EXECUTIVE SUMMARY

Supplier Diversity Models

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: March 16, 2011 **IBA Report Number:** 11-17

Rules Committee Date: March 23, 2011

Item Number: 3

On November 16, 2010 the City Council discussed Item Number 331, "Performance Audit of the Subcontractor Outreach Program (SCOPe)." The audit revealed limitations of SCOPe , which is a program that aims to maximize subcontracting opportunities for all qualified and available firms and to provide an equal opportunity for all subcontractors to participate in the performance of City construction work.

During the public comment period of this item there was also concern with equal opportunities for all qualified and available firms in the awarding of City contracts for goods and services, which is done through the Department of Purchasing and Contracting. A member of the public requested that the IBA provide an assessment of supplier diversity program models, address a potential consolidation of Purchasing and Contracting and the Equal Opportunity Contracting Program (EOCP), and the implementation of Information Technology (IT) Enhancements discussed for the past four years. This report addresses these items.

Prior to determining supplier diversity program models to assess, the IBA first researched best practices for implementing a successful model. A report released in December 2009, "U.S. Counties Procurement-based Small Business Development Best Practices" addressed nine best practices for a successful supplier diversity programs in the governmental sector. These best practices are listed in the report.

The three supplier diversity models that were assessed were the City of Los Angeles, San Diego Gas & Electric (SDG&E) and AT&T.

After assessing the three models, two important differences emerged between them and the City of San Diego: 1.) the use of an automated vendor registration system and 2.) systemic reporting of efforts and results.

Based on our review, the IBA recommends that regular status reports be provided by the Purchasing and Contracting Department (P&C) on supplier diversity efforts of goods and services contracts. These reports should include:

- Statistics on the use of Disadvantaged Business Enterprises (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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OVERVIEW

On November 16, 2010 the City Council discussed Item Number 331, "Performance Audit of the Subcontractor Outreach Program (SCOPe)." The audit revealed limitations of SCOPe , which is a program that aims to maximize subcontracting opportunities for all qualified and available firms and to provide an equal opportunity for all subcontractors to participate in the performance of City construction work.

During the public comment period of this item there was also concern with equal opportunities for all qualified and available firms in the awarding of City contracts for goods and services, which is done through the Department of Purchasing and Contracting. A member of the public provided four recommendations in order to receive more information in this area. These recommendations included:

1. Request an audit of the City's Purchasing and Contracting function;
2. Authorize an assessment by the IBA of supplier diversity program models and the potential consolidation of Purchasing and Contracting and the implementation of Information Technology (IT) Enhancements discussed for the past four years;
3. Seek immediate funding for a disparity study while evaluating potential savings given studies already completed in the San Diego region;
4. Revisit a local hiring initiative that addresses the city's socioeconomic needs and realities.

This report responds to the request directed to the IBA and aims to begin a discussion of ways to enhance the City of San Diego's current supplier diversity efforts. This report will explain what supplier diversity is and outline best practices for implementing a successful supplier diversity program. It will then assess supplier diversity models in both public and private sector entities. Through this assessment we will review areas in which the City of San Diego's efforts can improve.

FISCAL/POLICY DISCUSSION

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.

Prior to determining supplier diversity program models to assess, the IBA first researched best practices for implementing a successful supplier diversity model. In December 2009, 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. The Insight Center for Community Economic Development is a national research, consulting, and legal organization dedicated to building economic health and opportunity in vulnerable communities. The DelACCESS Consortium Small Business Development Model is a business model designed to benefit government agency procurement operations and local small businesses within a community. This report was produced for New Castle County, Delaware in order to enhance their Small Business Development Initiative. Through their research of other comparable counties throughout the country, they outlined nine best practices of successful supplier diversity programs in the governmental sector.
Below is a list of the best practices provided and includes a brief description of each:

Acronyms in Use

DBE-Disadvantaged Business Enterprise

MBE-Minority-owned Business Enterprise

WBE-Women-owned Business Enterprise

OBE-Other Business-owned Enterprise

SBE-Small Business Enterprise

EBE-Emerging Business Enterprise

DVBE-Disabled Veteran-owned Business Enterprise

SLBE-Small, Local Business Enterprise

ELBE-Emerging, Local Business Enterprise

1. **Commitment by Executive Branch:** The executive leadership sets the supplier diversity expectations for departmental management and holds management accountable by requesting regular spending reports and evaluating reports based on those expectations.
2. **Technology and E-Procurement Used to Promote Outreach and Diversity**: Electronic procurement system that ensures transparency and accurate tracking of procurement; accessible, online vendor registration and vendor directory; electronic notification of procurement opportunities to local and diverse small businesses.
3. **Departmental Promoters:** Supplier diversity within a government with de-centralized purchasing requires a promoter, or coordinator, in each agency. Even

when there is centralized purchasing, the program will work best when it identifies a key contact within each agency or department.

4. **Training and Motivating Staff:** Purchasing staff are trained on various components of supplier diversity-from the big picture of why it's important to the details of community outreach and tracking.
5. **Awards and Positive PR:** Unlike mandated sub-contracting programs, supplier diversity relies on positive public relations and motivation rather than sanctions. A successful program will need to find ways to award and recognize its champions and promoters among all the key stakeholders.
6. **Partnership and Outreach:** While true of any affirmative procurement program, a supplier diversity program especially relies on strong relationships with business associations, chambers of commerce, small business development centers, and other organizations, as well as direct relationships with diverse vendors themselves. A key activity of most governmental supplier diversity programs is to set up events where a large number of diverse vendors can develop relationships with relevant purchasing agents for their product or service.
7. **Strategic Use of Under-Threshold Contracts:** Most governmental agencies have a minimum amount for contracts that do not need to be sent out for bids or 'under-threshold' contracts which might only need a quote. Strategic use of these small contracts, while not compromising on the quality of the service or product that the government is purchasing, is an important component to supplier diversity efforts.
8. **Maximizing the Supply Chain: Sub-Contracting and 2nd Tier:** While governmental supplier diversity programs generally do not require subcontracting efforts, a little encouragement can go a long way. In fact, many large suppliers or contracts already have a supplier diversity program in place and governments can simply leverage and track those existing private-sector programs.
9. **Eliminating Barriers with Well-Placed Bonding, Financing, and Loan Guarantee Programs:** Successful governmental supplier diversity programs often add a component of bonding assistance, low-interest loan programs, or loan guarantees as a way of eliminating financial barriers for small or diverse businesses.

The supplier diversity models assessed in this report include the City of Los Angeles, San Diego Gas and Electric (SDG&E) and AT&T. After reviewing a number of models, these entities were chosen as they address a majority of the best practices listed above. We also reviewed potential models with city staff, industry experts and community stakeholders.

While there were many successful supplier diversity models in the private sector, we felt it was important to assess a California city as they must abide by California State law, Article 1, Section 31 of the California Constitution, commonly referred to as "Prop 209."

Prop 209 is a State proposition that restricts public entities from discriminating against or awarding preferential treatment in public contracting to a person or firm based on race or gender classifications. Under these provisions, passed by the voters in November 1996, a City shall not "discriminate against, or grant preferential treatment to, any individual or group on the basis of race, sex, color, ethnicity, or national origin in the operation of public employment, public education, or public contracting."

In practice, Prop 209 banned affirmative action programs using percentages, quotas, or set-asides to meet race- and gender-based diversity goals. The City Attorney issued a Memorandum of Law on September 10, 2007 titled "Overview of Law Concerning Equal Opportunity in Contracting: Existing Programs and Recommendations." In this report the City Attorney concluded that outreach programs for DBEs are constitutional "so long as they do not target specific genders, racial, or ethnic groups to the exclusion of others."

After reviewing various California cities' supplier diversity efforts, the City of Los Angeles was used as a model to compare against based on its recently adopted "Business Inclusion Program." This program, which will be implemented this fiscal year, addresses complaints by the City's community groups that current supplier diversity efforts were lacking. The program addresses many of the best practices outlined above.

A table is provided as an attachment to this report which summarizes how the entities reviewed address the nine best practices outlined above.

<u>City of Los Angeles</u>
The Department of General Services, Supply Services Division provides the centralized procurement function for the City of Los Angeles' City Council-controlled departments. The Supply Services Division is organized and comprised of five Commodity Groups and three Support Groups. The commodity groups are responsible for conducting the purchasing and competitive bidding activities in accordance with the City Charter, policies, ordinances and applicable laws. These groups include:

- Construction and Maintenance
- Public Safety
- General Operations
- Information Technology
- Automotive
- Industrial

Support Groups provide duties to the Division such as administrative support, supplier relations, technical support and processing of invoices, among others. Support Groups include:

- Supplier and Customer Relations Group
- Supply Management System Group
- Payment Services Group

In FY 2010 the City purchased $400 million worth of equipment, supplies, and repair and maintenance services.

The City of Los Angeles utilizes a MBE/WBE/OBE Subcontractor Outreach Program (or "Good Faith Effort" program) in supplying equipment, materials and services. Under the Good Faith Effort program, bidders for projects with an estimated value greater than $100,000 are required to actively reach out to MBEs, WBEs and OBEs who can potentially perform subcontracting work on these types of contracts. This program is overseen by the Supplier and Customer Relations Support Group, which is one of the support groups within the City's Supply Services Division.

Furthermore, Los Angeles also has a race- and gender-neutral Small and Local Business Program that provides a 10% preference to small, local businesses for procurement contracts under $100,000. To qualify, the principal office must be located within the County of Los Angeles, the business must have a valid business license, and gross receipts from the previous fiscal year must be less than $3 million. This program is overseen by the Bureau of Contract Administration, which is located in the Public Works Department. The Bureau oversees both construction and non-construction outreach programs.

Los Angeles utilizes an automated vendor registration program called the Los Angeles Business Assistance Virtual Network (LA BAVN). It is a free service that allows business organizations to register their companies and receive electronic notifications regarding all upcoming contracting opportunities with the City of Los Angeles. On this network you can also find information on the City's Bond Assistance Program. This program assists in removing barriers of surety bonding by providing technical and administrative assistance to local, small and minority businesses that would not otherwise be able to provide, on their own, the necessary bid, payment, and performance bonds to successfully bid and compete for City business opportunities.

Another service available to DBEs is the Los Angeles Minority Business Opportunity Center (LA MBOC). The LA MBOC offers free services to strategic growth MBE firms to help them achieve their business needs. Their mission is to link minority business enterprises to public and private sector contracting and financing opportunities. The LA MBOC also serves its constituency by partnering with other agencies in hosting a wide range of education forums including the annual Minority Enterprise Development (MED) Week. The MED Week Conference offers a venue for minority-owned firms to access information, tools and resources to grow their businesses both domestically and internationally. The LA MBOC is operated by the City under the direction of the Minority Business Development Agency (MBDA), which is part of the U.S. Department of Commerce. The City receives a grant from the U.S. Department of Commerce to operate the center.

The City of Los Angeles' Business Inclusion Program

In response to community complaints that the use of DBEs were still lacking on all City contracts despite its efforts, the Mayor of Los Angeles instituted an Executive Directive in January 2011 to create a Business Inclusion Program. This program expands the efforts of ensuring all businesses have an equal opportunity to do business with the City. Service enhancements include an upgrade to the current LA BAVN system for an estimated cost of $100,000. Also, no extra staff is expected to be needed for implementing this program. Below is a general description of the program's goals.

Mandatory Use of the Los Angeles Business Assistance Virtual Network (LA BAVN) for Advertising Competitively Bid Contracts

This Program plans to leverage the City's existing LA BAVN so that all contracting opportunities by departments are posted in one place and accessible on the internet. As stated in the Executive Directive, "the Program requires that BAVN be used as the exclusive way to: (1) advertise contracting opportunities subject to competitive bidding requirements, and (2) document efforts by prime contractors to reach out to and evaluate potential subcontractors." Currently, not all departments utilize the LA BAVN to post bid opportunities. Furthermore, businesses that register on LA BAVN are automatically notified by email of City contracting opportunities that fit their business profile. It is expected that this system be the "one-stop shop" for all city contracting opportunities that must be advertised.

Mandatory Use of LA BAVN for Documenting Efforts by Prime Contractors to Reach Out To and Evaluate Potential Subcontractors

To enhance the City of Los Angeles' current MBE/WBE/OBE Subcontractor Outreach Program (also known as the "Good Faith Effort" program) city staff plans on broadening subcontractor outreach to include a variety of small and disabled veteran businesses, including SBEs, EBEs and DVBEs. It is believed that encompassing these race neutral categories should lead to increased competition for city contracts, from not only small and disabled veteran businesses, but also minority and women business enterprises.

Also, to simplify the Subcontractor Outreach program, contractors will be required to perform and document subcontractor outreach using the LA BAVN. It is believed this automated process will lighten the burden on contractors by making outreach more efficient. It will also make it easier for the City to verify that the required outreach has been performed.

Departmental Action, Monitoring, and Accountability

An Advisory Committee will be formed that will report to the Mayor on a quarterly basis on progress toward achieving the established procurement goals. The Advisory Committee will be co-chaired by the heads of the Mayor's Office of Economic and Business Policy and the Bureau of Contract Administration, or their designees. Other members will include the Purchasing Agent or his or her designee, and others to be designated by the Mayor.

Departments will be required to report to the Advisory Committee on a quarterly basis. These reports will address the Department's use of LA BAVN for Advertised Contracts and for documenting efforts by contractors to reach out to and evaluate subcontractors. It will also state whether the Department's procurement goals have been met, and describe the steps that have been taken toward reaching them. These quarterly reports are expected to be made readily available to the public as well.

The City of San Diego

The Purchasing and Contracting Department (P&C) is responsible for the City's centralized procurement and materials management functions to ensure the availability of materials, supplies, equipment and services to meet the City's capital improvement program and operational needs. Based on information from P&C, an estimated $217 million was spent in FY 2010 on the purchasing of materials and services.

In July 2010, the City implemented a Small and Local Business Preference Program for goods, services, and consultant contracts greater than $50,000. Under this program, a SLBE or ELBE can receive a 2% discount off the bid price of the contract. A prime contractor can receive a 2% discount off the bid price if they achieve the voluntary goal of 20% for SLBE or ELBE subcontractor participation.

The City also has committed to supplier diversity through Council Policy 800-15, titled "Equal Opportunity Contracting." This policy addresses DBEs on non-construction contracts. This policy, which evolved in response to Prop 209, reaffirms its commitment to award and administer public contracts in a manner that is fair and provides equal opportunity to businesses regardless of race, gender or other category protected by law. This policy requires quarterly reports to City Council detailing goals, progress and strategies for review and approval. It also established the 11-member Citizens Equal Opportunity Commission (CEOC) to "monitor, review, report and assist in the overall equal opportunity effort of the City and the community at large."

To enhance equal opportunity efforts, the Director of P&C indicated that the department conducts over 200 outreach contacts to ELBs and SLBs annually and also coordinates activities with the Office of Small Business and the Equal Opportunity Contracting Program (EOCP).

To address vendor outreach efforts, they are considering partnerships with various chambers and diversity media outlets. P&C staff also provides "How to do Business with the City" and "Meet the Buyer" workshops on a frequent basis. To increase the use of awards and positive PR efforts, P&C is in the process of implementing a supplier/contractor of the year award that recognizes diversity.

Bid opportunities are posted on the City of San Diego's website and as explained by the Director of P&C, opportunity notices are sent electronically. The implementation of an automated vendor registration system is still pending. Currently, a vendor who would like to bid on a City of San Diego contract must fill out a form manually and mail it or drop it off with their bid at the Purchasing and Contracting Department office. Also, to provide reports on the use of DBEs on goods and services contracts, the department must manually extract the data from their system to an Excel Spreadsheet.

Comparisons with the City of Los Angeles: Automated Vendor Registration System and Reporting

After reviewing the City of Los Angeles and private sector practices (as discussed later in this report), two important differences emerged between the City of Los Angeles and City of San Diego: 1.) the use of an automated vendor registration system and 2.) systemic reporting of efforts and results.

Automated Vendor Registration System

It is believed that implementation of an automated vendor registration system is a first step in improving supplier diversity efforts as it can improve outreach and reporting efforts. 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.

Enhanced Reporting

The City of Los Angeles' Business Inclusion Program also aims to increase monitoring of their current equal opportunity programs through regular reporting. The City of San Diego 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. This is unlike the City of San Diego's EOCP, which reports regularly on equal opportunity efforts on construction contracts and Architectural and Engineering (A&E) consultant contracts. However, reporting is required through the Small and Local Business Preference Program as well as through Council Policy 800-15 as described above.

Also, as stated in the CEOC's 2009/2010 Annual Report, which was released on January 21, 2011, the Commission has expressed their interest in raising the level of attention to diversity in the area of goods and services. They have requested statistical reports in

order to gauge the City's progress but the information provided has been limited and difficult to understand. It should be noted that the CEOC is responsible for monitoring and/or evaluating the City's equal opportunity programs and makes recommendations regarding the Program. Therefore, it is important for them to receive regular status updates.

Consolidation of the Purchasing and Contracting Department

Currently, there are no positions in the P&C Department that are dedicated exclusively to equal opportunity contracting monitoring and efforts. The Fiscal Year 2008 budget included the decentralization of the Equal Opportunity Contracting Program (EOCP) as part of P&C's Business Processing Re-Engineering Study (BPR). The initial plan was for limited staff to remain in P&C for administration of the program. Monitoring responsibilities would be split between the P&C and Engineering & Capital Projects (E&CP). However, this plan was not successful and in the Mayor's August 1, 2007 report to the Rules Committee (Report #07-135) it was reported that EOCP functions would be centralized into P&C. However, on January 14, 2008, EOCP was transferred from P&C to its current location in the Administration Department.

The IBA contacted the EOCP in the Administration Department about whether they could expand monitoring activities to include contracts in the P&C Department. They stated that additional staff would be necessary to monitor these activities.

Private Sector Models and Practices

The following section of this report provides an assessment of supplier diversity models in private sector companies including San Diego Gas & Electric (SDG&E) and AT&T. A short description of the company is provided as well as how they address the best practices listed previously. It is important to note, while these best practices were directed towards governmental entities it was realized that the private sector companies addressed a majority of the practices as well.

San Diego Gas and Electric (SDG&E)

SDG&E is a public utility company and provides natural gas and electricity to San Diego County and southern Orange County. It is owned by Sempra Energy, a Fortune 500 energy services holding company that is based in San Diego.

In their 2010 Annual Report, SDG&E notes that their "approach to supplier diversity has evolved into a fully integrated program that brings the most capable and responsive mix of suppliers" and that supplier diversity is "woven into the fabric of our business." The company has purchased more than $385 million worth of products and services with DBEs, constituting more than 37 percent of total purchases, compared to $238 million in 2009, which was 29 percent of total purchases.

In their 2010 annual report they outlined their “recipe” for DBE success that has contributed to the results that have been accomplished throughout the years. The five key areas include:

- Establishment of clear goals and the commitment from every manager involved with procurement duties, as well as the executives.
- SDG&E “casts a wide net” to find the strongest DBE companies in each niche and making an effort to increase DBE participation across many disciplines. They consistently reach out to Minority Chambers or searching applicable databases to look for high-potential DBEs.
- Connections between qualified DBEs and key decision makers are created. Networking events with prime contractors and appropriate DBEs are arranged in hopes of fostering new relationships that lead to new business and partnership opportunities.
- SDG&E is diligent about breaking apart large contracts to facilitate the inclusion of small business DBEs.
- Finally, they monitor large contracts to ensure primes are subcontracting at least 30 percent to DBEs.

SDG&E provides comprehensive supplier diversity training to new procurement contracting agents, new internal clients, and other stakeholders to heighten awareness of their supplier diversity policy goals.

To assist with outreaching to potential suppliers for contract opportunities, SDG&E utilizes a "vendor registration portal." They also utilize an intranet site that provides comprehensive information on their corporate supplier diversity goals, outreach events, departmental results, commitments and progress. In addition, this site offers employees information about available tools and services for working with and sourcing DBEs. The reporting system allows internal personnel to run department-specific performance reports by supplier, departments, cost centers and other categories of DBE spending.

Reporting is a key component to their DBE program. Staff provides comprehensive training to internal clients on how to access and use their DBE reporting system. In 2010 they upgraded their online subcontracting reporting tools, which increased functionality, visibility and provided enhanced reporting for their DBE team, contracting agents and clients.

As part of their partnership and outreach efforts, SDG&E supports a wide range of organizations that contribute to the professional and economic development of DBE suppliers. They participate on corporate advisory boards and committees, and participate in local, regional and national trade fairs and conferences during the year. Furthermore, networking events with prime contractors and appropriate DBEs are arranged in hopes of fostering new relationships that lead to new business and partnership opportunities.

SDG&E strives to gain local and national recognition for their DBE firms. They played an active role in nominating and/or promoting four DBEs at "Supplier of the Year" Awards hosted by the Southern California Minority Business Development Council and the San Diego Regional Supplier Development Council.

AT&T

AT&T is a premier communications holding company. Its subsidiaries and affiliates-AT&T operating companies-are the providers of AT&T services in the United States and around the world.

As explained on their website, “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 in our purchases of materials and services.”

The company’s “Global Supplier Diversity Programs” began in 1968 with the creation of AT&T's Minority Business Enterprise (MBE) Program. In addition to the MBE Program, a Women Business Enterprise (WBE) Program was launched in 1980 and a Disabled Veteran Business Enterprise (DVBE) Program in 1993. These programs have expanded contracting opportunities for diverse businesses across its enterprise. As explained in their 2009 Annual Report, AT&T spent $6.9 billion with minority-women-and disabled veteran-owned business enterprises, representing 14.2 percent of their total procurement.

AT&T has a team of Supplier Diversity Business Development Managers that assist current and potential diversity suppliers in identifying and developing business opportunities within the company. These managers work with suppliers to ensure requirements and standards are clearly communicated so that diversity suppliers are successful in AT&T’s complex telecommunications and entertainment supply chain.

AT&T utilizes an online vendor registration system. Registered suppliers who want to do business with the AT&T's are notified of an opportunity electronically.

In 1989, AT&T enacted a Prime Supplier Program, which aims to help prime suppliers increase the utilization of minority, women and disabled-veteran owned businesses (MBE, WBE, & DVBEs) in the supply chain through subcontracting. If a prime contractor has a contract(s) with AT&T that collectively total at least $500,000 they are asked to participate in the Prime Supplier Program. Quarterly reporting of results to AT&T is required to show progress towards their supplier diversity goals.

AT&T serves on the board of directors and is an active member of the National Minority Supplier Development Council (NMSDC) as well as the Women's Business Enterprise

National Council, which increases the contracting opportunities for women-owned businesses.

Since 2000, the AT&T Foundation has granted more than $935,000 in diversity supplier educational scholarships and programming. The scholarships are granted to leading-edge business schools to provide expert coaching and tangible business benefits to incumbent and prospective diversity suppliers.

AT&T expects its suppliers to share their commitment to citizenship and sustainability when subcontracting with businesses. In 2009, they broadened awareness by reaching out to suppliers with their Citizenship & Sustainability Principles of Conduct for Suppliers. These principles are also available online. They also provided a supplier citizenship and sustainability self-assessment survey, aimed at helping gauge the level of awareness and maturity of these issues within their major suppliers. The survey was issued to 150 suppliers who account for a large majority of procurement expenditures.

A strong financial network of resources is also important to the development of healthy M/WBE-DVBE businesses. AT&T helped fill this need through the long-term support of the National Minority Supplier Development Council's Business Consortium Fund. It provides several financing alternatives for minority owned businesses.

CONCLUSION

After reviewing best practices and assessing the three supplier diversity models discussed in this report, there are two best practices that need to be addressed first in order for the City of San Diego to improve their efforts.

The first is ensuring a commitment by executive leadership. As explained previously, this practice sets the supplier diversity expectations for departmental management and holds management accountable by requesting regular spending reports and evaluating reports based on those expectations. In the City of San Diego, there have been concerns by various stakeholders including the Commission on Equal Opportunity Contracting (CEOC) that executive commitment is lacking. The City of Los Angeles is incorporating the use of regular reporting in their equal opportunity efforts. SDG&E and AT&T provide an annual reporting of their program’s accomplishments and goals.

The second element that is necessary is the use of technology and e-procurement. All entities reviewed had a vendor registration system in place. As seen with the City of Los Angeles, the use of an automated vendor registration can assist in expanding outreach efforts by posting all city contract opportunities in one place as well as streamline subcontractor outreach efforts. It can also assist in reporting the use of DBE firms on city contracts. The fact that the City of San Diego has yet to implement an automated system has been a concern for a number of years.

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.

[SIGNED]	**[SIGNED]**
Brittany Bermingham Research Analyst	APPROVED: Andrea Tevlin Independent Budget Analyst

Attachment: Summary of How Entities Address Best Practices

Attachment

Summary of How Entities Address Best Practices

Best Practices	Supplier Diversity Models			
	City of Los Angeles	**SDG&E***	**AT&T***	**City of San Diego**
Commitment by Executive Branch	The Mayor has committed to enhance supplier diversity efforts through the recently enacted Business Inclusion Program. Regular reporting will be required under the new program.	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.	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.	The Mayor and City Council have set equal opportunity expectations with the adoption of the Small and Local Business Preference Program and various Council Policies. However, goods and services spending reports are not regularly provided.
Technology and E-Procurement Used to Promote Outreach and Diversity	The City utilizes the LA BAVN, which provides an automated vendor registration system.	A "vendor registration portal" is utilized to identify potential suppliers for contract opportunities.	AT&T utilizes an online vendor registration system. Registered suppliers who want to do business with AT&T are notified of an opportunity electronically.	Opportunity notices are sent electronically by the Purchasing and Contracting Department in addition to posting bid and proposal opportunities on the City's website. An automated vendor registration system is pending.
Departmental Promoters	Through the Business Inclusion Program, Departments will set procurement goals and provide regular updates.	There is an establishment of clear diversity goals as well as a commitment from every manager involved with procurement duties.	Supplier Diversity Outreach Ambassadors are a team of employee volunteers from across AT&T who represent the company at trade fairs and outreach events.	No "Department Promoters" in place.

Attachment

Summary of How Entities Address Best Practices

Best Practices	Supplier Diversity Models			
	City of Los Angeles	**SDG&E***	**AT&T***	**City of San Diego**
Training and Motivating Staff	Criteria has been made for departments to streamline the outreach process within the new Business Inclusion Program.	Provides comprehensive supplier diversity training to new procurement contracting agents, new internal clients, and other stakeholders to heighten awareness of the policy goals.	In 2009, they broadened awareness by reaching out to suppliers with their Citizenship & Sustainability Principles of Conduct for Suppliers. These principles are also available online.	Staff is trained by California Association of Public Purchasing Officers (CAPPO) and various federal agencies in which they participate. P&C is trained by EOCP staff as well.
Awards and Positive PR	The Los Angeles Minority Business Opportunity Center (LA MBOC) serves its constituency by partnering with other agencies in hosting a wide range of education forums including the annual Minority Enterprise Development (MED) Week.	SDG&E played an active role in nominating and/or promoting four DBEs at "Supplier of the Year" hosted by the Southern California Minority Business Development Council and the San Diego Regional Supplier Development Council.	Since 2000, the AT&T Foundation has granted more than $935,000 in diversity supplier educational scholarships and programming.	A supplier/contractor of the year award that recognizes diversity is being implemented.
Partnership and Outreach	The City partners with the LA MBOC, which provides free services to strategic growth MBE firms.	SDG&E reaches out to Minority Chambers and searches for applicable databases to look for high-potential DBEs. They participate on corporate advisory boards and committees, and participate in local, regional and national trade fairs and conferences during the year.	AT&T sponsors many supplier diversity outreach events such as trade shows, award and recognition programs and workshops. All of these provide excellent forums for diversity suppliers and corporations to network and explore potential business opportunities.	The City partnered with the Small Business Administration (SBA) and conducts over 200 outreach contacts annually. In addition, P&C is considering partnerships with various chambers and diversity media outlets. P&C staff provides "How to do Business with the City" and "Meet the Buyer" Workshops.

Attachment

Summary of How Entities Address Best Practices

Best Practices	Supplier Diversity Models			
	City of Los Angeles	**SDG&E***	**AT&T***	**City of San Diego**
Strategic Use of Under-Threshold	Information not provided	N/A	N/A	No policy in place
Maximizing the Supply Chain: Sub-Contracting and 2nd Tier	The City currently has a subcontractor outreach program that will be expanded through the implementation of the Business Inclusion Program.	SDG&E monitors large contracts to ensure primes are subcontracting at least 30 percent to DBEs.	Since 1989, AT&T's Prime Supplier Program has been helping prime suppliers increase the utilization of minority, women and disabled-veteran owned businesses (MBE, WBE, & DVBEs) in their supply chain through subcontracting.	P&C evaluates firms and does consider subcontracting as part of an overall evaluation in conjunction with EOCP. The SLBE program also provides a voluntary subcontractor participation requirement.
Eliminating Barriers with Well-Placed Bonding, Financing, and Loan Guarantee Programs	A Bond Assistance Program is provided that assists in removing barriers of surety bonding by providing technical and administrative assistance to local, small and minority businesses	Information not provided	AT&T has provided long-term support to the National Minority Supplier Development Council's Business Consortium Fund. It provides several financing alternatives for minority owned businesses.	P&C works with EOC to eliminate and minimize bonding requirements whenever legally possible. In addition, the City has a relationship with bonding companies who can assist firms in obtaining bonds.

*The Best Practices listed were directed towards government entities. However, upon review of private entities and their practices it became clear that these best practices are in use by this sector as well.