



**COMMISSION
AGENDA MEMORANDUM**

Item No. 11b

BRIEFING ITEM

Date of Meeting April 12, 2022

DATE: April 6, 2022

TO: Stephen P. Metruck, Executive Director

FROM: Dave McFadden, Managing Director, Economic Development Division
Mian Rice, Director of 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 2021 Woman and Minority Business Enterprise (WMBE) results, 2022 future department/division WMBE goals, and affirmative efforts to assure equality of contracting opportunities.

2021 was the third full year of the Diversity in Contracting program operations. Port divisions and departments established 2021 WMBE utilization goals. The Port of Seattle established a 16 percent WMBE utilization goal for 2021. This goal did not include construction projects where utilization goals are established on a project-by-project basis.

Despite 2021's economic challenges, the Port continued to make great strides surpassing 2020's results in achieving a Port-wide WMBE utilization goal of 12.1% for 2021. In addition, the Port continues to make strides towards reaching its five-year goal of tripling the number of WMBE businesses working with the Port (344 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 Port Commissioners adopted a new Diversity in Contracting (DC) policy directive with a supporting Resolution 3737, that drives equity in Port contracting. The policy was developed over the years of 2016-2017, 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 contracting for public

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works, consulting services, supplies, materials, equipment, and other services to create the opportunity to leverage Port spending 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
- Port-wide 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

2021 RESULTS

Last year was the third year of the 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 percentage was 16%. The table below illustrates by division the 2021 WMBE results for non-construction procurements which includes P-Card spend. The Port did not meet its 2021 non-construction goal of 16%. Although the target was missed, the Port invested over \$26 million in WMBE firms for an overall utilization rate of 16.1%. The table below reflects the dollars in 2021 driven to WMBE businesses broken down by Division:

2021 Non-Construction Utilization	2021 Goal %	Total Port Spend	WMBE Spend	WMBE % 2021
Division				
Aviation (AV)	16%	\$144,653,626	\$17,734,128	12.3%
Corporate	18%	\$26,903,881	\$4,116,780	15.3%
Economic Development Division (EDD)	13%	\$3,280,584	\$518,484	15.8%
Maritime Division (MD)	15%	\$25,124,214	\$3,467,059	13.8%

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Northwest Seaport Alliance (NWSA)	N/A	\$4,447,881	\$533,951	12.0%
P-Card Unclassified	N/A	\$165,811	\$13,400	
Total		\$204,575,997	\$26,383,802	13.84%

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

Since the program launch, DC staff have established WMBE aspirational goals for Construction on a project-by-project basis. The table below illustrates the WMBE results on Construction per division for 2021, with a total WMBE utilization rate of 11.5%:

*2021 Construction	Total Port Spend	WMBE Spend	WMBE %
Division			
Aviation (AV)	\$246,986,105	\$29,037,487	11.8%
Corporate	\$87,335	\$6,967	8%
Economic Development Division (EDD)	\$2,898,163	\$135	0%
Maritime Division (MD)	\$12,297,524	\$1,173,022	9.5%
North West Seaport Alliance (NWSA)	\$7,105,022	\$62,853,857	11.3%
Total	\$37,322,803	\$325,178,389	11.5%

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

The table below shows the final Port-wide WMBE attainment for 2021 per division/department, with a combined WMBE total (construction and non-construction) of 12.1%. The table also includes the number (344) of WMBE businesses utilized.

2021 Total Port (Non-Construction & Construction Combined)	Total Port Spend	WMBE Spend	WMBE %
Division			
Aviation (AV)	\$391,639,731	46,771,614	11.9%
Corporate	\$27,046,620	\$4,123,748	15.2%
Economic Development Division (EDD)	\$5,660,128	\$518,484	8.4%
Maritime Division (MD)	\$32,781,657	\$4,640,082	12.4%
North West Seaport Alliance (NWSA)	\$4,447,881	\$533,951	12.0%
P-Card Unclassified	\$165,811	\$13,400	0.0%
Total (Percent)	\$530,738,524	\$64,069,018	12.1%
Total Number of WMBE Firms Utilized	-	-	344

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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	2021
Percentage	5.3%	8.8%	8.9%	10%	10.9%	12.1%
Number of Firms	118	200	258	296	325	344

**Diversity in Contracting program launch*

2022 DIVISION/DEPARTMENT GOALS

The table below provides the 2022 WMBE aspirational percent goals per division/department with a combined total goal of 15% utilization for non-construction procurements on outside services.

Non-Construction

Division	Projected Total Outside Services Spend	2021 WMBE Projected Spend	2021 WMBE Goal
Aviation Division (AV)	\$133,865,506	\$20,079,826	15%
Corporate	\$33,966,564	\$4,755,319	14%
Economic Development Division (EDD)	\$5,259,683	\$736,356	14%
Maritime Division (MD)	\$6,613,343	\$1,058,135	16%
Total	\$179,705,097	\$26,629,635	15%

Construction Annual WMBE Goal

For the first time, the Port is establishing an initial construction WMBE goal. For 2022, the established WMBE goal is **12.5%**. This initial goal was established by utilizing the 2021 construction WMBE results, plus one percent.

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 2021 was 344 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 might be impacted regardless of their overall availability to work on Port projects.

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The Port currently sets WMBE aspirational goals on a project-by-project basis, based upon project scope and WMBE availability. We have been averaging between eight to ten 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. We are heading the right direction; however, we may fall short of hitting the Port’s five-year goal of 15 percent utilization by the end of 2023, which is the final year of the established 5-year goal cycle.

Recommendations

The Port continue to set WMBE Divisional goals but explore 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 contracting 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 Port is conducting a study to identify barriers to WMBE utilization which can also help identify additional policy or program refinements that will help the Port achieve its current and future Diversity in Contracting policy goals.

ATTACHMENTS TO THIS BRIEFING

- (1) Presentation

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

April 13, 2021 – Diversity in Contracting Annual Report

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

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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