



City of San Antonio

Agenda Memorandum

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Agenda Date: June 29, 2023

In Control: Small Business Economic Development Advocacy (SBEDA) 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 Study Public Engagement Process and Approval to Recommend City Council Adopt the Study.

SUMMARY:

This briefing will provide an overview of the 2023 Small Business Economic Development Advocacy (SBEDA) Disparity Study public engagement process and also include a request for the SBEDA Committee to recommend City Council adopt the Study.

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 certified vendors to self-perform SBEDA subcontracting goals.

The 2023 Disparity Study, awarded by City Council in August 2021 to Colette Holt & Associates, would update the City’s 2015 Study. The study 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 analyzes 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, City Council will consider adoption of the 2023 Disparity Study to serve as evidence for continuation of the SBEDA Ordinance. Prior to City Council adoption, City has initiated a public engagement campaign to educate the business community on the study findings and gather feedback. Prior to City Council consideration, the Economic Development Department

is requesting the SBEDA Committee recommend City Council adopt the Study.

Findings of this Disparity Study will guide any potential amendments to the current SBEDA Ordinance, which will be competed through a separate public engagement process once the study and its findings have been adopted by City Council. If amendments to the SBEDA Ordinance are recommended, it is anticipated that City Council will consider them in late 2023.

FISCAL IMPACT:

There is no fiscal impact for the SBEDA Committee to recommend City Council adopt the 2023 SBEDA Disparity Study.

ALTERNATIVES:

Should the SBEDA Committee not recommend City Council adopt the 2023 SBEDA Disparity Study, the Economic Development Department will continue to seek City Council approval to adopt the Study in order to remain in compliance with federal law to continue implementation of the race- and gender-conscious portions of the SBEDA Ordinance.

RECOMMENDATION:

The Economic Development Department requests for the SBEDA Committee to recommend City Council adopt the 2023 SBEDA Disparity Study.