



Michelle R. Kirby, CPA
Chief Financial Officer

Tom Rinehart
Chief Administrative
Officer

Ted Wheeler
Mayor

CITY OF PORTLAND
**Office of Management
and Finance**
1120 SW 5th Avenue
Portland, OR 97204

P: (503) 823-4358
F: (503) 823-5384
TTY: (503) 823-6868
portlandoregon.gov/brfs

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To: Mayor Wheeler and Commissioners Hardesty, Mapps, Rubio, and Ryan

Cc: Tom Rinehart, Chief Administrative Officer; Bureau Directors; Fair Contracting Forum; Community Equity and Inclusion Committee

From: Michelle R. Kirby, CPA, Chief Financial Officer
Bureau of Revenue & Financial Services Director

RE: Social Equity in Contracting Council Work Session

Mayor Wheeler and Commissioners Hardesty, Mapps, Rubio, and Ryan:

Procurement Services provides leadership, policy development, compliance, oversight and management of the City's contracting processes. Its core mission is to facilitate the purchase of goods, services, professional services, and construction services in a fair, open and transparent manner. Because these purchases account for sizeable shares of taxpayer funds, an array of state, local and federal regulations, requirements and precedent dictate how the procurement process is conducted. These are intended to safeguard public funds, ensure high quality purchases, and provide equal access to bidding and proposing opportunities in public contracts.

Additionally, Procurement Services has historically developed and implemented policies and programs to reduce the barriers people of color and women experience in accessing City contracting and workforce opportunities. We look forward to joining you February 9th for a Social Equity in Contracting Council Work Session, and to make the most of our time we are writing to provide background information and share our goals for the work session. We welcome your feedback, so we can ensure we're aligned with your needs.

For over 20 years, the City has administered programs to increase the utilization of firms owned by people of color and women, and to increase the proportion of workers of color and women workers on City construction projects. These programs have resulted in steady, incremental progress, and the City's recent performance is near, meeting or exceeding Council established goals. Additionally, Portland's performance compares favorably to municipalities like Austin and Seattle that have established similar goals and programs and have higher percentages of people in their communities who identify as minorities. Despite our progress, however, barriers and inequities persist. For example, prime contracts



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awarded to businesses owned by people of color and women still lag behind the proportion those communities represent of our regional population; and communities of color and female workers continue to face barriers in accessing higher-paying careers in the construction industry.

City Council and community members have expressed frustration that the City has not achieved more. The Procurement Services division shares this frustration. Together, we face the challenge of achieving program outcomes consistent with our City's Core Values of Anti-Racism, Equity, and Fiscal Responsibility while simultaneously operating in a legal environment that strictly limits targeted, race-conscious programs and goals. However, there are many opportunities to improve and expand programs and initiatives that will further reduce barriers and improve the outcomes of our Social Equity in Contracting programs and policies.

Key process owners, stakeholders, advisers and decision-makers must commit to collaboration, another one of the City's Core Values. This collaboration requires shared and nuanced understanding of the problem we are trying to solve, barriers that exist and opportunities to achieve better outcomes. We are hopeful that this Council Work Session will help establish that shared understanding, as well as initial plans for moving towards a more just future for City contracting.

February 9th, 2021 Work Session Goals:

- Brief Council on the City's Social Equity in Contracting programs (focused on history, legal & policy framework and established goals)
- Begin to establish a shared perspective of the successes and effectiveness of the City's Social Equity in Contracting programs, understanding the challenges of having effective programs in congruence with the dynamic of Procurement Services' core mission
- Begin to establish a collaborative, coordinated and funded approach in Social Equity in Contracting efforts
- Gain direction and support to move forward with short-term actions to improve existing programs and longer-term development of a plan to refresh/revitalize the Social Equity in Contracting policy

Following the work session, Procurement Services recommends that the City engage in a robust and public process to critically evaluate the effectiveness of current programs and identify opportunities to improve them; assess options for new programs, including specific objectives and cost to administer; and return to City Council to deliver a set of recommendations to revitalize the City's Social Equity in Contracting policy. Along with key City stakeholders, we see the Fair Contracting Forum and Community Equity and Inclusion Committee as critical partners in this effort, and we intend to rely on their perspectives and expertise to inform this process and recommendations to Council.

It is also important that Procurement Services acknowledge the City Auditor's findings and recommendations issued in the September 2020 Equity in Construction Contracting audit. The division is taking the audit seriously, and we have begun addressing several findings. Other recommendations require more in-depth analysis and development of action and remediation plans, particularly where a specific process is not owned by Procurement Services. For all 16 of the audit's recommendations, Procurement Services will routinely publish plans to address issues and status updates for those efforts. These updates will be public and will be shared with City Council, City stakeholders, the Fair Contracting Forum and the Community Equity and Inclusion Committee.

Furthermore, when City Council passed the Community Equity and Inclusion Plan/Community Benefits Agreement (CEIP/CBA) Resolution in November 2017, that resolution required that the Chief Administrative Officer report back to City Council “on the use of the CEIP and any City CBA’s” after three years. Three years have passed, and OMF is in the early stages of conducting its evaluation of the CEIP and CBA. To date there have only been three construction contracts where a CEIP/CBA have applied, and all three projects are yet to be completed. We will partner with members of the Fair Contracting Forum and Community Equity and Inclusion Committee to conduct an analysis at a later date.

Thank you in advance for your time and engagement. We appreciate your passion and hope that this work session will serve as a launching pad that propels the City of Portland forward toward a more successful Social Equity in Contracting policy that achieves results consistent with the City’s anti-racist and equitable value system.