



**City of Waco, TX**

*2024 Disparity Study*

*Executive Summary*

**City of Waco**  
2024 Disparity Study  
April 16, 2024

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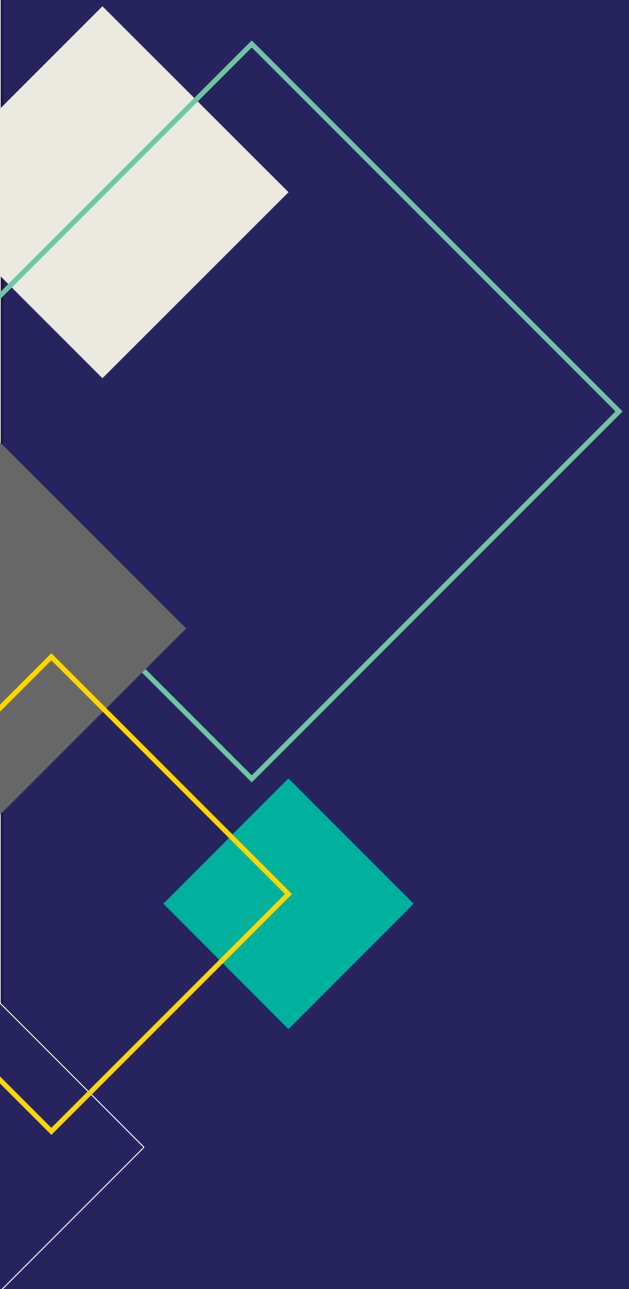
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**MGT of America Consulting, LLC**  
4320 West Kennedy Blvd.  
Tampa, Florida 33609

# Executive Summary

## Introduction

The City of Waco, TX (City) retained MGT of America Consulting, LLC (MGT) to conduct the City's 2024 availability and disparity study. The City's study analyzed procurement activity from October 1, 2016, to September 30, 2021 encompassing Fiscal Years 2017 to 2021 for Construction, Architecture & Engineering, Professional Services, Other Services, and Goods. The objectives of this study were to determine whether race, ethnicity, or gender effects a firm's ability to conduct business with the City, the City passively operates in a discriminatory marketplace, in soliciting and awarding contracts M/WBEs; and determine if a legally justified need exists for a M/WBE supplier diversity program in accordance with the guidelines set forth by the Supreme Court and relevant subsequent cases.

## STUDY SCOPE AND DATA PARAMETERS

The scope of the disparity study included defining the City's market area and analyzing procurement data for prime and subcontractors. MGT staff compiled and reconciled electronic data provided by the City to develop a master set of prime and subcontractor contract data into a Master Utilization Database to support the needs of the Study. MGT utilized the City's financial data as the source of prime data which was combined with the subcontractor data collected via a survey of the primes. MGT merged the subcontractor data with the prime data to create the Master Utilization Database. To link the subcontractor data to its appropriate prime contract, a standard contract ID across both data sets was used.

Once MGT completed the data collection process and entered all contract data in a master database, MGT cleaned and prepared the collected data. The data preparation included ensuring consistent firm variables such as name and address, assigning missing race and gender information, assigning missing primary NAICS codes, filling in missing address information, ensuring all paid dollar amounts were accurate (project and prime and subcontracting levels), and identifying significantly incomplete projects. Once this database of collected data was finalized, it was added to the database of contracts that were not included in the sampling universe and proceeded to analysis.

## MARKET AREA

In determining a relevant market area, MGT abides by a 75 percent majority rule of agency spending with deference to programmatic considerations to prescribe an appropriate geographic boundary. To establish the appropriate geographic boundaries for the study, the "relevant" market area was isolated according to the 75 percent standard. These market areas are defined by geographic units such as counties and states, based on the following considerations: 1) the courts have accepted the use of standard geographic units in conducting equal employment opportunity and disparity studies; 2) geographic units are externally determined, so there are no subjective determinations, and 3) U.S. Census and other federal agencies routinely collect data by geographic unit.

Based on the market area analysis results conducted for each business category, the recommended relevant market area are the 50 counties within the City Market Area. **Chapter 4** details the exact localities utilized.

## Key Findings

### Finding A: M/WBE Utilization *(Chapter 5, Appendix B)*

In **Table E-1**, the utilization analysis shows that non-M/WBE firms are utilized at higher rates than their M/WBE counterparts. The City’s utilization of non-M/WBE firms totaled 92.92 percent, while 7.08 percent went to M/WBE firms. Overall, the highest utilization rates among M/WBE classifications included Hispanic American firms accounting for 5.92 percent of dollars spent and nonminority females accounting for 1.16 percent of dollars spent. Hispanic American firms had the greatest utilization in Construction at 9.18 percent or \$24.36 million, followed by nonminority female firms in Other Services at 3.72 percent or \$1.37 million.<sup>1</sup>

TABLE E-1.  
UTILIZATION ANALYSIS  
BY BUSINESS OWNERSHIP CLASSIFICATION AND BY PROCUREMENT CATEGORIES

BUSINESS OWNERSHIP CLASSIFICATION	ALL	Construction	Architecture & Engineering	Professional Services	Other Services	Goods
African Americans	\$770,379.93	\$309,141.00	\$0.00	\$0.00	\$461,238.93	\$0.00
Asian Americans	\$86,512.51	\$0.00	\$0.00	\$1,885.10	\$0.00	\$84,627.41
Hispanic Americans	\$24,476,333.90	\$24,361,007.06	\$0.00	\$0.00	\$0.00	\$115,326.84
Native Americans	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>TOTAL MINORITY FIRMS</b>	<b>\$25,333,226.34</b>	<b>\$24,670,148.06</b>	<b>\$0.00</b>	<b>\$1,885.10</b>	<b>\$461,238.93</b>	<b>\$199,954.25</b>
Nonminority Female Firms	\$4,946,945.02	\$3,034,453.15	\$0.00	\$38,009.39	\$1,370,667.99	\$503,814.49
<b>TOTAL M/WBE FIRMS</b>	<b>\$30,280,171.36</b>	<b>\$27,704,601.21</b>	<b>\$0.00</b>	<b>\$39,894.49</b>	<b>\$1,831,906.92</b>	<b>\$703,768.74</b>
TOTAL Non-M/WBE Firms	\$397,633,523.63	\$237,794,004.73	\$5,335,764.04	\$5,732,693.87	\$35,023,662.54	\$113,747,398.45
<b>TOTAL FIRMS</b>	<b>\$427,913,694.99</b>	<b>\$265,498,605.94</b>	<b>\$5,335,764.04</b>	<b>\$5,772,588.36</b>	<b>\$36,855,569.46</b>	<b>\$114,451,167.19</b>
BUSINESS OWNERSHIP CLASSIFICATION	ALL	Construction	Architecture & Engineering	Professional Services	Other Services	Goods
African Americans	0.18%	0.12%	0.00%	0.00%	1.25%	0.00%
Asian Americans	0.02%	0.00%	0.00%	0.03%	0.00%	0.07%
Hispanic Americans	5.72%	9.18%	0.00%	0.00%	0.00%	0.10%
Native Americans	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>TOTAL MINORITY FIRMS</b>	<b>5.92%</b>	<b>9.29%</b>	<b>0.00%</b>	<b>0.03%</b>	<b>1.25%</b>	<b>0.17%</b>
Nonminority Female Firms	1.16%	1.14%	0.00%	0.66%	3.72%	0.44%
<b>TOTAL M/WBE FIRMS</b>	<b>7.08%</b>	<b>10.43%</b>	<b>0.00%</b>	<b>0.69%</b>	<b>4.97%</b>	<b>0.61%</b>
TOTAL Non-M/WBE Firms	92.92%	89.57%	100.00%	99.31%	95.03%	99.39%

Source: Chapter 5, Utilization Analysis.

<sup>1</sup> Chapter 5, Utilization Analysis

## Finding B: Availability Estimates (Chapter 4, Appendix B)

A reliable estimation of the number of firms *willing* and *able* to provide each of the respective services is an essential element in the determination of disparity. Post-*Croson* case law has not prescribed a single approach to deriving firm availability, and agencies have used various means to estimate pools of available vendors that have withstood legal scrutiny.

MGT calculates availability based on a “custom census” approach. This approach is the most accurate for calculating availability at its most granular level. An in-depth explanation of this approach is provided in **Chapter 4**. Detailed availability results by business category and 4-digit NAICS code are provided in **Appendix B**. The availability estimates by procurement category are illustrated in **Table E-2**.

TABLE E-2.  
ESTIMATION OF AVAILABLE FIRMS

BUSINESS OWNERSHIP CLASSIFICATION	ALL	Construction	Architecture & Engineering	Professional Services	Other Services	Goods
African Americans	1.79%	1.42%	3.77%	10.08%	5.31%	1.01%
Asian Americans	1.72%	0.81%	0.25%	4.02%	2.31%	0.05%
Hispanic Americans	2.63%	3.16%	3.99%	1.75%	7.79%	0.23%
Native Americans	0.42%	0.29%	0.16%	0.92%	0.47%	0.01%
<b>TOTAL MINORITY FIRMS</b>	<b>9.08%</b>	<b>5.69%</b>	<b>8.18%</b>	<b>16.77%</b>	<b>15.89%</b>	<b>1.30%</b>
Nonminority Female Firms	21.49%	36.23%	33.17%	17.84%	11.35%	10.11%
<b>TOTAL M/WBE FIRMS</b>	<b>30.57%</b>	<b>41.92%</b>	<b>41.35%</b>	<b>34.61%</b>	<b>27.24%</b>	<b>11.41%</b>
TOTAL Non-M/WBE Firms	69.43%	58.08%	58.65%	65.39%	72.76%	88.59%

Source: Chapter 4, Availability Analysis.

## Finding C: Disparity (Chapter 5, Appendix B)

This section includes the results of the disparity ratios calculated in **Chapter 5**. MGT’s disparity index methodology yields an easily calculable value, understandable in its interpretation, and universally comparable. A disparity in utilization within the minority- and female-owned firms can be assessed concerning the utilization of nonminority- and male-owned firms.

These overall results show that among M/WBE firms combined there is disparity in all categories. Only in Construction do you find no disparity for Hispanic American firms. Additionally, as a total M/WBE classification, all procurement categories find substantial and statistically significant disparity. Detailed disparity results by business category and 4-digit NAICS code are provided in **Appendix B**.



TABLE E-3.  
DISPARITY RATIO SUMMARY ANALYSIS

Procurement Category	All	Construction	Architecture & Engineering	Professional Services	Other Services	Goods
African Americans	Disparity	Disparity	Disparity	<b>Disparity</b>	<b>Disparity</b>	Disparity
Asian Americans	Disparity	Disparity	Disparity	<b>Disparity</b>	<b>Disparity</b>	No Disparity
Hispanic Americans	No Disparity	No Disparity	Disparity	<b>Disparity</b>	Disparity	Disparity
Native Americans	Disparity	Disparity	Disparity	<b>Disparity</b>	<b>Disparity</b>	Disparity
MBE Firms	Disparity	Disparity	Disparity	<b>Disparity</b>	<b>Disparity</b>	Disparity
Nonminority Females	<b>Disparity</b>	<b>Disparity</b>	<b>Disparity</b>	<b>Disparity</b>	<b>Disparity</b>	<b>Disparity</b>
Total M/WBE Firms	<b>Disparity</b>	<b>Disparity</b>	<b>Disparity</b>	<b>Disparity</b>	<b>Disparity</b>	<b>Disparity</b>

**BOLD** indicates substantial statistically significant disparity.

### Finding D: Private Sector *(Chapter 6)*

The private sector analyses looked at whether there was evidence of discrimination in the private sector marketplace that supports The City’s continuance of its MBE program to avoid becoming a passive participant in discrimination. Analysis of the U.S. Census 2012 SBO data, 2017 ABS data, and the PUMS 2016-2020 data demonstrate, that marketplace discrimination exists for M/WBE firms operating in the private sector within The City’s marketplace.

Findings from the U.S Census 2012 SBO and 2017 ABS data indicate substantial disparities exist for most M/WBE firms across industry sectors resembling the procurement categories identified for this study.

Analysis of the 2016-2020 PUMS data shows that M/WBE wages were significantly less than those of nonminority males, holding all other variables constant, and M/WBE firms were significantly less likely than nonminority males to be self-employed. If they were self-employed, most M/WBE firms earned significantly less in 2016-2020 than self-employed nonminority males, holding all other variables constant. Analysis of observed vs. predicted self-employment rates show that marketplace discrimination impacted these rates. Further, this analysis indicates that holding all factors consistent, race, ethnicity, and gender play a role in the lower level of self-employment for M/WBEs.

A review of access to credit indicates that minorities and females tend to receive less than the requested amount of credit when they are approved than nonminority men; they are approved for credit less frequently than nonminority males, and that credit costs them more than nonminority males.



## Finding E: Qualitative/Anecdotal (Chapter 6)

This qualitative and anecdotal data examined the qualitative evidence from M/WBE firms about the discriminatory obstacles they face in the study market area and their experiences working with The City, The City's prime contractors, and within the private sector. The evidence found that M/WBE firms face business-related discrimination in the relevant marketplace at substantially higher rates than non-M/WBEs. Additionally, the results show that M/WBE firms that were solicited for projects with M/WBE goals are seldom or never solicited for projects without goals. The relative lack of solicitation of M/WBEs in the absence of affirmative efforts by The City and other public entities in the relevant market area shows that business discrimination continues to be a barrier to M/WBE business opportunities.

The qualitative evidence suggests that M/WBEs face discriminatory barriers to full and equitable participation in public and private sector contracts in the City market. The results also shows that M/WBE firms face business-related discrimination in the relevant marketplace at substantially higher rates than non-M/WBEs. Additionally, the results show that M/WBE firms that were solicited for projects with M/WBE goals are seldom or never solicited for projects without goals. The relative lack of solicitation of M/WBEs in the absence of affirmative efforts by The City and other public entities in the relevant market area shows that business discrimination continues to be a barrier to M/WBE business opportunities.

## Selected Practices

Finally, in **Chapter 8** MGT presented industry best practices for supplier diversity programs. This included:

- ❖ **Best Practice A: Small Business Prime Contracting Programs**
  - **Rotation of Bidders**
  - **Small Business Set-asides/Sheltered Markets**
  - **Race-neutral Joint Ventures**
  - **Construction Management, Request for Proposals, and Design-build**
  - **SBE Prime Contractors Assistance**
- ❖ **Best Practice B: Small Business Program for Subcontracts**
  - **Small Business Project Goals**
- ❖ **Best Practice C: Inclusion in Financial and Professional Services**
- ❖ **Best Practice D: Outreach**
- ❖ **Best Practice E: Service-disabled Veterans/Veterans Programs**
- ❖ **Best Practice F: Enhance Data Collection**
- ❖ **Best Practice G: Adopt an Audit Clause for Contracts**
- ❖ **Best Practice H: Specific RFPs/RFQs for A&E Procurements**
- ❖ **Best Practice I: Combined Race-neutral and Race-conscious Programs**