

## MINORITY OWNED AND LOCAL SMALL BUSINESS TASK FORCE

### MEETING MINUTES

April 15, 2015 – 5:30 p.m.

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*6th Floor Council Conference Room, Council Office Building*

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#### ***Members Present***

Mayra Bayonet  
Margo Briggs  
Warren Fleming  
Janice Freeman  
Julian Haffner

Leon Hollings  
Herman Taylor

#### ***Members Absent***

Cherian Eapen  
Bethsaida Wong

#### ***County Staff Present:***

Karen L. Federman-Henry, Office of the County Attorney  
Mary Anne Paradise, County Council  
Linda Price, County Council

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#### **I. Call to Order**

The meeting began at 5:33 p.m. Due to lack of a quorum, the meeting was officially called to order by Task Force Chair Taylor at 5:55 p.m.

#### **II. Briefing - Disparity Study - Rodney Strong**

Mr. Rodney Strong, Griffin & Strong, P.C, via internet conferencing, provided an overview of the 2014 Disparity Study (see Attachment 1). Task Force members engaged in a question and answer session with Mr. Strong following his presentation. The following observations and clarifications were made:

- Mr. Strong indicated that in 2005, the study was more cautious and legally intensive because of political and legal attacks at the time; now, he perceives that the County wants to take bolder steps to increase MFD participation and that a different mechanism is needed to enforce benchmarks.
- Mr. Hollins commented on the Equal Business Opportunities ordinance enacted in Atlanta, Georgia and inquired on its success. Mr. Strong said the ordinance has been extremely successful and that elected officials are totally committed, but noted that African Americans are not represented well in high value contracts.
- Mr. Fleming asked about the success of joint ventures versus prime subcontracting. Mr. Strong said that both approaches work, but that prime subcontracting allows MFD businesses to grow. A joint venture allows the company to have personnel on a project and gain experience into being a prime contractor.
- Ms. Freeman inquired if it is difficult to get prime contractors interested in MFD programs. Mr. Strong said it is important to expose prime contractors to MFD contractors. He suggested that economic development should be used more aggressively. Regarding the legal aspect, he said more favorable decisions have been reached in recent years, but there are still legal concerns regarding how to craft MFD programs.

- Mr. Haffner inquired if there is a reluctance to adopt goals related to the MFD program and what recommended goals are for each category. Mr. Strong responded that a significant disparity must be shown, and suggested that the participation goal be equal to the availability of MFDs.
- Mr. Taylor asked if Montgomery County has a non-discrimination policy, and Mr. Strong indicated there is a clause included in the procurement process. Mr. Taylor asked Staff to look into whether the County has a commercial non-discrimination policy.
- Mr. Hollins commented on the 2010 Memphis disparity study, and asked if a bidder rotation for contracts under \$100,000 would work in Montgomery County. Mr. Strong noted that Memphis has a less cumbersome procurement process and buyers make calls directly. This process works better for goods providers.
- Ms. Bayonet asked how ethnicity is addressed. Mr. Strong said benchmarks can be established, with the objective to reach parity between availability and utilization of MFDs.
- Mr. Haffner asked if there were successful policies related to accessing capital. Mr. Strong said this is an issue that remains to be dealt with, but suggested that small firms work with the Small Business Administration, and that targeted areas are needed. He noted that Atlanta established a loan fund for the redevelopment of the city in which only MFDs could participate.
- Ms. Freeman asked how the Procurement Office could improve training. Mr. Strong said part of the Office's mission should be to increase supplier diversity. The Office should make it clear that staff need to consider MFD businesses.

### **III. Approval of Minutes**

The minutes from the April 1, 2015, meeting were unanimously approved by all Task Force members present.

### **IV. Group Discussion**

- Mr. Haffner stated that the group could make bold recommendations
- Mr. Taylor said the Task Force should hear how the County will act on issues raised regarding the procurement process, and that the process must change. A more robust way to include MFDs in contracts is needed, through more aggressive use of the Department of Economic Development (DED).
- The May 6 meeting will include an overview from the Department of Economic Development. Task Force members expressed their desire to have Ms. Sternbach and Mr. Bang, from DED present at the meeting if possible.
- Mr. Hollins volunteered to draft language to transmit to the Council on behalf of the Task Force regarding their review of Bill 61-14.

### **V. Public Comment**

There were no comments from public meeting participants.

The meeting adjourned at 7:16 p.m

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MONTGOMERY COUNTY  
MARYLAND  
2014 Disparity Study



April 15, 2015

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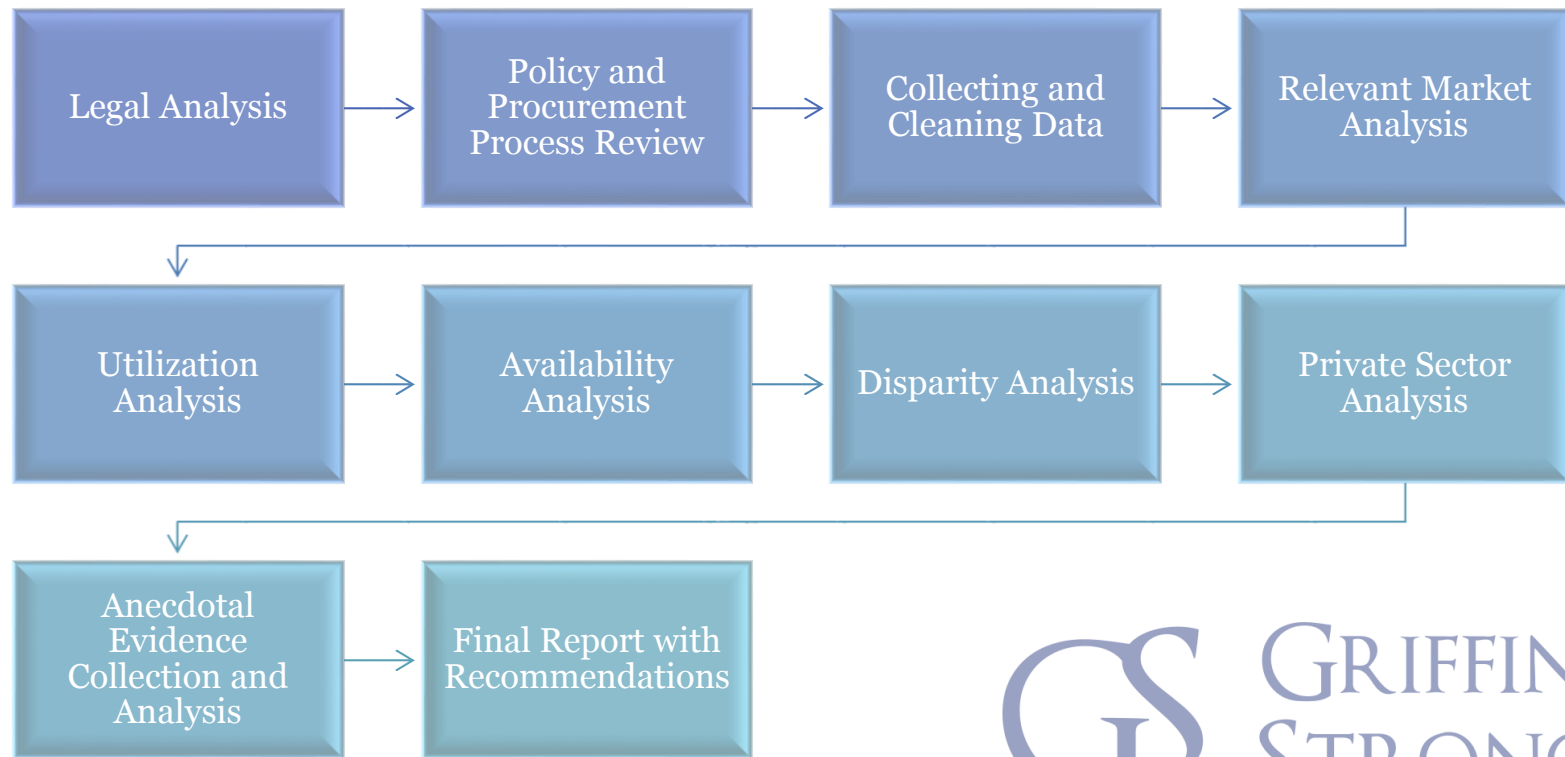
# STUDY TEAM

- **Dr. Gregory Price, Senior Economist**
- **Winston Terrell Group, Anecdotal Supervisor**
- **Cardell Orrin, Data Analyst**
- **Copeland & Associates, Purchasing, Practices, Policies, and Procedures Review**
- **Leronia Josey & Associates, Anecdotal Interviews**
- **Oppenheim Research, Inc., Telephone Survey**
- **1st Choice Staffing, Data Entry**



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# TECHNICAL APPROACH



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# DISPARITIES IN PRIME CONTRACTING

	Construction	Professional Services	Services	Goods
African American	●	●	●	●
Asian American	●	●	●	●
Hispanic American	●	●	●	●
Native American	●	●	●	●
Female	●	●	●	●
Disabled	●	●	●	●

- POs, DPOs, and P-card
- POs and P-card Only
- DPOs and P-card Only



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# DISPARITIES IN SUBCONTRACTING

	Construction	Professional Services	Services	Goods
African American	●	●	●	●
Asian American	●	●	●	●
Hispanic American	●	●	●	●
Native American	●	●	●	●
Female	●	●	●	●
Disabled	●	●	●	●

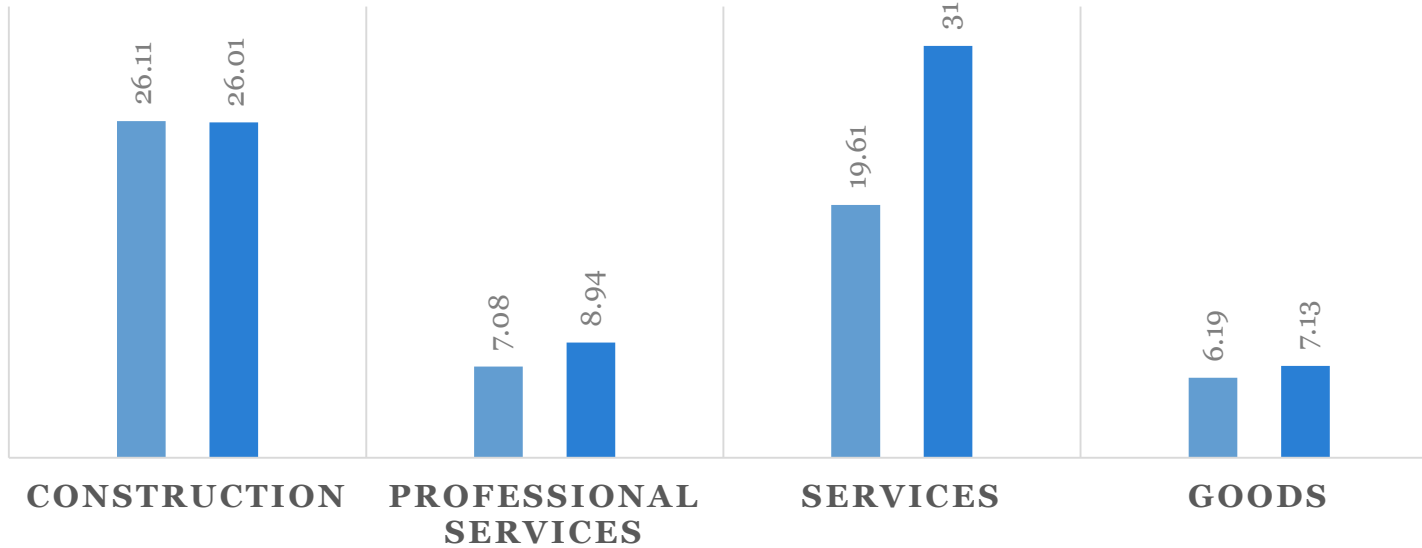
● Disparity Found  
● No Disparity



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# MFD PRIME UTILIZATION COMPARISON (FROM PO'S)

■ 2001-2003% ■ 2007-2012 %

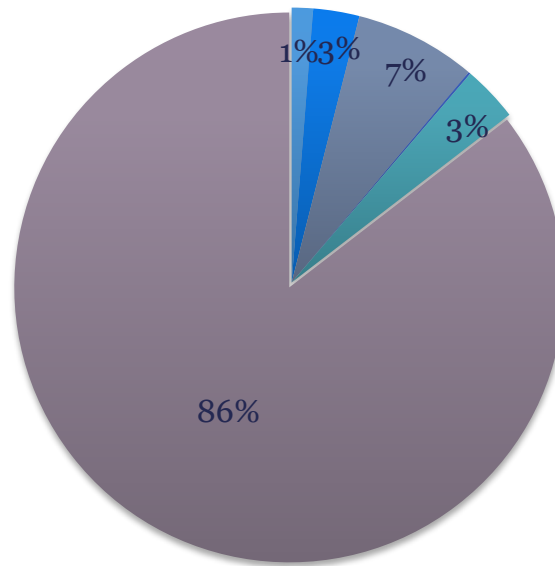


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## Utilization in Dollars (Prime Contracting, Purchase Orders)



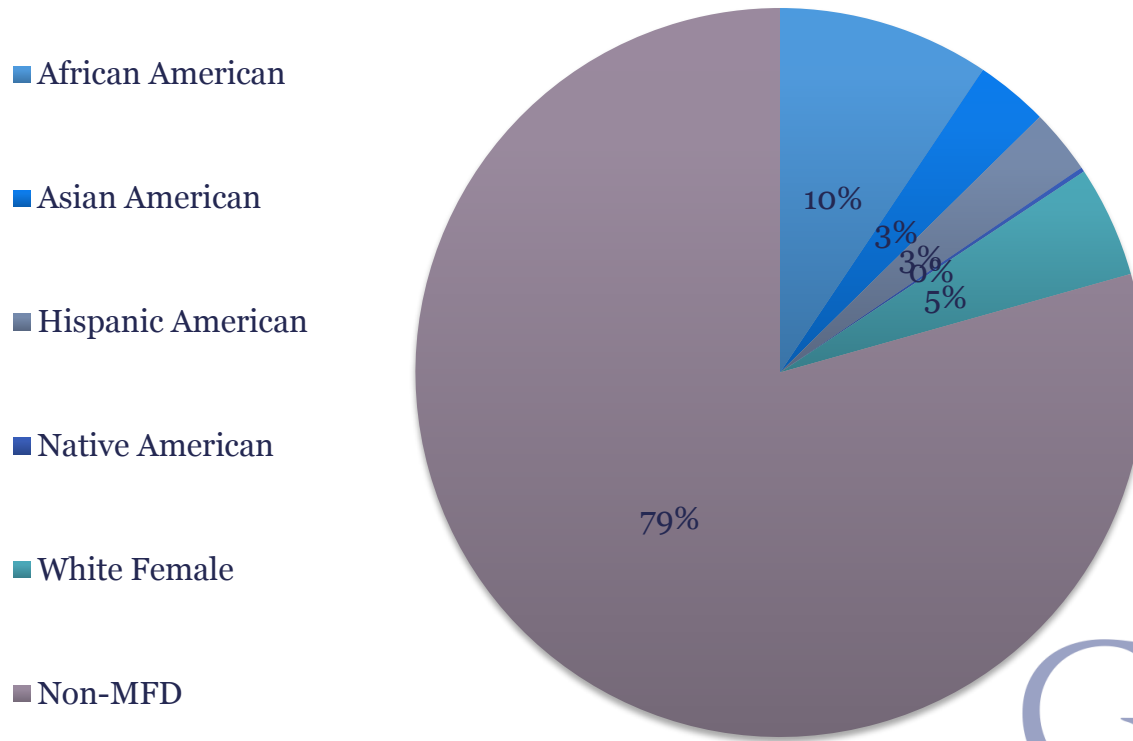
■ African American   ■ Asian American   ■ Hispanic American  
■ Native American   ■ White Female   ■ Non-MFD



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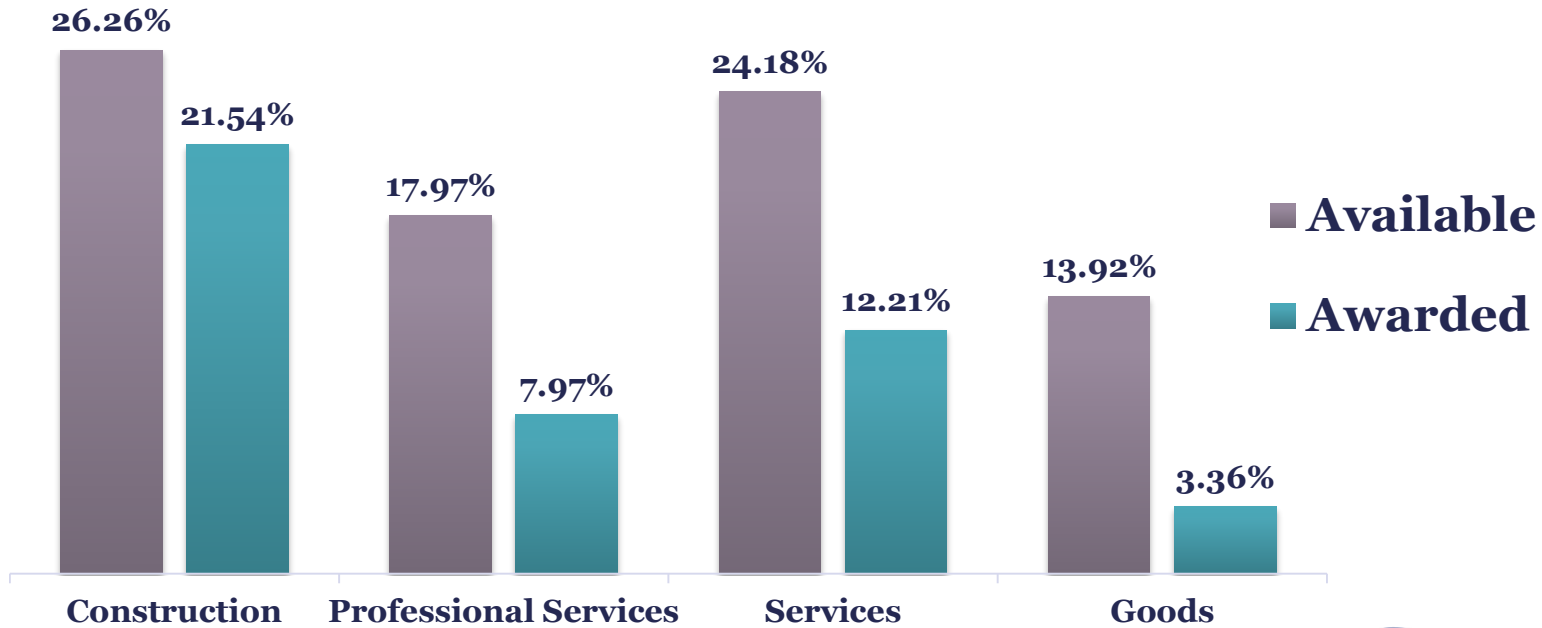
# Relevant Market Availability (Average across all categories)



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# MINORITY AND WOMEN OWNED BUSINESS AVAILABILITY VS. AWARDS (PO'S)



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# REGRESSION ANALYSIS

## MFD FIRMS

Are:

**MORE LIKELY** to need start-up and expansion financing

**LESS LIKELY** to secure bank loans and venture capital

**LESS LIKELY** to become self employed

But Are:

**JUST AS LIKELY** to pursue public contracting

And

**DISPARITIES** are explained by their race, gender, and disabled status



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# ANECDOTAL EVIDENCE

**FOCUS GROUP**

**PUBLIC HEARING**

**INDIVIDUAL INTERVIEWS**

**PURCHASING PRACTICES REVIEW**

**EMAIL COMMENTS**

**TELEPHONE SURVEY**

- ✓ **Good old Boy Network**
- ✓ **Cumbersome Proposals**
- ✓ **Need Set-asides**
- ✓ **Fear Retaliation**
- ✓ **More Transparency and Feedback**
- ✓ **County is Fair**
- ✓ **Bonding Impediments**
- ✓ **Not Interested in MFDs**



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- Annual goals for African-Americans
- Narrowly-tailored

# OPPORTUNITY

- MFD Collaboration
- Joint-Venture Contracts



- Economic Development Contract Goals
- MFD Participation on Private Sector Projects

- Performance Reviews
- Program training
- SOP



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# RECOMMENDATIONS

## 1. Annual Goals for African American Participation

**African American owned firms are the only race/ethnic/gender group that was underutilized in every procurement category, in every year of the study.**



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# RECOMMENDATIONS

## **2. Standard Operating Procedures for Procurement and MFD Officer**

**GSPC's research found that there was a perception of Montgomery County as a closed, exclusionary, informal network, that we believe is the result of lack of standardized organization and training, and lack of transparency of process.**



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# RECOMMENDATIONS

## 3. Program Training and Monitoring

**Procurement training should be reviewed and revised to include more extensive training on non-discriminatory practices and MFD participation/goals.**



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# RECOMMENDATIONS

## 4. Performance Reviews and Evaluations

**County employees and user departments should be evaluated based on the quality, transparency and overall effectiveness of their programs and attempts to reach goals.**



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# RECOMMENDATIONS

## 5. Private Sector Initiatives

**Montgomery County should consider private sector initiatives, such as including MFD goals in their economic development contracts.**



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# RECOMMENDATIONS

## **6. Promote MFD Collaboration/Joint-Venture Contracts**

**In order to encourage participation on high-dollar contracts, Montgomery County should look for instances in which MFD capacity can be increased to match contract size.**



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