

Memorandum



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DATE: August 15, 2008

TO: Honorable Mayor and Members of the City Council

SUBJECT: Good Faith Effort Program Update

On Wednesday, August 20, 2008, you will be updated on the Good Faith Effort (GFE) Program. A copy of the briefing is attached.

If you have any questions please call me at 214 670-3297.

A handwritten signature in black ink, appearing to read 'Mary K. Suhm'.

Mary K. Suhm
City Manager

Attachment

- c: Ryan Evans, First Assistant City Manager
- Deborah Watkins, City Secretary
- Thomas Perkins, Jr., City Attorney
- Craig Kinton, City Auditor
- Judge Jay Robinson, Judiciary
- Ramon F. Miguez, P.E., Assistant City Manager
- David O. Brown, Interim Assistant City Manager
- Jill A. Jordan, P.E., Assistant City Manager
- A.C. Gonzalez, Assistant City Manager
- David Cook, Chief Financial Officer
- Helena Stevens-Thompson, Assistant to the City Manager
- Ade Williams, Director, Business Development and Procurement Services

Good Faith Effort Program Update



CITY OF DALLAS

**Briefing to the Dallas City Council
August 20, 2008**



Purpose of Today's Briefing

- Identify opportunities to strengthen and improve performance of existing Minority and Women Business Enterprises (M/WBEs) at the City
 - Feasibility of awarding points for M/WBE participation in the evaluation process
 - Monitoring and assessing of M/WBE programs to improve results
 - Methods to expedite payments to subcontractors, similar to the Dallas Fort Worth International Airport's M/WBE program
 - Unbundling of projects
 - Changing name of the “Good Faith Effort” (GFE) program

Purpose of Today's Briefing (cont.)

- Propose framework to increase capacity for M/WBE participation
 - Focus on objective of building stronger, more vibrant M/WBE firms in the community
 - Utilize Joint Ventures (JVs) to provide spring board for fostering more and larger M/WBE firms in the market
- Analyze current Market to determine if significant changes have occurred that would necessitate a new Availability & Disparity (A & D) Study

Opportunities to strengthen and improve performance

1. Awarding M/WBE points

- Staff evaluated the feasibility of granting evaluation credits or points to encourage a meaningful inclusion of M/WBE in response to proposals
- A maximum of 15 points is recommended to be awarded to a proposal that includes a meaningful M/WBE participation. These points would be a part of the evaluation criteria of the Request For Proposal (RFP) for M/WBE participation on (architectural/engineering, professional services and other services) contracts that are \$250,000 and above where there is subcontracting opportunities
- GFE staff will evaluate and award points based on qualitative review of the M/WBE participation and not a quantitative review

Opportunities to strengthen and improve performance (cont.)

- Submission of an affirmative action plan and/or policy (2 points)
- Submission of documentation showing history of M/WBE utilization on previous contracts (4 points)
- Firm (s) Team make-up includes a significant number of diverse M/WBE firms in meaningful roles on the project (7 points)
- Evidence of acknowledgement of the City's Good Faith Effort (GFE) Policy, signed GFE affidavit that demonstrates intent to comply with the policy and evidence of M/WBE inclusion to meet the GFE goal for the project (2 points)

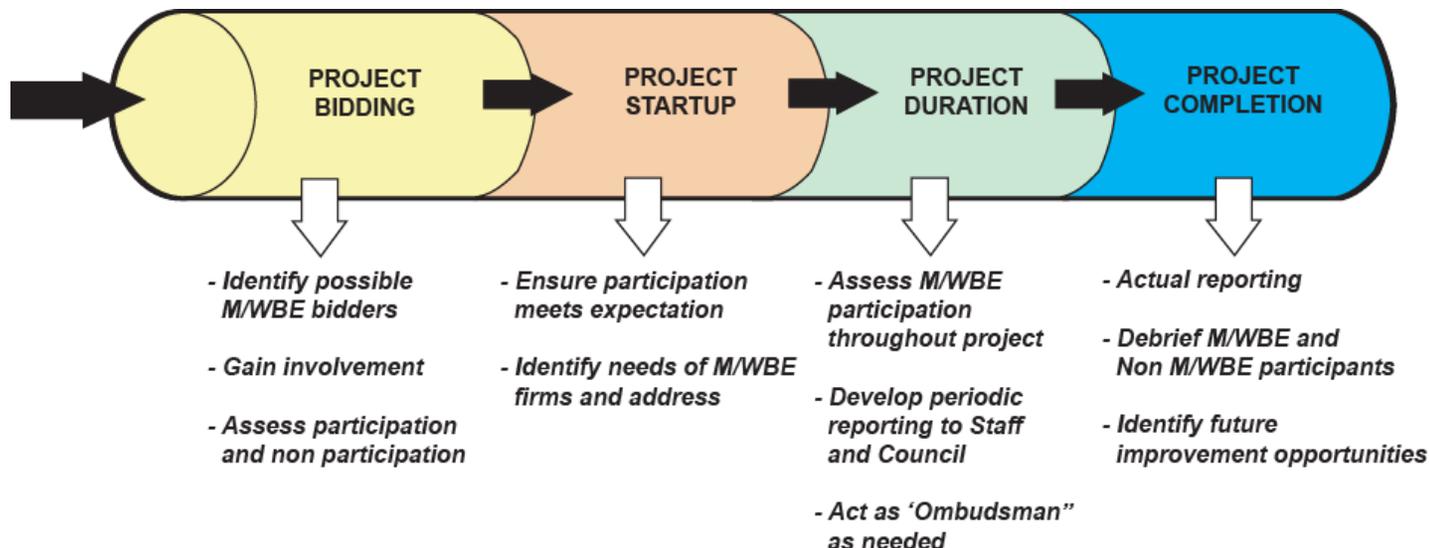
Opportunities to strengthen and improve performance (cont.)

- Examples of meaningful participation are:
 - Participation of 15 M/WBEs each with 1% would be less meaningful than the participation of 2 M/WBE companies each with 7.5%
 - A team composition of M/WBE and a non M/WBE where an M/WBE performs a more complex and technical role with the non M/WBE performing the less technical aspects
 - M/WBE roles for the DCCH were clearly identified and defined compared to when roles are not clearly defined
 - Proposals where the role of the M/WBE is distinctly specified as opposed to being generalized or marginalized

Opportunities to strengthen and improve performance (cont.)

2. Monitoring and accessing M/WBE programs

- Focus and emphasis needs to be on assessment of M/WBE participation throughout project
- Proposed budget adds resources to strengthen this



Opportunities to strengthen and improve performance (cont.)

- City staff has embarked on internal campaign to retrain all projects managers about
 - GFE policy and documentation
 - Contract compliance
 - Change order process
 - M/WBE participation evaluation
 - Accountability standards

Opportunities to strengthen and improve performance (cont.)

3. Expediting payments can be a tool to expand participation

- The leading concerns for M/WBEs is slow payment from primes and a lack of capital to competitively bid on public sector projects
- The DFW Airport's *Expedited Payment Program* requires primes to expedite payments to subcontractors within 7 days of the receipt of an invoice
- The DFW Airport, in turn, pays the interest on the expedited funds to the prime reducing the number of days to process payment to the subcontractors from 72 to 40 days for contracts \$10 million and above
- BDPS, in conjunction with the City Controller, is exploring the feasibility of expedited payments

Opportunities to strengthen and improve performance (cont.)

4. “Unbundling” of projects creates increased competition and M/WBE participation
 - The current contracting process includes a practice of unbundling projects to increase competition and M/WBE participation
 - Unbundled contracts awarded to increase M/WBE participation include:
 - Janitorial Service contracts
 - Uniform contracts for sworn and civilian personnel
 - Parking Services

Opportunities to strengthen and improve performance (cont.)

- Tire Supply
 - Towing Services
 - Geo-Technical Services
 - Industrial Hand tools
 - Automotive Body Parts and Labor
 - Energy Efficient light Bulbs
- Large master agreement projects will be evaluated prior to renewal to determine and /or identify unbundling opportunities so as to increase M/WBE participation
 - Moved the GFE process from post solicitation process to project conceptual stages to increase the opportunities for unbundling and M/WBEs

Opportunities to strengthen and improve performance (cont.)

5. Change Name

- Feedback from the Chambers, Industry, Advocacy and SICB group resulted in the following GFE program name suggestions:
 - M/WBE Inclusion criteria program
 - Business Diversity program
 - **Business Inclusion and Development (BID) program**
 - Supplier Inclusiveness program
 - Diversity Compliance program
 - Business Diversity and Vendor development program
- Staff recommends the adoption of Business Inclusion and Development (BID) program
- Reflects both inclusion and developing M/WBE firms

Framework to increase capacity

- Historically, in this market, City has focused on participation in individual projects
 - In addition and in the future, efforts need to focus on building stronger, larger M/WBE firms
 - Create more opportunities
 - Match markets such as Houston, Washington DC, and Atlanta that fostered larger M/WBE Firms
- ➡ Requires goals and objectives focusing on building, in the longer term, substantial M/WBE firms, measured both financially and by market position

Framework to increase capacity (cont.)

To accomplish increased capacity, several actions have been or are being proposed:

1. Recognizing the need to develop the capacity of M/WBEs to effectively compete on public projects:
 - The Mayor kicked off the Supplier Inclusiveness & Capacity Building (SICB) initiative (May 12, 2008)
 - Forty representatives of surrounding area businesses, banking community, construction and industry groups were in attendance
 - 12 groups with diverse interests were represented (i.e. chambers of commerce, industry and advocacy groups)

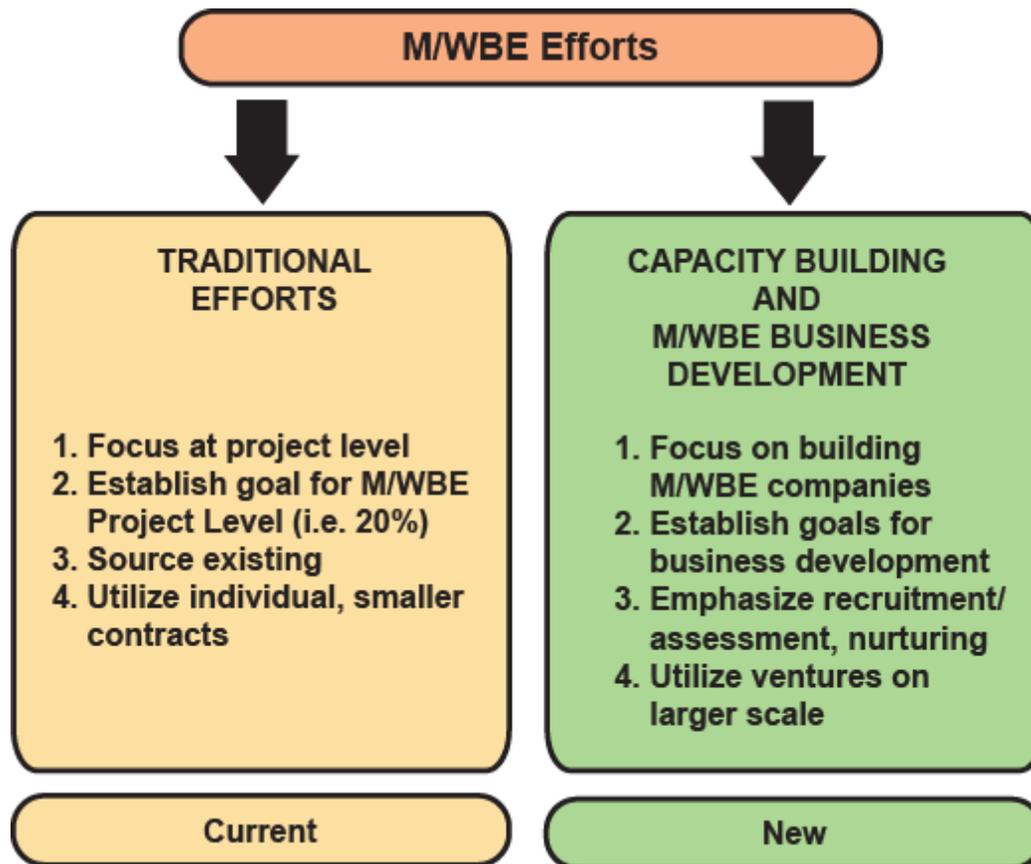
Framework to increase capacity (cont.)

2. Adopting new approaches which emphasize strategic JV's similar to those used widely in other markets will produce important advancements
 - A joint venture (JV) is a strategic alliance where two or more parties, usually businesses, form a partnership to share markets, intellectual property, assets, knowledge, profits or business interests
 - Such joint ventures are more commonly used in other major metropolitan markets to nurture minority firm development and growth

Framework to increase capacity (cont.)

- JVs address several important issues
 - Most M/WBE firms have difficulty building a resume to allow them to bid for progressively larger projects and thereby create real equity
 - Traditional practices can limit M/WBE firms to smaller projects, limiting potential
 - Use of JV's allow M/WBE firms to
 - ✓ Build "Resume" of larger project capability
 - ✓ Gain experience, exposure and expertise

Framework to increase capacity (cont.)

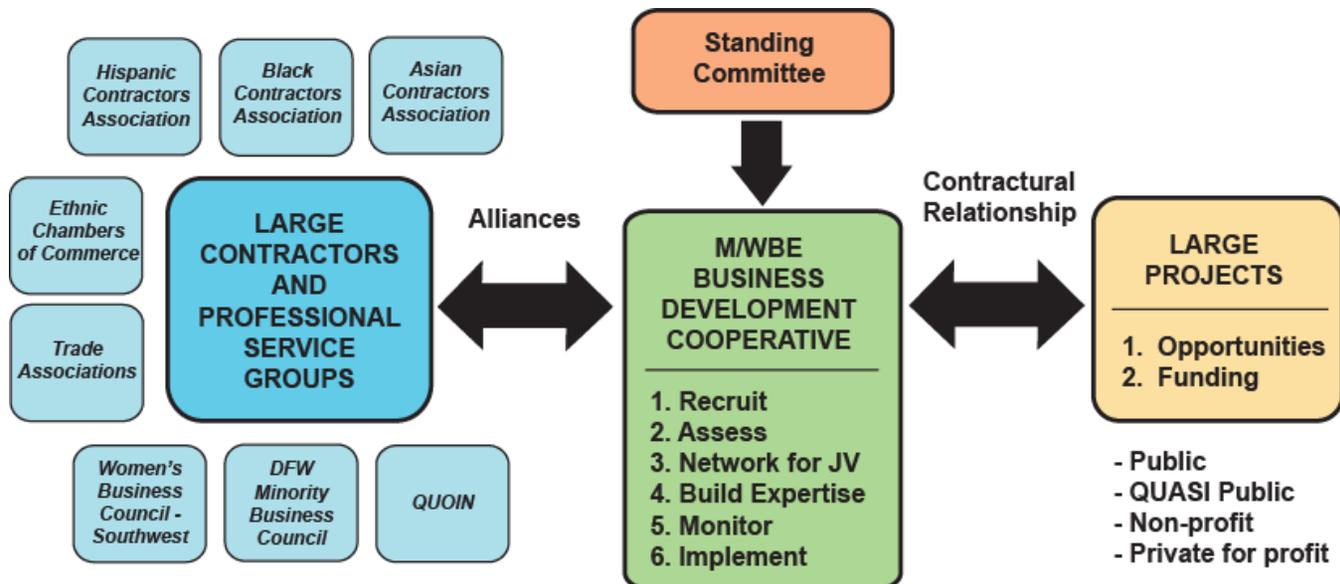


Framework to increase capacity (cont.)

- Larger projects are the vehicle to using JV's to increase capacity and provide M/WBE opportunities
 - Dallas Convention Center Hotel (DCCH) presents real opportunities with the following initiatives in process:
 - Promote business development
 - Increase opportunities for local M/WBE and SBE firms to grow
- Matthews Southwest Team (whom the City is currently in exclusive negotiations with for the DCCH) includes 2 JV's
- Overall, partnering involves 16 M/WBEs

Framework to increase capacity (cont.)

- Given the need and other large projects in the market (Parkland, Love Field, DISD bond, DCCCD bond, DFW Airport, DART, Dallas County, etc) there is an opportunity to participate in a new initiative



Framework to increase capacity (cont.)

3. Developing a financial mobilization program with financial institutions for M/WBE contractors to bridge their access to capital in financing start-up costs
 - This working capital would expand the financial capacity of these firms, thus enabling them to more effectively compete for construction projects and ultimately increase the number of qualified M/WBEs that are capable of bidding on public projects
 - Program would gain commitment from financial institutions (funding) and Minority organizations and cooperatives (sourcing needs)

Framework to increase capacity (cont.)

- SICB second committee meeting (July 17, 2008) resulted in the following:
 - Strategies developed to enhance M/WBE capacity, capital pool and management training
 - Recommendations submitted to the City Manager for presentation to the Mayor and City Council
 - 27 attendees (from the business community, construction and industry groups)

Framework to increase capacity (cont.)

- The City offers, referral based, technical assistance to M/WBEs via its Surety-Support Program (SSP Consulting) to provide the following services:
 - Assistance in preparing bond package applications
 - Assistance in obtaining loans and/or lines of credit
 - Obtaining reasonable and competitive rates to meet insurance requirements
 - Preparation and review of company and personal financial statements along with credit counseling

Framework to increase capacity (cont.)

- City will encourage Matthews Southwest and other primes to offer alternative bonding services
(i.e. sub-guard to M/WBEs who need this option, in lieu of bonding)
- As part of the SICB Initiative, the City encourages primes and general contractors to utilize the services of M/WBEs to help increase their bonding capacity

Availability & Disparity Study

- The last Availability & Disparity (A&D) Study conducted for the City of Dallas was in 2004 which found disparity existed in the:
 - prime contracting categories for all M/WBEs
 - subcontracting construction category for African Americans and Asian American only
- The most recent regional A&D Study was conducted last year by Dallas County Community College District (DCCCD) and indicates no significant changes in the target market

Next Steps

- Continue to explore ways to promote M/WBE participation in the City's contracting process
- Will continue to work with SICB sub committees to address M/WBE challenges