



City of San Antonio

Agenda Memorandum

File Number:
{{item.tracking_number}}

Agenda Item Number: 2

Agenda Date: June 28, 2023

In Control: Economic and Workforce Development Committee Meeting

DEPARTMENT: Economic Development Department

DEPARTMENT HEAD: Brenda Hicks-Sorensen

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Briefing on the 2023 Small Business Economic Development Advocacy (SBEDA) Disparity and Causation Analysis Study (Disparity Study).

SUMMARY:

This briefing will provide an overview, along with findings, from the 2023 Small Business Economic Development Advocacy (SBEDA) Disparity and Causation Analysis Study (Disparity Study). The purpose of the study is to identify racial and gender contracting disparities in the San Antonio marketplace and to provide legal support to continue the City's affirmative action contracting program.

BACKGROUND INFORMATION:

As determined in Supreme Court case of *Richmond v. Croson* (1989), government contracting policies using race and/or gender as a classification or as a consideration must withstand "strict scrutiny" under federal law and must show a "compelling governmental interest" to establish and

to maintain race and gender-specific programs. Essentially, the governmental entity must find statistical evidence of disparities in the market area, anecdotal evidence of barriers to full and fair inclusion must support the statistical evidence, and remedies must be “narrowly tailored” to address that evidence.

Industry best practice is to update disparity studies every five to seven years. To date, the City of San Antonio has conducted three disparity studies in 1992, 2010, and 2015. The 2010 Disparity Study led to a significant overhaul of the SBEDA Ordinance, which called for the creation of a central vendor registry, compliance module, goal setting committee, and contract specific race-neutral and race-conscious tools such as subcontracting goals, segmented subcontracting goals, and prime evaluation preference points. While the 2015 Disparity Study found a continuing disparity between the availability and utilization of minority and women-owned businesses (M/WBEs) on City contracts, as well as market-based disparities impacting M/WBEs regarding business formation rates and earnings, it also affirmed the City was making progress in the utilization of M/WBEs. As a result, that study called for minor programmatic adjustments, such as the expansion of effective SBEDA tools to all industries (i.e., the M/WBE prime evaluation preference point tool was not available in the construction industry but was expanded to this industry post the 2015 Disparity Study) and the ability for S/M/WBE vendors to self-perform SBEDA subcontracting goals.

The contract to perform the 2023 Disparity Study was awarded by City Council in August 2021 to Colette Holt & Associates. This work updates the City’s 2015 Study and was publicly released in May 2023 followed by a briefing to the SBEDA Committee and initiation of a public outreach campaign. Outreach efforts included development of a dedicated study website, briefings to stakeholder groups, community listening sessions, and a public hearing hosted by the SBEDA committee.

ISSUE:

The 2023 Disparity Study analyzed City purchasing data from 2014 through 2020 and found that 53% of M/WBEs were utilized on City contracts during the seven-year study period, which exceeds the 25% availability rate of M/WBEs in the San Antonio marketplace. While M/WBEs overall have achieved or exceeded parity, African American-Owned Businesses, Asian American-Owned Businesses, and Native American-Owned Businesses have not met their respective availability rates in the San Antonio Market Area, suggesting that disparity in City contracting remains.

The 2023 Disparity Study also identified continued disparities in the broader San Antonio through statistical analysis, which show M/WBEs earn less, are less likely to start businesses, and have greater difficulty accessing capital as compared to non-M/WBEs. The Study also suggests that while the City has made great progress in creating opportunities for M/WBEs, barriers related to race and gender remain. During this presentation, the consultant will describe the methodology and findings in more detail.

In August 2023, the staff will recommend City Council adopt the 2023 Disparity Study to serve as evidence and guide any potential amendments to the current SBEDA Ordinance. A subsequent

public engagement process will take place once the study and its findings have been adopted by City Council and prior to the recommendation of any amendments to the SBEDA Ordinance. Current timelines anticipate City Council will consider any potential amendments to the SBEDA Ordinance in late 2023.

FISCAL IMPACT:

This item is for briefing purposes only.

ALTERNATIVES:

This item is for briefing purposes only.

RECOMMENDATION:

Staff recommends the Economic and Workforce Development Committee approve proceeding with full City Council adoption of the 2023 Disparity Study.