



**April 6, 2021**

TO: Council President Brendmoen; Saint Paul City Council

SUBJECT: Supplier Diversity Program

The City of Saint Paul is launching a supplier diversity program aimed at opening opportunities for Women-owned Business Enterprises (WBEs), Minority-owned Business Enterprises (MBEs), and Small Business Enterprises (SBEs). The need for a supplier diversity program has been demonstrated through the 2017 Joint Disparity Study. A supplier diversity program will be formulated through a comprehensive evaluation of City procurement practice, development of programming, and outreach/education to targeted businesses. To kick off the program, HREEO today is asking for council support for three key deliverables. There may be additional action needed as the supplier diversity program develops. This report outlines:

- 1) The need for a supplier diversity program;
  - 2) Background on the supplier diversity program;
  - 3) Briefing on the three items currently before the City Council.
- I. Disparities in Contracting: The Need for a Supplier Diversity Program Focused on Publicly Bid First Tier Contracts

The City of Saint Paul generates substantial economic opportunities in its public procurements. Each year, the City of Saint Paul manages over \$200 million in public contracts. According to the most recent disparity study, the City of Saint Paul needs to increase by 30%<sup>1</sup> its purchases with WBEs and MBEs to have a level playing field in its procurements. Two areas were identified as significant sources of disparities: first tier spend, and public solicitations.

First, disparities are greater on “first tier” or “prime contract” spend, when the City has a contract directly with the business. The share of contracts to WBEs and MBEs is nearly triple on subcontracts/second tier spend as it is on the prime contracts/first tier spend.<sup>2</sup> This is due in large part to the City’s Vendor Outreach Program, which ensures access to subcontracting opportunities for SBEs, MBEs and WBEs.<sup>3</sup> The Disparity Study specifically recommended building out programming to assist SBEs, MBEs and WBEs on the first tier level.<sup>4</sup> The supplier diversity program is aimed specifically at first tier spend.

Second, disparities in the City are greater in its public procurement process than in opportunities let through development contracts, grants and loans under the City’s Housing & Redevelopment Authority (HRA). According to the Disparity Study, MBEs and WBEs were awarded 21% of the share of contracts awarded under HRA contracts, compared to only 10% on City of Saint Paul public procurements.

<sup>1</sup> WBEs and MBEs were found to be available to provide 21.09% of the City’s purchases but provided only 16.24%. [2017 Joint Disparity Study: City of Saint Paul Final Report, chapter 7, page 5.](#)

<sup>2</sup> Only 9% of public prime contracts were awarded to an entrepreneur of color or woman entrepreneur, compared to 26% of subcontracting opportunities. [2017 Joint Disparity Study: City of Saint Paul Final Report, chapter 8, page 9.](#)

<sup>3</sup> See 2017 Joint Disparity Study: City of Saint Paul Final Report, Executive Summary, page 10; “But for the VOP, there would have been a larger disparity in the utilization of WBE’s in construction . . . .”

<sup>4</sup> [2017 Disparity Study: City of Saint Paul Final Report, Executive Summary, page 9.](#)



Put together, the two foregoing points illustrate that the City has the biggest gap in diversity of contracting at precisely the point where it has the most control in vendor selection – in publicly procured contracts where the City selects the vendor. The supplier diversity program focuses its efforts precisely on this gap.

## II. Supplier Diversity Program Background

The City of Saint Paul can increase public procurement opportunities for a diverse supplier pool that includes SBEs, MBEs, WBEs, and other diverse businesses through a comprehensive supplier diversity program. The City's values of inclusion, equity and justice are central to the City of Saint Paul and should be reflected in the City's contracting and procurement processes. A supplier diversity program provides the following benefits for the City:

- Meets the City's needs for construction, design, and procurement services at the lowest price
- Ensures the City secure the highest value price by increasing competition and reducing incumbency advantage
- Reduces the risk of litigation alleging discrimination in contracting
- Engages businesses representative of the rich diversity of the City of Saint Paul
- Positions the City as a leader in diverse contracting
- Increases the transparency of the City's procurement process.

HREEO will have a full supplier diversity program developed by the end of 2021. The program will include the following:

- Legal updates
- Policy, Standard Operating Procedures and guidelines
- Outreach and engagement for program development
- Goals and measurement
- Enterprise-wide reporting structure
- MWBE resource guide
- Rollout plan
- Marketing/Communications Plan.

Once action is approved by Council, HREEO will work through the following phases of supplier diversity Program Development:

- 1) Information gathering and project meetings
- 2) Assessment and engagement
- 3) Program development & documentation
- 4) Program rollout, outreach & education

All items are currently contemplated to be completed by the end of 2021.

## III. Actions before City Council

To begin the supplier diversity program, HREEO is requesting the following actions from City Council:

- 1) Approval of an increase of \$66,300 to HREEO's Minority Business Development and Retention Fund for professional services. These funds will be used to secure a contract



with a consultant to assist with development of a supplier diversity program. The selection will be made through the City's Professional Service contracting process.

- 2) Approval of the City renewing the Joint Powers Agreement for the Central CERT Program. The City of Saint Paul serves as the lead agency for the Central CERT Program. CERT is a small business certification recognized by Hennepin County, Ramsey County and the City of Minneapolis. This Joint Powers Agreement updates the terms of the JPA among the participating entities, providing a uniform, local certification process for SBEs, MBEs and WBEs looking to secure public contracts all across the metropolitan area. CERT is a robust resource for reaching diverse vendors. The CERT list currently consists of 1,472 businesses. Of these businesses, 560 (38%) are entrepreneurs of color, and 780 (53%) are women entrepreneurs.
- 3) Approval of a Joint Powers Agreement among the City of Saint Paul, Hennepin County, Ramsey County, Anoka County, the Washington County Community Development Agency (WCCDA), the Dakota County Community Development Agency (DCCDA), and the Minneapolis Public Housing Authority, formally establishing the Twin Cities Regional Section 3 Collaborative. All members of the Section 3 Collaborative are required to demonstrate compliance with Section 3 regulations. Through this agreement, the City of Saint Paul will leverage its Section 3 program to provide certification, outreach and education to Section 3 businesses. The City is committing to provide the following services to the Section 3 Collaborative Members in exchange for an annual membership fee to fund the activities:
  - a. Creating and maintaining of a Section 3 Webpage, which will contain certification, contracting opportunities and resources for Section 3 residents and businesses
  - b. Certifying Section 3 residents and businesses for all members of the Section 3 Collaborative
  - c. Administering the Section 3 collaborative, including maintaining books, records, information materials, and other documents related to the implementation of program activities
  - d. Coordinating outreach & education events for the Section 3 Collaborative
  - e. Coordinating, preparing and distributing regular communication for the Collaborative, including
    - i. Sending emails to Section 3 residents and businesses with information regarding contracting opportunities, job opportunities, training and workshops, networking, and other business resources;
    - ii. Representing the Section 3 Collaborative on local and regional business development collaborations;
    - iii. Developing information about training for potential business owners;
    - iv. Referring businesses to business development training opportunities;
  - f. Serving as the central point of contact for the Section 3 Collaborative to respond to public inquiries regarding Section 3.