



Montgomery County Government

M E M O R A N D U M

September 14, 1988

TO: County Council

FROM: Andrew Mansinne, Jr., Director
Office of Legislative Oversight

A handwritten signature in cursive script that reads "Andrew Mansinne, Jr.".

SUBJECT: Office of Legislative Oversight Memorandum Report: A Comparison of
FY87 and FY88 MFD Procurement Participation

Purpose: To provide the County Council with a comparison of minority, female, and disabled-owned (MFD) business participation in County procurements for fiscal years 1987 and 1988.

Authority: Council Resolution No. 11-138, subject: CY 1988 Work Program of the Office of Legislative Oversight, adopted March 29, 1988.

Background: The County Council enacted the first minority procurement law in June 1982. In 1985, the Council amended the law to incorporate many major changes, to include:

- Clarifying the legislative intent of the MFD program;
- Increasing the MFD business procurement goal from 10% to 15%;
- Excluding all purchases under \$500 from the MFD goal and also excluding grants, utilities and intergovernmental or intragovernmental procurements;
- Detailing the information required in an annual report to the Council; and
- Extending the sunset date of the law to July 1, 1988.

On June 27, 1988, the Council enacted emergency legislation expanding the legislative findings and extending the sunset date of the MFD law until July 1, 1992.

The Council has closely monitored the County government's MFD business procurement utilization program. The 1982 and 1985 versions of the MFD law required the Chief Administrative Officer to report annually for the prior fiscal year specific information on MFD business participation in County

Office of Legislative Oversight

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government contracts and purchases. At Exhibit A is an extract of Chapter 11B, Montgomery County Code (MCC), which lists the reporting requirements. Beginning with the report for fiscal year 1987, the Council requested the CAO to provide additional information in the annual report. The request was from the Council President, a copy of which is at Exhibit B.

Discussion: The Chief Administrative Officer has submitted annual reports on the County government's MFD business procurement utilization programs each year since 1983. However, the latest two reports, for fiscal years 1987 and 1988, have been the most complete, and are the bases for this comparison (Note: The specific sources of all data on MFD participation are two memoranda from the CAO to the Council President, subject: Executive Report on MFD Procurement Participation, dated September 1, 1987 and August 1, 1988).

Table 1 is a comparison of MFD procurement activities for FY87 and FY88 broken down into three major categories.

Table 1

A Comparison of MFD Procurement Activities For FY87 and FY88

| Category ^{a)} | FY87 | FY88 | \$ Change FY87-FY88 | % Change FY87-FY88 |
|--|---------------|---------------|------------------------|-----------------------|
| A. Original procurements (subject to MFD procurement goal): ^{b)} | \$102,735,081 | \$111,061,270 | \$ +8,326,189 | +8.1% |
| B. Non-original procurements (not subject to MFD procurement goal): ^{c)} | | | | |
| Contract Modifications | 28,089,282 | 18,780,802 | -9,308,480 | -33.1% |
| Contract Renewals | 7,301,925 | 23,169,193 | +15,867,268 | +217.3% |
| Delivery Orders | 21,146,625 | 19,274,462 | -1,872,163 | +8.9% |
| (Sub total) | (56,537,832) | (61,224,457) | (+4,686,625) | (+8.3%) |
| C. Other procurement transactions (not subject to MFD procurement goal): ^{d)} | | | | |
| Public Entities and Grants | 4,419,185 | 18,821,731 | +14,402,546 | +326% |
| D. Total of original and non-original procurements (Categories A + B) | 159,272,913 | 172,285,727 | +13,012,814 | +8.2% |
| E. Total of all procurement (Categories A + B + C) | 163,692,098 | 191,107,458 | +27,415,360 | +16.7% |
| F. Total MFD participation: | 24,282,123 | 21,458,830 | -2,823,293 | -11.6% |

(Notes on page 3.)

Notes accompany Table 1:

- a) Includes only procurement transactions over \$500.
- b) The \$ value of all original formal or informal procurements over \$500 subject to the MFD participation goal of 15%. Included are procurements for which a waiver or exemption from MFD requirement was granted -- in FY87: \$7,354,780; in FY88: \$4,392,945.
- c) Procurement transactions excluded from the MFD participation goal of 15% by Section 11B-23C(b) ("non-original" formal or informal procurements).
- d) Procurement transactions excluded from the MFD participation goal of 15% by Section 11B-23C(c) (grants, public entity transactions and utilities). (Data on utilities not available.)

Table 2 is a breakdown of procurement participation by MFD group.

Table 2
Procurement Participation by MFD Group

| MFD Group | FY87 | | FY88 | | \$ Change FY87-FY88 | % Change FY87-FY88 |
|-----------|------------|------------|------------|------------|------------------------|-----------------------|
| | \$ | % of Total | \$ | % of Total | | |
| Black | 5,770,950 | 23.77 | 5,349,777 | 24.93 | -421,173 | -7.3% |
| Hispanic | 4,937,197 | 20.33 | 5,332,052 | 24.85 | +394,855 | +8.0% |
| Asian | 4,026,394 | 16.58 | 1,866,644 | 8.70 | -2,159,750 | -53.6% |
| Indian | 1,580,190 | 6.51 | 463,277 | 2.16 | -1,116,913 | -70.7% |
| Female | 5,499,533 | 22.65 | 5,137,100 | 23.94 | -362,433 | -6.6% |
| Disabled | 2,467,859 | 10.16 | 3,309,980 | 15.42 | +842,121 | +34.1% |
| Total: | 24,282,123 | 100% | 21,458,830 | 100% | -2,823,293 | -11.6% |

Table 3 is a summary of MFD procurement participation for the two fiscal years.

Table 3

MFD Procurement Participation - Summary

| | <u>FY87</u> | <u>FY88</u> |
|--|--|--|
| 1. As a Percent of Original Procurements (Category A): | $\frac{24,282,123}{102,735,081} = 23.64\%$ | $\frac{21,458,830}{111,061,270} = 19.32\%$ |
| 2. As a Percent of Original and Non-Original Procurement (Categories A + B): | $\frac{24,282,123}{159,272,913} = 15.25\%$ | $\frac{21,458,830}{172,285,727} = 12.46\%$ |
| 3. As a Percent of All Procurements (Categories A + B + C): | $\frac{24,282,123}{163,692,098} = 14.83\%$ | $\frac{21,458,830}{191,107,458} = 11.23\%$ |

Conclusions/Recommendations: Currently before the Council are three proposals to amend the County's Minority Business Procurement Program, Bills No. 34-88, 35-88 and 40-88. When considering these bills, the Council may find this comparison of the actual MFD business participation in fiscal years 1987 and 1988 to be helpful.

AM/cca
173/8

Attachments

cc: Lewis T. Roberts, Chief Administrative Officer
 Max Bohnstedt, Director, Department of Finance
 John Battan, Chief, DPMM
 Frank Carpenter, MFD Procurement Officer
 Shannon Braddock, Purchasing
 Dyan Lingle, Director, Office of Economic Development
 DeVance Walker, OED
 Clyde Sorrell, County Attorney
 Marc P. Hansen, Sr. Assistant County Attorney
 Robert Kendal, Director, OMB
 Keith Kolodgie, Assistant to the CAO
 Arthur Spengler, Council Staff Director
 Ben Bialik, Senior Legislative Attorney, Legislative Counsel
 Bill Allen, Legislative Analyst

EXTRACT OF CHAPTER 11B, CONTRACTS,
PROCUREMENT MATTERS AND PUBLIC ETHICS

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Sec. 11B-23D. Reports.

The chief administrative officer must report to the county council, by September 1 of each year:

(1) The total number and value of purchases from minority businesses;

(2) The total number and value of purchases from each category of minorities, women, and the disabled;

(3) The percentage which those purchases represent to the total number and value of purchases subject to the fifteen (15) percent goal for the preceding fiscal year;

(4) A description of any occasions on which the procedures required by this division were suspended by the chief administrative officer;

(5) Any other information that the county council requests; and

(6) Any other information that regulation requires to be submitted. (1982 L.M.C., ch. 57, § 3; 1986 L.M.C., ch. 8, § 1.)

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M E M O R A N D U M

JUL 6 1987

TO: Lewis T. Roberts, Chief Administrative Officer

FROM: Rose Crenca^{R.C.}, Council President

SUBJECT: Executive Report on MFD Participation

The purpose of this memorandum is to request that additional information be included in the subject report on purchases from minority businesses.

Section 11B-23D of the County Code requires that you report to the County Council by September 1 of each year on the MFD program for the previous fiscal year. The contents of that report as stipulated in the law, are as follows:

- (1) The total number and value of purchases from minority businesses;
- (2) The total number and value of purchases from each category of minorities, women, and the disabled;
- (3) The percentage which those purchases represent to the total number and value of purchases subject to the fifteen (15) percent goal for the percent goal for the preceding fiscal year;
- (4) A description of any occasions on which the procedures required by this division were suspended by the chief administrative officer;
- (5) Any other information that the county council requests; and
- (6) Any other information that regulation requires to be submitted.

The Council, under §11B-23D(5) above, requests that you include the following additional information in the September 1, 1987 submission:

1. The total dollar value of all procurement transactions in FY 87 which were not subject to the 15% minority business goals.
2. The total dollar value of all original formal or informal procurements in FY 87 which were valued at \$500 or less?
3. The total dollar value of all contract amendments, modifications and renewals in FY 87.
4. The total number of contracts over \$75,000 and the total dollar value of those contracts which were awarded in FY 87 with a waiver or exemption from minority business contracting requirements.
5. A statement as to whether the Finance Director recommended a modification of the method of award under provisions of §6.3.d. or G.3.e. of Executive Regulations No. 130-85, Procurement Regulations, at any time during the fiscal year.

6. The total number of contracts and the dollar value of each contract which was awarded in FY 87 to other than the lowest bidder so as to meet minority procurement requirements.

Your attention in this matter is appreciated.

Exhibit B