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COMMISSION

AGENDA MEMORANDUM Item No. 11a

BRIEFING ITEM Date of Meeting April 16, 2024

DATE: April 9, 2024

TO: Stephen P. Metruck, Executive Director

FROM: Dave McFadden, Managing Director, Economic Development Division

Mian Rice, Director, Diversity in Contracting

SUBJECT: Diversity in Contracting 2023 Annual Report and Five-Year (2019-2023) Review

EXECUTIVE SUMMARY

2023 Diversity in Contracting Annual Report

The Diversity in Contracting Annual Report to the Commission provides the Port's division/department 2023 Women and Minority Business Enterprise (WMBE) results from administering affirmative efforts to assure equality of contracting opportunities.

2023 was the fifth full year of the Diversity in Contracting program operations in which Port divisions and departments established WMBE utilization goals. In total spend, which includes both construction and non-construction, 12.4% of the Port's spend of \$627M went to WMBE firms (\$77.7M) – short of the 2023 goal of 15% utilization, and on par with the 12.6% WMBE utilization in 2022.

In construction, where utilizations goals are established on a project-by-project basis, 2023 was the second year the staff established a Port-wide goal. 9.2% of the Port's construction spend of \$323.3M went to WMBE firms (\$29.9M) - short of its 13% WMBE construction goal but surpassing its 8.5% WMBE utilization in 2022. In non-construction, 15.7% of the Port's spend of \$303.7M went to WMBE firms (\$47.8M) - meeting its 15% goal for 2023 and showing a slight decrease from the 16.4% WMBE utilization in 2022.

The Port did exceed its five-year goal of tripling the number of WMBE businesses working with the Port annually (354 WMBE firms by 2023) by having worked with 392 WMBE firms in 2023, a marked increase from 351 WMBE firms in 2022.

The Port's Diversity in Contracting goals for 2024 is 15% spend with WMBE firms and 400 WMBE firms utilized annually. At the same time, over the course of this gap year in the Program, the Diversity in Contracting team is evaluating the program, drafting updates to the policy, and engaging the community throughout. The goal is to have a first reading of an updated Diversity in Contracting Resolution by the end of 2024 so that the Port can build on the progress achieved over these past five years to eliminate, even more effectively, specific disparities in utilization for certain ethnic groups and women.

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Diversity in Contracting Five-Year Review (2019-2023)

In 2016, the Port began focusing on the diversity of businesses it partners with. In that year, only 5.3% of the Port's spend was with WMBE firms, and the Port partnered with only 118 firms annually. In 2018, the Diversity in Contracting Policy Directive and Resolution was created, leveraging the findings from 2016 to set the Program's goals. The goals were to, within five years of the Diversity in Contracting Program implementation, increase to 15% the total Port spend with WMBE firms and triple the number of WMBE firms that the Port partners with to reach 354 firms annually. The first full year of the program was 2019, with the five-year benchmark concluding at the end of 2023.

This report provides the Port's division/department Woman and Minority Business Enterprise (WMBE) results over the five-year period.

Over the five years of its implementation, Diversity in Contracting (DC) Policy Directive & Resolution achieved its primary goal of increasing the utilization of WMBE firms on Port contracts due to the Program's internal and external affirmative efforts of establishing WMBE aspirational goals on contracts, requiring inclusion plans, and bolstering outreach and training efforts.

Port-wide (construction and non-construction) WMBE spend over the five-years was 12.4% (\$376M) of the \$3B total Port spend with outside vendors, short of the 15% goal. Well above, however, WMBE utilization before the program began, which in 2016 was 5.3%.

In construction, WMBE spend over the five-years was 9.5% (\$175.9M) of the \$1.8B total Port

spend with outside vendors. In non-construction, WMBE spend over the five-years was 16.7% (\$200M) of the \$1.2B total Port spend with outside vendors.

On an annual basis, the Port starts from zero in its tracking of firms utilized and percent achieved. The Port partnered with a total of 392 WMBE businesses over the course of 2023, exceeding its policy goal of working with 354 firms annually which was triple the 2016 baseline of 118 firms annually. Over the five-years, the Port partnered with 791 unique WMBE firms.

BACKGROUND AND GOALS

On January 9, 2018, the Port Commissioners adopted a new Diversity in Contracting (DC) policy directive with a supporting Resolution, to advance equity in Port contracting. The policy was developed over the years of 2016-2017, using 2016 as the baseline for what was eventually passed. 2019 was the first full year the program and goals came into effect.

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 works, consulting services, supplies, materials, equipment, and other services to create the opportunity to leverage Port spending to increase WMBE utilization.

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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

The policy also directed 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 include 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

2023 Results

2023 was the fifth full year of Diversity in Contracting operations. The table below shows the Port-wide WMBE attainment for 2023, with 12.4% of total (construction and non-construction combined) spend going to WMBE businesses, short of the Port's 15% goal. The 392 WMBE firm partnerships achieved in 2023 far exceeds the WMBE firm partnership goal of 354 firms.

2023 Total Utilization (Construction and Non-Construction Combined)

Total Spend	WMBE Spend	WMBE %	Firm Count
Aviation (AV)	454.9 M	46.6 M 10.2%	231
Corporate	81.9 M	18.5 M 22.5%	126
Economic Development Division (EDD)	5.1 M	1.1 M 21.7%	29
Maritime Division (MD)	80.7 M	11.0 M 13.6%	100
North West Seaport Alliance (NWSA)	4.4 M	0.6 M 13.3%	1
Total	627.0 M	77.7 M 12.4%	392

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For construction, since the program launch in 2019, DC staff have established WMBE aspirational goals on a project-by-project basis. In 2022, the Port set an annual Port-wide construction goal for the first time at 11.5%, and in 2023, a goal of 13%. The Port came closer to meeting that goal in 2023 by achieving 9.2% WMBE utilization, an increase from the 8.5% achieved in 2022.

2023 Construction Utilization*

Total Spend (dollars)	WMBE (dollars)	Spend (dollars)	WMBE %	Firm Count
Aviation (AV)	260.6 M	20.7 M	7.9%	70
Corporate	22.5 M	3.4 M	15.2%	15
Economic Development Division (EDD)	1.4 M	0.0 M	3.4%	5
Maritime Division (MD)	38.1 M	5.7 M	15.0%	27
Northwest Seaport Alliance (NWSA)	0.9 M	N/A	N/A	N/A
Total	323.3 M	29.9 M	9.2%	93

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

For non-construction, per the DC policy directive, every division and department sets WMBE aspirational goals prior to the beginning of the year. The table below illustrates, by division, the 2023 WMBE results for non-construction procurements which includes P-Card spend. The Port narrowly missed its 2023 non-construction goal of 16% WMBE spend, landing at 15.7%.

2023 Non-Construction Utilization

WMBE 2023	2023 WMBE
Total Spend 2023	
Division Spend (dollars)	WMBE %
(dollars)	Goal %
Count	
Aviation (AV)	194.4 M 25.9 M 15% * 21%** 164
Corporate	59.4 M 15.0 M 17% 25.3% 113
Economic Development Division (EDD)	3.7 M 1.1 M 16% 28.3% 25
Maritime Division (MD)	42.6 M 5.3 M 21% * 23%** 73
Northwest Seaport Alliance (NWSA)	3.5 M 0.6 M N/A 16.4% 1
Total	303.7 M 47.8 M 16% 15.7% 307

*These goals were established on outside service spend budgets

** These percentages represent WMBE utilization on outside services spent. Overall WMBE utilization in 2023 for aviation was 13.3% and for maritime 12.4%

2024 Division/Department WMBE Goals

The table below provides the 2024 WMBE aspirational percent goals per division with a combined total Port-wide goal of 15% utilization for non-construction procurements. The goals and figures below are estimates and we expect not all spending may be realized, and actual results may vary.

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2024 Non-Construction WMBE Goals

2024 WMBE	
Projected Total 2024 WMBE	
Division Projected Spend	
Spend (dollars)	
Goal (dollars)	
Aviation Division (AV)	140 M 19.6 M 14%
Corporate	49 M 8.3 M 17%
Economic Development Division (EDD)	5.5 M 0.9 M 16%
Maritime Division (MD)	14.7 M 1.9 M 13%
Total	208.6 M 31.3 M 15%

For 2024, the construction WMBE goal (Portwide) is 13%. Having ended 2023 with 9.2% WMBE Utilization on construction, we believe 13% WMBE Utilization is a stretch goal for 2024.

Achieving 13% in construction utilization is necessary to advance toward a Port-wide (construction and non-construction) goal of 15% WMBE utilization.

Five-Year (2019-2023) Results

The table below shows the Port-wide WMBE attainment from 2019 to 2023, per division, with



12.4% of total spend (construction and non-construction) going to WMBE businesses. Over the five years, the Port partnered with 791 unique WMBE firms.

2019-2023 Total Utilization (Construction and Non-Construction Combined)

Total Spend WMBE Spend WMBE Firm

Division WMBE %

(dollars) (dollars) Count

Aviation 2,216.1 M 238.6 M 10.8% 448

Corporate 332.8 M 76.1 M 22.9% 303

Economic Development 20.1 M 4.0 M 20.1% 68

Maritime 445.0 M 54.4 M 12.2% 224

NWSA 27.1 M 2.8 M 10.4% 3

Total 3,041.0 M 376.0 M 12.4% 791

For construction, since the program launch in 2019, DC staff have established WMBE aspirational goals on a project-by-project basis. In 2022, staff set a Port Wide Annual Construction goal for the first time, at 11.5%. In 2023, the Port-wide Construction goal was 13%.

Over the five-year period the Port spent 9.5% of its outside construction spend of \$1.8 B with WMBE Firms (\$175.9 M), partnering with a total of 222 WMBE firms. The table below reflects, by division, the construction dollars in 2019-2023 driven to WMBE businesses, WMBE spend percentage, and number of WMBE firms partnered.

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2019-2023 Construction Utilization*

Total Spend WMBE Spend WMBE Firm

Division WMBE %

(dollars) (dollars) Count

Aviation 1,463.8 M 133.5 M 9.1% 161

Corporate 81.2 M 9.6 M 11.8% 42

Economic Development 4.5 M 0.2 M 3.7% 9

Maritime 289.9 M 32.6 M 11.3% 78

Total 1,842.9 M 175.9 M 9.5% 222

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

For non-construction, the Port met its five-year non-construction goal of 15%. Over the fiveyear period the Port spent 16.7% of its outside non-construction spend with WMBE Firms (\$200.1 M), partnering with a total of 600 WMBE firms. The table below illustrates, by division , the 2019-2023 WMBE results for non-construction procurements which includes P-Card spend.

2019-2023 Non-Construction Utilization

Total Spend WMBE Spend WMBE Firm

Division WMBE %

(dollars) (dollars) Count

Aviation 752.2 M 105.1 M 14.0% 302

Corporate 251.6 M 66.5 M 26.4% 264

Economic Development 15.6 M 3.9 M 24.8% 60

Maritime 155.1 M 21.8 M 14.1% 151

NWSA 23.6 M 2.8 M 11.9% 3

Total 1,198.1 M 200.1 M 16.7% 600

From one year to the next since 2016, the Port has steadily increased WMBE participation in both the percent spent with WMBE firms and the number of WMBE firms partnered. The table below illustrates the Port’s WMBE percentages and number of firms utilized from one year to the next.

2016-2023 WMBE Utilization Percentage and Firm Count

Utilization 2016 2017 2018 2019 2020 2021 2022 2023 Policy Goal

WMBE Percentage 5.3% 8.8% 8.9% 10% 10.9% 12.1% 12.6% 12.4% 15%

WMBE Firm Count 118 200 258 296 325 344 329 394 354

Issues/Challenges

Under the Diversity in Contracting (DC) Policy Directive, the Port's efforts in setting and meeting annual non-construction goals by division have been successful. The percent utilization of WMBE firms in non-construction has exceeded the 15% goal for the past two years. The number of total (construction and non-construction) WMBE firms utilized has also largely

trended upward over the past five years, culminating with 392 firms partnered in 2023.

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Regarding construction, however, Initiative-200 makes it difficult to hit our goals. Government entities have far less control over WMBE utilization on low-bid lump sum procurements. As a result, WMBE participation may be impacted regardless of their overall availability to work on Port projects.

The Port currently sets WMBE aspirational goals on construction projects on a project-by-project basis, based upon project scope and WMBE availability. WMBE attainment in construction projects have ranged between 8.6% (2020) and 13.1% (2021), averaging at 9.5% over the past five years. WMBE use in construction needs to increase to achieve Port-wide diversity in contracting goals.

Although the Port did not achieve the 15% overall WMBE utilization goal, the Port has made tremendous progress in increasing the utilization of WMBE businesses and will continue dismantling disparities in contracting. The number of WMBE businesses utilized on an annual basis has grown steadily year-over-year and this upward trend is expected to continue.

ATTACHMENTS TO THIS BRIEFING

(1) Presentation

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

January 23, 2024 – Commission Order to update the Port's Diversity in Contracting goals for 2024

April 12, 2023 – Diversity in Contracting Annual Report

April 12, 2022 – Diversity in Contracting Annual Report

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

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

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