

## **CHAPTER 3.**

# **Collection and Analysis of City of Portland Contracts**

The BBC study team collected and analyzed construction and construction-related professional services contracts and subcontracts that the City of Portland (the “City”) awarded from July 2004 through June 2009.<sup>1</sup> BBC identified the race/ethnicity and gender of business owners, and then calculated the percentage of contract dollars going to minority-, women- and majority-owned firms.<sup>2, 3</sup> The four parts of Chapter 3 describe how the BBC study team compiled City contract data to prepare the utilization analysis:

- A. Collection and analysis of contract data;
- B. Contracts included in the study;
- C. Identifying race/ethnicity/gender of ownership of utilized firms; and
- D. Differences in approach from past utilization reports.

Appendix C provides a more extensive discussion of this process.

### **A. Collection and Analysis of Contract Data**

BBC examined City contracts awarded between July 1, 2004 and June 30, 2009, corresponding to fiscal years 2004 through 2009. The utilization analysis included all construction and construction-related professional services contracts included in the Bureau of Purchases BizTrak database.

For all construction and most construction-related professional services contracts, BBC used total contract and subcontract award amounts (including change orders) as the basis for determining utilization. For on-call construction-related professional services contracts, BBC used invoice and payment data to determine utilization.

BBC examined 1,197 contracts and 2,659 subcontracts totaling more than \$1 billion as part of the utilization analysis. After initial screening, some of those contracts and corresponding dollars were not included in the disparity study, as explained in Part B of this chapter.

The City collected subcontract data for all contracts estimated to exceed \$100,000 as required by the City’s first-tier subcontractor disclosure rules.<sup>4</sup>

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<sup>1</sup> The City’s construction-related professional services contracts are awarded through the Professional, Expert and Technical Services contracting process.

<sup>2</sup> The term “majority-owned firms” refers to firms not owned by minorities or women.

<sup>3</sup> A number of courts have ruled that a preferred way to measure utilization is as a percentage of dollars, not number of contracts (see Appendix B).

<sup>4</sup> City of Portland Charter. *5.34.493 First-Tier Subcontractors; Disclosure and Substitution.*

## **B. Contracts Included in the Study**

BBC examined City utilization of minority- and women-owned firms (MBE/WBEs) within two study industries: construction and construction-related professional services. Both industries included a broad range of subindustries.<sup>5</sup> For each contract and subcontract, the study team researched whether the firm was a for-profit business and identified the subindustry that characterized its primary line of business.

The following types of contracts were included in BBC's utilization analysis based on analysis of the contracts and firms receiving the contracts:

1. The firm was a for-profit business and worked within a subindustry mostly comprised of for-profit businesses;
2. The contract was for construction or construction-related professional services and not for a type of purchase typically excluded from disparity studies;<sup>6</sup>
3. The subindustry reflected a local (Portland-area) market (i.e., not made from a national market).

Some contracts were with government agencies or non-profit organizations, and were properly excluded from the utilization analysis (171 contracts representing about \$40 million).<sup>7</sup> One contract, for \$10 million, was excluded from the study because it was in a subindustry that reflects a national market (cable driven lifts).

BBC also did not include contracts or subcontracts for which the study team could not identify type of work based on the information available for the contract or the subcontractor (representing less than \$2 million).

**Contract dollars by subindustry.** Figure 3-1 lists the 26 subindustries included in BBC's utilization analysis and the contract dollars that each subindustry represented across City contracts and subcontracts. Figure D-1 of Appendix D provides information about the subindustries included in BBC's analysis of construction and construction-related professional services contracts.

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<sup>5</sup> For example, the subindustries of electrical work and excavation were included in construction.

<sup>6</sup> For example, payments for services delivered from regulated industries (e.g., electricity) and purchases or leases of real property are typically not included in disparity studies.

<sup>7</sup> This category also includes a small number of contracts for other types of work typically not included in a disparity study.

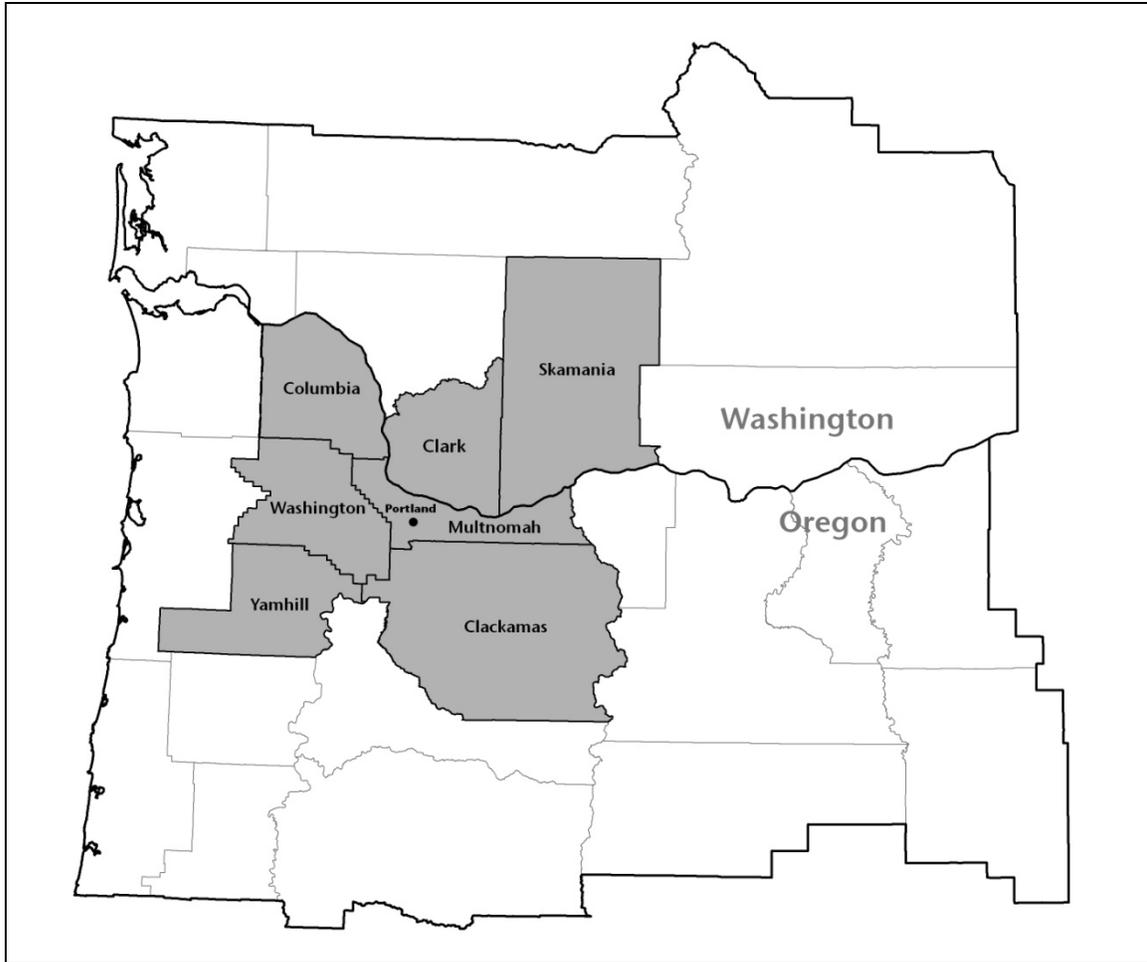
**Figure 3-1.**  
**Dollars of City of Portland prime contracts and subcontracts for types**  
**of work examined in the disparity study, July 2004–June 2009**

Sub-industry/procurement area	Total in thousands
<b>Construction</b>	
Water, sewer and utility line construction	\$459,252
Highway and street construction	142,531
Specialty trades and other construction	68,604
Excavation	68,154
Building construction	40,846
Electrical work	29,732
Plumbing and HVAC	15,098
Structural steel supply	12,935
Concrete work	12,141
Trucking	11,926
Concrete supply	7,052
Water, sewer and utility lines	2,951
Painting	2,485
Construction equipment rental	2,451
Roofing	2,206
Wrecking and demolition	2,199
Landscaping	1,212
Bridge construction and repair	1,148
Other construction materials	<u>12,296</u>
<b>Construction total</b>	<b>\$895,219</b>
<b>Construction-related professional services</b>	
Engineering	\$54,290
Construction management	15,040
Consulting services - environmental, transportation and planning	11,370
Architecture	11,225
Landscape architects	5,200
Surveying	742
Other professional services	<u>652</u>
<b>Professional services total</b>	<b>\$98,518</b>

Source: BBC Research & Consulting from City of Portland construction and construction-related professional services contract data.

**Geographic distribution of contract dollars.** Among the subindustries included in the utilization analysis, 97 percent of contract dollars went to firms with locations in the Portland Metropolitan Statistical Area (MSA). As a result, BBC selected the Portland MSA as the relevant geographic market area for the study.<sup>8</sup> A map of the counties included in the study market area is shown in Figure 3-2. As noted above, BBC did not include in the study those subindustries for which contractors and consultants primarily came from a national market.

**Figure 3-2.**  
**Portland MSA counties included in study market area**



Source: BBC Research & Consulting.

### **C. Identifying Race/Ethnicity/Gender of Ownership of Utilized Firms**

BBC identified the race/ethnicity/gender of business owners through telephone interviews with individual businesses and other data sources, including:

- State of Oregon M/W/ESB certification list;
- Small Business Administration MBE/WBE certification list;

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<sup>8</sup> Defined by the U.S. Census Bureau, the Portland Metropolitan Statistical Area includes Clackamas, Columbia, Multnomah, Washington and Yamhill counties in Oregon and Clark and Skamania counties in Washington.

- City and Portland Development Commission (PDC) staff review; and
- Information from Dun & Bradstreet, which combines a number of different data sources.

#### **D. Differences in Approach from Past Utilization Reports**

BBC compiled contract and subcontract data and calculated utilization of minority-, women- and majority-owned firms using methods required for the disparity study. These methods differ from those used for the City's annual reports and its past disparity study.

**City utilization reports.** The City produces annual reports detailing its utilization of MBE/WBEs. BBC's analysis of utilization differs from these reports in several important ways:

- To calculate MBE/WBE utilization for annual utilization reports, the City typically considers only those firms that are certified through the State of Oregon. In contrast, BBC attempted to identify all MBE/WBEs utilized in City construction and construction-related professional services contracts, regardless of whether they were certified.
- The contracts included in the City's utilization report may differ from the contracts BBC examined.

**1996 disparity study.** The City last completed a disparity study in 1996.<sup>9</sup> BBC used a different methodology for analyzing contract data than applied in the 1996 study (see Appendix C), and these data may not be directly comparable.

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<sup>9</sup> Mason Tillman Associates, Ltd. 1996. *Oregon Regional Consortium Disparity Study*.