

EXECUTIVE SUMMARY

I. INTRODUCTION

In January 2013, the Hampton City and Schools (City) contracted with MGT of America, Inc., (MGT) to conduct a **Procurement Disparity Study** referenced as the 2014 Disparity Study. The study period for the 2014 Disparity Study was **July 1, 2007 through June 30, 2012**. This study is an update to the City's 2006 Disparity Study (study period July 1, 1999 through June 30, 2003) which was also conducted by MGT. In 2009, the City implemented a Minority and Women Owned Business Enterprise (M/WBE) Program based on the findings from the 2006 study. The purpose of the current study is to:

- ◆ Determine if a legally justified need exists for the continuance of an M/WBE program in accordance with the guidelines set forth by the Supreme Court and relevant subsequent cases.
- ◆ Provide recommendations regarding suggested modifications to the City's 2009 M/WBE program, including the consideration of race- and gender-based programs based on the study's findings.

In this executive summary, MGT provides major findings for the City of Hampton and Schools construction, architecture and engineering, professional services, other services, and goods and supplies procurement activity and race- and gender-neutral remedial efforts for the study period. The market area identified for this study is comprised of Virginia Beach-Norfolk-Newport News, VA-NC. In conducting this study we employed research questions to guide our approach and methodology. The results of this study and conclusions drawn are presented in detail in **Chapters 2 through 8** of this report.

2. FINDINGS FOR M/WBE AVAILABILITY, UTILIZATION AND DISPARITY

FINDING E-1: HISTORICAL AND PRESENT M/WBE UTILIZATION

The 2006 Disparity Study analyzed the combined utilization of M/WBEs between fiscal years 1999 and 2003 for the City and Schools. **Table E-1** provides the overall M/WBE utilization by business category from the 2006 study and **Table E-2** provides the overall combined utilization for the City and Schools for fiscal years 2008 and 2012.

TABLE E-1
CITY OF HAMPTON AND SCHOOLS
HISTORICAL M/WBE UTILIZATION
2006 DISPARITY STUDY

BUSINESS CATEGORY	MBE		WBE		M/WBE	
	Dollars	Percent	Dollars	Percent	Dollars	Percent
Construction	\$1,925,974	1.32%	\$3,219,262	2.20%	\$5,145,236	3.52%
Construction Subcontractors	\$0	0.00%	\$0	0.00%	\$0	0.00%
Architecture and Engineering Prime	\$0	0.00%	\$739,158	4.16%	\$739,158	4.16%
Architecture and Engineering Subcontractors	\$3,460	0.19%	\$9,703	0.53%	\$13,163	0.72%
Professional Services	\$411,608	1.75%	\$1,180,983	5.20%	\$1,592,591	6.95%
Professional Services Sub-consultants	\$0	0.00%	\$93,280	24.76%	\$93,280	24.76%
Other Services	\$1,925,975	2.11%	\$841,317	1.39%	\$2,767,292	3.50%
Goods and Supplies	\$403,569	0.48%	\$629,888	0.75%	\$1,033,457	1.23%
TOTAL	\$4,670,586	1.40%	\$6,713,591	2.02%	\$11,384,177	3.42%

Source: MGT, A Disparity Study for the City of Hampton and the Hampton Schools, 2006.

For subcontractor utilization the City only tracked the utilization of firms certified as SWAMs by the Commonwealth of Virginia. In order to establish a reasonable basis to determine the relative proportion of construction subcontract dollars to the corresponding prime construction contracts an analysis of subcontracting utilization based on estimated subcontracting was needed to calculate construction subcontracts granted to non-M/WBEs. See [Appendix L – Detailed Utilization Analyses](#) for a discussion on the subcontractor estimates methodology, which also includes exhibits displaying the corresponding prime construction contracts dollars.

TABLE E-2
CITY OF HAMPTON AND SCHOOLS
M/WBE UTILIZATION
2014 DISPARITY STUDY

BUSINESS CATEGORY	MBE		WBE		M/WBE	
	DOLLARS	PERCENT	DOLLARS	PERCENT	DOLLARS	PERCENT
Construction Prime	\$5,179,509	3.77%	\$7,479,902	5.45%	\$12,659,411	9.23%
Construction Subcontractors (Estimates)	\$925,123	3.94%	\$2,581,645	10.98%	\$3,506,768	14.92%
Architecture and Engineering Prime	\$129,688	1.06%	\$137,359	1.13%	\$267,047	2.19%
Architecture and Engineering Subcontractors	\$0	0.00%	\$951	0.74%	\$951	0.74%
Professional Services Prime	\$517,999	3.20%	\$110,944	0.69%	\$628,943	3.89%
Professional Services Subconsultants	\$6,929	26.54%	\$0	0.00%	\$6,929	26.54%
Other Services	\$2,150,564	5.75%	\$4,906,812	13.12%	\$7,057,376	18.87%
Goods and Supplies	\$831,358	1.78%	\$3,449,485	7.37%	\$4,280,843	9.14%
Total	\$9,741,170	4.27%	\$18,667,098	7.47%	\$28,408,268	11.37%

Source: Chapter 4, Market Area and Utilization Analyses, 2014

FINDING E-2: CITY M/WBE PRIME UTILIZATION AND DISPARITY

The summary of minority business enterprise (MBE) and women business enterprise (WBE) prime utilization and disparity results for the City are as follows:

- Thirty-eight MBEs were paid \$2.5 million (3.69 percent of the total) for construction. Thirty-three WBEs were paid \$5.4 million (8.18 percent of the total) for construction. There was substantial disparity for all M/WBE groups for City projects.
- Seven MBEs were paid for \$129,688 (1.65 percent of the total) for architecture and engineering. Thirteen WBEs were paid \$137,359 (1.75 percent of the total) for architecture and engineering. There was substantial disparity for all M/WBE groups for City projects.
- Fourteen MBEs earned \$224,773 in professional services (5.10 percent of the total). Twelve WBEs earned \$106,981 in professional services (2.43 percent of the total). There was substantial disparity for all M/WBE groups for City projects.
- Ninety-eight MBEs earned \$2.1 million in other services (6.91 percent of the total). Ninety-five WBEs earned \$4.7 million in other services (15.49 percent of the total). There was substantial disparity for all MBE groups except for Asian Americans for City of Hampton projects. WBEs were overutilized in this business category for City projects. Collectively, M/WBEs were overutilized in the other services category.
- Fifty-nine MBEs were paid for \$413,852 (2.36 percent of the total) for selected goods and supplies. Ninety-one WBEs were paid \$2.3 million (13.03 percent of the total) for selected goods and supplies. There was substantial disparity for all M/WBE groups for City of Hampton projects.

TABLE E-3
CITY OF HAMPTON
PRIME UTILIZATION, AVAILABILITY AND DISPARITY
2014 DISPARITY STUDY

Construction Prime	%Utilization	%Availability	Disparity Index	Disparity
African Americans	3.63%	15.38%	23.61	Underutilization *
Hispanic Americans	0.02%	6.04%	0.26	Underutilization *
Asian Americans	0.05%	1.65%	2.85	Underutilization *
Native Americans	0.00%	2.75%	0.00	Underutilization *
Total MBE	3.69%	25.82%	14.31	Underutilization *
Nonminority Women	8.18%	16.48%	49.63	Underutilization *
Total M/WBE	11.88%	42.31%	28.07	Underutilization *
Non-M/WBE Firms	88.12%	57.69%	152.75	Overutilization
Architecture and Engineering Prime	%Utilization	%Availability	Disparity Index	Disparity
African Americans	1.65%	12.79%	12.94	Underutilization *
Hispanic Americans	0.00%	1.74%	0.00	Underutilization *
Asian Americans	0.00%	3.49%	0.00	Underutilization *
Native Americans	0.00%	0.58%	0.00	Underutilization *
Total MBE	1.65%	18.60%	8.89	Underutilization *
Nonminority Women	1.75%	20.93%	8.37	Underutilization *
Total M/WBE	3.41%	39.53%	8.62	Underutilization *
Non-M/WBE Firms	96.59%	60.47%	159.75	Overutilization
Professional Services Prime	%Utilization	%Availability	Disparity Index	Disparity
African Americans	3.83%	29.52%	12.97	Underutilization *
Hispanic Americans	0.20%	3.81%	5.36	Underutilization *
Asian Americans	1.07%	1.90%	55.95	Underutilization *
Native Americans	0.00%	1.90%	0.00	Underutilization *
Total MBE	5.10%	37.14%	13.72	Underutilization *
Nonminority Women	2.43%	34.29%	7.08	Underutilization *
Total M/WBE	7.52%	71.43%	10.53	Underutilization *
Non-M/WBE Firms	92.48%	28.57%	323.67	Overutilization
Other Services Prime	%Utilization	%Availability	Disparity Index	Disparity
African Americans	5.04%	9.43%	53.39	Underutilization *
Hispanic Americans	0.04%	0.50%	7.62	Underutilization *
Asian Americans	1.54%	0.36%	431.92	Overutilization
Native Americans	0.29%	0.50%	57.74	Underutilization *
Total MBE	6.91%	10.79%	64.01	Underutilization *
Nonminority Women	15.49%	7.32%	211.55	Overutilization
Total M/WBE	22.40%	18.11%	123.66	Overutilization
Non-M/WBE Firms	77.60%	81.89%	94.77	Underutilization

TABLE E-3 (Continued)
CITY OF HAMPTON
PRIME UTILIZATION, AVAILABILITY AND DISPARITY
2014 DISPARITY STUDY

Goods and Supplies Prime	%Utilization	%Availability	Disparity Index	Disparity
African Americans	1.88%	19.12%	9.83	Underutilization *
Hispanic Americans	0.14%	1.10%	12.81	Underutilization *
Asian Americans	0.02%	1.65%	1.38	Underutilization *
Native Americans	0.31%	1.47%	21.20	Underutilization *
Total MBE	2.36%	23.35%	10.09	Underutilization *
Nonminority Women	13.03%	17.10%	76.23	Underutilization *
Total M/WBE	15.39%	40.44%	38.05	Underutilization *
Non-M/WBE Firms	84.61%	59.56%	142.07	Overutilization

Source: Chapters 4 and 5.

* Indicates substantial disparity with a disparity index below 80.00.

FINDING E-3: SCHOOLS M/WBE PRIME UTILIZATION AND DISPARITY

The summary of M/WBE prime utilization and disparity for Hampton City Schools are as follows:

- ◆ Seven MBEs were paid \$2.7 million (3.85 percent of the total) for construction. Fourteen WBEs were paid \$2.0 million (2.89 percent of the total) for construction. There was substantial disparity for all M/WBE groups for Schools projects.
- ◆ M/WBEs did not win any contracts for architecture and engineering. There was substantial disparity for all M/WBE groups for Schools projects.
- ◆ Three MBEs earned \$293,225 in professional services (2.49 percent of the total). Two WBEs earned \$3,963 in professional services (0.03 percent of the total). There was substantial disparity for all M/WBE groups for Schools projects.
- ◆ Eight MBEs earned \$42,243 in other services (0.61 percent of the total). Sixteen WBEs earned \$176,757 in other services (2.57 percent of the total). There was substantial disparity for all M/WBE groups for Schools projects.
- ◆ Seventeen MBEs were paid for \$427,506 (1.43 percent of the total) for goods and supplies. Forty-six WBEs were paid \$1.2 million (3.96 percent of the total) for goods and supplies. There was substantial disparity for all M/WBE groups for Schools projects.

TABLE E-4
HAMPTON CITY SCHOOLS
PRIME UTILIZATION, AVAILABILITY AND DISPARITY
2014 DISPARITY STUDY

Construction Prime	%Utilization	%Availability	Disparity Index	Disparity
African Americans	3.14%	15.38%	20.44	Underutilization *
Hispanic Americans	0.00%	6.04%	0.00	Underutilization *
Asian Americans	0.00%	1.65%	0.00	Underutilization *
Native Americans	0.71%	2.75%	25.70	Underutilization *
Total MBE	3.85%	25.82%	14.91	Underutilization *
Nonminority Women	2.89%	16.48%	17.55	Underutilization *
Total M/WBE	6.74%	42.31%	15.94	Underutilization *
Non-M/WBE Firms	93.26%	57.69%	161.65	Overutilization
Architecture and Engineering Prime	%Utilization	%Availability	Disparity Index	Disparity
African Americans	0.00%	12.79%	0.00	Underutilization *
Hispanic Americans	0.00%	1.74%	0.00	Underutilization *
Asian Americans	0.00%	3.49%	0.00	Underutilization *
Native Americans	0.00%	0.58%	0.00	Underutilization *
Total MBE	0.00%	18.60%	0.00	Underutilization *
Nonminority Women	0.00%	20.93%	0.00	Underutilization *
Total M/WBE	0.00%	39.53%	0.00	Underutilization *
Non-M/WBE Firms	100.00%	60.47%	165.38	Overutilization
Professional Services Prime	%Utilization	%Availability	Disparity Index	Disparity
African Americans	2.45%	29.52%	8.30	Underutilization *
Hispanic Americans	0.00%	3.81%	0.00	Underutilization *
Asian Americans	0.04%	1.90%	2.19	Underutilization *
Native Americans	0.00%	1.90%	0.00	Underutilization *
Total MBE	2.49%	37.14%	6.71	Underutilization *
Nonminority Women	0.03%	34.29%	0.10	Underutilization *
Total M/WBE	2.53%	71.43%	3.54	Underutilization *
Non-M/WBE Firms	97.47%	28.57%	341.16	Overutilization
Other Services Prime	%Utilization	%Availability	Disparity Index	Disparity
African Americans	0.59%	6.53%	8.98	Underutilization *
Hispanic Americans	0.00%	0.82%	0.00	Underutilization *
Asian Americans	0.03%	0.82%	3.50	Underutilization *
Native Americans	0.00%	0.41%	0.00	Underutilization *
Total MBE	0.61%	8.57%	7.17	Underutilization *
Nonminority Women	2.57%	6.12%	42.02	Underutilization *
Total M/WBE	3.19%	14.69%	21.69	Underutilization *
Non-M/WBE Firms	96.81%	85.31%	113.49	Overutilization

TABLE E-4 (Continued)
HAMPTON CITY SCHOOLS
PRIME UTILIZATION, AVAILABILITY AND DISPARITY
2014 DISPARITY STUDY

Goods and Supplies Prime	%Utilization	%Availability	Disparity Index	Disparity
African Americans	0.96%	3.20%	30.09	Underutilization *
Hispanic Americans	0.00%	0.00%	0.00	Underutilization *
Asian Americans	0.46%	1.07%	43.42	Underutilization *
Native Americans	0.00%	0.36%	0.00	Underutilization *
Total MBE	1.43%	4.63%	30.85	Underutilization *
Nonminority Women	3.96%	10.68%	37.14	Underutilization *
Total M/WBE	5.39%	15.30%	35.24	Underutilization *
Non-M/WBE Firms	94.61%	84.70%	111.70	Overutilization

Source: Chapters 4 and 5.

* Indicates substantial disparity with a disparity index below 80.00.

FINDING E-4: CITY M/WBE SUBCONTRACTOR UTILIZATION AND DISPARITY

Table E-5 presents M/WBE subcontractor/subconsultant utilization by year and business category. For architecture and engineering, and professional services the percentage of utilization is based on subcontractor data collected.

TABLE E-5
CITY OF HAMPTON
M/WBE SUBCONTRACTOR UTILIZATION SUMMARY
2014 DISPARITY STUDY

CITY	FISCAL YEAR					DOLLARS	PERCENTAGE
	2008	2009	2010	2011	2012	2008-2012	2008-2012
Construction Subcontractors (Estimates)	\$0	\$0	\$144,643	\$2,178,103	\$1,184,022	\$3,506,768	14.92%
Architecture & Engineering Subcontractors	\$0	\$0	\$0	\$951	\$0	\$951	0.74% ¹
Professional Services Subconsultants	\$0	\$0	\$0	\$0	\$6,929	\$6,929	26.54% ¹

Source: Chapter 4, Market Area and Utilization Analyses, 2014

¹ Based on actual subcontractor dollars collected.

M/WBE subcontractor utilization for the City is provided in the summary below. Subcontractor analyses were conducted for construction, architecture and engineering, and professional services.

- ◆ Fifteen MBEs were paid \$923,122 (3.94 percent of the total) for construction subcontracting. Twenty-nine WBEs were paid \$2.5 (10.98 percent of the total) for construction subcontracting. There was substantial disparity for all M/WBE groups for City of Hampton projects.
- ◆ One WBE was paid \$951 (0.74 percent of the total) for architecture and engineering subcontracting. No MBEs earned money in architecture and engineering subcontracting. There was substantial disparity for all M/WBE groups for City of Hampton projects.

- ♦ One MBE earned \$6,929 in professional services subcontracting (26.54 percent of the total). No WBEs earned money in professional services subcontracting. There was substantial disparity for all M/WBE groups, except African-Americans, for City of Hampton projects.

Hampton City Schools did not track subcontractor utilization. However, a few prime contractors voluntarily submitted subcontractor utilization reports. Reports of subcontractor utilization indicates that nonminority women were paid or awarded \$830,019 (1.14%) of the \$72.5 million in subcontract spending in fiscal year 2008-2011 (**Appendix L – Detailed Utilization Analyses**). Due to the limited data for subcontractor utilization available for the Schools, a subcontractor analysis was not conducted.

TABLE E-6
CITY OF HAMPTON
SUBCONTRACTOR UTILIZATION, AVAILABILITY AND DISPARITY
2014 DISPARITY STUDY

Construction Subcontractor (Estimates)	%Utilization	%Availability	Disparity Index	Disparity
African Americans	3.72%	11.41%	32.63	Underutilization *
Hispanic Americans	0.00%	4.24%	0.00	Underutilization *
Asian Americans	0.02%	1.33%	1.14	Underutilization *
Native Americans	0.20%	2.12%	9.38	Underutilization *
Total MBE	3.94%	19.10%	20.61	Underutilization *
Nonminority Women	10.98%	19.89%	55.22	Underutilization *
Total M/WBE	14.92%	38.99%	38.27	Underutilization *
Non-M/WBE Firms	85.08%	61.01%	139.46	Overutilization
Architecture and Engineering Subcontractor	%Utilization	%Availability	Disparity Index	Disparity
African Americans	0.00%	8.36%	0.00	Underutilization *
Hispanic Americans	0.00%	1.67%	0.00	Underutilization *
Asian Americans	0.00%	3.34%	0.00	Underutilization *
Native Americans	0.00%	0.33%	0.00	Underutilization *
Total MBE	0.00%	13.71%	0.00	Underutilization *
Nonminority Women	0.74%	18.06%	4.09	Underutilization *
Total M/WBE	0.74%	31.77%	2.33	Underutilization *
Non-M/WBE Firms	99.26%	68.23%	145.48	Overutilization
Professional Services Subconsultant	%Utilization	%Availability	Disparity Index	Disparity
African Americans	26.54%	14.62%	181.56	Overutilization
Hispanic Americans	0.00%	1.66%	0.00	Underutilization *
Asian Americans	0.00%	0.66%	0.00	Underutilization *
Native Americans	0.00%	0.66%	0.00	Underutilization *
Total MBE	26.54%	17.61%	150.73	Overutilization
Nonminority Women	0.00%	28.24%	0.00	Underutilization *
Total M/WBE	26.54%	45.85%	57.89	Underutilization *
Non-M/WBE Firms	73.46%	54.15%	135.65	Overutilization

Source: Chapters 4 and 5.

* Indicates substantial disparity with a disparity index below 80.00.

FINDING E-5: REGRESSION ANALYSIS

In a statistical analysis of survey data in the Hampton area that controlled for the effects of variables related to company demographics (such as, company capacity, ownership level of education, and experience), M/WBE status had a negative effect on 2012 company earnings of African American owned firms.

3. QUALITATIVE FINDINGS

FINDING E-6: ANECDOTAL COMMENTS

Among the M/WBEs who responded to questions about barriers to doing business, the biggest concern was competing with large firms (45.4 percent of M/WBE respondents). Other key issues noted by M/WBE respondents included:

- ♦ Selection process – 18.4 percent
- ♦ Unnecessary restrictive contract specifications – 17.8 percent
- ♦ Limited time given to prepare bid package or quote – 15.9 percent
- ♦ Limited knowledge of purchasing and contracting policies and procedures – 11.9 percent

With respect to disparate treatment M/WBE respondents reported:

- ♦ discriminatory experiences in dealing with the City – 4.9 percent
- ♦ discriminatory experiences in dealing with prime contractor – 2.9 percent
- ♦ seldom or never being solicited when there were no M/WBE goals – 84.5 percent
- ♦ an informal network precluded their firms from obtaining work in the private sector – 22.7 percent
- ♦ discriminatory experiences in the private sector – 10.3 percent
- ♦ being dropped from a project after being included to satisfy good faith efforts requirements – 6.7 percent

MGT utilized multiple methods of anecdotal data collection to provide more comprehensive information than methodologies using a single-pronged approach. For this reason, MGT used a combination of surveys, focus groups, public meetings, and personal interviews to collect anecdotal information and to identify issues that were common to businesses in the market area. To ensure a broad representation of firms in the market place, MGT's sample methodology for the focus groups, interviews, and survey of vendors included randomly selecting firms from the City's master vendor database. In *Crosby*, the Court held that anecdotal accounts of discrimination could help establish a compelling interest for a local government to institute a race-conscious remedy. Moreover, such information can provide a local entity with a firm basis for fashioning a program that is narrowly tailored to remedy identified forms of marketplace discrimination and other barriers to M/WBE participation in contract opportunities.

The anecdotal results are derived from 400 total participants collectively of the surveys, focus groups participants, personal interviews, and the public hearing.

4. FINDINGS FOR PRIVATE SECTOR ANALYSIS

FINDING E-7: DISPARITIES IN SELF-EMPLOYMENT AND REVENUE EARNINGS

Econometric analysis using data from 2011 American Community Survey data for the Hampton Roads area found statistically significant disparities for entry into self-employment: for African Americans, and nonminority women. There were statistically significant disparities in earnings from self-employment for African Americans and nonminority women.

FINDING E-8: PRIVATE SECTOR COMMERCIAL CONSTRUCTION

M/WBE utilization in private sector commercial construction in the Hampton Metropolitan Statistical Area (MSA) was very low, as measured by data from building permits. From January 1, 2008 through December 31, 2012, MBE prime contractors won 0.18 percent of prime permit dollars and WBEs received 1.23 percent of prime permits dollars. MBE subcontractors were issued 0.68 percent of all subcontracting permit dollars and WBEs 0.54 percent of subcontracting permit dollars. Only one WBE and no MBE subcontractors utilized on City projects was utilized by primes according to the permits data. This result is consistent with the anecdotal finding of the difficulty of M/WBEs securing construction work in the absence of a remedial program.

FINDING E-9: ACCESS TO CAPITAL

An econometric analysis of data in the 2003 National Survey of Small Business Finance (NSSBF) found a statistically significant positive relationship between the probability of loan denial and African American ownership. These results are consistent with data in the 2013 local survey. About 1.3 percent of non-M/WBE loan applicants reported being denied commercial bank loans, as compared to 36.3 percent of African American applicants and 4.5 percent of nonminority woman applicants.

5. FINDINGS FOR HAMPTON PROGRAMS AND POLICIES

FINDING E-10: M/WBE PLAN

In April 2009 the City developed an M/WBE plan in response to the 2006 disparity study recommendations. The major proposals in the plan and their current status are presented in **Table E-7** below.

TABLE E-7
CITY OF HAMPTON M/WBE PLAN
2009

M/WBE PLAN COMPONENTS	STATUS
Increase opportunities for participation of M/WBE businesses	
1. Establish a minority business program office	Complete
2. Set an overall annual goal for M/WBE participation	Complete
3. Set M/WBE goals on individual contracts	Complete
4. Raise the performance bond threshold to support M/WBE utilization	Complete
Increase awareness of M/WBE program and identify M/WBE vendors	
1. Hold solicitation meetings on contracts of \$100,000 and above	Complete
2. Require small, women and minority owned businesses to be certified by the State Department of Minority Business Enterprise (DMBE)	Complete
3. Develop a small business directory	Complete
4. Enhance City web site	Complete
5. Develop a bi-annual newsletter to keep the community aware of program accomplishments	Complete
6. Hold networking events to promote program, educate businesses on opportunities and broker relationships	Complete
7. Utilize local minority focused newspapers to solicit M/WBE vendors and to inform the community	Complete
8. Identify M/WBE vendors within HUB Zones and educate them on designated benefits	Complete
9. Encourage M/WBE businesses to visit the Minority Business and Procurement offices and interact with City staff to learn more about opportunities and processes	Complete
Revise the bidding procedures and guidelines to increase potential for M/WBE participation	
1. Bid advertisement and contract language will be revised to solicit and encourage M/WBE participation	Complete
2. Revise bidding procedures and guidelines for informal and formal purchases to increase number of required quotes from M/WBE vendors	Complete
3. Review feasibility of bidder rotation, smaller size contracting and sole sourcing as a means to increase M/WBE participation	In Process
Provide training and financial assistance	
1. Develop training seminars in response to needs of firms	Complete
2. Promote mentor-protégé training	Not successful
3. Promote business cluster meetings	Complete
4. Offer financial assistance to firms; NX Level Program	Complete
5. Review of small and minority business loan program guidelines to incorporate performance bond loans	Complete

TABLE E-7 (Continued)
CITY OF HAMPTON M/WBE PLAN
2009

Implement an effective monitoring process for vendors and City staff	
1. Minority business program staff will work with Departments to attain M/WBE participation goals	Complete
2. Develop forms to document internal efforts of City staff	Complete
3. Evaluate performance of all contractors on larger city contracts	Complete
4. Revise the performance evaluation plan for City management to include efforts to increase M/WBE utilization submittal of quarterly reporting for both City and Schools to PPOC	Complete
5. Review recommendations and activities within eighteen months to evaluate trends, achievements, etc.	Complete

Source: City of Hampton Minority and Woman Owned (MWO) Business Program Plan, April 2009 (for M/WBE program plan components).

FINDING E-11: HAMPTON ASPIRATIONAL GOALS

The current aspirational goals for the City's M/WBE program are set forth in **Table E-8** below. The table compares MBE and WBE utilization based on the 2014 Disparity Study. The bold percentages indicate that the goals were met or exceeded.

TABLE E-8
CITY OF HAMPTON 2009 ASPIRATIONAL M/WBE GOALS
and CURRENT UTILIZATION

	MBE	CURRENT MBE UTILIZATION	NONMINORITY WOMEN	CURRENT WBE UTILIZATION
Prime Contractors				
Construction	4.34%	3.77%	3.82%	5.45%
Architecture and Engineering	2.86%	1.06%	4.76%	1.13%
Professional Services	2.40%	3.20%	4.70%	0.69%
Other Services	3.68%	5.75%	3.30%	13.12%
Goods and Supplies	1.13%	1.78%	2.04%	7.37%
Subcontractors				
Construction	4.34%	3.94%	3.82%	10.98%
Architecture and Engineering	2.86%	0.00%	4.76%	0.74%
Professional Services	2.40%	26.54%	No Goal	0.00%

Source: City of Hampton Minority and Woman Owned Business Program Plan, April 2009 and Chapter 4, Market Area and Utilization, 2014.

FINDING E-12: BUSINESS DEVELOPMENT ASSISTANCE

- ◆ The City has maintained a revolving loan fund (RLF) program since May 1987. The active RLF loan amount as of January 2013 was \$1,156,975.
- ◆ The City made the change in bonding thresholds in 2009.
- ◆ The City has held numerous business development seminars.

Started in 1999, the Hampton University Small Business Incubator is currently a partnership between Hampton University, the Hampton Community Development Corporation, and the City

6. COMMENDATIONS AND RECOMMENDATIONS

Most of the following commendations and recommendations are based on multiple findings and do not necessarily tie to one finding. Further consideration on potential program elements can be reviewed in **Appendix A – Selected Policies of Other M/W/SBE Programs**.

RECOMMENDATION E-1: SMALL BUSINESS ENTERISE (SBE) PROGRAM

A strong SBE program is central to maintaining a narrowly tailored program to promote M/WBE utilization. In particular, the City should focus on increasing M/WBE utilization through an SBE program. The City does not face constitutional restrictions on a SBE program, only those procurement restrictions imposed by State law. Specific suggestions for a City SBE program can be found in features of other SBE programs around the United States, including:

- ◆ Granting financial incentives for prime contractors using SBEs that have never worked on an agency project (Colorado DOT).
- ◆ Granting financial incentives for training SBEs (Colorado DOT).
- ◆ Providing bid preferences to SBEs in bidding on contracts (Port Authority of New York and New Jersey SBE Program; Miami-Dade County, Florida, Community SBE Program; East Bay Municipal Utility District Contract Equity Program, Port of Portland).¹
- ◆ Financial incentives for a prime that waives bonding requirements for a SBE (Colorado DOT).
- ◆ Setting SBE goals on formal and informal contracts (City of Charlotte, North Carolina, SBE Program).
- ◆ Setting department goals for SBE utilization (City of Charlotte, North Carolina, SBE Program).
- ◆ Funding access to low cost insurance on small projects (City of San Diego, California, Minor Construction Program).

¹ The Port of Portland found that 10% bid preferences were more effective than 5% bid preferences.

- ♦ Providing bid preferences to SBEs on tax-assisted projects (City of Oakland, California, Local Small Business Enterprise Program, and Port of Portland Emerging Small Business Program).
- ♦ Making SBE utilization part of department performance reviews (City of Charlotte, North Carolina, SBE Program).

COMMENDATION AND RECOMMENDATION E-2: NARROWLY TAILORED M/WBE PROGRAM

In response to the primary research question this study provides evidence to support continuing the City's M/WBE program. This conclusion is based primarily on statistical disparities in current M/WBE utilization; substantial disparities in the private marketplace; evidence of discrimination in business formation and revenue earned from self-employment; the very low M/WBE utilization in private sector commercial construction; evidence of passive participation in private sector disparities; credit disparities; and anecdotal evidence of discrimination. The City should tailor its M/WBE participation policy to remedy each of these specific disparities. The core theme should be that prime contractors should document their outreach efforts and the reasons why they may have rejected qualified M/WBEs that were the low-bidding subcontractors.

The City should be commended for the significant progress in implementing the recommendations of the last disparity study and in the 2009 M/WBE Plan. In addition, commendations are in order for narrowly tailored program features, including, collaborating with business development organizations; setting realistic goals based on business availability; avoiding rigid quotas; using waivers; and holding regular program reviews.

RECOMMENDATION E-3: S/M/WBE ASPIRATIONAL GOALS

The study provides evidence to support the setting of annual aspirational goals by procurement category, not rigid project goals. To establish a benchmark for goal setting, aspirational goals should be based on relative M/WBE availability. The primary means for achieving these aspirational goals should be the SBE program, outreach, and adjustments in City procurement policy. As in the U.S. Department of Transportation Disadvantaged Business Enterprise (DBE) program, M/WBE project goals should, in general, vary from overall M/WBE aspirational goals.

Revised aspirational M/WBE goals are proposed in **Table E-9** below. These proposed aspirational goals are similar in design to the DBE goal setting process in that the goals are a weighted average of estimated M/WBE availability and utilization (**Tables 10 and 11**). Further discuss on goals is addressed in **Appendix Q – Proposed M/WBE Aspirational Goals**.

TABLE E-9
PROPOSED CITY AND SCHOOLS
ASPIRATIONAL M/WBE GOALS
2014

	CITY		SCHOOLS	
Prime Contracting				
	MBE	WBE	MBE	WBE
Construction	8.1%	9.8%	8.2%	5.6%
Architecture and Engineering	5.0%	5.6%	3.7%	4.2%
Professional Services	11.5%	8.8%	9.4%	6.9%
Other Services	7.2%	13.6%	2.2%	3.3%
Goods and Supplies	2.8%	12.6%	2.1%	5.3%
Subcontracting				
Construction	7.0%	12.8%	3.8%	4.0%
Architecture and Engineering	2.7%	4.2%	2.7%	3.6%
Professional Services	24.8%	5.6%	3.5%	5.6%

Source: Chapter 8, Findings.

TABLE E-10
ESTIMATED M/WBE AVAILABILITY
HAMPTON CITY AND SCHOOLS
2014 DISPARITY STUDY

	CITY		SCHOOLS	
Procurement Category	MBE	WBE	MBE	WBE
Prime Contractors				
Construction	25.82%	16.48%	25.82%	16.48%
Architecture & Engineering	18.60%	20.93%	18.60%	20.93%
Professional Services	37.14%	34.29%	37.14%	34.29%
Other Services	10.79%	7.32%	8.57%	6.12%
Goods & Supplies	23.35%	17.10%	4.63%	10.68
Subcontractors				
Construction	19.10%	19.89%	19.10%	19.89%
Architecture & Engineering	13.71%	18.06%	13.71%	18.06%
Professional Services	17.61%	28.24%	17.61%	28.24%

Source: Hampton Procurement Disparity Study, 2014.

TABLE E-11
M/WBE UTILIZATION
BY PROCUREMENT CATEGORY
HAMPTON CITY AND SCHOOLS
2014 DISPARITY STUDY

Procurement Category	CITY		SCHOOLS	
	MBE	WBE	MBE	WBE
Prime Contractors				
Construction	3.69%	8.18%	3.85%	2.89%
Architecture & Engineering	1.65%	1.75%	0.00%	0.00%
Professional Services	5.10%	2.43%	2.49%	0.03%
Other Services	6.91%	15.49%	0.61%	2.57%
Goods & Supplies	2.36%	13.03%	1.43%	3.96%
Subcontractors				
Construction	3.94%	10.98%	0.00%	0.00%
Architecture & Engineering	0.00%	0.74%	0.00%	0.00%
Professional Services	26.54%	0.00%	0.00%	0.00%

Source: Hampton Procurement Disparity Study, 2014.

RECOMMENDATION E-4: VENDOR MANAGEMENT

To maintain an accurate and up-to-date vendor database. A current and accurate vendor database can assist in outreach, estimated availability when setting goals, and accurate utilization reporting. The City should require all firms, primes and subcontractors, to register prior to submitting bids, quotes, qualifications, or proposals on City and Schools projects and for purchases. Vendor registration should at minimum include firm name, doing business as name, firm address, city, state, zip code, ethnicity, gender, phone, fax, email, type of services (business commodity code). The vendor database should be audited every two years and accessible to all City departments.

RECOMMENDATION E-5: DATA MANAGEMENT

The City should require prime firms in all procurement categories to submit utilization and payment data on all subcontractors and suppliers utilized. In addition, the City should develop a contract management system to correlate purchase order payments to specific contracts, and subcontractor utilization to those specific contracts.

7. CONCLUSION

In summary, the City of Hampton and Schools spent \$249,803,182 collectively during fiscal years July 1, 2007 and June 30, 2012. The City paid, at the prime level, \$18 million or 14.2 percent to M/WBE firms of the \$126.7 million. Also at the prime level, Hampton City Schools spent \$123 million and paid \$6.8 million or 5.5 percent to M/WBE firms during the same study period. In the 2006 study, the M/WBE prime utilization was 3.2 percent of total dollars. M/WBE subcontractor utilization for this study period was \$3.5 million dollars equaling 14.8 percent. In 2006, M/WBE subcontractor utilization equaled 0.2 percent of total subcontracting dollars. **Table E-12** provides a comparison of M/WBE utilization for all procurement categories between the 2006 and 2014 studies.

TABLE E-12
SUMMARY OF M/WBE UTILIZATION
2006 AND 2014

CITY OF HAMPTON AND SCHOOLS	2014		2006	
M/WBE CLASSIFICATION				
Prime	\$	%	\$	%
African Americans	\$7,414,736	3.61%	\$2,982,727	0.90%
Asian Americans	\$695,724	0.44%	\$920,830	0.28%
Hispanic Americans	\$55,698	0.04%	\$81,990	0.02%
Native Americans	\$642,959	0.11%	\$36,458	0.01%
Nonminority Women	\$16,084,501	10.02%	\$6,610,608	1.99%
Total	\$24,893,618	14.22%	\$10,632,613	3.20%
Subcontractors	\$	%	\$	%
African American	\$881,712	3.73%	\$1,722	0.00%
Asian American	\$3,540	0.01%	\$0.00	0.00%
Hispanic American	\$0.00	0.00%	\$3,460	0.00%
Native American	\$46,800	0.20%	\$1,140	0.00%
Nonminority Women	\$2,582,596	10.92%	\$102,983	0.19%
Total	\$3,514,648	14.86%	\$109,305	0.19%

Sources: 2006 and 2014 Disparity Studies

This study provides factual predicate evidence for continuing the City of Hampton and Schools M/WBE program. This evidence is based on quantitative and qualitative data from public and private sources. While the City of Hampton and Schools have made significant progress in M/WBE inclusion, any future efforts must be narrowly tailored to rectify the issues identified in this report. Minority and women business enterprise increased utilization occurred despite decreased spending by City and Schools between 2006 and 2014. To build upon this accomplishment the City and Schools should consider implementing the recommendations provided in study's findings.