



COMMISSION
AGENDA MEMORANDUM

Item No. 11a

BRIEFING ITEM

Date of Meeting April 13, 2021

DATE: April 13, 2021
TO: Stephen P. Metruck, Executive Director
FROM: Dave McFadden, Managing Director, Economic Development Division
Mian Rice, Director Diversity in Contracting

SUBJECT: Diversity in Contracting Annual Report

EXECUTIVE SUMMARY

The Diversity in Contracting Annual Report to the Commission provides the Port's division/department 2020 Woman and Minority Business Enterprise (WMBE) results, 2021 future department/division WMBE goals, and affirmative efforts to assure equality of contracting opportunities.

2020 was the second full year of Diversity in Contracting program operations. Port divisions and departments established 2020 WMBE utilization goals. The Port of Seattle established a 14.4 percent WMBE utilization goal for 2020. This goal did not include construction projects where utilization goals are established on a project by project basis.

Despite 2020's economic challenges, the Port continued to make great strides surpassing 2019 results in achieving a portwide WMBE utilization of 10.9% for 2020, and almost reaching its five-year goal of tripling the number of WMBE businesses working with the Port (325 WMBE firms vs. five-year goal of 354 firms), by the year 2023. On an annual basis, the Port starts from zero in its tracking of firms utilized and percent achievements.

As the Port continues to grow in its WMBE utilization, staff is continuing its positive steps to achieve the goals set forth by the Commission, including the continued focus on eliminating specific disparities in utilization for certain ethnic groups and women.

BACKGROUND AND GOALS

On January 9, 2018, the Commission adopted a new Diversity in Contracting (DC) policy directive with supporting Resolution No. 3737, that drives equity in Port contracting. The policy was developed over the years 2016 and 2017, using 2016 as the baseline for what was eventually passed.

The purpose of this policy directive is to provide the maximum practicable opportunity for increased participation by minority- and women-owned and controlled businesses in Port

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contracting for public works, consulting services, supplies, material, equipment, and other services to create the opportunity to leverage Port spend to increase WMBE utilization.

As part of the Diversity in Contracting policy directive, the Port Commission established utilization goals for both the amount of contracting dollars paid to WMBE firms, as well as the number of WMBE firms under contract to the Port, using 2016 baseline utilization results:

Five-year goals:

- 1) Triple the number of WMBE firms that contract with the Port; and
- 2) Increase to **15%** the percentage of dollars spent on WMBE contracts.

This new policy also directs the establishment of:

- Executive level accountability that drives performance across the Port.
- Portwide goal setting and reporting processes, requiring Divisions/Departments to establish Annual WMBE Plans that set aspirational goals and performance targets.
- Clear lines of responsibility and accountability for implementation with designated WMBE liaisons for each division.
- Enhanced compliance and tracking of key performance objectives and incorporation of WMBE goals into the Port's Long Range Plan.
- Categories of contracts where inclusion plans and other tools will be used.
- Implementation and monitoring procedures to ensure prompt payment and change order processes.
- Expanded technical assistance for WMBE firms, coordination with external partners, and support for internal training to Port staff.

2020 RESULTS

Last year was the second year of DC policy/program implementation.

Per the DC policy directive, every division/department sets WMBE aspirational goals prior to the beginning of the year, the 2020 total percent was 14.4%. The table below illustrates by division the 2020 WMBE results for non-construction procurements which includes P-Card spend. The Port exceeded its 2020 non-construction goal and invested over \$33 million in WMBE firms for an overall utilization rate of 16.6%:

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| 2020 Non-Construction Utilization | | | | |
|--|--------------------|----------------------|---------------------|---------------|
| Division | 2020 Goal % | Total Port Spend | WMBE Spend | WMBE % |
| Aviation (AV) | 15% | \$135,779,054 | \$23,256,420 | 17.1% |
| Corporate | 13% | \$32,934,255 | \$4,780,519 | 14.5% |
| Economic Development Division (EDD) | 13% | \$2,752,428 | \$429,630 | 15.6% |
| Maritime Division (MD) | 15% | \$24,579,489 | \$3,922,997 | 16.0% |
| North West Seaport Alliance (NWSA) | N/A | \$3,816,797 | \$851,756 | 22.3% |
| P-Card Unclassified | N/A | \$3,520 | \$0 | |
| Total | | \$199,865,542 | \$33,241,321 | 16.6% |

The Port of Seattle’s Annual Divisional Goals are established on “Non-Construction” spend in the Outside Service budgets

Port DC staff sets WMBE aspirational goals on construction projects. These aspirational goals are set on a project by project bases. The table below illustrates the WMBE results per division for 2020, with a total utilization rate of 8.6%:

| *2020 Construction | | | | |
|-------------------------------------|-------------|----------------------|---------------------|-------------|
| Division | 2020 Goal % | Total Port Spend | WMBE Spend | WMBE % |
| Aviation (AV) | - | \$383,347,598 | \$31,870,515 | 8.3% |
| Corporate | - | \$459,474 | \$41,484 | 9.0% |
| Economic Development Division (EDD) | - | \$5,722,870 | \$855,413 | 14.9% |
| Maritime Division (MD) | - | \$13,737,251 | \$1,707,437 | 12.4% |
| North West Seaport Alliance (NWSA) | - | \$92,440,937 | \$8,065,818 | 8.7% |
| P-Card Unclassified | | | | |
| Total | | \$495,708,130 | \$42,540,667 | 8.6% |

**WMBE Aspirational Goals for Construction are set project-by-project*

The table below shows the final portwide WMBE attainment for 2020 per division/department, with a combined WMBE total (construction and non-construction) of 10.9%. The table also includes the number (325) of WMBE businesses utilized. Both results are compared to the Port’s 2016 baseline results of 5.3% and 118 WMBE businesses utilized.

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| 2020 Total Port (Non-Construction & Construction Combined) | 2016 Baseline Results | | | |
|--|------------------------------|------------------|--------------|--------------|
| Division | | Total Port Spend | WMBE Spend | WMBE % |
| Aviation (AV) | | \$519,126,652 | \$55,126,935 | 10.6% |
| Corporate | | \$33,393,729 | \$4,822,002 | 14.4% |
| Economic Development Division (EDD) | | \$8,475,298 | \$1,285,043 | 15.2% |
| Maritime Division (MD) | | \$38,316,739 | \$5,630,434 | 14.7% |
| North West Seaport Alliance (NWSA) | | \$96,257,733 | \$8,917,574 | 9.3% |
| P-Card Unclassified | | \$3,520 | \$0 | 0.0% |
| | | | | |
| Total (Percent) | 5.3% | \$695,573,672 | \$75,781,987 | 10.9% |
| Total Number of WMBE Firms Utilized | 118 | - | - | 325 |

The table below illustrates the annual progression of the Port’s WMBE percentages and number of firms utilized for that given year.

| WMBE Utilization | 2016 | 2017 | 2018* | 2019 | 2020 |
|-------------------------|-------------|-------------|--------------|-------------|-------------|
| Percentage | 5.3% | 8.8% | 8.9% | 10% | 10.9% |
| Number of Firms | 118 | 200 | 258 | 296 | 325 |

**Diversity in Contacting program launch*

2021 DIVISION/DEPARTMENT GOALS

The table below provides the 2021 WMBE aspirational percent goals per division/department with a combined total goal of 16% utilization for non-construction procurements on outside services.

| Division | Projected Total Outside Services Spend | 2021 WMBE Projected Spend | 2021 WMBE Goal |
|-------------------------------------|---|----------------------------------|-----------------------|
| Aviation Division (AV) | \$63,136,847 | \$10,101,895 | 16% |
| Corporate | \$29,294,647 | \$5,247,688 | 18% |
| Economic Development Division (EDD) | \$4,596,651 | \$597,564 | 13% |
| Maritime Division (MD) | \$4,464,575 | \$669,686 | 15% |
| Total | \$103,818,352 | \$16,642,182 | 16% |

The Port of Seattle’s Annual Divisional Goals are established on “Non-Construction” spend in the Outside Service budgets

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Issues/Challenges

Under the Diversity in Contracting (DC) Policy Directive, the Port's divisional efforts in setting annual 'non-construction' percent goals have been successful. The percent utilization of WMBE firms continues to be a positive influence. This includes the number (#) of WMBE firms utilized, which in 2020 was 325 firms. By the year 2023, the Ports five-year goal is a utilization of 354 WMBE firms. On an annual basis, the Port starts at zero in its quest to achieve its 5 year WMBE goals.

However, under Washington State's construction bidding laws and policies, in conjunction with the State's anti-affirmative action clauses, government entities have far less control over WMBE utilization on low-bid lump sum procurements. As a result, WMBE participation maybe impacted regardless of their overall availability to work on Port projects.

The Port currently sets WMBE aspirational goals on a project-by-project bases, based upon project scope and WMBE availability. We have been averaging between eight to nine percent on our construction projects thus far. These averages will need to increase in order to achieve the set DC goals.

The Port has made tremendous progress increasing the utilization of WMBE businesses. It may be difficult to hit the Port's five-year goal of 15 percent utilization. The Port would need to grow approximately 12% year-over-year for the remaining years to 2023 to hit this goal.

Recommendations

The Port continues to set WMBE Divisional goals but explores expanded ways to improve upon the Construction utilization of WMBE firms. This would be done by:

- Leveraging more alternative delivery methods like Design/Build (D/B) or General Contractor/Construction Management (GC/CM) procurements. Alternative delivery methods such as these may allow Port staff to continue to push the construction contacting limits to not only achieve, but perhaps exceed project WMBE goals.
- Evaluate chances for unbundling of projects.
- Further breakdown project scopes of work.
- Better tie-in's with PortGen training participants within the consulting and A&E contracts.
- Continue to outreach and conduct workshops/trainings.
- Continued partnerships with community and trade organizations.
- Continued partnerships with Primes.

The proposed Port study to identify barriers to WMBE utilization can also help identify additional policy or program refinements that help the Port achieve its five-year Diversity in Contracting policy goals.

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ATTACHMENTS TO THIS BRIEFING

- (1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

March 26, 2019 – Diversity in Contracting Annual Report
June 12, 2018 – Commission briefing on Diversity in Contracting program development
January 8, 2018 – Diversity in Contracting 2nd reading policy & passage of resolution 3737
December 19, 2017 – Diversity in Contracting Policy Review
December 12, 2017 - Women and Minority Business Enterprise Policy Review – Resolution 3737 (first reading)
December 5, 2017 - Women and Minority Business Enterprise Policy Review
November 28, 2017 –Women and Minority Business Enterprise Policy Review
October 24, 2017 - Women and Minority Business Enterprise Policy Review
July 12, 2017 – Commission Budget Priorities, Building Economic Opportunity in Underserved Communities
March 28, 2017 – Small Business Development Update
March 22, 2016 – Small Business Utilization briefing
December 14, 2014 – Disparity Study briefing
August 19, 2014 – Small Business Utilization briefing
January 26, 2010 – Adoption of Resolution No. 3618 concerning small business utilization