

# EXECUTIVE SUMMARY

## *ES.1 Background*

The County of San Mateo (County) retained GCAP Services, Inc. (GCAP) to conduct an inclusive procurement supplier diversity study (Study) to evaluate whether local, small, or micro business enterprises, and diverse businesses enterprises (collectively, LSMDBEs)<sup>1</sup> face any barriers in or are underutilized in the County's construction, professional services, and goods and services contracts and procurements. The County also required that the study team provide recommendations on how to address gaps to better enable the County in continuing to move towards more equitable procurement systems and shared prosperity.

The Study consisted of reviewing County contracts of \$5,000 or greater awarded from April 1, 2020, through March 31, 2023 (the Study period). As part of the Study, the study team examined the following:

- The makeup of the existing County vendors and the availability of LSMDBEs that could benefit from the economic opportunities generated by the County
- Barriers to inclusive procurement that LSMDBES may experience in County systems, practices, and policy
- The percentage of contract and procurement dollars the County awarded to LSMDBEs during the study period
- The percentage of contract and procurement dollars one might expect the County to award to LSMDBEs based on their availability to perform specific types of work and the size of County contracts

The Study is a key tool and first step for the County in moving towards shared prosperity for LSMDBE vendors. Information from the Study will help the County reduce and eliminate obstacles to contracting and procurement faced by LSMDBEs and is an opportunity to reverse historical inequities through inclusive procurement measures. The utilization and availability information will help the County address disparities between the availability of LSMDBEs and their participation on County contracts. The County can also rely on information from the Study to help ensure its use of race- and gender-neutral measures adhere to California Proposition 209 (§31, Article I of California Constitution).

## *ES.2 Overview of Findings and Recommendations*

The study team collected information about approximately \$2.1 billion worth of contracts and procurements the County awarded during the Study period and categorized each purchase as

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<sup>1</sup> The term local, small, micro, and diverse business enterprises (LSMDBEs) as used in the Study has been defined as businesses meeting specific conditions. LSMDBE has been defined in Chapter 1: Introduction and Appendix A: Glossary of Terms.



either in-scope or out-of-scope. Only in-scope contracts and procurements were included in the various analyses performed as part of the Study. GCAP analyzed approximately \$455 million worth of in-scope contracts and procurements the County awarded during the Study period to measure the participation and availability of LSMDBEs for County work to assess whether any disparities exist between those measures and to identify potential opportunities for LSMDBEs.

The study team identified fourteen (14) key findings based on evaluating, comparing, and synthesizing the results from the Study efforts. The study team has included key results from these analyses in the various chapters of the report that provide more details about the methodology and results of each analysis. Recommendations were developed for each finding with the aim to:

- Enhance County procurement policies and practices to increase participation of LSMDBEs doing business with the County
- Improve access to County procurement opportunities for LSMDBEs
- Enhance vendor and sub-vendor data and demographics collection and tracking

Recommendations are developed with Proposition 209 considerations in mind and information about supplier diversity measures that are allowed and disallowed under Proposition 209 can be found in Chapter 9: Remedies and Recommendations. While these recommendations were developed based on the scope of the study to review impacts of County procurement processes, programs, and policies for LSMDBEs, these recommendations may also be applicable and beneficial to nonprofits and other County vendors.

Recommendations fall into the following key supplier diversity areas:

- 1. Formalized Supplier Diversity Program Recommendations:** The study team recommends the County develop and implement a formal Inclusive Supplier Diversity program to establish, grow, and maintain a more diverse supplier base inclusive of LSMDBEs.
- 2. Program Support Measure Recommendations:** Since most County departments do not actively identify or seek out LSMDBEs when issuing solicitations, the County will need additional support to implement some or all recommended program measures for LSMDBE-focused efforts
- 3. Small, Local Small, and Local Micro Business Measure Recommendations:** The study team recommends implementing small and local business measures as applicable which may include aspirational goals, preference points, or small business set-asides. It is important to note that federally-funded contracts and grants may not allow local preference measures and that this provision may need to be modified for federally-funded contracts. The study team also recommends the County consider regional collaboration with other counties and public agencies to maximize the participation of small and micro businesses in procurement opportunities. Regional collaboration such as shared



certification programs, jointly planned LSMDBE events, and consortium-based procurements, may maximize County resources and expand outreach to LSMDBEs.

- 4. Race-Neutral and Gender-Neutral Measure Recommendations:** The County should implement race- and gender-neutral measures to encourage greater participation of LSMDBEs in procurement, as allowed under Proposition 209. Measures include various outreach, technical assistance efforts, and modifications to procurement practices that may be too stringent for LSMDBEs to meet. The study team recommends the County develop various processes and practices for communicating procurement opportunities to LSMDBEs, including increasing outreach efforts by participating in networking events and collaborating with other government agencies, non-profits, and private companies in the region.

### *ES.3 Key Findings Related to LSMDBE Disparities*

The study team compared the percentage of contract and procurement dollars awarded by the County to LSMDBEs during the Study period (i.e., utilization or participation) with the percentage of contract and procurement dollars the County might be expected to award to these businesses based on their availability for that work. The analysis focused on construction, professional services, and goods and services contracts and procurements the County awarded during the Study period.

The study team measured disparities for local businesses, including local small and local micro businesses, in County contracts and procurements. Local businesses are those that are based or headquartered in San Mateo county. The study team assessed disparities for local businesses for all contracts and procurements included in the Study and separately for various subsets of County contracts and procurements. The study team found that overall, the County underutilizes local small and local micro businesses. The disparity analysis results show that the County substantially underutilizes local small and local micro businesses in professional services contracts and as prime contractors.

Figure ES-1 presents disparity indices for local businesses for all relevant contracts and procurements awarded by the County and for various subsets of contracts and procurements. A disparity index of 100 indicates parity between actual participation and availability. That is, the participation of a particular business group is in line with its availability. A disparity index of more than 100 indicates that a group was considered to be overutilized relative to its availability. A disparity index of less than 100 indicates disparity between participation and availability. That is, the group is considered to have been underutilized relative to its availability. Finally, a disparity index of less than 80 indicates a substantial disparity between participation and availability. That is, the group is considered to have been substantially underutilized relative to its availability.



**Figure ES-1. Disparity Analysis Results for Local Businesses**

Business Group	Overall	Work type			Contract Role	
		Construction	Professional Services	Goods and Services	Prime Contract	Subcontract
All local businesses	81	74	65	185	74	134
Local small	88	117	49	135	80	136
Local micro	90	117	52	171	79	152

Source: Disparity analysis

The study team measured disparities for diverse businesses in County contracts and procurements. The study team assessed disparities for diverse businesses for all contracts and procurements included in the Study and separately for various subsets of County contracts and procurements. The study team found that the County substantially underutilizes diverse businesses with very few exceptions.

Figure ES-2 presents disparity indices for diverse businesses in the RGMA for all relevant contracts and procurements awarded by the County.

**Figure ES-2. Disparity Analysis Results for Diverse Businesses in the Relevant Geographic Market Area**

Business Group	Overall	Industry			Contract Role	
		Construction	Professional Services	Goods and Services	Prime Contract	Subcontract
<b>White woman-owned<sup>2</sup></b>	27	2	71	21	28	24
<b>Minority-owned</b>	28	8	49	19	29	26
Asian Pacific American-owned	30	25	55	1	22	139
Black American-owned	9	0	16	0	11	1
Hispanic American-owned	21	8	22	92	24	12
Native American-owned	0	0	100	100	0	0
Subcontinent Asian American-owned	58	0	88	5	61	12
<b>Veteran-owned</b>	6	27	0	0	6	1
<b>Service-disabled veteran-owned</b>	0	0	0	0	0	1
<b>LGBT-owned</b>	16	3	31	2	17	1

Source: Disparity analysis

<sup>2</sup> To avoid double counting, information and results for minority woman-owned businesses are included along with their corresponding racial/ethnic groups.



### *ES.4 Next Steps*

When commissioning the supplier diversity study, the County acknowledged that historic and current bias create barriers to economic opportunities for many local, small, and diverse businesses as well as underserved communities within the County. While conducting the Study, GCAP observed the County's commitment to improving practices, creating systems, and reaching out to LSMDBEs to reduce and eliminate barriers, and to developing effective procurement and contracting measures to help LSMDBEs capture County contracts. After the start of the Study, the County began to capture vendor demographic data with the implementation of a new vendor management system, which further demonstrates its commitment to collect LSMDBE vendor and contractor data.

The completion of the Study represents an important step towards shared prosperity, economic vitality, and equity for County vendors, contractors, and suppliers. The County should examine the substantial information provided in the Study as it considers potential refinements and additions to policies, processes, and practices to reduce and remove barriers for LSMDBEs and strengthen their capacity to access County's procurement opportunities. The Study results are based on an extensive data analysis of County contracts and vendor information as well as substantial stakeholder and community input to develop informed recommendations to develop sustainable change for LSMDBEs, as detailed in the various chapters of the Study. Suggested next steps for the County are to have the Inclusive Procurement Committee of the Core Equity Team and the County's Procurement team review and assess which proposed recommendations to implement, identify adequate resources and budget for implementing selected recommendations, and develop an implementation action plan.

