 24/7 web survey

# Perceived Barriers to Doing Business with the County

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While variables such as firm age, financing, bonding limits, and experience impact discrimination, DIV-BEs were more likely to indicate that the below barriers had a perceived discriminatory impact on doing business with the County than non-DIV-BEs:

- Proposal and bid specifications
- Short or limited time given to prepare bid package or quote
- Restrictive contract specifications
- Selection process/ evaluation criteria
- Insurance requirements
- Competing with large companies
- Contract too large
- Changes in the scope of work after the contract began
- Slow payment or non-payment for project work

Note that regression analysis was used to validate qualitative findings.

# Remedy Analysis and Recommendations

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Remedies must be compliant with California Proposition 209, which precludes contract quotas, set-asides, and “rigid” numerical formulas giving preference on the basis of race, ethnicity or sex.

Enhanced procurement practices and technologies will reduce barriers and improve vendor participation and data collection:

- Enhance data collection, including utilization of subcontractors
- Procurement and solicitation forecast
- Streamline procurement technologies
- Adopt a subcontractor audit clause

Greater outreach and targeted programs for the small and local business community may advance inclusivity, diversity, and economic development for DIV-BEs:

- Establish stronger ties with organizations that promote diverse businesses
- Small business enterprise program
- Adopt aspirational small-business enterprise goals

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# County of Santa Clara Proposed Recommendations and Next Steps

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# Proposed Next Steps

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Policy and process recommendations to address remedies will be provided to the Finance and Government Operations Committee for discussion in August 2024. Tentative recommendations include:

1. Enhance current procurement technologies to collect key vendor demographic data.
2. Host a public-facing solicitation dashboard for early vendor engagement
3. Implement a robust e-sourcing and supplier management system.
4. Collect and report on utilization of subcontractors on County contracts.
5. Develop and implement annual outreach strategy to municipal and ethnic chambers of commerce and local business advocacy organizations.
6. Develop and adopt small and local business enterprise policy/program.
7. Defer adopting small business enterprise aspirational goals.

# Thank You

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- Complete Report and Executive Summary can be found at [countyofsantaclaradisparitystudy.com](https://countyofsantaclaradisparitystudy.com)
- Please reach out to [disparitystudy@ceo.sccgov.org](mailto:disparitystudy@ceo.sccgov.org) with any additional questions regarding the Study or the contents of this presentation.