



# Supplier Diversity Models

Rules Committee

March 23, 2011

Item 3

# Supplier Diversity Models



- On November 16, 2010 the City Council discussed Item Number 331, “Performance Audit of the Subcontractor Outreach Program (SCOPE),” which is a program aimed at providing equal opportunity for all subcontractors to participate on City construction work.
- During public comment there was additional concern with equal opportunities for all qualified firms in the awarding of City contracts for goods and services, which is done through the Department of Purchasing and Contracting

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# Supplier Diversity Models



- From this public testimony there was a request for the IBA to:
  - Authorize an assessment of supplier diversity program models, the potential consolidation of Purchasing and Contracting and the implementation of Information Technology (IT) Enhancements discussed for the past four years
- Our Report #11-17 addresses this request

# Supplier Diversity Models



- **Supplier Diversity** is the use of certified vendors owned by people from traditionally underrepresented groups such as minority-owned business enterprises (MBEs) and women-owned business enterprises (WBEs).
- Supplier diversity is aimed at increasing the number of these underrepresented groups that supply goods and services to companies by allowing them to compete on a more even footing with larger vendors to access market opportunities.

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# Supplier Diversity Models



- Before assessing diversity models, the IBA researched best practices for implementing a successful supplier diversity model
- A report titled, “U.S. Counties Procurement-based Small Business Development Best Practices” was produced by the Insight Center for Community Economic Development and the DelACCESS Consortium Small Business Development Model. They laid out 9 best practices.
- These best practices include:

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1. Commitment to Supplier Diversity by the Executive Branch
2. Technology and E-Procurement Use to Promote Outreach and Diversity
3. Departmental Promoters
4. Training and Motivating Staff
5. Awards and Positive PR

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6. Partnership and Outreach
7. Strategic Use of Under-Threshold Contracts
8. Maximizing the Supply Chain: Sub-Contracting and 2<sup>nd</sup> Tier
9. Eliminating Barriers with Well-Placed Bonding, Financing, and Loan Guarantee Programs

# Supplier Diversity Models



- The entities that were reviewed include the City of Los Angeles, San Diego Gas and Electric (SDG&E), and AT&T
- From this review two important differences emerged between these entities and the City of San Diego:
  1. The use of an automated vendor registration system
  2. Systemic reporting of efforts and results



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- Best Practices in Use by the City of Los Angeles :
  - Executive commitment through recently enacted Business Inclusion Program, which requires regular reporting of procurement goals
  - Utilization of the Los Angeles Business Assistance Virtual Network (LA BAVN)
  - Through Business Inclusion Program, departments will establish own procurement goals and provide regular updates of progress to the established Advisory Committee

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- **Best Practices in Use by SDG&E:**
  - SDG&E's approach to supplier diversity has evolved into a fully integrated program and it is explained that supplier diversity is “woven into the fabric of our business.” An annual report is provided of accomplishments and goals.
  - A "vendor registration portal" is utilized to identify potential suppliers for contract opportunities.
  - SDG&E reaches out to Minority Chambers and searches for applicable databases to look for high-potential Disadvantaged Business Enterprises (DBEs).

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- **Best Practices in Use by AT&T:**
  - AT&T has a corporate commitment to promote, increase and improve the quality of the overall participation of minority, women, disabled veteran-owned business enterprises and small business enterprises. An annual report is provided of accomplishments and goals.
  - AT&T utilizes an online vendor registration system. Registered suppliers who want to do business with AT&T are notified of an opportunity electronically.
  - They sponsor many supplier diversity outreach events such as trade shows, award and recognition programs and workshops.

# Supplier Diversity Models



From this review two important differences emerged between the entities reviewed and the City of San Diego:

1. The use of an automated vendor registration system
2. Systemic reporting of efforts and results

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- **Automated Vendor Registration System**
  - The City of San Diego currently does not have an automated vendor registration system for firms interested in providing goods and services to the City.
  - An automated vendor registration system would provide a centralized system where vendors who would like to participate on city contracts can register.
  - This type of system would also allow the use of targeted electronic outreach and solicitation of bids by the City to qualified firms.
  - It could also enable the City to accurately measure the success and impact of its various procurement and contracting policies.

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- Automated Vendor Registration System
  - It is important to note, automated vendor registration systems have been in use by many regional jurisdictions in San Diego for a number of years. Some of these jurisdictions include:
    - City of El Cajon, since 09/2004
    - City of La Mesa, since 01/2006
    - City of Chula Vista, since 09/2006
    - Unified Port of San Diego, since 09/2007
    - San Diego County Regional Airport Authority, since 10/2008
    - SANDAG (San Diego Association of Governments), since 02/2008

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- **Enhanced Reporting**

- The City of San Diego's Purchasing and Contracting Department does not provide regular reporting of their equal opportunity efforts for goods and services contracts as well as the amount of DBEs on these contracts.
- The Commission on Equal Opportunity and Contracting's (CEOC) 2009/2010 Annual Report, which was released on January 21, 2011, expressed their interest in raising the level of attention to diversity in the area of goods and services.

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- Consolidation of P&C Department
  - Currently, no positions in the P&C Department are dedicated exclusively to equal opportunity contracting monitoring and efforts
  - The FY08 budget included the decentralization of EOCP as part of P&C's Business Process Re-Engineering Study
  - The IBA contacted EOCP's staff about whether they could expand monitoring activities to include contracts in the P&C Department. They stated additional staff would be necessary to monitor these activities



# Supplier Diversity Models



- The IBA recommends that regular status reports be provided by the Purchasing and Contracting Department on supplier diversity efforts of goods and services contracts. These reports should include:
  - Statistics on the use of DBEs on goods and services contracts;
  - A report on P&C's outreach and partnership efforts to enhance DBE participation;
  - A status update on the vendor registration system and how it can be used to promote equal opportunity efforts.

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Questions?