

Final Report

Procurement Opportunity Study

City and County of Denver

Final Report

February 26, 2007

Procurement Opportunity Study

Prepared for

City and County of Denver
Department of General Services and
Small Business Opportunity Division

Prepared by

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SECTION ES.

Executive Summary

BBC Research & Consulting (BBC) and Harding Shultz & Downs (HSD) were engaged by the City and County of Denver's Department of General Services (DGS) and the City's Small Business Opportunity Division (formerly known as the Mayor's Office of Contract Compliance) to conduct a Procurement Opportunity Study for the areas of goods, general services, and professional services outside of professional design.

Objectives of the Procurement Opportunity Study

BBC and HSD conducted a study in 1991 for the procurement of goods and services to assess whether Denver's procurement was truly open for all firms including minority- and women-owned firms (referred to respectively herein as MBEs and WBEs). In 2004, the City sought to follow up with a study of the opportunities for small firms to conduct business with the City outside of the areas of public works construction and professional design services. This came to be called the Procurement Opportunity Study.

In preliminary meetings between the study team and the City and County of Denver, the team was advised that the City sought to ensure that its procurement activities, conducted by the Procurement Division of the Department of General Services, supports the objectives of (a) development of the Denver area small business sector, (b) equal opportunity for contractors and vendors, regardless of race or gender ownership, and (c) efficient acquisition of the goods and services needed by the City.

The study team was engaged to examine whether DGS current procurement systems met the City's policy objectives. To evaluate this question, the study examined the following general questions:

- How much of Denver's procurement dollars go to local firms? Small businesses? How does this vary by type of procurement?
- Are there barriers to small business and MBE/WBE participation in City procurement?
- Is the current small business program successful in opening contracting opportunities to local small businesses and removing barriers to MBE/WBE participation in City contracts? Should it be continued, expanded, revised or replaced?
- What can be accomplished for areas of City procurement to meet the City's economic development objectives?
- Is there a need to reinstate some form of MBE/WBE program? For which types of procurement? If so, how would the City narrowly tailor this program?
- What other changes should the City consider making to its procurement systems to promote competition and to gain efficiencies?

Distribution of Denver Goods and Services Procurement

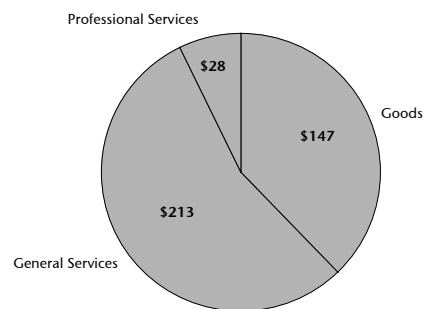
The study team identified \$388 million in City payments for goods, general services and professional services from January 2003 through December 2004. About 2,000 different goods and services firms received at least \$5,000 in Denver payments over this two year period. These expenditures do not include payments made to other government or to not-for-profit organizations. Certain expenditures such as electricity purchase were also excluded.

Goods, general services and professional services. General services purchases accounted for \$213 million of total goods and services spending. Building management and maintenance services is the largest category of general services spending. Goods spending totaled \$147 million. Computer equipment and software was the largest area of goods purchases. Professional services firms received \$28 million of this total (not including professional design, which was not included in this study). Management consulting and related services is the largest area of professional services spending.

Figure ES-1 shows the distribution of payments between goods, general services and professional services firms. The full report examines payments by detailed subcategories of goods, general services and professional services procurement.

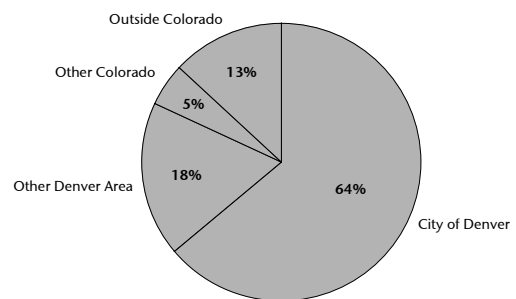
Local firms. Almost two-thirds of Denver's spending on goods and services goes to firms with locations within Denver city limits based on 2003-2004 payments data. Another 18 percent go to firms that have locations elsewhere within the Denver Metro Area. Combined, 82 percent of Denver's goods and services expenditures go to companies that have offices within the Denver Metro Area. These firms may have headquarters outside the area. Only 13 percent of Denver payments for goods and services are made with firms that do not have an establishment in Colorado.

Figure ES-1.
Denver payments to goods, general services and professional services firms, 2003-2004 (millions)



Source: BBC Research & Consulting from Denver Purchasing data.

Figure ES-2.
Location of firms receiving Denver goods and services purchases, 2003-2004 (by dollars)



Source: BBC Research & Consulting from Denver Purchasing data.

Small versus large firms. The study team categorized firms into small businesses (1-24 employees), medium-sized firms (25-499 employees) and large businesses (500+ employees) based on the total number of employees across all locations of the firm inside and outside the Denver area. Thirteen percent of Denver goods and services payments in 2003-2004 went to small firms, 27 percent went to medium-sized firms and 60 percent went to large firms. Figure ES-3 shows these results.

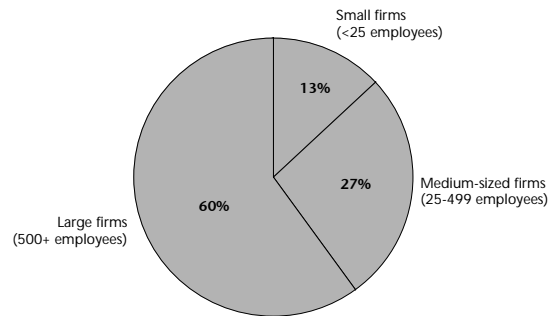
The distribution of purchasing dollars going to small, medium and large firms differs for goods and professional services versus general services. In goods and professional services, more than two-thirds of procurement dollars go to small and medium-sized firms. Less than 20 percent of the general services spending is made with small or medium-sized firms.

Minority- and women-owned firms. Of the \$384 million in 2003-2004 payments examined in the MBE/WBE utilization analysis, about \$5 million went to minority-owned firms and \$25 million went to white women-owned firms. These firms include those that are not certified as MBEs or WBEs.

On a percentage basis, 1.3 percent of Denver’s goods and services spending went to minority-owned firms and 6.7 percent went to WBEs. Total MBE/WBE utilization was 8.0 percent. Hispanic- and African American-owned firms received most of the Denver spending going to MBEs. The study team also examined utilization of Asian- and Native American-owned firms.

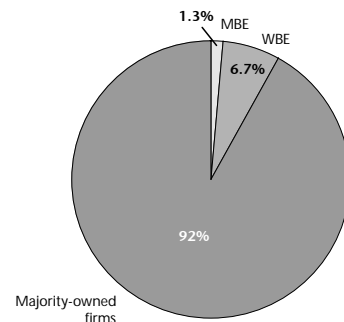
Utilization of MBE/WBEs was relatively high for professional services where 28 percent of Denver’s spending went to minority- and women-owned firms. About 10 percent of Denver’s goods dollars went to MBE/WBEs. MBE/WBE utilization was lowest in general services (4.1 percent MBE/WBE utilization).

Figure ES-3.
Distribution of Denver goods and services payments by size of firm, 2003-2004



Source: BBC Research & Consulting from Denver Purchasing data.

Figure ES-4.
MBE/WBE utilization on Denver goods and services contracts, 2003-2004



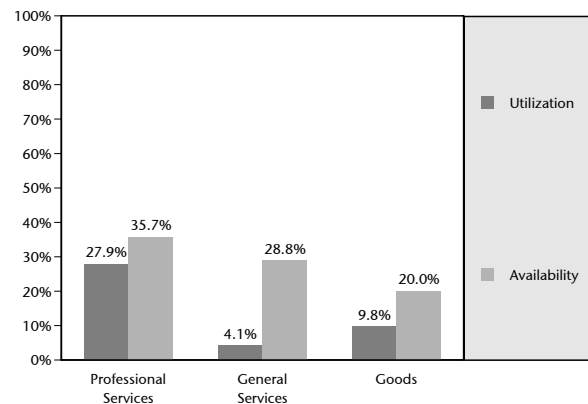
Source: BBC Research & Consulting from Denver Purchasing data.

Evidence of Disparities between Utilization and Availability of MBE/WBEs

Denver’s utilization of MBEs and WBEs fell below what would be expected based on availability of MBEs and WBEs to provide professional services, general services and goods to the City. To determine availability of MBEs and WBEs as vendors for City of Denver procurement, the study team surveyed several thousand firms within the Denver area. Only those firms expressing qualifications and interest in performing work for the City were counted as “available” for these goods and services purchases. Availability was also dollar-weighted based on the distribution of work by type (e.g., management consulting versus legal services).

A large number of the Denver Metro Area goods and services firms available for City procurement are owned by minorities and women. As shown in Figure ES-5, 36 percent of the firms available to perform professional services for the City are MBE/WBEs (after weighting by type of work). In general services, MBE/WBE availability was about 29 percent. MBE/WBEs accounted for 20 percent of the firms available for Denver’s goods purchases (also after weighting by type of work). As with analysis of MBE/WBE utilization, firms owned by minorities and women that are not currently certified as MBE/WBEs are still counted as such in the availability analysis.

Figure ES-5.
MBE/WBE utilization compared with percentage of available firms that are MBE/WBE



Source: BBC Research & Consulting from Denver Purchasing data.

MBE/WBE utilization fell below availability in professional services, general services and goods. Denver’s utilization of MBE/WBEs most closely matched availability for professional services.

The full report separately examined utilization and availability for African American-, Asian-, Hispanic-, Native American- and women-owned firms. In addition, the study team compared MBE/WBE utilization with availability after controlling for size of firm. Only a portion of the disparities between Denver utilization of MBE/WBEs and availability of MBE/WBEs can be explained by the size of firms receiving Denver’s business.

Procurement Practices

The study team performed a detailed review of a sample of professional services, general services and goods bid files. This analysis helped to determine whether there are barriers in the City’s procurement practices that affect participation of minority- and women-owned firms, or small firms in general.

General services and goods purchases are usually made through the Procurement Division and typically follow the competitive bid practices found for other municipalities. Because they are often awarded based on low bid, larger firms with greater purchasing power are often at an advantage in winning these procurements.

On the other hand, the professional services purchases examined by the study team were rarely put out for bid. These purchases are typically handled by end-user departments without the assistance of the Procurement Division. Some purchases were made by soliciting proposals but many were sole-sourced without competition. Although the way these professional services procurements were made follows Denver's policies, it is not a best practice among large cities. Denver can further open competition for its professional services contracts while maintaining opportunities for small firms and MBE/WBEs.

Qualitative Evidence of Discrimination

The study team interviewed more than 1,000 firm owners on the phone about their perceptions of Denver procurement opportunities and experiences doing business with Denver. The study team also completed in-depth personal interviews with a cross-section of minority, female and white male business owners in the Denver area. Combined, these interviews revealed a number of challenges in doing business with the City, especially for smaller firms.

Some minority and female business owners believed that they had been discriminated against within the local marketplace or, in some cases, by the City of Denver. However, overall, there is little qualitative evidence to support a finding that race and gender discrimination is affecting minority- and women-owned firms seeking Denver goods and services work.

Recommendations

The study team's recommendations are set forth in Section V of the full report. General observations and recommendations are summarized here.

Denver should not implement a local business preference program. Most goods and services business already goes to firms with Denver area locations. The disadvantages presented by local business preference programs outweigh any advantages to the City.

Denver should not implement a race- and gender-based program for goods and services at this point in time. Even though there are substantial disparities in the City's utilization of minority- and women-owned firms, there does not appear to be sufficient qualitative evidence available to the study team to support a finding that these disparities were likely caused by race and gender discrimination. Further, there are avenues to open goods and services procurement opportunities to more small firms, regardless of race or gender ownership.

The City should not implement a small business subcontracting goals program for goods and services procurements. Subcontracting is not a typical practice in the goods and services industries and would not be an effective means to encourage utilization of small firms or MBE/WBE firms.

The City should consider a five-part program to increase small business participation in goods and general services, and improve current practices for selecting firms for professional services work. The study team recommends the following five initial steps to increase use of small firms and MBE/WBEs in City procurement:

1. A new policy for encouraging use of small businesses in Denver professional services, goods and other services procurement.
2. Requirements for periodic utilization reports and ongoing DGS tracking of small business utilization in City procurement.
3. An ordinance for small business utilization in procurement parallel to the City's "Opportunities for Small Business Enterprises in City Contracts for Construction, Reconstruction and Remodeling, and Professional Design and Construction Services..." To be effective, the procurement program will differ in important ways from the construction and design program.
4. Pilot programs to break up contracts and increase outreach to small businesses for selected target procurement areas.
5. More control by the City and County of Denver Department of General Services over the solicitation and award of contracts for professional services to ensure transparency and fairness in the process.

Summary

The study team recommends that increasing opportunities for small businesses, and therefore for minority- and women-owned firms, be adopted as a City policy for goods and services procurement in addition to construction and professional design. We recommend that the City extend the tools available in the Construction Empowerment Initiative to firms involved in City procurement. Many of the elements of the Construction Empowerment Initiative directly apply to goods and services firms. Other elements of the program will need to be modified, especially the definition of a "small business enterprise" and the certification requirements to be identified as an SBE. The Purchasing Division will also need to work to divide certain contracts into smaller purchases open to small businesses.

SECTION I.

Background and Introduction

BBC Research & Consulting (BBC) and Harding Shultz & Downs (HSD) were engaged by the City and County of Denver's Department of General Services (DGS) and the City's Small Business Opportunity Division (formerly known as the Mayor's Office of Contract Compliance) to conduct a Procurement Opportunity Study for the areas of goods, general services, and professional services outside of professional design. The following represents a summary of the objectives, methodology and findings of the Procurement Opportunity Study.

This report is organized into five sections. This Section I is intended to introduce the objectives of the study, to establish the historical context for the study, and to briefly summarize the methodology that was used in the research efforts. The research was broken down into three major procurement areas (professional services, general services and goods), and Sections II, III and IV respectively present the detailed quantitative and qualitative analysis for each of these procurement areas. The Section V draws overall conclusions and make detailed recommendations for proposed action by the City.

Objectives of the Procurement Opportunity Study

BBC and HSD conducted a study in 1990 for City public works construction and professional design services, and conducted a study in 1991 for the procurement of goods and services, to assess whether Denver's procurement was truly open for all firms including minority- and women-owned firms (referred to respectively herein as MBEs and WBEs). Those studies will be briefly identified in this section. In 2004, the City sought to follow up with a study of the opportunities for small firms to conduct business with the City outside of the areas of public works construction and professional design services. This came to be called the Procurement Opportunity Study.

In preliminary meetings between the study team and the City and County of Denver, the team was advised that the City sought to ensure that its procurement activities, primarily conducted by the Procurement Division of the Department of General Services, supports the objectives of (a) development of the Denver area small business sector, (b) equal opportunity for contractors and vendors, regardless of race or gender ownership, and (c) efficient acquisition of the goods and services needed by the City.

The study team was engaged to examine whether DGS current procurement systems met the City's policy objectives. To evaluate this question, the study proposed to answer the following general questions:

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- Is the current small business program successful in opening contracting opportunities to local small businesses and removing barriers to MBE/WBE participation in City contracts? Should it be continued, expanded, revised or replaced?
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- What other changes should the City consider making to its procurement systems to promote competition and to gain efficiencies?

History of Denver Efforts to Study DGS Procurement

This study follows the efforts of the BBC and HSD study team dating back to 1990.

Disparity studies. It is helpful to begin with a contextual reference to the City's efforts to provide assistance to MBEs and WBEs for construction and professional design. Denver's Department of Public Works maintained a series of goals programs for construction and professional design, dating back to 1977.

Following the January, 1989, United States Supreme Court Decision entitled *City of Richmond vs. J.A. Croson Company*, the City of Denver engaged HSD and BBC (among other consultants) to conduct a study designed to help the City assess the appropriateness of the City's MBE/WBE programs, specifically focusing on the construction and professional design service industries. HSD and BBC delivered their final report entitled Denver Disparity Study to the City on June 22, 1990. This disparity study report became part of the City's basis for the enactment of an aspiration goals program for construction and professional design. Ordinance No. 513, adopted in 1990, established the Mayor's Office of Contract Compliance and established an aspirational goals program for MBEs and WBEs which included construction and professional design work which was administered by the Department of General Services (generally related to remodeling of existing buildings).

Shortly after the disparity study for construction and professional design, the City engaged HSD and BBC (and other consultants) to perform a similar disparity study for goods and services which were outside of the scope of construction and professional design. The study team identified ten procurement areas which were representative of DGS purchasing. The study team examined DGS purchases in these procurement areas, and the procurement industry in general. As with the construction and professional design disparity study, the study team investigated whether discrimination had affected MBEs and WBEs in Denver procurement and within the Denver Metropolitan Area. DGS' utilization of MBEs and WBEs was calculated and examined, industry data were examined for employment, revenue and business formation rates, transcripts of public hearing testimony were reviewed, and personal and telephone interviews were conducted.

Evidence of discrimination was found for African American-, Hispanic-, Asian-, Native American- and women-owned companies in the wholesale goods, services and remodeling industries. The evidence revealed discrimination both by the City and by the private sector. The study team recommended the City implement three race- and gender-based measures to address the

discriminatory practices, including the establishment of a MBE/WBE advocate, enactment of small contracts procedures for small procurement opportunities, and the adoption of project goals on large procurement opportunities. The team recommended the certification of MBEs and WBEs, collection of data and an evaluation of the effectiveness of the remedies. The study team recommended that an evaluation be made as to whether additional measures were required to eradicate the effects of discrimination.

In 1995, BBC submitted a marketplace analysis of minority- and women-owned businesses in the goods and services sectors of the Denver metropolitan area. This report provided a detailed statistical analysis of minority- and women-owned business utilization and availability in the goods and services marketplace using data which had not been available at the time of the 1991 goods and services disparity study. BBC found the data demonstrated significant statistical disparities in marketplace utilization of MBEs and WBEs as compared to their availability in the Denver marketplace. The pattern of disparities was found after controlling for sector, presence of paid employees and size of work force.

DGS Procurement MBE/WBE Program. In 1996, the Denver City Council enacted Ordinance No. 305, entitled “Nondiscrimination in City Contracts for Goods and Services” to adopt an aspirational goals program for the Department of General Services in a formal attempt to improve opportunities for certified MBEs and WBEs to participate in DGS procurement. The procurement goals program was closely modeled after the MBE/WBE goals program originally described in Ordinance No. 513, which was in effect for construction and professional design projects. The procurement goals program provided a certification process for businesses that were owned and controlled by minority individuals or women; established goals committees to set goals on various procurement opportunities (with the ability to set 0% goals where no MBE/WBE availability was determined to be present); provided for MBE and/or WBE goals on selected procurement opportunities; and required bidders to demonstrate their compliance with the goals or to demonstrate their good faith efforts to comply with requirements to solicit and fairly evaluate bids from MBE and/or WBE firms.

A veteran employee of DGS Purchasing, who was a buyer at the time, was able to provide insight into DGS efforts to assist minority- and women-owned businesses prior to and following the enactment of the 1996 ordinance. A former employee of the Mayor’s Office of Contract Compliance (MOCC) was also able to supply information about assistance to MBEs and WBEs by DGS.

The DGS buyer reported that during the administration of Mayor Federico Pena, DGS buyers were informally encouraged to find opportunities for the City to do business with MBEs and WBEs. He said there was nothing specifically written down, but there was an expectation. In response, the individual buyers developed what he considered to be effective abilities to match procurement opportunities with qualified MBEs and WBEs. The procurements were small, but made a difference to these small businesses. During the administration of Mayor Wellington Webb beginning in the early 1990s, and following the adoption of Ordinance No. 513 for construction and professional design, the expectation shifted to an anticipation of a formal program, and the expectation that the buyers would need to operate within the program. The buyers were eager to have clear direction, and welcomed the 1996 adoption of a program.

Both the DGS buyer and the former MOCC employee reported that prior to the adoption of Ordinance No. 305, there had been considerable efforts to reach out to minority- and women-owned businesses. The buyer recalled both of the department's purchasing directors being very involved and committed. The buyer recalled these efforts, combined with the efforts by buyers to match MBE/WBE vendors and small procurements, as being somewhat successful. The MOCC employee recalled going to trade shows, preparing and sending out flyers, contacting people to advise them of opportunities, and arranging training. She did not recall these efforts as being successful.

While the procurement goals program was not itself the subject of the litigation, the procurement goals program set forth in Ordinance No. 305 was immediately suspended following the March 7, 2000, court order enjoining the City from the operation of the construction goals program in an eight year legal action in the United States District Court entitled, *Concrete Works of Colorado, Inc. v. The City and County of Denver, Colorado*. While the *Concrete Works* decision was later reversed on appeal to the Tenth Circuit Court of Appeals (the United States Supreme Court declined to further review the case), the procurement goals program has not been reinstated.

Very little data were available to the study team regarding the procurement goals program. In response to an April 29, 2000 follow-up order from the U.S. District Court, the City immediately discontinued all activities related to the collection of data and the certification of MBEs and WBEs for both the construction and the procurement goals programs. The failure and replacement of computer equipment, combined with the business failure of an outside data consultant, resulted in the loss of essentially all data with respect to the procurement goals program. A digital dataset for unknown aspects of the procurement goals program was archived on a compact diskette, but despite the efforts by the City, data contractors and the study team, the data could not be accessed. Accordingly, the only information available for the study team to evaluate was anecdotal.

Everyone with whom the study team spoke about the procurement goals program characterized it as unsuccessful from the very beginning. The DGS buyer who stated that the buyers had eagerly looked forward to the clear guidance they expected from a program, said the program was given a good opportunity for success. Unfortunately, the program was not a good one. It was simply handed to DGS, and not developed by DGS. The main problem was that goals were not readily assignable to procurements. He reported that the only successes he recalled were where construction-type materials were involved. In other words, the program worked when the project resembled a public works project. There were also problems associated with the onerous certification process. Many qualified vendors did not bother to participate. Worst of all, the existence of the program displaced most buyers' informal outreach efforts.

The former MOCC employee worked with DGS Purchasing on the program, and worked with the procurement goals committees. She reported that while the procurement goals program had been "pretty much a complete flop," it wasn't for lack of commitment and effort by the people at DGS Purchasing. In her opinion, it simply could not work because of the nature of purchasing. She described the goals program as an effort to "cut and paste the construction program" onto Purchasing, "and it wasn't that easy." In procurements, there were too many types of things to be purchased from too many types of vendors. She also reported that not many people bothered to get certified. In her opinion, certifications and meaningful subcontracting goals were simply not possible. She recalled an example of how the goals program had not made sense. A goals committee had

established a goal on the purchase of fiber optic cable, thinking that there was an opportunity for subcontracting. A bidder remarked to her, “You don’t know how fiber optic cable works. It is in one piece. We can’t chop it up and give a piece to a sub [contractor].”

Small Business Enterprise Program. In 2000, the Mayors Office of Contract Compliance reviewed and considered certain data of the U. S. Small Business Administration (SBA) and reviewed and considered a number of program options to enhance opportunities for small business enterprises (SBEs). On August 7, 2000, the City adopted Ordinance No. 623, Series of 2000, effective September 1, 2000, creating two new sections of Chapter 28, Article VII of the Denver Revised Municipal Code. The first, Division 1, is entitled “Opportunities for Small Business Enterprises in City Contracts for Construction, Reconstruction and Remodeling, and Professional Design and Construction Services.” This program was intended to promote the utilization of SBEs in the areas of construction, reconstruction and remodeling, and professional design and construction management. It was not intended to address race or gender based discrimination, and participation is open to any qualifying firm. This program was not evaluated in this study.

The second part of the addition to Chapter 28, Article VII of the DRMC which was created by Ordinance No. 623, created Division 2 which is entitled “Small Business Enterprise Outreach, Assistance and Business Development.” This part authorizes the MOCC, in cooperation with City’s department heads, to develop programs and activities to provide outreach to developing SBEs, and to assist the business development of SBEs. These activities include workshops and other group training activities as well as other activities primarily targeted at the construction and professional design industries.

Approach

To examine location, size, type and MBE/WBE ownership status of firms doing goods and services business with Denver, BBC Research & Consulting examined goods and services firms receiving at least \$5,000 in payments (checks) from the City from January 2003 through December 2004. About 2,000 vendors were identified. BBC coded MBE/WBE ownership status, business size, type of work and firm location for these firms through telephone interviews with business owners and managers and other data sources.

To determine availability of firms to provide goods and services to Denver, BBC attempted interviews with each current and past local area Denver professional services consultant and general service and goods vendor that had received over \$5,000 in payments from 2003-2004. BBC successfully interviewed 160 professional design firms, 214 general service vendors and 360 goods vendors. In addition, BBC retained Customer Research International (CRI), a Texas-based telephone survey firm, to conduct telephone interviews with randomly-selected professional services firms and general service and goods vendors in the Denver marketplace. CRI reached 413 professional service firms, 780 general service vendors and 700 goods vendors. Together, these telephone surveys produced the data necessary to determine the relative number of MBEs and WBEs available to provide goods and services, by type, to the City. This research was supplemented by collecting Dun & Bradstreet information for Denver consultants and vendors and by researching firms on the Internet.

BBC also selected a random sample of past Denver goods and services contracts to assess the City's procurement practices.

Harding, Shultz & Downs interviewed past and present employees of the Department of General Services and Mayor's Office of Contract Compliance to obtain background information. In addition, the HSD and Garner Insight study team completed in-depth, face-to-face case study interviews with 12 professional services firms, 12 general service vendors and 8 goods vendors. These case study interviews included owners and managers of firms owned by minority individuals, women and non-minority men. An attempt was made to obtain many perspectives. Many people willingly gave their time to contribute their background information, insights and recommendations to this effort. The study team is grateful for this invaluable participation. Many other firms were contacted in this effort but for a variety of reasons (typically being too busy or not interested), these firms declined to participate.

SECTION II.

Professional Services

Denver contracts with a number of professional services firms to provide IT consulting, legal, management consulting and accounting services based on their qualifications to perform this work. During 2003 and 2004, Denver spent \$28 million on these types of services, primarily from firms with offices in the Denver marketplace. Because procurement decisions for professional services are largely based on perceived qualifications, these decisions are inherently subjective.

Unlike goods purchases, individual agencies within the City and County of Denver handle their own professional services contracting. The Purchasing Division may assist some end-user agencies with these contracts, but in most cases, the end-user agency decides the procurement process to follow, how potential proposers are contacted, and how proposers are evaluated. Denver agencies often sole-source these contracts without any competition. The Purchasing Division does not oversee how these contract decisions are made, and professional services contracting does not presently need to conform to the types of bidding policies that apply to goods and general service purchases.

The elements are in place for a potentially discriminatory contracting system. But is this the outcome? How do MBE/WBE professional services firms fare in such a system?

The study team also sought information from minority and female firm owners about their experiences within the local marketplace where most contract decisions are at least in part based on who you know and how clients perceive your abilities.

This section begins by reviewing the professional services fields involved in Denver contracts, which determined the industry focus when examining local marketplace conditions. This section next assesses whether there is a level playing field for minority- and women-owned firms when seeking professional services contracts with the City.

Based on our research, we recommend changes for this area of City procurement, which are discussed at the end of this chapter and in Section V. Figure II-1 summarizes these recommendations.

Figure II-1.
Summary of recommendations

- Denver should encourage competitive bidding on professional services contracts.
- Purchasing should have new responsibilities to help end-user departments evaluate and award for professional services contracts.
- There should be formal reporting of requests for sole-source contracts.
- Contracts that are competed should be widely advertised. Standard evaluation processes should be developed, and Denver should fully document its notification of firms concerning procurement opportunities and its evaluation of these firms.
- Where contracts are competed, evaluation scores should be made public.
- Denver should not implement race or gender-based programs for professional services contracts at this time.
- Denver should monitor SBE/MBE/WBE utilization on city professional services contracts.

**Figure II-2.
Identification of Denver
payments for professional
services**

Since most professional services contracts are not managed by the Purchasing Division, BBC was not able to obtain a comprehensive list of professional services contracts.

BBC identified payments to firms conducting professional services work through a combination of:

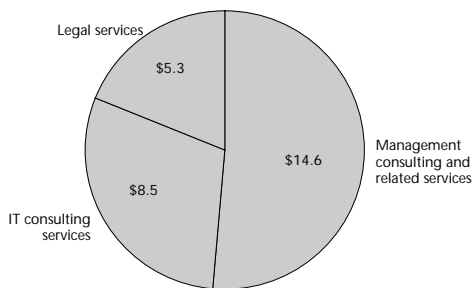
- The primary Standard Industrial Classification (SIC) codes for firms doing Denver work as provided by Dun & Bradstreet;
- Descriptions of the work performed on contracts obtained from Denver payment and transaction data;
- Review of information on Denver vendors' websites;
- Phone calls to Denver vendors; and
- Review by Denver staff.

Denver Professional Services Work

Denver interacts with narrow segments of the local professional services industry. Most of Denver professional services dollars go to Information Technology (IT) consultants, attorneys, and management consultants and related firms. Systems engineering is included in these professional services. Although Denver also retains accountants, a relatively small proportion of professional services dollars is spent on this work. BBC did not examine medical services in this study.

Total dollars of professional services work. As with other fields examined in this study, BBC researched Denver's use of professional services prime consultants by examining payments to firms from January 2003 through December 2004. BBC focused on firms receiving at least \$5,000 of payments as prime consultants over this two-year period, which appears to capture a very large share of total procurement dollars. BBC identified 384 different professional services firms receiving at least \$5,000 in payments from Denver over this period, not including universities, not-for-profit organizations and government agencies. BBC identified professional services firms through the procedures listed in Figure II-2.

**Figure II-3.
Denver payments to professional services
firms, Jan. 2003-Dec. 2004 (millions)**



Source: BBC Research & Consulting from Denver Purchasing data.

Denver made a total of \$28.4 million in payments to professional services firms from January 2003 through December 2004. As shown in Figure II-3, one-half of this work was for management consulting. About one-third of the professional services payments were for IT consulting. Legal services accounted for 19 percent of the payments.

Location of firms involved in City and County of Denver professional services work.

The City largely draws professional services vendors from the Denver area, over 71 percent of Denver's dollars for professional services went to firms with offices in the greater Denver area. Based on these results, the study team focused the analysis of market conditions for professional services firms on the Denver metropolitan area. Figure II-4 on the following page shows these results.

Figure II-4.
Analysis of relevant geographic market area for City of Denver professional services purchases

Note:
 Includes vendors receiving total payments of at least \$5,000 from January 2003 through December 2004.

Source:
 BBC Research & Consulting from City and County of Denver database.

Area	Number of Vendors Paid	Sum of Payments	Percent of Total Payments
City of Denver	122	\$ 15,149,629	53.4 %
Other Denver MSA	99	3,760,375	13.3
Boulder	11	1,150,209	4.1
Subtotal	232	20,060,213	70.7 %
Other Colorado	10	672,355	2.4
Other Areas	142	7,622,414	26.9
Total	384	\$ 28,354,982	100.0 %

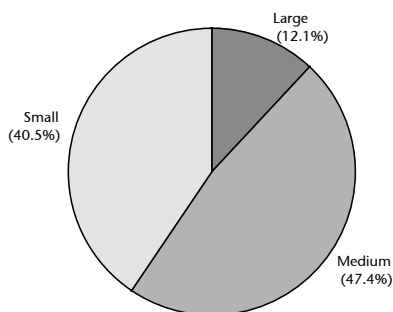
Types of Professional Services Work at the City and County of Denver

Before turning to information on the professional services marketplace, it is important to define the types of professional services work at the City and review how Denver procures these services. As information technology (IT) firms, management consulting businesses and law firms received the most Denver work for 2003-2004, we focus on these fields.

Management consulting. About \$14.6 million of Denver's professional services work from January 2003 to December 2004 went to management consulting and related firms. These firms accounted for more than half of total professional services payments. A total of 206 consulting firms received at least \$5,000 in payments from Denver during this period.

Most of the payments to management consulting firms were received by small and medium-sized firms. Among firms for which BBC could identify size, about 47 percent of payments went to firms with 25-499 employees (medium-sized) and another 41 percent went to firms with fewer than 25 employees. It appears that Denver's management consulting services contracts are open to small and medium-sized firms. Figure II-5 shows the distribution of payments by size of firm.

Figure II-5.
Total payments to management consulting firms by size of firm



Note: Payments to prime contractors.
 Source: BBC Research & Consulting from Denver Purchasing data.

Figure II-6.
Management consulting firms receiving \$150,000 or more in Denver payments, Jan. 2003-Dec. 2004

Management consulting	Payments (millions)
H.C. Peck & Associates Inc (WBE)	\$ 3.2
Deloitte & Touche	1.0
Leigh Fisher Associates	0.9
KPMG, LLP	0.7
CorVel Corporation	0.5
Lifelong Adult Education Services (WBE)	0.5
Five Winds International	0.4
Romani Sports Facilities Group Inc	0.3
Price Howlett Inc (WBE)	0.3
Harris Miller Miller & Hanson, Inc	0.3
Justice Benefits, Inc	0.3
Points of Passage (WBE)	0.3
EP Consultants Inc (unknown MBE)	0.2
Simat Helliesen & Eichner, Inc	0.2
Ciruli Associates	0.2
Richard Soash	0.2
Omni Research & Training	0.2
Factory Design Labs Inc	0.2
Pollard Consulting (WBE)	0.2

Note: Payments to prime contractors.
 Source: BBC Research & Consulting from Denver Purchasing data.

BBC identified 19 management consulting and related firms that received \$150,000 or more in payments from Denver from January 2003 through December 2004. The 19 firms, shown in Figure II-6, received \$9.8 million in payments, or two-thirds of \$14.6 million in payments to all management consulting firms for 2003-2004. These firms are introduced in Figure II-7.

Figure II-7.

Background on management consulting firms receiving at least \$150,000 in Denver payments, Jan. 2003-Dec. 2004

H.C. Peck & Associates, Inc. H.C. Peck & Associates provides right-of-way and other professional land services to both private industry and government agencies. Founded in 1988 and based in Denver, Colorado, this firm is (white) woman-owned and employs approximately 30 people. HC Peck offers land acquisition services nationwide.

Deloitte & Touche. Deloitte & Touche is an accounting firm offering auditing, tax, financial, and other business consulting services. Deloitte & Touche was founded as an accounting firm in 1845 in London, England but today is headquartered in New York City. Deloitte & Touche refers to one or more members of Deloitte Touch Tohmatsu, a worldwide business consulting organization that collectively employs 120,000 people (Deloitte & Touche USA, LLC employs approximately 30,000 individuals). Deloitte & Touche has a regional office located in Denver.

Leigh Fisher Associates. Leigh Fisher provides advisory services in airport management, finance, planning and development. The company was founded in 1946 in Burlingame, California, where its headquarters remain today. Leigh Fisher is owned by Jacobs Engineering Group, a publicly-traded (NYSE:JEC) engineering consultant for the airport and natural resource industries.

KPMG, LLP. KPMG provides audit, tax and other business consulting services. KPMG (Klynveld Peat Marwick Goerdeler) was formed in 1987 with the merger of two large, old professional services firms. The firm operates in 148 countries and has approximately 90,000 employees. The firm's primary U.S. office is located in New York. KPMG is made up of privately-owned regional member firms, and the company has two offices are located in the Denver Metro Area.

CorVel Corporation. CorVel Corporation provides consulting services in a wide range of healthcare management topics, including: workers compensation, auto and liability, group health and disability insurance. CorVel was founded in 1988, and today the company employs approximately 3,000 people at 150 offices throughout the U.S., including one office in Denver. The firm is publicly traded (NASDAQ:CRVLE).

Lifelong Adult Education Services. Lifelong Adult Education Services is a small Denver-based consulting firm providing instructional, psychological, and group counseling services. Lifelong Adult Education Services was founded in 1993 and is a woman-owned firm.

Five Winds International. Five Winds International provides management consulting services related to business sustainability, business culture, environmental management and product innovation. The firm started in 1998 as a small environmental management consulting firm in West Chester, Pennsylvania and grew to be a multi-discipline management firm with offices throughout North America and Europe. Five Winds has four offices in the U.S., including one office located in Boulder, Colorado. The firm is a private partnership.

Romani Sports Facilities Group, Inc. Romani Group, Inc. is a Denver-based construction consulting firm specializing in sports arenas, convention centers and medical facility projects. The privately-owned firm has worked with both public and private sector clients and has managed many successful arena and stadium projects in the region.

Price Howlett, LLC. Price Howlett is a community and government relations consulting firm located in Denver, Colorado. The firm provides government relations consulting services to both the public and private sector. Price Howlett is a (white) woman-owned firm.

Harris Miller Miller & Hanson, Inc. Harris Miller Miller & Hanson (HMMH) is a consulting firm specializing in noise control. HMMH provides environmental services for airports, highways, rail systems, military activities, construction projects and recreational facilities. Founded in 1981, the privately-owned firm is headquartered in Burlington, Massachusetts and has two regional offices in Sacramento, California, and Richmond, Virginia.

Justice Benefits, Inc. Justice Benefits Inc. (JBI) is a consulting firm located in Dallas, Texas that specializes in assisting local and state governments in accessing federal grants and other sources of funding. JBI is a privately-owned company.

Figure II-7. (continued)
Background on management consulting firms receiving at least \$150,000 in Denver payments, Jan. 2003-Dec. 2004

Points of Passage Consulting. Points of Passage Consulting is a consulting firm that specializes in the management of engineering and construction projects. The firm's sole location is in Denver, and the firm is an uncertified (white) woman-owned firm.

EP Consultants, Inc. EP Consultants is a business consulting firm whose services include environmental engineering, human resources and management services. EP Consultants is a privately-owned firm based in Rancho Palos Verdes, California.

Simat, Helliesen & Eichner, Inc. Simat, Helliesen & Eichner (SH&E) is an aviation consulting firm that works with airlines, airports, and local and national government agencies on a wide variety of industry-specific issues. SH&E was founded in 1963 and currently maintains three office locations: New York City, Washington, D.C. and London, England. The firm is privately-owned.

Ciruli Associates. Ciruli Associates is a research and consulting firm that specializes in public policy and public opinion research. Ciruli Associates was founded in 1975 in Denver, where the firm remains today. Ciruli Associates is a privately-owned company.

Richard Soash. Richard Soash is a lobbyist from Denver, CO. BBC was unable to locate any additional information on this vendor.

Omni Research & Training. Omni Research & Training provides social science and public policy research. Founded in 1978, this Denver-based company has only one office and remains privately-owned.

Factory Design Labs, Inc. Factory Design Labs Inc. is a marketing and product placement company that specializes in action sports and youth lifestyle branding. Factory Design Labs was founded in 1997 and the firm's sole office is located in Denver, Colorado. The company is privately-owned.

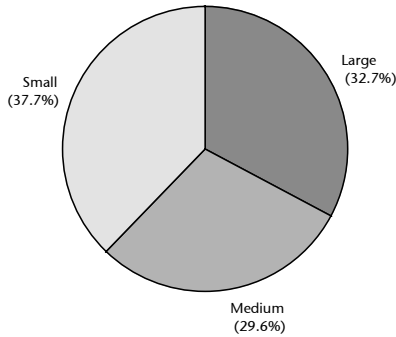
Pollard Consulting. Pollard Consulting is a Denver-based consulting firm specializing in management consulting, including leadership development programs, corporate culture, mediating conflict, and other human resources services. Pollard Consulting is owned and operated by a (white) woman, although the firm is not certified as a woman-owned business.

IT consulting. Of the \$28.4 million in payments to professional services firms from 2003 to 2004, \$8.5 million (30 percent of total payments) went to IT consulting firms. This includes a broad range of systems engineering, computer programming, data processing and warehousing, and other IT services. A total of 129 IT consulting firms received at least \$5,000 in payments over this period. As much as possible, BBC did not include firms that primarily sold computer equipment or pre-packaged software to Denver in this category of work. These firms, including IBM and Microsoft, are found in the Section IV analysis of goods purchases, even though some of their work may fit the description of IT consulting.

The payments to IT consulting firms were split fairly evenly among small (<25 employees), medium (25-499 employees) and large (500 or more employees) firms. Among firms for which BBC could identify size, about 38 percent of payments went to small firms, 30 percent went to medium-sized firms and 33 percent was received by large firms. Figure II-8 shows the distribution of payments by size of firm.

The ten information technology firms listed in Figure II-9 received at least \$200,000 in Denver payments from January 2003 through December 2004. These firms received a total of \$3.4 million in payments, or about 40 percent of the \$8.5 million paid to all IT firms during the study period. Figure II-10 briefly introduces each firm.

Figure II-8.
Total payments to IT consulting firms by size of firm



Source: BBC Research & Consulting from Denver Purchasing data.

Figure II-9.
Information technology firms receiving \$200,000 or more in Denver payments, Jan. 2003-Dec. 2004

IT consulting	Payments (millions)
Eagle Computer	\$ 0.7
Digatron (MBE)	0.5
Computer Systems Designs	0.5
Compri Consulting, Inc	0.3
Software AG Inc	0.3
Ascent Technology, Inc	0.3
American Management Systems Inc	0.2
Integrity Networking Systems (MBE)	0.2
Microcomputer Training Specialist Inc (WBE)	0.2
International Network Services	0.2

Source: BBC Research & Consulting from Denver Purchasing data.

Figure II-10.
Background on IT consulting firms receiving at least \$200,000 in Denver payments, Jan. 2003-Dec. 2004

Eagle Computer. Eagle Computer Systems is located in Eagle, Colorado, and provides integrated information technology management systems. Eagle was founded in 1978 and currently employs approximately 50 people. The firm is a subsidiary of Tyler Corporation, a Dallas-based IT and computer services consulting firm. Tyler is a publicly-traded company (NYSE:TYL).

Digatron, Inc. Digatron is a Denver-based firm that specializes in the design, installation and maintenance of computer integrated security, surveillance and fire systems. Digatron employs approximately 25 individuals, and is certified as a Hispanic-owned firm.

Computer Systems Designs. BBC was unable to locate any information on this firm.

Compri Consulting, Inc. Compri Consulting is an information technology consultant. The firm specializes in project outsourcing solutions and technical staffing. Compri Consulting employs 80 people from its sole location in Denver, Colorado. The firm was founded 1992 and is a privately-owned company.

Software Ag, Inc. Software Ag, Inc. is an information technology and computer software consulting firm. Founded in 1969, Software Ag is headquartered in Darmstadt, Germany and has 2,500 employees in 59 countries, although the firm's U.S. headquarters is located in Reston, Virginia. The company has 14 offices in the U.S., one of which is located in Highlands Ranch, Colorado. The firm is publicly traded on the Frankfurt stock exchange (SOW).

Ascent Technology, Inc. Ascent Technology, Inc. is a software development and consulting firm that provides solutions to the air transportation industry and to workforce management in any industry. Ascent Technologies is a privately-held firm, and its only location is in Cambridge, Massachusetts. Ascent was founded in 1986.

American Management Systems Inc. American Management Systems Inc (AMS) was recently acquired by CGI, Inc. CGI is an information technology and business process services consulting firm. In total, CGI employs 25,000 individuals at over 100 offices in 19 countries (CGI has a regional office in Golden, Colorado). CGI is a publicly-traded company (NYSE:GIB).

Integrity Networking Systems. Integrity Networking Systems characterizes itself as a small disadvantaged firm (the firm is both Hispanic- and woman-owned) that provides network management, design, security, and installation. Founded in 1992, Integrity Networking Systems is based in Tucson, Arizona and has since expanded to include four offices, including one located in Colorado Springs, Colorado.

**Figure II-10. (continued)
Background on IT consulting firms receiving
at least \$200,000 in Denver payments, Jan. 2003-Dec. 2004**

Microcomputer Training Specialists, Inc. Microcomputer Training Specialists (MTS) provides training and consulting for a variety of information technology needs. Based in Denver in 1985, MTS is a private, (white) woman-owned firm.

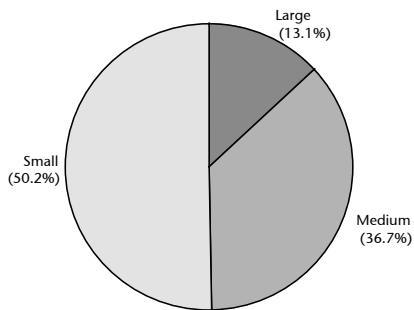
International Network Services. International Network Services (INS) is a consulting firm specializing in information technology infrastructure, application and management. Based in Santa Clara, California, the firm has 700 employees. INS was formed in 1991 and has since grown to include about 25 offices in the U.S., including one in Englewood, Colorado. INS is a privately-owned company.

Law firms. A total of \$5.3 million in Denver payments went to 49 law firms from 2003 to 2004. Legal services comprised about 19 percent of all professional services payments.

About half of all payments to law firms were received by small firms (fewer than 25 employees). Among firms for which BBC could identify size, small firms received 50 percent of all payments for legal services. Medium-sized firms (with 25-499 employees) received another 37 percent of payments. Figure II-11 shows the distribution of payments by size of firm.

Twelve law firms received \$100,000 or more in payments from Denver from 2003-2004. These firms account for \$4.3 million in payments, more than 80 percent of all payments to law firms. Figure II-12 lists these firms. Two of these law firms are MBEs. See Figure II-13 on the following page for a brief discussion of each firm.

**Figure II-11.
Total payments to law firms by
size of firm**



Note: Payments to prime contractors.
Source: BBC Research & Consulting from Denver Purchasing data.

**Figure II-12.
Law firms receiving \$100,000 or more in
Denver payments, Jan. 2003-Dec. 2004**

<i>Legal</i>	<i>Payments (millions)</i>
Senter Goldfarb & Rice, LLC	\$ 1.0
Hogan & Hartson LLP	0.9
Jessop & Company, PC	0.5
Ballard Spahr Andrews & Ingersoll, LLP	0.5
Becker Stowe & Bieber, LLC	0.3
Kutak Rock, LLP	0.2
Cooper & Dorancy, LLC (MBE)	0.2
Morrison & Forrester, LLP	0.2
Baker & Hostetler, LLP	0.2
Patton Boggs, LLP	0.1
Hall & Evans, LLC	0.1
Bookhardt & O'Toole (MBE)	0.1

Note: Payments to prime contractors.
Source: BBC Research & Consulting from Denver Purchasing data.

**Figure II-13.
Background on law firms receiving at least
\$100,000 in Denver payments, Jan. 2003-Dec. 2004**

Senter Goldfarb & Rice, LLC. Senter Goldfarb & Rice (SG&R) is a Denver-based law firm that offers legal counseling in the areas of insurance law, governmental entity law, and general litigation. SG&R's practice area includes Colorado, Wyoming and Nebraska. The firm was established in 1974, and is a privately-owned firm.

Hogan & Hartson LLP. Hogan & Hartson is a law firm with a wide range of practice areas. The firm began in 1904, and today has expanded to include over 1,000 lawyers practicing in 23 offices in North America, Latin America, Europe and Asia, including three locations in Colorado—Denver, Colorado Springs and Boulder. The *Legal Business "Global 50 Survey"* lists Hogan & Hartson as a top 25 global law firm by revenue (October, 2005). The firm is a private partnership headquartered in Washington, D.C.

Jessop & Company, PC. Jessop & Company is a bankruptcy law firm emphasizing complex corporate bankruptcy and reorganization throughout Colorado and the U.S. The Denver-based firm comprises six attorneys, representing businesses of all sizes and various industries. Jessop & Company was established in 1991 and is privately-owned.

Ballard Spahr Andrews & Ingersoll, LLP. Ballard Spahr Andrews & Ingersoll is a national law firm that provides a wide range of legal services. Ballard Spahr was founded in 1886 in Philadelphia, Pennsylvania, and today has over 430 lawyers, placing the firm among the 100 largest law firms by size. Ballard Spahr has offices throughout the country, including one office in Denver, Colorado. The firm is a private partnership.

Becker Stowe & Bieber, LLC. Becker Stowe & Bieber is a law firm practicing in the areas of municipal and public finance law. The firm represents state and local governments, associations, investment banking firms, financial advisors and private businesses. Becker Stowe & Bieber was founded in 1983 and is based in Denver, Colorado. The firm is a private partnership.

Kutak Rock, LLP. Kutak Rock, LLP is a national law firm specializing in corporate law, tax and public finance, and litigation. The firm has approximately 325 lawyers operating in 16 offices, including one office in Denver. The firm was established in 1965 and remains a private partnership.

Cooper & Dorancy, LLC. BBC was unable to locate any information on this firm.

Morrison & Foerster, LLP. Morrison & Foerster is an international law firm that offers all types of litigation services, although the firm specializes in finance, life sciences and technology. Morrison & Foerster employs more than 1,000 attorneys in offices around the globe, one of which is located in Denver, Colorado. Morrison & Foerster is a privately-owned firm.

Baker & Hostetler, LLP. Baker & Hostetler is a law firm with over 550 attorneys practicing from 10 offices across the U.S. that provides a wide range of legal services. Baker & Hostetler has one office located in Denver. The firm was founded in 1916 and is a private partnership.

Patton Boggs LLP. Patton Boggs is a full-service law firm employing over 400 attorneys working from several offices located throughout the U.S. The firm is based in Washington, D.C. with four additional domestic offices, one of which is in Denver, and one international office located in Doha, Qatar. Patton Boggs is a private partnership.

Hall & Evans, LLC. Hall & Evans is a regional law firm that specializes in a wide range of legal services. Founded in Denver in 1932, Hall & Evans employs approximately 100 lawyers who practice throughout the Rocky Mountain region. The firm remains a private partnership.

Bookhardt & O'Toole. Bookhardt & O'Toole is a local law firm that specializes in contract and construction law. Bookhardt and O'Toole employs seven lawyers, and is located in Denver, Colorado. The firm is a privately-owned, and is certified as a minority-owned (African American) firm.

Types and sizes of contracts. In addition to analyzing payments to professional services firms, BBC studied a sample of 26 professional services purchase orders and contracts that were issued during the study period or for which payments were made by Denver during the study period.

The Purchasing Division does not, as a general rule, procure professional services and as a result there is no formal list of professional services contracts and they are not centrally stored. To obtain the sample of purchase orders and contracts, BBC randomly sampled purchase orders and contracts for professional services firms (as identified in Figure II-2) through a list obtained from payments data.

The professional services contracts collected by the study team ranged from a \$4,000 purchase order for IT consulting to a \$250,000 contract for legal services and a \$2 million contract for auditing services.

In most cases, the contract files contained very limited information on the procurement process used for each contract. Most of the contracts were sole-sourced. In most cases, there was no explanation for the sole-source award or the explanation given consisted of “professional services contract” or “professional services selection.” In the case of the auditing contract, discussions with City personnel revealed the contract was sole-sourced under time constraints after the vendor that had won a competitively-bid contract failed to perform according to the terms of the contract.

Most of the purchase orders for professional services were also sole-sourced, though more thorough explanations for the sole-source award were included in the file. Most of the sole-source explanations referenced depth of experience of the chosen vendor. Two of the purchase orders were competed and awarded based on lowest price.

In sum, most professional services procurement decisions are sole-sourced or appear to be sole-sourced from the available information. This finding was important in developing the recommendations for professional services procurements at the end of this section.

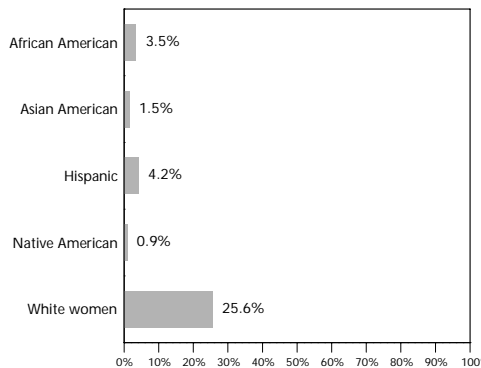
Insights Into the Local Professional Services Industry

The study team was able to draw some insights into the local professional services industry from the history of the firms performing the most Denver work (presented in Figures II-6, II-9 and II-12), the interviews conducted with firms in the Denver area, and some limited quantitative analyses. Figure II-14 summarizes the breadth of the research the study team conducted.

Figure II-14. Research into the local professional services industry

BBC attempted interviews with each current and past local area Denver professional services consultant (over \$5,000 in payments from 2003-2004), identified in this study. We successfully interviewed 160 of these firms. BBC retained Customer Research International (CRI), a Texas-based telephone survey firm, to conduct telephone interviews with randomly-selected professional services firms in the Denver marketplace. CRI reached 413 firms. In addition, the Harding, Shultz & Downs and Garner Insight study team completed in-depth interviews with 12 MBE/WBE and majority-owned professional services firms. We supplemented this research by collecting Dun & Bradstreet information for Denver consultants and by researching firms on the Internet.

Figure II-15.
MBEs and WBEs as a share of total
firms available for Denver
professional services contracts.



Note: Limited to firms that perform work for the public sector and report qualifications and interest in Denver professional services contracts. Availability is weighted based on the dollars of Denver contracts going to management consulting, IT and legal services firms.

Source: BBC Research & Consulting availability survey, 2005.

Do minorities and women own professional services firms? BBC Research & Consulting surveyed Denver Metro Area professional services firms in mid-2005 to determine the share that are owned and controlled by minorities or women. The survey was conducted in two parts. First, BBC attempted interviews with all past Denver professional services vendors receiving at least \$5,000 in payments for 2003-2004. Ninety-four of these firms were successfully interviewed and included in the availability analysis. Second, BBC managed a survey of randomly-selected professional services firms in the Denver Metro Area from the management consulting, IT consulting and legal services fields (survey performed by Customer Research International, a telephone survey research firm). There were 368 firms surveyed that indicated qualifications and interest in Denver work.¹

The survey was conducted for three strata of professional services fields: management consulting, IT consulting and law firms. To determine overall MBE/WBE availability for professional services contracts, the results for each sector were dollar-weighted by the amount of Denver work going to each sector.²

Race/ethnicity and gender of firm control and ownership was determined through the telephone surveys with these firms.

BBC's analysis found that 10 percent of the firms available for Denver professional services contracts were minority-owned and 26 percent were white women-owned. Overall, more than one-in-three firms available for Denver professional services work were MBE/WBEs.

What are current marketplace conditions? Professional services firms are established by people who have specialized qualifications and work experience in these fields (i.e., attorneys start law firms). Therefore, employment in these fields is almost always a necessary step on the path toward forming a firm.

Although older law firms may be very important in the market for public sector legal services, many computer services firms are relatively young. About one-quarter of the professional services firms receiving the most Denver work were formed since 1990. Over one-third of the firms were originally established prior to 1970, including most of the law firms receiving the highest volume of City work.

¹ Firms were asked whether they perform work for public sector clients and whether they were qualified and interested in certain types of work for the City and County of Denver. Only firms that do public sector work and report qualifications and interest in Denver professional services contracts are included. BBC and Customer Research International staff surveyed firm owners or managers to conduct this research.

² Different weights were also applied to Denver vendors and non-vendors. Because BBC attempted interviews with all Denver professional services vendors receiving a certain amount of work, but only a sample of non-vendors, vendors and non-vendors surveyed received different weight when determining overall availability.

Initial capital does not present a major barrier to opening a professional services firm, but is needed to accommodate growth. This is particularly important for smaller firms that have staffed up to handle specific projects.

Price can be a factor in retaining professional services firms, but qualifications are most important. The study team found many owners or managers of professional services firms who say that you need to be known for quality work before clients will feel comfortable hiring your firm. Having contacts with potential clients before starting a business is key.

Because professional services firms face challenges in succession for retiring founders, building capital and retaining key staff, they often need to expand their ownership beyond the initial founders. Most firms accomplish this by broadening internal ownership of the firm. Very few are publicly-traded. It may be difficult to retain MBE/WBE status for firms founded by minorities or women that are growing and want to broaden ownership.

Subconsulting occurs but is not prevalent in the professional services fields included in this study.

MBE/WBE experiences in the professional services industry. The study team conducted in-depth personal interviews with owners of professional services firms in the Denver marketplace. Some business owners described instances that may reflect race or gender discrimination. Others thought that they had not been affected by discrimination in the industry. Examples of each follow.

The Hispanic woman owner of a marketing and advertising company said she has experienced more discrimination since moving to Colorado than she experienced in Phoenix and Los Angeles. She observed that the sources are not just whites but include second generation Hispanics. She said that people assume that because she has an accent that she is illegal and uneducated. “They act like people from other countries can’t have a career, an education.” She reported that the discrimination showed in how people react to her accent and how they talked to her. They acted like she was uneducated, and not like she had 20 years of experience in Hispanic advertising.

The Asian owner of an IT consulting company, which was a certified SBA Section 8(a) contractor, did not believe he had ever been discriminated against in his business. He said that his first language was Chinese and he did have some difficulty with choosing the right word or phrase in the English language. He said he was occasionally teased about it. He said he tended to make a joke of it. He did not feel it had resulted in the loss of any business.

The female Asian Indian owner of an IT consulting company said to her knowledge she had never been discriminated against due to her birth in India or her gender. However, despite being well networked, having thousands of business contacts, and offering exemplary service, her company had never been able to achieve success in the general IT market. Her husband, who also worked in the company, was part Indian and part Japanese, and he had also not knowingly experienced discrimination. The owner did observe that in the IT business, people were less comfortable working with women than with men. She also observed that she had not felt welcome in the male-dominated Asian Chamber of Commerce in which she tried to become involved.

Several white male executives of majority-owned firms stated that they did not believe that discrimination existed in their industries.

Is Discrimination Affecting MBE/WBEs When Competing for Denver Work?

The study did not identify consistent anecdotal evidence that MBE/WBEs do not face a level playing field in either the local marketplace or in doing work for Denver. BBC took a detailed look at the data for these firms in Denver contracting.

How much work are MBE/WBEs winning as prime consultants? In 2003-2004, MBE/WBE professional services firms performed a sizeable amount of Denver professional services work.

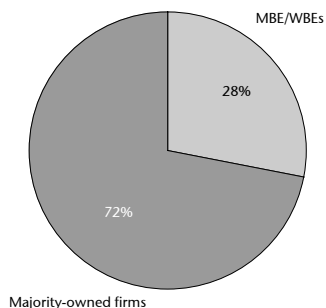
BBC identified 80 MBE/WBEs among the 341 professional services firms receiving at least \$5,000 in prime contract payments between January 2003 and December 2004. BBC determined MBE/WBE status through phone calls to firms, assessment of Denver records, D&B data and Denver staff review.

Of the \$27.7 million in payments to professional services firms, \$7.7 million, or 28 percent, went to MBE/WBEs. (The MBE/WBE utilization reported here does not include subcontracts going to minority- or women-owned firms.) Figure II-16 shows these results.

H.C. Peck & Associates (\$3.2 million), Lifelong Adult Education Services (\$0.5 million) and Digitron (\$0.5 million) were MBE/WBEs receiving some of the highest amounts of work among all professional firms.

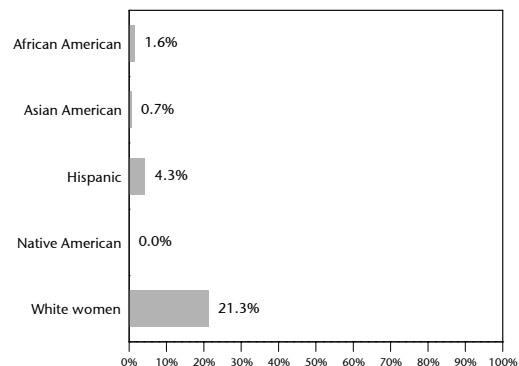
Utilization by race/ethnicity and gender. White female-owned firms accounted for 21 percent of the professional services contract dollars and MBEs received about 7 percent of City professional services dollars. Among MBEs, Hispanic-owned firms received the most professional services work. No Native American-owned firms were identified among the professional services firms receiving Denver work. Figure II-17 shows utilization by race/ethnicity/gender.

Figure II-16.
MBE/WBE utilization on Denver professional services contracts, 2003-2004



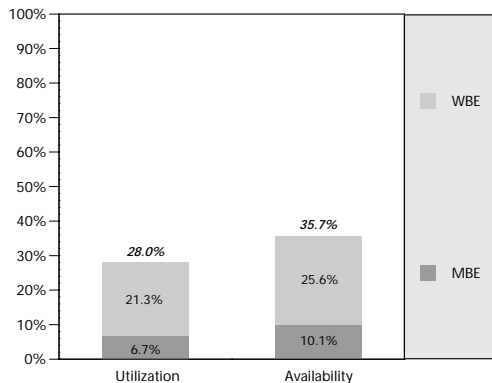
Source: BBC Research & Consulting from Denver Purchasing data.

Figure II-17.
Utilization on Denver professional services contracts by race/ethnicity and gender, 2003-2004



Source: BBC Research & Consulting from Denver Purchasing data.

Figure II-18.
Denver utilization of MBE/WBEs on professional services contracts, 2003-2004, compared with MBE/WBE availability for contracts



Source: BBC Research & Consulting from Denver Purchasing data.

weighting, about 36 percent of the firms available for prime contract work are minority or women-owned. The 28 percent utilization of MBE/WBEs for 2003-2004 is below the availability of MBE/WBEs to perform this work. Figure II-18 compares MBE/WBE utilization and availability for professional services. The study team could reject chance in availability sampling as a cause of the observed disparity between overall MBE/WBE utilization and availability.

Utilization fell below availability for African American-, Asian- and Native American-owned firms, as shown in Figure II-18. Because of small sample sizes, and the limited availability of firms, chance in the sampling involved in the availability analysis could not be ruled out as the cause of the disparities for these firms even though these disparities were relatively large. (Disparity ratios were less than 0.5 for each of these groups.)

For WBEs, actual utilization was closer to what would be expected based on availability (21.3 percent utilization versus 25.6 percent availability). The ratio of utilization to availability was 0.83, higher than the 0.80 standard sometimes used to indicate evidence of discrimination.

Figure II-19.
Denver utilization of MBE/WBEs on professional services contracts, 2003-2004, compared with availability, by race and gender

	Utilization as Prime Contractors		Availability for Prime Contract Work	Difference (utilization minus availability)	Disparity Ratio (utilization divided by availability)
	Millions	Percent			
MBE					
African American	\$ 0.5	1.6 %	3.5 %	(1.8) %	0.47
Asian American	0.2	0.7	1.5	(0.8)	0.48
Hispanic	1.2	4.3	4.2	0.1	1.03
Native American	0.0	0.0	0.9	(0.9)	0.00
Total MBE	\$ 1.8	6.7 %	10.1 %	(3.5) %	0.66
WBE	5.9	21.3	25.6	(4.3)	0.83
Total MBE/WBE	\$ 7.7	27.9 %	35.7 %	(7.8) %**	0.78
Majority-owned	20.0	72.1	64.3	7.8	1.12
Total	\$ 27.7	100.0 %	100.0 %		

Note: Rounding may affect subtotals;
 ** indicates statistically significant different at .95 level of confidence.

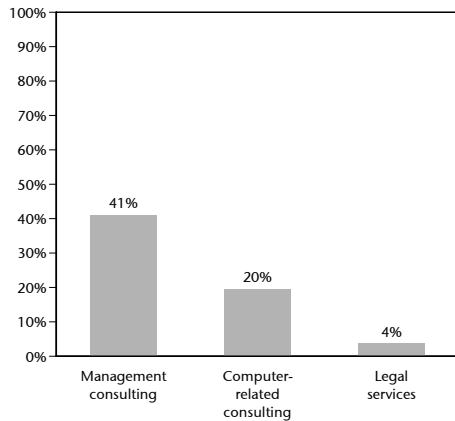
Source: BBC Research & Consulting.

Are there disparities between Denver utilization of MBE/WBEs and the availability of MBE/WBEs to work on professional services contracts? Given the relatively high 28 percent MBE/WBE utilization as prime consultants on Denver work, do disparities exist?

As discussed previously in this section, the study team examined professional services firms in the local marketplace that provide services to the public sector and are interested, qualified and able to work for Denver as a prime consultant. BBC weighted the results to reflect the relative dollars spent on management consulting and related firms, IT firms, and law firms. After this

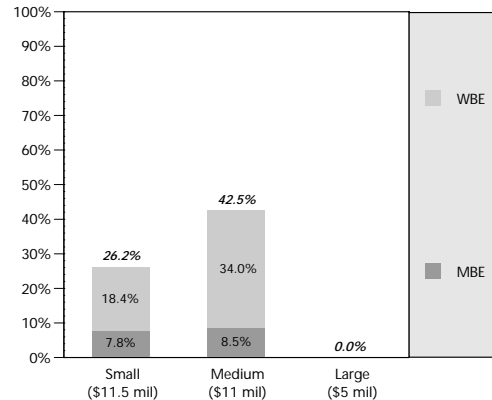
Does utilization vary by field within professional services? MBE/WBEs performed a relatively large percentage of Denver management consulting and related work—41 percent. About 20 percent of IT consulting work went to MBE/WBEs.

Figure II-20.
Denver utilization of MBE/WBE professional services firms by field, 2003-2004



Source: BBC Research & Consulting.

Figure II-21.
Denver utilization of MBE/WBEs on professional services contracts by size of firm



Source: BBC Research & Consulting.

Analysis of MBE/WBE utilization for legal services yields a much different answer. Only four of the 47 law firms receiving work as prime consultants were minority or women-owned. MBE/WBEs received 3.7 percent of payments for legal services for 2003-2004. Figure II-20 shows these results.

Due to limited sample sizes, the study team did not report availability estimates for each subindustry. However, MBE/WBE availability in the industry as a whole was highest for management consulting, considerably lower for IT consulting and lower still for legal services. Even so, MBE/WBE availability for legal services was many times higher than the 3.7 percent utilization found for Denver contracts.

Can size of firm explain the disparities? Figure II-21 examines MBE/WBE utilization among firms of different employment sizes. Among small firms (fewer than 25 employees), MBE/WBEs received 26 percent of Denver professional services dollars. Among medium-sized firms (25-499 employees), MBEs obtained 42 percent of the work. None of the firms with at least 500 employees receiving Denver work was minority or women-owned.

BBC had sufficient data to compare MBE/WBE utilization and availability among small firms available for Denver professional services work. After weighting by industry, MBE/WBEs were 35 percent of the small firms available to conduct Denver professional services work. The 26 percent utilization was about three-quarters of what one would expect based on availability among this group of firms. Chance in sampling in the availability data could be rejected as a cause of the overall disparity. Utilization fell below availability for both MBEs and WBEs. Figure II-22 on the following page shows these results.

Figure II-22.
Denver utilization of *small* MBE/WBEs on professional services contracts, 2003-2004, compared with availability for contracts

	<i>Utilization as Prime Contractors</i>		<i>Availability for Prime Contract Work</i>	<i>Difference (utilization minus availability)</i>	<i>Disparity Ratio (utilization divided by availability)</i>
	<i>Millions</i>	<i>Percent</i>			
<i>MBE</i>	\$ 0.9	7.8 %	9.7 %	(1.83) %	0.81
<i>WBE</i>	<u>2.1</u>	<u>18.4</u>	<u>25.8</u>	(7.4) **	0.71
<i>Total MBE/WBE</i>	\$ 3.0	26.2 %	35.4 %	(9.2) %**	0.74
<i>Majority-owned</i>	<u>8.5</u>	<u>73.8</u>	<u>64.6</u>	9.2	1.14
<i>Total</i>	\$ 11.5	100.0 %	100.0 %		

Note: Rounding may affect subtotals; ** indicates statistically significant different at .95 level of confidence.

Source: BBC Research & Consulting.

Overall, there was not a disparity between MBE/WBE utilization and availability among medium-sized firms or large firms.

How do firm owners and managers perceive opportunities for Denver professional services contracts?

In the same surveys conducted to determine availability of firms for Denver professional services work, the study team asked firm owners and managers about doing business with Denver. The question was open-ended; firm owners could make any comments they like. As shown in Figure II-23, the most frequent comment was that they would like to learn of Denver professional services contracting opportunities. Very few professional service firms had any comments concerning whether or not Denver’s contracting process was open and fair. These comments are consistent with the fact that most professional services contracts are sole-sourced and that firms would not normally have a chance to know about these opportunities. Five Denver vendors said that they had problems receiving timely payments from Denver.

Figure II-23.
Comments of Denver vendors and randomly-selected firms about Denver professional services contracting

<i>Comments</i>	<i>Denver Vendors</i>		<i>Random Surveys</i>	
	<i>Number of Vendors</i>	<i>Percent of Vendors</i>	<i>Number of Firms</i>	<i>Percent of Firms</i>
Process is fair	5	1.3 %	2	0.5 %
Process is not open and fair	5	1.3	4	1.1
Need more advanced notification/website/email	21	5.5	33	9.0
Process is cumbersome and slow	13	3.4	5	1.4
Insurance requirements are too difficult	2	0.5	0	0.0
Slow payment or other payment problems	5	1.3	0	0.0
Problems bidding against larger firms	3	0.8	6	1.6
Should base more on qualifications than price	4	1.0	0	0.0
Need an introduction to the process	0	0.0	11	3.0
Other comments or problems	<u>14</u>	3.6	<u>14</u>	3.8
Total	72		75	

Source: BBC Research & Consulting telephone surveys, 2005

Harding, Shultz & Downs and Garner Insight also conducted personal interviews with local professional services firms.

Slow payment by Denver is a consistent complaint. Problems with payments from the City were a more frequently mentioned issue in the study team’s in-depth interviews with local professional services firms. While the circumstances and reasons varied, professionals frequently complained about being paid.

A professional service consultant, who worked on a grant project for the Denver Public Library, reported that all invoices took 8 to 10 weeks for payment. The delay nearly forced her to quit the project because she could not pay her bills. She believed that the slow payment was because she was not working on a high visibility or priority project. She said she would never again pursue contract work with the City.

The owner of a supplier and installer of electronic systems complained that on a Denver project, he requested monthly progress payments (although not provided in the contract) to avoid having to finance the entire project for 8 months, and the purchasing agent threatened to award the contract to someone else. He described a lack of progress payments as a way to kill small businesses.

A real estate economist had performed work on city projects on many occasions, sometimes as a sole source consultant and other times as a subconsultant. As a subconsultant, her company had waited 225 days for payment from prime consultants. She felt the City should not be financing its operations by slow payments. In 2005, the company had a problem with invoice processing which resulted in a 7-month delay in being paid. As a result, she was soured on working with the City, and said there was a decreased likelihood that she will work with the City again. With 30 on-going projects, she said she didn’t need the City’s work.

The owner of a consulting company, which had done business with Denver, usually as a subcontractor (one time as a direct consultant) for 20 years, complained that payment as a subcontractor continues to be a problem, taking 60 to 120 days.

Inadequate notice of opportunities. Professionals participating in the in-depth interviews frequently complained of a lack of opportunities to propose services to the City.

The owner of a consulting company stated he had recently received a notice of a mandatory meeting that allowed only three days notice, which he felt was completely inappropriate. As a result, only one company showed up. He observed, “The City screwed themselves out of getting good competitors to bid.”

An executive with an IT consulting company said her company had tried to do business with Denver 8 to 10 years ago, but it was too difficult to get to the right people who were doing the buying. She was invited to attend a minority business fair at the Webb Building, and she RSVP’d her participation. She expected to meet with actual buyers. When she arrived, the entire fair consisted of some information laid on a table. Two clerical staff without any authority eventually showed up.

The owner of a professional service company stated he had not done business directly with Denver. Government clients of this company included RTD, Denver Housing Authority, Denver Public Schools and other cities such as Aurora and Thornton. About 5 years before, he had been interested in doing work with Denver, but was told that in order to find out about opportunities he had to pay a private company to subscribe to a notification service. He described it as a “bizarre process.” He was

offended at having to pay for the service. No other government used such a system. He could see the value of a single notification service, to avoid having to go around to all of the various agencies. However, it was not selective in what information it sent to him. He still had to wade through postings in which he had no interest. He discontinued the effort and “gave up on Denver.”

Unresponsive selection process. The Hispanic woman owner of a marketing and advertising company stated her company had never succeeded in procuring a prime or subcontract job with Denver or any other public entity despite being a certified MBE. She complained that as a bid deadline approached, her calls and e-mails were not returned. She complained that voice mail systems were full, and faxes did not go through.

Sole sourced contracts and favoritism in contract awards. Many professional services firms claim that competitive bidding can overlook important qualifications and varying service levels. However, many also criticized sole source contracts as excluding qualified firms from participation. This criticism can also arise from the subjective selection process. Examples follow.

The president of a research company complained that in a recent bid opportunity the project was awarded to a competitor based on favoritism arising from a personal relationship between a person at the City agency and the principal of the competitor. The president’s company, which he asserted was far more qualified and submitted a comprehensive proposal, was never even interviewed. He had information that the work product produced by the competitor did not comply with the RFP. He suggested this problem might be avoided if upper management had to review bid awards, and if proposal evaluation scores were publicly available.

The owner and president of a consulting company complained about Denver’s practice of sole sourcing projects in the \$25,000 to \$50,000 size range, instead of opening them up to competitive bidding. He did not feel that the sole source consultant was unqualified or inappropriate, but he felt that the community should have input into the choice for a consultant. He said he had been told by City personnel that contracts under \$50,000 were not worth the trouble to competitively bid. While he accepted this reasoning for contracts below \$25,000, he felt that \$50,000 contracts were large and meaningful, and should be bid.

Ambiguous specifications. The owner of a supplier and installer of electronic systems complained that an imprecise specification led to a dispute over contract performance. The City’s threat to declare the contract in default was improperly coercive, and could have literally put the company out of business due an inability to procure performance bonds.

Unnecessary technical qualifications or excessive insurance requirements. Some professionals complained about the amount or timing of insurance. Others complained about other technical requirements for proposals. Examples follow.

An executive with an IT consulting company complained that having to pay \$15,000 for a \$5 million bid bond in order to bid on work was a cost which “puts us out of play.” These kinds of requirements “drive all the small companies away from competing and forces the City to hire just the big guns and then the City loses.”

A female executive with a Hispanic-owned IT consulting company observed that the requirement for the bidder to have an OEM relationship with manufacturers like Hewlett Packard and Oracle is exclusionary. She complained that these OEM relationships were costly, and requiring them eliminates minority and small firms. “This almost ensures that the project goes to a big player.”

Similarly, the Asian owner of an IT consulting company reported that he had been interested in making a proposal to Denver on only one occasion. When he called to get more information, he was advised that in order to submit a proposal, his company was required to have a certain high-level product certification. Because this small company lacked this credential, he did not pursue the opportunity. He thought this requirement was unfair, and unduly hurt small businesses. He said that only larger companies, typically with higher numbers of employees and the resulting overhead, would have personnel with these certifications. He felt that if this expertise was required for the project, the bidder should be able to use a team member, which had the certification. He said this expertise was focused on highly technical issues and not on overall project management. He complained that this kind of requirement would prevent his company from ever growing out of being a small business.

Lack of expertise and resources in responding to RFPs. A consistent observation among professionals who had not succeeded in doing business with Denver was the difficulty in properly submitted proposals. For example, the owner of a very small IT consulting company said she had not submitted any proposals to Denver. However, she had submitted proposals to the Denver Housing Authority, Denver Public Schools and the Regional Transportation District, all with no success. She felt that her very small business was at a disadvantage because it did not have the resources to employ people who had expertise in responding to RFPs.

Is there any qualitative evidence of discrimination against MBE/WBE general services firms on particular Denver contracts? While interviews revealed some allegations of discrimination, there was no consistent pattern. Others expressed the opinion that discrimination was not a problem.

A female executive with a Hispanic-owned IT consulting company said that when she had interacted with Denver staff, their response was, if you are a Hispanic-owned business, you must do cleaning or landscaping. They suggested she should pursue projects to water plants, cater and clean. She was offended that they repeatedly told her that she should bid on projects of \$25,000 or less. Another reported negative experience with Denver was when she has requested the ability to get onto the approved vendor list for IT vendors, she was told the list would not change for three years, and she needed to become a subcontractor to someone on the list. In her view, making small and minority firms beg primes for subcontracts “takes away the ability of minority firms to do well and it inflates the cost to the City.” She was reluctant to describe this experience as necessarily discrimination. She preferred the label “unethical.” She analogized it to sharecropping.

The white female owner of a social service consulting firm observed that her staff is almost all female, and many are Latina. She said that she could see that people are not comfortable with her Latina staff. She said that when they did not win jobs, they always followed up. When the feedback was “we’re looking for something else,’ they’ve always hired a man.” After interviewing with a Denver selection group including male representatives from the project’s community partners, at which interview she brought three Latina staff members, she was told, “We’re concerned about the diversity of your workforce.” There was a concern that there were no men on the team to work with fathers.

The Hispanic male owner of a supplier and installer of electronic products believes that race may have played a part in an unfair accusation of impropriety in the award of a sole source contract. The racial element of the incident arose from the fact that the City agency person who was alleged by an investigator to have been involved in the improper sole source award also had a Hispanic surname. The owner of the company complained there was no rational explanation for the disrespectful

treatment he received. This person believed that other recipients of much larger sole source contracts were not subjected to this kind of accusation. While the accusation went away, this company has not been able to do further business with the agency involved.

A white woman real estate economist said that while she has been discriminated against because of her gender fewer than ten times, the City had never discriminated against her because of her gender. She believed there were too many powerful women in the City for women to be discriminated against in contracting.

The white male principal of a company that performs highly specialized scientific services was told 8 or 9 years ago that the company was “too white” for a project in the Five Points area. He suggested that he agreed, and that the team should have included minority representation. He observed that, by and large, MBE/WBEs who win work are quite competent, and rarely do less-qualified MBEs win projects.

Conclusions and recommendations for Denver professional services contracts.

MBE/WBE utilization in Denver professional services prime contracts from 2003 through 2004 is high relative to other areas of City procurement. Even so, the percentage of payment dollars going to MBE/WBEs is less than the relative availability of minority- and women-owned firms to conduct this work (36 percent). MBE/WBE law firms, in particular, appeared to receive relatively little Denver work during the study period, even though one-half of the legal work went to small firms.

As described at the outset of this chapter, Denver’s subjective process for awarding professional services contracts could be affected by discrimination against minority or women-owned firms. Further, even if discrimination does not typically affect contract awards, the City could be exposed to allegations of discrimination or other illegal or unethical procurement practices for professional services contracts as long as it lacks a completely transparent system for selecting professional services firms for City work. As an example of how Denver’s practices could be subject to criticism, the study team’s examination of Denver’s professional services contract files found little documentation that justified why a particular contract was sole-sourced and why a specific firms was selected for the work.

Local professional services firms offered many suggestions as to what kinds of assistance would be valuable to them. All participants in in-depth interviews were asked what kinds of programs they felt would benefit small businesses and minority- and women-owned businesses. Summaries of their suggestions follow.

Make evaluation results public. The president of a research company who complained of favoritism in the award of a contract to what he considered to be a less qualified competitor who he asserted had not met the RPF requirements, suggested this problem might be avoided if upper management had to review bid awards, and if proposal evaluation scores were publicly available.

The owner of a marketing and advertising company felt the City should have a post-award follow-up for the unsuccessful bidders to help them better respond to RFPs the next time.

Favor locally-owned businesses. The owner of a company, which performs highly specialized scientific services, which is one of only five companies which perform these services nationwide, expressed the desire for the city to support the people who live here and pay the taxes that pay for the projects.

Provide education assistance to small businesses. The owner of a company which performs highly specialized scientific services, recommended the City present seminars on how to do business with the City. He also recommended the idea of the creation of a Denver Technology Hub Building which houses new businesses and assists with the problem of high rent.

A professional service consultant recommended that an informational brochure should be supplied to new contractors with the City which explained basic City organization, paperwork needed to get into the payment system, and how to plan for taxes at the end of the year. She recommended that a mentor be assigned to contractors so the contractors would have someone to turn to for questions.

A real estate economist proposed a small business conference at which experts could speak on starting and growing a small business.

The owner of a marketing and advertising company reported she had never succeeded in procuring a prime or subcontract job with Denver despite submitting six proposals that year. She concluded public sector clients must be looking for something different than what private sector clients want. She wanted to be informed about what Denver wants to see in proposals. She wanted more information about the winning proposals so she could learn from them, particularly including what was competitive pricing. She thought Denver should conduct a professional services seminar to present examples of winning bids. She wanted to see a mentoring program. She proposed a detailed series of financial seminars.

The owner of a marketing consulting company wanted to know more about how to do business with Denver. She felt there should be resources specifically for professional services. She wanted to see workshops on finding and responding to opportunities.

An executive with an IT consulting company stated her opinion that professional service procurements should start not with the RFP, but with the opportunity for “everyone to come in and talk about the contract. Not just the approved vendors.” She proposed potential vendors sit down and talk about the project, bringing a business perspective to the process.

Speed up the payment process. Several professional service company representatives identified payment problems as an impediment, and suggested that better payment practices were needed. A real estate economist recommended priority payment for subconsultants. She proposed that the City arrange financing opportunities and supply invoice templates.

Reduce or facilitate administrative processes and requirements. A real estate economist proposed that the city require only the types of insurance which apply to the project.

The owner of a marketing and advertising company suggested that the insurance requirements for some contracts are set too high for a small firm.

Similarly, the owner and president of a consulting company said that while his company was not in need of assistance, he thought Denver should “take a zero off its insurance requirements” because small businesses could not afford to pay the \$6,000 to \$7,000 annual insurance premium which his company paid.

The owners of two IT consulting companies proposed that if specifications include specialized expertise, the City should permit bidders to acquire that expertise after bid award by contracting with team members, and not simply preclude bids when the prime bidder lacks the expertise.

Increase notification of opportunities to propose. Multiple executives of professional services firms suggested they would like to do business with Denver, but needed assistance in learning how to find out about opportunities, and how to participate in the process.

The manager of a translation services company suggested that her company be contacted by e-mail whenever bidding opportunities arose. She said she would also like opportunities to get her name in front of buyers and to participate in networking events.

The owner of a consulting firm suggested creating an organized, one-stop portal on Denver.Gov for RFPs. She thought this would avoid having to scroll through many goods opportunities to find an RFP opportunity. She encouraged the City to widely publicize opportunities.

The owner of a professional service company identified Aurora and Thornton as good models for doing business with his company. These cities called his company with opportunities to respond to RFPs in which he had an interest. He observed that ideally the vendors would pre-qualify in some manner, and the procurement system would automatically notify potential bidders.

The owner of a consulting firm suggested the city needs a clearly articulated policy about when bidding is required versus sole-sourcing contracts.

Subcontracting goals program. A real estate economist proposed that the city consider subcontracting goals to assist small and new businesses in gaining exposure and experience.

The owner of a marketing and advertising company suggested that Denver break its marketing and advertising contracts down to give small businesses a chance to apply. She felt the City was not getting the best services by always awarding the contract to the same large firm. She suggested that any MBE program should be meaningful and give opportunities to new businesses and not the same firms repeatedly.

Solicit input from the industry. The owner of a consulting firm proposed that the City convene a meeting of owners of businesses to examine rules and practices, and to get rid of bizarre rules and requirements. She also felt the City needed a clearly articulated policy about when bidding is required versus sole-sourcing contracts.

The owner of a very small IT consulting firm suggested the establishment of a “micro-business task force” to assist the City in learning how to be of assistance to businesses with annual revenues of less than \$250,000.

Focus on small business development. The owner and president of a consulting company said that small business assistance programs needed to take the time to meet with and learn about the needs of small businesses, and needed “to hold the hands” of small business owners. Otherwise, the programs were a waste of time. He also felt that small businesses needed to take responsibility and initiative to develop business relationships with government agencies. He encouraged Denver’s outreach efforts to reach out to the community in which the small businesses were located (as opposed to having these small businesses come downtown to City agencies) and suggested that the Neighborhood Business Revitalization offices could be a portal of entry into a decentralized small business assistance program.

The Asian Indian female owner of an IT consulting company said she was not interested in any assistance program based on her race or gender. She characterized her business as a “micro-business,” and desired any assistance to target her company’s size. She observed that business assistance

programs, which target “small businesses,” do not provide any assistance to micro-businesses because micro-businesses lack the resources to participate. She knew this first hand through her involvement in the SBA Section 8(a) program. She wanted to see Denver develop assistance efforts to assist micro-businesses. She encouraged the establishment of a micro-business task force, and offered to participate on the task force. She had several specific suggestions. First, classify “micro-businesses” as having revenues of less than \$250,000 per year. Second, she wanted support and help in responding to RFPs. She wanted help with the details, and in knowing what the City wanted to see in proposals. Third, she wanted lower insurance requirements, as \$1 million in coverage was too expensive. She also wanted insurance coverage to begin at the commencement of the project, and not be required as of the date of submission of the proposal. Fourth, she wanted to be able to supply required, specialized credentials (such as the CAN and MCSE certifications) via subcontractors. Fifth, she wanted assistance finding access to working capital.

Recommendations

The study team recommendations for professional services focus on remedying the potential defects in this system. These recommended measures are race and gender-neutral. Many recommendations were made by professionals who were surveyed or interviewed.

Compete professional services contracts, or have reasons for waivers of competition.

The City should encourage formal competition for professional services contracts above \$50,000 (with certain senior management-approved waivers of competition) and encourage informal competition for smaller professional services contracts. Purchasing staff is available to assist City departments with these procurements. Purchasing already has standards for how:

- Specifications and minimum qualifications are determined;
- Potential proposers are notified about each procurement opportunity;
- Firms’ qualifications and proposals are evaluated (e.g., evaluation points are awarded); and
- Interviews are held.

Purchasing should also add professional services firms to the bidders list for use by Purchasing staff and also by end-user departments when they are seeking professional services firms for smaller contracts. Purchasing should conduct additional outreach to small, minority- and women-owned professional services firms. For example, minority and female owners of law firms should be introduced to Legal staff at the City.

Do not implement a subcontracting goals program. From the information available to the study team, it appears that very few professional services contracts at the City involve subcontracts. The study team concludes that because subcontracting is not a typical practice in the types of professional services fields involved in Denver work, the use of a subcontracting program (such as an MBE/WBE/SBE program) is not likely to be effective. There are race- and gender-neutral ways to encourage MBE/WBE/SBE participation in City professional services contracts short of implementing subcontracting goals. If these neutral measures prove ineffective, there are programs that more-directly address barriers to MBE/WBE participation than a subcontracting goals program.

Improve the consistency of timely payments to professional services vendors. A number of professional services firms interviewed complained of very slow payment by the City or City agencies. Slow payment disproportionately affects small firms, including MBE/WBEs. The City should conduct a broader audit of this issue to determine what steps in the payment cycle are causing delays. Denver should also put into place mechanisms to encourage timely prime consultant payments to subconsultants working on Denver projects.

Ongoing monitoring. The City should carefully monitor MBE/WBE participation as prime consultants in each stage of the procurement process for professional services. Denver should monitor MBE/WBE utilization by type of professional services work and by race/ethnicity/gender.

SECTION III.

General Services

BBC’s analysis of Denver procurement of general services completes the analysis of services purchases. “General services” refers to a wide range of services to private and public sector clients that fall outside professional services. In contrast to professional services discussed in Section II, general services procurements are more often based on low bid. Qualifications may be considered as a screen, but the work is more likely to go to the qualified firm that submits the lowest price.

Denver general services procurements vary from building management and maintenance to work such as waste hauling and management, and security services. The study team also included communications in general services, combining equipment and service. Another large area of purchases is parking services. BBC grouped services including printing, carpet cleaning, and staffing into a “business services” category. “Maintenance and repair” includes lawn maintenance and landscaping.

Denver spends about \$106 million per year on these types of services, primarily with firms with offices in the Denver Metro Area. The City spends significantly more per year on general services than it does on either professional services or goods purchases. Denver’s Purchasing Division typically makes these purchases.

We discuss the specific fields involved in Denver contracts, which allows us to focus on these areas when examining local marketplace conditions. This chapter then examines how minority- and women-owned firms have fared when seeking Denver general services contracts.

BBC’s recommendations for this area of Denver procurement are summarized in Figure III-1 and reviewed in detail at the end of this chapter.

Denver General Services Work

General services procurement at the City is similar to goods procurement in that it is usually based on low bid. General services also has parallels with professional services because firms need to be perceived as qualified to perform the work to be hired by clients. As with professional services, the types of work can be very diverse.

Denver has had an MBE/WBE program for general services and replaced it with a small business program. Neither program appears to have been successfully implemented in part because they focused on subcontracting goals. As shown in this Chapter, subcontracting is not a typical practice in this industry.

Denver purchases many different types of work from the local services industry.

Figure III-1. Summary of recommendations

- Continue to conduct outreach to SBE/MBE/WBEs and train new bidders on procurement procedures.
- Review if vendor payment times can be improved.
- Consider improvement to electronic bid notification system.
- Seek new vendors, especially smaller firms, for small purchases that need not be competitively bid.
- Extend provisions of the Construction Empowerment Initiative to general services firms.
- Target building management and maintenance, and security services for greater small business participation.
- Denver should not implement race- and gender-based programs for general services at this time.

**Figure III-2.
Identification of Denver payments for general services**

Because most general services purchases go through Purchasing, BBC could often identify purchases as general services based on the description of the service in the City's electronic contract files. Other methods included:

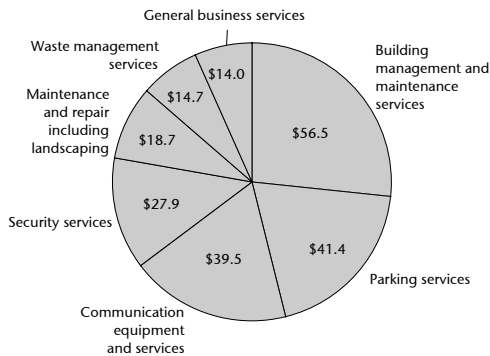
- The primary Standard Industrial Classification (SIC) codes for firms doing Denver work as provided by Dun & Bradstreet;
- Review of information on Denver vendors' websites;
- Phone calls to Denver vendors; and
- Review by Denver staff.

Total dollars of general services work. BBC researched Denver's use of prime contractors by examining payments to firms from January 2003 through December 2004. BBC focused on firms receiving at least \$5,000 of payments as prime contractors over this two-year period, which captures a very large share of total procurement dollars. BBC identified 553 different vendors receiving at least \$5,000 in payments from Denver over this period, not including universities, not-for-profit organizations and government agencies. BBC identified general services firms through the procedures listed in Figure III-2.

Denver made a total of \$212.6 million in payments to general services firms from January 2003 through December 2004. As shown in Figure III-3, building management and maintenance services represent about 27 percent of this spending. Parking, communication equipment and services, and security services were the next three largest areas of spending.

Location of firms involved in Denver general services work. Denver draws general services vendors from the Denver area. About 95 percent of Denver's prime contract dollars for general services went to firms with offices in the greater Denver area (see Figure III-4). Based on these results, BBC focused the analysis of market conditions for general services firms on the Denver area.

**Figure III-3.
Denver payments to general services firms, Jan. 2003-Dec. 2004 (millions)**



Source: BBC Research & Consulting from Denver Purchasing data.

**Figure III-4.
Analysis of relevant geographic market area for City of Denver general services purchases**

Area	Number of Vendors	Sum of Payments	Percent of Total Payments
City of Denver	244	\$ 175,203,247	82.4 %
Other Denver MSA	186	26,631,052	12.5
Boulder	13	666,045	0.3
Subtotal	443	202,500,344	95.2 %
Other Colorado	17	732,623	0.3
Other Areas	93	9,375,234	4.4
Total	553	\$ 212,608,202	100.0 %

Note: Includes vendors receiving total payments of at least \$5,000 from January 2003 through December 2004.

Source: BBC Research & Consulting from City and County of Denver database.

Types of General Services Work at Denver

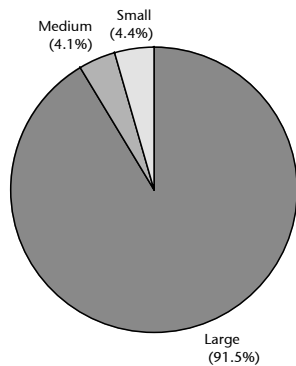
Because of the variety of general services procured by the City, it is useful to summarize the largest areas of work at the City. BBC examined the seven largest areas of general services spending for 2003-2004, including each of the areas identified in Figure III-3. BBC examined firms receiving the most Denver payments for building management and maintenance, parking services, communication equipment and services, security services, maintenance and repair, waste management services and general business services.

Building management and maintenance. Denver spends a considerable amount of money on building management and maintenance for its City and County offices — more than \$25 million each year from January 2003 to December 2004.

Nearly all of the payments for building management and maintenance were received by firms with 500 or more employees. For those firms for which BBC could identify the size of the company, more than 90 percent of payments for building management and maintenance went to large firms. Figure III-5 shows the distribution of payments by size of firm. Only 4 percent of the payments went to firms with fewer than 25 employees and a similar percentage went to medium-sized firms with between 25 and 500 employees.

BBC identified 50 firms providing building management and maintenance services that received at least \$5,000 in payments from the City for 2003-2004. The eight firms listed in Figure III-6 received at least \$500,000 in Denver payments from January 2003 through December 2004. These eight firms received a total of \$53.5 million or nearly all of the \$56.5 million paid to the firms providing management and maintenance firms during the study period. None of these firms is an MBE/WBE. Figure III-7 briefly introduces each firm.

Figure III-5.
Total payments to building management and maintenance firms by size of firm



Note: Payments to prime contractors.
Source: BBC Research & Consulting from Denver Purchasing data.

Figure III-6.
Building management and maintenance firms receiving \$500,000 or more in Denver payments, Jan. 2003-Dec. 2004

Building management and maintenance	Payments (millions)
BG Service Solution	\$ 32.1
Wilson Thorn	10.5
S.M.G.	5.8
Aramark Corporation	2.2
Asphalt Paving Company	1.0
Western Ground Services Inc	0.9
Price Service & Sales	0.6
Buehler Moving & Storage	0.6

Note: Payments to prime contractors.
Source: BBC Research & Consulting from Denver Purchasing data.

Figure III-7.
Background on building management and maintenance firms receiving at least \$500,000 in Denver payments, Jan. 2003-Dec. 2004

BG Service Solution. BG Service Solution provides commercial janitorial and general building maintenance to private businesses, government, schools and airports throughout the Midwest. BG Service Solution’s corporate office is located in Kansas City, Missouri, although the company operates from nine offices throughout the Midwest, including one office in Denver. The firm is privately-owned.

Wilson Thorn. Wilson Thorn Properties specializes in building and property management, leasing and investment brokerage services. Wilson Thorn is a full service affiliate of Douglas Wilson Companies, a company founded in 1989 to provide real estate services to clients throughout the western United States. The firm is headquartered in San Diego, California and has three additional offices, including one office in Denver. Wilson Thorn is a privately-owned company.

SMG. SMG is a facility management firm that specializes in arenas, stadiums and convention centers. SMG manages more than 150 entertainment facilities, including the Colorado Convention Center. The firm is a joint venture between Hyatt Hotel Company and ARAMARK Corporation, and is headquartered in Philadelphia, Pennsylvania.

ARAMARK Corporation. ARAMARK Corporation provides food, apparel, building maintenance and housekeeping services to businesses, health care institutions and colleges throughout the world. Founded 1959, ARAMARK has its headquarters in Philadelphia, Pennsylvania and employs over 200,000 people. The firm is publicly-traded (NYSE:RMK).

Figure III-7. continued
Background on building management and maintenance firms
receiving at least \$500,000 in Denver payments, Jan. 2003-Dec. 2004

Asphalt Paving Company. BBC was unable to locate any information on this firm.

Western Ground Services, Inc. Western Ground Services is a Denver-based firm that provides sweeping and cleaning services for roads, parking lots and other surfaces. Western Ground Services is a privately-owned company.

Price Service & Sales. BBC was unable to locate any information on this firm.

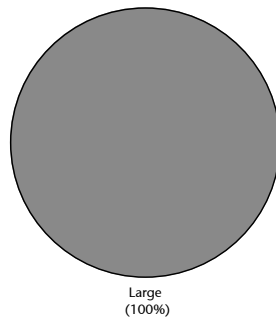
Buehler Moving & Storage. Buehler Moving & Storage is a full-service moving company whose services include residential relocations, commercial warehousing and office moving. The firm has locations in Denver and Ft. Worth, Texas. Buehler was founded in Denver in 1912, and the company remains privately-owned.

Parking services. From January 2003 to December 2004, Denver paid \$41.4 million to four firms for parking services.

Among those firms for which BBC could identify the size of the company, all of the payments for parking services were received by large firms (500 or more employees) as shown in Figure III-8.

The three firms identified in Figure III-9 received all of the payments to parking services firms during the study period. Figure III-10 provides some background for these firms. None of these firms is an MBE/WBE.

Figure III-8.
Total payments to parking services firms by size of firm



Note: Payments to prime contractors.

Source: BBC Research & Consulting from Denver Purchasing data.

Figure III-9.
Parking services firms receiving \$500,000 or more in Denver payments, Jan. 2003-Dec. 2004

<i>Parking</i>	<i>Payments (millions)</i>
AMPCO System Parking	\$ 37.4
Central Parking System	2.3
Republic Parking System	1.6

Note: Payments to prime contractors.

Source: BBC Research & Consulting from Denver Purchasing data.

Figure III-10.
Background on parking services firms receiving at least \$500,000 in Denver payments, Jan. 2003-Dec. 2004

Ampco System Parking. Ampco System Parking is an industry leader in the operation of parking facilities. Established in 1966, the firm provides a wide range of services related to parking facilities, such as parking utilization, revenue control, rate analysis, and transportation programs. Ampco System is owned by ABM Industries, Inc., a publicly-traded company (NYSE:ABM). Headquartered in Los Angeles, California, Ampco Systems operates many regional office locations, including one office in Denver.

Central Parking System. Central Parking owns, operates and manages parking facilities throughout North and South America and Europe. The firm also provides ancillary services such as parking consulting, shuttle bus operation, valet, and parking meter collection. The firm was founded in 1959 in Nashville, Tennessee, where the firm's headquarters remain. Central Parking is publicly-traded (NYSE:CPC).

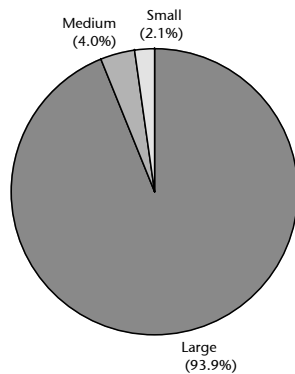
Republic Parking System. Republic Parking System is a professional parking and transportation management company that specializes in managing parking facilities and transportation related services. Founded in 1966, today Republic Parking operates over 140,000 parking facilities and employs over 1,600 people. The firm has its corporate headquarters in Chattanooga, Tennessee and has five regional offices throughout the U.S. including Denver, Colorado. The firm is privately-owned.

Communication equipment and services. During the two-year study period, Denver spent about \$39.5 million with 48 firms supplying communication equipment and service.

Nearly all of the payments for communications equipment and service were received by large firms. Among firms for which BBC could identify the size of the firm, about 95 percent of payments went to firms with 500 or more employees. Figure III-11 shows the distribution of payments by size of firm.

Nine firms received at least \$500,000 in Denver payments (as prime contractors) from January 2003 through December 2004. These nine firms were paid a total of \$37.0 million, as shown in Figure III-12. These vendors received 94 percent of the payments in this area for 2003-2004. Figure III-13 briefly discusses these vendors.

Figure III-11.
Total payments to communications equipment and service firms by size of firm



Note: Payments to prime contractors.
Source: BBC Research & Consulting from Denver Purchasing data.

Figure III-12.
Communications equipment and service firms receiving \$500,000 or more in Denver payments, Jan. 2003-Dec. 2004

Communications	Payments (millions)
Qwest Communications International, Inc	\$ 17.8
M/A-Com Wireless Systems	5.7
SBC Datacomm/AT&T	5.2
Verizon Wireless	4.3
MCI	1.0
ICG Telecommunications Group	1.0
Nextel Communications	0.8
Econolite Control Products Inc	0.8
Ford Audio-Video System Inc (WBE)	0.6

Note: Payments to prime contractors.
Source: BBC Research & Consulting from Denver Purchasing data.

Figure III-13.
Background on communications equipment and service firms receiving at least \$500,000 in Denver payments, Jan. 2003-Dec. 2004

Qwest Communications International Inc. Qwest Communications is a firm that provides local and long distance phone, cable TV, high speed internet, and other communications services to residential areas and small and large businesses. Qwest Communications is headquartered in Denver, Colorado, and the company operates in 14 states across the western United States. Qwest employs more than 40,000 individuals, and is a publicly-traded company (NYSE:Q).

M/A-Com Wireless Systems. M/A-Com Wireless Systems provides two-way mobile radio products and services. M/A-Com Wireless is a business unit of M/A-Com, Inc., a nationwide company that employs more than 3,000 individuals. M/A-Com is headquartered in Lynchburg, Virginia, and is a subsidiary of Tyco Electronics, a publicly-traded (NYSE:TYC) company that specializes in electronics communication systems.

SBC Datacomm. SBC Datacomm designs, delivers and manages data and voice networks. SBC is a subsidiary of SBC Communications, the nation's second largest wireless and data networking company. SBC Datacomm is headquartered in San Antonio, Texas and employs more than 6,000 people at locations throughout North America, including several offices in the Denver area. SBC Communications is a publicly-traded company (NYSE:SBC). SBC recently merged with AT&T, and will adopt AT&T (NYSE:T) as its name.

Verizon Wireless. Verizon Wireless provides wireless voice and data communication services. Verizon Wireless is a subsidiary of Verizon Communications, one of the nation's largest communication service providers. Verizon Communications employs 208,000 individuals throughout the United States. Verizon Communications was formed by the merger of two telecommunication firms (Bell Atlantic and GTE) in 2000 and is a publicly-traded company (NYSE:VZ).

**Figure III-13. (continued)
Background on communications equipment and service firms receiving
at least \$500,000 in Denver payments, Jan. 2003-Dec. 2004**

MCI. MCI provides a wide range of Internet, data, and voice communication services to consumers, businesses and government entities. MCI employs approximately 40,000 individuals at offices located worldwide, including several offices in the Denver Metro Area. Founded in 1968, MCI is headquartered in Ashburn, Virginia and is a publicly-traded company (Nasdaq:MCIP)

ICG Telecommunications Group. ICG provides voice, internet and data communication services. ICG operates heavily in two states—Colorado and Ohio, although the firm is expanding and includes offices in California, Tennessee, and Kentucky. The firm has a total of 23 offices (including two offices in the Denver Metro Area). ICG is a subsidiary of MCCC ICG Holdings, controlled by M/C Venture Partners and Columbia Capital, two private venture capital firms.

Nextel Communications. Nextel Corporation offers a wide range of communications services, including wireless, local and long distance phone services, Internet and data. Nextel Communications recently merged with Sprint. Sprint Nextel is headquartered in Reston, Virginia, and employs nearly 60,000 individuals at its corporate and retail office locations located throughout North America. The firm’s stock is publicly-traded (NYSE:S).

Econolite Control Products Inc. Econolite Control Products designs and manufactures products for the transportation management systems market, as well as providing traffic engineering, planning and analysis services. Based in Anaheim, California, Econolite employs approximately 500 individuals at offices located throughout North America (including one office in Golden, Colorado). Econolite is a privately-owned company.

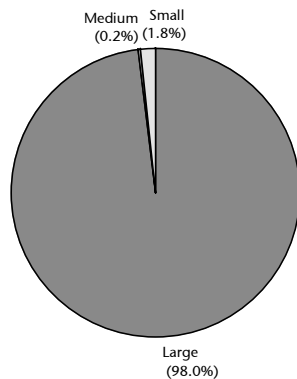
Ford Audio-Video System Inc. Ford Audio-Video Systems is an uncertified woman-owned firm that provides sound systems and video projection units for large venues such as stadiums and theaters. Ford Audio-Video was founded in 1973 in Tulsa, Oklahoma. Today the firm employs more than 200 employees at five offices across the U.S. (one of these offices is in Denver).

Security services. From January 2003 to December 2004, Denver spent about \$28 million with 16 firms providing security services.

Again, firms with 500 or more employees received nearly all of the payments. Figure III-14 shows the distribution of payments by size of firm.

Four firms received at least \$500,000 in Denver payments (as prime contractors) from January 2003 through December 2004. These four firms received a total of \$26.9 million, or 96 percent of all payments made to security services firms over the two-year period. Figure III-15 identifies total payments by firm and Figure III-16 on the following page introduces each firm.

**Figure III-14.
Total payments to security
service firms by size of firm**



Note: Payments to prime contractors.
Source: BBC Research & Consulting from Denver Purchasing data.

**Figure III-15.
Security service firms receiving \$500,000 or
more in Denver payments, Jan. 2003-Dec. 2004**

Security	Payments (millions)
FirstWatch Security Services	\$ 16.9
Securitas Security Services USA Inc	4.3
C&D Security (WBE)	2.9
Contemporary Services Corporation	2.7

Note: Payments to prime contractors.
Source: BBC Research & Consulting from Denver Purchasing data.

**Figure III-16.
Background on security service firms receiving
at least \$500,000 in Denver payments, Jan. 2003-Dec. 2004**

FirstWatch Security Services. FirstWatch provides commercial and industrial security services. The firm is owned by Hospital Shared Services, a private firm offering support service programs to the health care industry. Both FirstWatch and Hospital Shared Services are located in Denver, and are privately-owned companies.

Securitas Security Services USA Inc. Securitas Security Services provides security solutions and services to government and commercial buildings throughout the world. The firm began its operations in 1934 in Helsingborg, Sweden and entered the U.S. market in 1999. Securitas employs more than 100,000 people in the U.S. from more than 600 branch offices, including offices in the Denver Metro Area. Internationally, the Securitas Group has 2,000 branch offices in 30 different countries. The company is publicly-traded on the Swedish Stock Exchange.

C&D Security. C&D Security provides armed and unarmed security guards for various events to federal, state and local governments throughout the U.S. The firm started in the 1970s and changed ownership in 1991. C&D Security has six offices in the U.S. and employs 500 people. The firm's corporate office is located in Denver, Colorado. C&D is a women-owned firm.

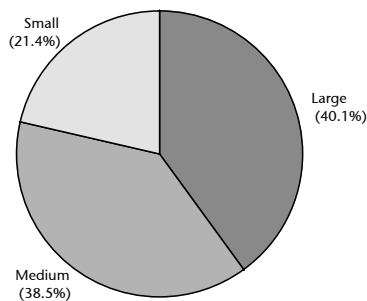
Contemporary Services Corporation. Contemporary Services Corporation (CSC) provides crowd management services, which includes security, ticket taking, ushering, and parking, at special events. CSC currently provides crowd management and security services for various stadiums and events in Denver, including Invesco Field at Mile High, Red Rocks, the PGA's International Golf Tournament and other events occurring in the Denver Area. CSC was founded in 1967, and currently has 32 regional offices in 21 states. It is a privately-owned company.

Maintenance and repair, including landscaping. Denver spent \$19 million over the study period with 119 firms providing a wide variety of maintenance and repair services, including landscaping.

The majority of the payments for maintenance and repair, including landscaping were split among firms with 500 or more employees and medium-sized firms (25-499 employees). About 80 percent of payments went to large and medium-sized firms. Figure III-17 shows the distribution of payments by size of firm.

The twelve firms listed in Figure III-18 received at least \$200,000 in Denver payments (as prime contractors) from January 2003 through December 2004. These twelve firms were paid a total of \$15.1 million, or 81 percent of the \$18.6 million paid to all maintenance and repair firms during the study period. The largest vendors are briefly introduced in Figure III-19.

**Figure III-17.
Total payments to maintenance and repair,
including landscaping firms by size of firm**



Note: Payments to prime contractors.
Source: BBC Research & Consulting from Denver Purchasing data.

**Figure III-18.
Maintenance and repair firms, including
landscaping, receiving \$200,000 or more in
Denver payments, Jan. 2003-Dec. 2004**

Maintenance and repair, including landscaping	Payments (millions)
Kone, Inc	\$ 6.6
FMC Technologies Inc. - Airport Systems	2.9
Extreme Towing & Recovery	2.0
Mirage Recovery Service	0.7
Colorado Elevator Service Inc	0.7
Rushton Tree Service	0.4
Southwestern Equipment Company	0.4
Acme Tree Service (WBE)	0.3
Century Helicopters Inc	0.3
Pine Lane Nursery Inc	0.3
Lochard Corporation	0.3
Initial Tropical Plants Inc	0.2

Note: Payments to prime contractors.
Source: BBC Research & Consulting from Denver Purchasing data.

Figure III-19.

Background on maintenance and repair firms, including landscaping, receiving at least \$200,000 in Denver payments, Jan. 2003-Dec. 2004

Kone, Inc. Kone installs, maintains and modernizes elevators, escalators and automatic building doors. Kone employs over 25,000 people at more than 800 locations located worldwide. Kone Corporation is a global service and engineering company established in Finland in 1910. The U.S. corporate office of Kone is located in Moline, Illinois, and the firm has four offices in Colorado. Kone is a publicly-traded firm.

FMC Technologies Inc – Airport Systems. FMC - Airport Systems designs, manufactures and services equipment for airports, including cargo loaders, tow machines and related products. Airport Systems is a division of FMC Technologies, a company that manufactures and services sophisticated products for its three divisions: Energy and Transportation, FoodTech, and Airport Systems. FMC Technologies operates 32 manufacturing facilities in 16 countries, and is headquartered in Houston, Texas. The firm is publicly-traded (NYSE:FTI).

Extreme Towing & Recovery. Extreme Towing & Recovery is based in Aurora, Colorado and is a privately-owned company.

Mirage Recovery. Mirage Recovery is a firm that provides towing services for automobiles. The company is based in Commerce City, Colorado, and is privately-owned.

Colorado Elevator Service, Inc. Colorado Elevator repairs and maintains elevators in commercial buildings. Colorado Elevator is based in Denver, Colorado and is a privately-owned firm.

Rushton Tree Service. Rushton Tree Service provides many landscaping services, including tree removal, trimming, and insect control. Rushton Tree Service was founded in 1988 and is based in Lakewood, Colorado. The firm is privately-owned.

Southwestern Equipment Company. Southwestern Equipment Company sells parts for specialty commercial vehicles such as garbage trucks. Founded in 1972 and based in Justin, Texas, Southwestern Equipment company is privately-owned.

Acme Tree Service. Acme Tree Service is a Denver-based landscaping and tree care company. Services include shrub and tree services such as trimming, removal, and fertilization. Acme Tree Service is an uncertified woman-owned firm.

Century Helicopter Inc. Century Helicopter provides helicopter maintenance and repair services. Century Helicopter is based in Fort Collins, Colorado and is a privately-owned firm.

Pine Lane Nursery Inc. Pine Lane Nursery is a tree and shrub nursery located in Parker, Colorado. The company sells, delivers, and plants a wide variety of trees and shrubs. Pine Lane was founded in 1980 and remains a privately-owned company.

Lochard Corporation. Lochard Corporation designs and builds airport noise monitoring and flight track management systems. Lochard was founded in 1991 and today operates from four office locations, two of which are in the United States (Sacramento, California and Boston, Massachusetts). Lochard is a private partnership.

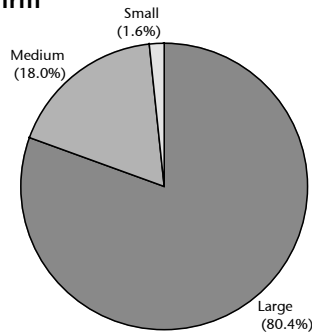
Initial Tropical Plants Inc. Initial Tropical Plants designs, installs and maintains interior landscapes in office buildings, hotels and other large commercial buildings. The company operates from 39 offices, one of which is in Denver. Initial Tropical Plants is owned by the Rentokil-Initial Company, a large building maintenance service provider based in West Sussex, United Kingdom. Rentokil-Initial is publicly-traded on the London Stock Exchange.

Waste management. Denver spent almost \$15 million with 15 waste management firms over the two-year study period.

About 80 percent of the \$15 million went to firms with 500 or more employees. Figure III-20 shows the distribution of payments by size of firm.

Two firms received 97 percent in Denver payments for waste management services from January 2003 through December 2004, as shown in Figure III-21. Figure III-22 describes the two largest vendors.

Figure III-20.
Total payments to waste management firms by size of firm



Note: Payments to prime contractors.
Source: BBC Research & Consulting from Denver Purchasing data.

Figure III-21.
Waste management firms receiving \$500,000 or more in Denver payments, Jan. 2003-Dec. 2004

Waste Management	Payments (millions)
Waste Management, Inc	\$ 11.7
E.T. Technologies, Inc	2.5

Note: Payments to prime contractors.
Source: BBC Research & Consulting from Denver Purchasing data.

Figure III-22.
Background on waste management firms receiving at least \$500,000 in Denver payments, Jan. 2003-Dec. 2004

Waste Management Inc. Formerly USA Waste Services, Waste Management provides waste and environmental services throughout North America. Waste Management has a network of about 1,200 sites that it owns and operates including landfills, energy and recycling plants. Waste Management also operates one of the largest trucking fleets in the industry for its collection services. Headquartered in Houston, Texas, Waste Management employs about 51,000 individuals at offices throughout the U.S. including one office in Denver. Waste Management is a publicly-traded company (NYSE:WMI).

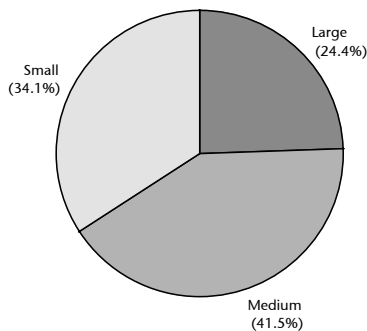
E.T. Technologies, Inc. Founded in 1983, E.T. Technologies is an environmental contracting firm based in Denver that specializes in the disposal of hazardous liquids and petroleum products. E.T. Technologies employs approximately 50 individuals in the Denver Metro Area, and is a privately-owned company.

Business services. BBC grouped diverse general business service purchases into one category that includes commercial printing and graphic design, linen supply, industrial launderers and employment agencies. From January 2003 through December 2004, Denver spent \$14 million with 301 firms supplying these services.

Three-quarters of the payments to business services firms were received by small (1-24 employees) and medium-sized firms (25-499 employees). Figure III-24 shows the distribution of payments by size of firm.

The twenty-one firms shown in Figure III-23 received at least \$100,000 from Denver for general business services from January 2003 through December 2004. These 21 firms account for a total of \$9.9 million in payments from Denver during this period or two-thirds of the \$14 million paid to all the business services firms. Figure III-25 describes each of the large business service vendors.

Figure III-23.
Total payments to business services firms by size of firm



Note: Payments to prime contractors.
Source: BBC Research & Consulting from Denver Purchasing data.

Figure III-24.
Business services firms receiving \$100,000 or more in Denver payments, Jan. 2003-Dec. 2004

General Business Services	Payments (millions)
Remy Corporation	\$ 3.0
Ascom Transport Systems Inc	2.1
Servicemaster by Clarke	0.5
Language Line Services	0.4
Sanborn Colorado, LLC	0.4
Ray Fenter & Associates (WBE)	0.2
Systems Integration Corporation (WBE)	0.2
Optimized Image Capture Enterprise Solutions	0.2
AlSCO	0.2
Quinby Clune Design (WBE)	0.2
Unique Management Services, Inc	0.2
Eastwood Printing & Publishing Company (WBE)	0.2
Mark Mock Design Associates	0.2
Genesis Jobs Inc	0.2
All Star Delivery of Process (WBE)	0.1
Mobile Access (WBE)	0.1
The Bus Service	0.1
FedEx	0.1
Appriss Inc	0.1

Note: Payments to prime contractors.
Source: BBC Research & Consulting from Denver Purchasing data.

Figure III-25.
Background on business services firms receiving at least \$100,000 in Denver payments, Jan. 2003-Dec. 2004

Remy Corporation. Denver-based Remy Corporation is a staffing and consulting firm. Remy Corporation was founded in 1999 in Denver and has nine offices located throughout the U.S. The firm employs approximately 500 people and is a privately-owned company.

ASCOM Transport Systems Inc. ASCOM Transport Systems is a division of ASCOM, Inc., a leading provider of wireless and network integration services. The firm has subsidiaries in 20 countries and a workforce of 3,800 employees. In 1987, three leading Swiss companies merged to form ASCOM. ASCOM Transport Systems is headquartered in Norcross, Georgia, and the company has a regional office in Denver. ASCOM is publicly-traded on Zurich's stock exchange (SWX:ASCN).

Servicemaster. Servicemaster provides landscape maintenance, pest control, heating and air conditioning, and other household services. The corporation consists of several smaller companies such as TruGreen Lawns, Terminex, Merry Maids and Rescue Rooter. Headquartered in Downers Grove, Illinois, ServiceMaster has a network of over 5,400 company-owned and franchised locations. Servicemaster is a publicly-traded company (NYSE:SVM).

Figure III-25. (continued)

Background on business services firms receiving at least \$100,000 in Denver payments, Jan. 2003-Dec. 2004

Language Line Services. Language Line Services provides both over-the-phone and in-person interpreting services, as well as document translation services. Language Line Services is based in Monterey, California and is owned by ABRY Partners, a Boston-based private equity fund.

Sanborn Colorado, LLC. Sanborn provides services in the geographic information system (GIS) and photogrammetry mapping industries. The firm was founded in 1866; today Sanborn has 12 offices located across the United States. Sanborn is headquartered in Colorado Springs, Colorado (and has another regional office in Fort Collins), and is a privately-owned firm.

Ray Fenter & Associates. Ray Fenter & Associates (also known as Success Auctions) is a firm that specializes in operating auctions and appraisals for private foundations, police departments, government and tax agencies as well as other entities. Ray Fenter operates two offices in Colorado (one in the Denver area and the other in Colorado Springs), and is a certified (white) woman-owned firm.

Systems Integration Corporation. Systems Integration Corporation (SIC) is a firm that designs, installs and maintains security systems. SIC has two regional offices, one of which is located in Denver. The firm is a woman-owned business.

Optimized Image Capture Enterprise Solutions. BBC was unable to locate any information on this firm.

Alsco. Alsco is a firm providing textile services — the cleaning of uniforms, flat linens, clean room garments and other items. Alsco was founded in 1889 in Lincoln, Nebraska, and has since grown to include 110 different locations. Alsco remains a privately-owned firm.

Quinby Clune Design. Quinby Clune Design is a graphic design firm based in Denver, Colorado, that specializes in designing street signs for cities, signage for buildings and corporations, and other urban graphic design projects. Quinby Clune is a certified (white) woman-owned firm.

Unique Management Services, Inc. Unique Management Services is a debt collection firm that works exclusively with libraries. Based in Jeffersonville, Indiana, Unique Management Services employs approximately 30 individuals and works with 600 libraries across the U.S. and Canada. The firm is privately-owned.

Eastwood Printing & Publishing Company. Eastwood Printing & Publishing is a Denver-based publishing firm. Founded in 1905 in Denver, Eastwood was recently acquired by Consolidated Graphics, Inc., a Houston-based publishing company. Consolidated Graphics is a publicly-traded company (NYSE:CGX).

Mark Mock Design Associates. Mark Mock Design Associates is a graphic design firm specializing in commercial art, marketing, investor relations and web design. The firm helps to design websites, brochures, annual reports, and other public relations products. Mark Mock Design is located in Denver, and is a privately-owned firm.

Genesis Jobs, Inc. Genesis Jobs is a Denver-based employment agency.

All Star Delivery of Process. All Star Delivery of Process (formerly Spiegelman & Associates) is a Denver-based firm that delivers and serves legal processes in the Denver area. All Star Delivery was founded in 1980 in Denver. The firm is woman owned, but is not certified.

Mobile Access. Mobile Access is a Denver-based firm that provides transportation services for those with disabilities and special needs. Founded in 1991, today Mobile Access employs approximately five individuals. Mobile Access is a woman-owned firm, but is not certified.

The Bus Service. The Bus Service provides chartered buses. The firm's only office is located in Denver, Colorado. The Bus Service is a private partnership.

FedEx. FedEx provides air delivery, e-commerce and other general business services through its subsidiaries: FedEx Ground, Fed Ex Freight, Fed Ex Kinko's and FedEx Express. FedEx employs nearly 250,000 people at approximately 2,500 locations worldwide. Incorporated in 1971, the firm's global headquarters are located in Memphis, Tennessee. FedEx is a publicly-traded company (NYSE:FDX).

Appriss Inc. Based in Louisville, Kentucky, Appriss Inc. develops software and hardware technology solutions for criminal justice databases for government agencies at the state, local and federal level. Appriss was founded in 1994 and remains a privately-owned company.

Types and sizes of contracts. The Department of General Services Purchasing Division makes goods and services purchases for agencies of the City and County of Denver, including Denver International Airport (DIA) and Denver Wastewater. Independent agencies responsible for their own purchases include Denver Water and Denver Health. The City Auditor, City Council, Career Services Authority and cultural facilities such as the Denver Zoo and the Denver Public Library also make their own goods and services purchases.

Denver Purchasing Division policy stipulates that formal bids for goods and general services (those with an approximate value of \$25,000 or more) must be advertised in the Daily Journal or other newspaper. Formal bids may also be downloaded from the City Purchasing website. Informal bids (those with an approximate value of more than \$5,000 but less than \$25,000) may be viewed in the “Green Book” at the City’s Purchasing Division offices. Informal bids (less than \$5,000) do not need to be publicly advertised; however, the buyer is expected to obtain three quotes.

In addition to analyzing payments to general services firms, the study team examined a sample of 35 general services purchase orders and contracts that were issued during the study period or for which payments were made by Denver during the study period. The majority of the sampled purchase orders and contracts were obtained through a random sample of contracts and purchase orders managed by Denver’s Purchasing Division. Most general services purchases are managed by the Purchasing Division and do adhere to Denver’s purchasing policy. However, there is a gray area in some cases between the definition of a service as a general service or a professional service. This has led some individual agencies to manage some purchases for general services in the same manner as purchases for professional services. To obtain additional purchases managed by individual agencies and not by the Purchasing Division, the study team randomly sampled purchase orders and contracts through a separate list obtained from payments data.

The general services contracts collected by the study team ranged from a \$500 purchase order for vehicle repair services to a \$260,000 contract for elevator replacement and maintenance and a \$500,000 waste and debris hauling contract.

The study team’s analysis showed there were some instances in which the files did not contain all of the desired information about a purchase. Nevertheless, this dataset of general services purchases allows us to make conclusions from the information we did review. The discussion that follows is based on the information reported in these files.

The Purchasing Division typically competes general services contracts and most are awarded based on low price. When the winning bidder was not selected based on lowest price, the documentation in the file indicates the selection was based on a combination of price and qualifications. For a few of the contracts, there was no information in the file addressing why the vendor was selected, though one contract was for the operation of a landfill owned by a particular company. Another procurement was a purchase off a State of Colorado contract.

Six of the 35 procurement contracts were sole-sourced, and in each case, an explanation was given for the selection.

- Because Denver has standardized some of its equipment, maintenance and repair purchases often go to the firm awarded the original purchase contract. Denver sole-sourced an elevator maintenance contract to Kone, Inc., a communications equipment and service contract to M/A Com Wireless Systems to maintain communications systems that have been in place for nearly 15 years, and a replacement contract for a fire rig nozzle to Crash Rescue Equipment Service because they are the manufacturer and the only firm that can provide both the repair and/or replacement.
- Denver may also utilize firms perceived to provide better quality or service. In one case, a moving contract awarded in one year to the lowest bidder was subsequently sole-sourced to another firm based on unsatisfactory work by the lowest bidder.
- Contracts are also sole-sourced based on expertise. In one case, weed management was awarded to a firm based on its expertise in native, exotic and noxious weed management in addition to their certification to use various chemicals.

The files reviewed for the sampled general service purchases suggest that Denver's procurement of general services is typically competitive and similar to the practices of other public sector agencies. When sole-sourced, the sampled contracts provided explanations for the sole-sourced procurement.

Insights Into the Local General Services Industry

As with the study team's analysis of other local industries, we were able to draw some insights into the fields that make up what we have grouped into the local general services industry from the history of the firms performing the most City work, the interviews conducted with firms in the local region, and other analyses. Figure III-26 summarizes the breadth of the research the study team conducted.

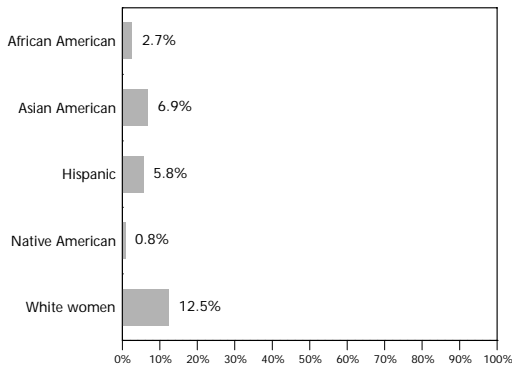
Do minorities and women own goods firms?

BBC Research & Consulting surveyed Denver Metro Area general services firms in mid-2005 to determine the share that are owned and controlled by minorities or women. As with the survey of professional services firms discussed in Section II, the general services firm survey was conducted in two parts. First, BBC attempted interviews with all past Denver general services vendors receiving at least \$5,000 in payments for 2003-2004. The study team successfully contacted 214 of these firms that indicated they were available to do business with Denver in the future. Second, BBC managed a survey of randomly-selected general services firms in the Denver Metro Area within the fields involved in Denver general

Figure III-26. Research into the local general services industry

BBC attempted interviews with each current and past local area Denver general services vendor (over \$5,000 in payments from 2003-2004) identified in this study. We successfully interviewed 214 of these firms. BBC retained Customer Research International (CRI), a Texas-based telephone survey firm, to conduct telephone interviews with randomly-selected general services firms in the Denver marketplace. CRI reached 780 firms. In addition, Harding, Shultz & Downs and Garner Insight completed in-depth telephone interviews with 12 MBE/WBE and majority-owned general services firms. We supplemented this research by collecting Dun & Bradstreet information for firms and by researching firms on the Internet.

Figure III-27.
MBEs and WBEs as a share of total firms
available for Denver general services contracts.



Note: Limited to firms that perform work for the public sector and report qualifications and interest in Denver general services contracts. Availability is weighted based on the dollars of Denver contracts going to different types of general services firms.

Source: BBC Research & Consulting availability survey, 2005.

services work. There were 362 firms included in the random vendor surveys that indicated qualifications and interest in Denver work.¹

The survey was conducted for the seven groups of general services fields examined in this section. To determine overall MBE/WBE availability for general services contracts, the results for each sector were dollar-weighted by the amount of Denver work going to each sector.²

Race/ethnicity and gender of firm control and ownership was determined through the telephone surveys with these firms.

BBC's analysis found that about 16 percent of the firms available for Denver general services contracts were minority-owned and 12.5 percent were white women-owned. Overall, more than one-quarter of firms available for Denver general services work were MBE/WBEs (see Figure III-27).

What are current marketplace conditions? Age, size and structure of firms doing general services vary widely. For example, there are some very small, relatively young firms doing Denver general services contracts, and in other fields, contracts solely go to very large, old companies. Some of the work included in general services borders on professional services or goods.

Some fields require very large investments in equipment and other assets. Other fields, such as staffing or maintenance, require less capital at start-up. Certain general services fields require high levels of general liability insurance when doing public sector work.

Potential customers' impressions of the quality of the firm can be a factor in determining who gets work. In the public sector, most general services procurements are based on low bid. Subcontracting of work is not a typical practice in this industry.

MBE/WBE experiences in the general services industry. The study team conducted in-depth personal interviews with owners of general services firms in the Denver marketplace. The minority and female business owners interviewed reported that, in their experience, the general services industry was open to minorities and women. Examples of their comments follow.

A white woman graphic designer, who loosely partners with a white male, performs the bulk of her graphic design work for Denver. She has held contracts with Denver for about 10 years. She had never experienced discrimination because of her gender. She had never heard negative or stereotypical

¹ Firms were asked whether they perform work for public sector clients and whether they were qualified and interested in certain types of work for the City and County of Denver. Only firms that do public sector work and report qualifications and interest in Denver general services contracts are included. BBC and Customer Research International staff surveyed firm owners or managers to conduct this research.

² Different weights were also applied to Denver vendors and non-vendors =. Because BBC attempted interviews with all Denver general services vendors receiving a certain amount of work, but only a sample of non-vendors, vendors and non-vendors surveyed received different weight when determining overall availability.

comments. While her industry was mostly men when she started in 1977, she stated at the time of the interview that it was about evenly represented by men and women, and she did not think discrimination existed in the industry.

The white female manager of a Hispanic male-owned translation services company said that neither the company nor its principal had experienced discrimination since 1993, the time of her affiliation with the company. She said that the business was ethnically diverse by its nature, and many competitors were owned by Hispanic men and women, as well as other nationalities.

A white female president of a female-owned auction and appraisal service company said that while the business was male-dominated, she had not experienced discrimination based on her gender. She recalled people telling her that women could not do certain kinds of auctions, but she simply ignored them and succeeded anyway.

An African American commercial photographer stated that he had never been denied an opportunity or otherwise been discriminated against because of his race. He said that he, "grew up on the South Side of Chicago with a major chip on his shoulder," and he would definitely know if he had been discriminated against.

The Native American owner and operator of a carpet and upholstery cleaning company stated he had not knowingly been a victim of discrimination based on his Native American ancestry. He observed that nothing about his appearance indicated he was a Native American. Other than being certified as a Native American at one time, he had never bothered to make much of his minority status. While he believed that other Native Americans had experienced discrimination, he felt that, "Opportunity should be given according to qualifications and ability," and he said, "Discrimination is not the answer to past discrimination."

The Native American owner of a company in the copier service and maintenance business had been in business for 20 years. He did not report any instances with discrimination. He said he had experienced unfair treatment in the local market. His company lost a longstanding government agency client when a large competitor gave a big screen television set to the procurement official in exchange for switching copier service vendors.

The Asian American woman owner of a travel agency which specialized in international travel, particularly in Asia and the Pacific Rim countries, observed that her bilingual skills (and those of her staff) are an asset because she can organize customized tours and make specialized arrangements like finding a bilingual chauffeur in Vietnam. While she had experienced discrimination in the world of daily living, she had never experienced discrimination in the business world.

The manager for a white female-owned landscaping firm said the company did not experience discrimination.

The discussions with these individuals does not mean that discrimination never affects minority- and women-owned firms in the local industry. However, the study team did not find any evidence of such discrimination in these interviews. We now turn to quantitative and qualitative analyses of whether there is evidence of discrimination affecting MBE/WBEs when pursuing City and County of Denver general services work.

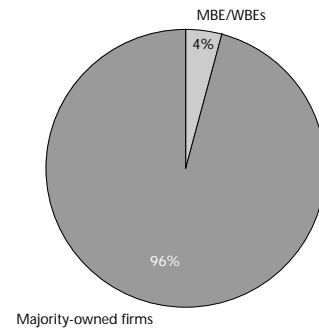
Is Discrimination Affecting MBE/WBEs When Competing for Denver Work?

The study team examined evidence of disparities in Denver general services work. We also present the experiences of local general services firms seeking Denver work based on surveys and in-depth interviews.

How much work are MBE/WBEs winning as prime consultants? There were 494 firms receiving at least \$5,000 in prime contract payments for Denver general services in 2003-2004. Of these firms, 136 were MBE/WBEs. BBC determined MBE/WBE status through phone calls to firms, assessment of Denver records, D&B data and Denver staff review.

Of the \$210 million in payments to general services firms, \$9 million went to MBE/WBEs. As shown in Figure III-28, 4 percent of Denver payments to general services firms went to MBE/WBEs, a smaller share than professional services or goods. This level of utilization is not surprising given the representation of minority- and women-owned firms among the largest Denver general services vendors presented earlier in this section. Although nine MBE/WBEs made the list of the nearly 60 largest vendors, none received the largest awards in these sectors. The vendors obtaining the most general services work with Denver were all non-MBE/WBE firms.

Figure III-28.
MBE/WBE utilization on Denver general services contracts, 2003-2004

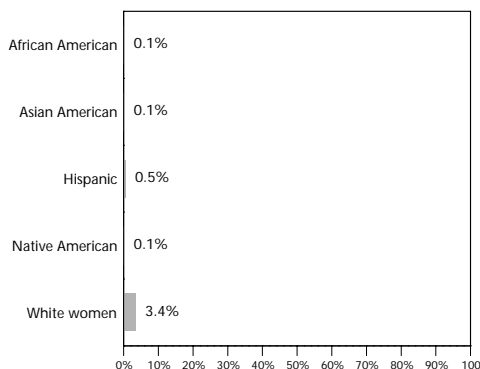


Source: BBC Research & Consulting from Denver Purchasing data.

Utilization by race/ethnicity and gender. Women-owned firms account for \$7.1 million of the \$8.7 million in MBE/WBE participation in Denver general services work, or about 3.4 percent of Denver general services payments for 2003-2004 (see Figure III-29). Only \$1.6 million of general services payments went to MBE firms in 2003-2004.

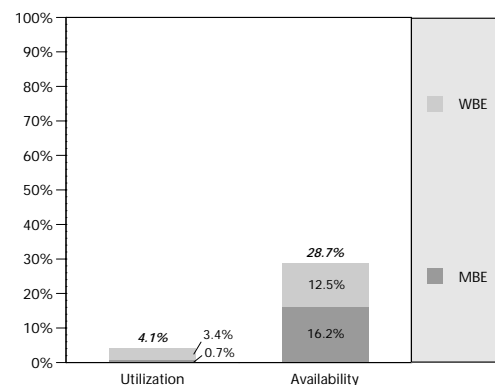
The work that went to white women-owned firms was distributed across 92 firms. C&D Security accounted for \$2.9 million of the \$7.1 million in WBE utilization. Forty-four minority-owned firms were identified among the service providers receiving at least \$5,000 of general services work in 2003 and 2004, but none received a substantial volume of work.

Figure III-29.
MBE/WBE utilization on Denver general services contracts by race/ethnicity and gender, 2003-2004



Source: BBC Research & Consulting from Denver Purchasing data.

Figure III-30.
Denver utilization of MBE/WBEs on general services contracts, 2003-2004, compared with MBE/WBE availability for contracts



Source: BBC Research & Consulting.

Are there disparities between Denver utilization of MBE/WBEs and the availability of MBE/WBEs to work as prime contractors on general services contracts? Previously in this section, BBC reported that over one-quarter of the general services firms available for Denver prime contracts were MBE/WBEs. Figure III-30 shows that Denver’s utilization of MBE/WBEs as primes in general services falls short of MBE/WBE availability to perform this work.

BBC weighted the availability results to reflect the relative dollars spent on building management, parking, communications, security, maintenance, waste management and general business services. The area with the most dollars of prime payments—building management—received the highest weight. After this weighting, 16 percent the firms available for Denver general services work are minority-owned and 12 percent are women-owned.

The 0.7 percent utilization of MBEs is one-twentieth of what would be expected based on availability of MBEs for this work. The 3.4 percent of general services dollars going to WBEs is about one-quarter of what would be expected based on availability.

Figure III-31 compares utilization with availability by race/ethnicity and gender. Disparities between utilization and availability exist for WBEs and each MBE group.

Figure III-31.
Denver utilization of MBE/WBEs on general services contracts, 2003-2004, compared with availability for contracts, by race and gender

	Utilization as Prime Contractors		Availability for Prime Contract Work	Difference (utilization minus availability)	Disparity Ratio (utilization divided by availability)
	Millions	Percent			
MBE					
African American	\$ 0.3	0.1 %	2.7 %	(2.6) %**	0.05 **
Asian American	0.1	0.1	6.9	(6.9)	0.01
Hispanic	1.0	0.5	5.8	(5.4) **	0.08 **
Native American	<u>0.2</u>	<u>0.1</u>	<u>0.8</u>	<u>(0.7)</u>	0.12
Total MBE	\$ 1.6	0.7 %	16.3 %	(15.5) %**	0.05 **
WBE	<u>7.2</u>	<u>3.4</u>	<u>12.5</u>	<u>(9.1)</u> **	0.27 **
Total MBE/WBE	\$ 8.7	4.1 %	28.8 %	(24.7) %**	0.14 **
Majority-owned	<u>201.6</u>	<u>95.9</u>	<u>71.2</u>	24.7	1.35
Total	\$ 210.3	100.0 %	100.0 %		

Note: Rounding may affect subtotals; ** indicates statistically significant difference at .95 level of confidence.

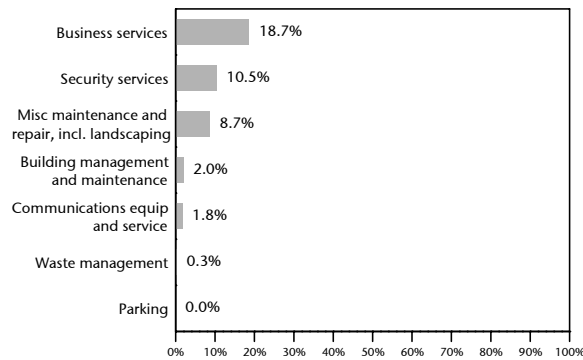
Source: BBC Research & Consulting.

Does utilization vary by field within general services? MBE and WBE utilization varies considerably by industry, which explains some of the results shown in Figure III-31.

MBE/WBE utilization was highest for business services (18.7 percent) and for security services (10.5 percent). For miscellaneous maintenance and repair work, about 9 percent of Denver dollars went to MBE/WBEs (see Figure III-32 on the following page).

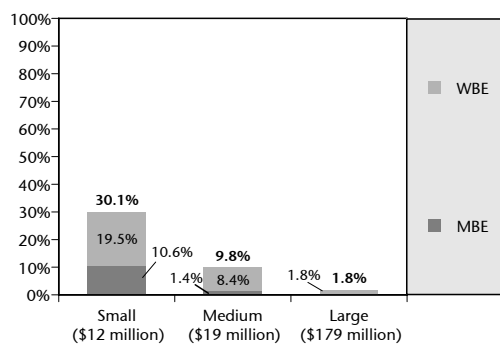
No MBE/WBEs were identified among firms receiving at least \$5,000 in Denver payments for parking services for 2003-2004, and utilization in waste management, communications, and building management and maintenance was minimal.

Figure III-32.
Denver utilization of MBE/WBE
general services firms by field, 2003-2004



Source: BBC Research & Consulting.

Figure III-33.
Denver utilization of MBE/WBEs on
general services contracts by size of firm



Source: BBC Research & Consulting.

Can size of firm explain the disparities? Figure III-33 examines MBE/WBE utilization among firms of different employment sizes. Among small firms (fewer than 25 employees), MBE/WBEs received 30 percent of Denver general services dollars. Among medium-sized firms (25-499 employees), MBE/WBEs accounted for about 10 percent of Denver general services payments. No large MBEs (500+ employees) were identified among large firms receiving Denver general services work, however WBEs received about 2 percent of the dollars going to large general services firms.

As shown in Figure III-33, \$179 million of the \$210 million in general services work examined in this study went to firms with 500 employees or more. The relatively low overall percentage of work captured by MBE/WBEs is at least partially due to the volume of work going to very large firms.

The study team also compared MBE/WBE utilization and availability among small firms, medium-sized firms and large firms. As noted above, 30 percent of the general services dollars going to small firms were captured by MBE/WBE firms. Figure III-34 shows that MBE/WBE utilization among all small firms is close to what one would expect based on small firm MBE/WBE availability. Among all small firms available for Denver work, and after appropriately weighting volume of work by general services sector, one would expect small MBEs to receive about 13 percent of Denver general services dollars going to all small firms.

Figure III-34.
Denver utilization of *small* MBE/WBEs on general services contracts, 2003-2004,
compared with availability for contracts

	Utilization as Prime Contractors		Availability for Prime Contract Work	Difference (utilization minus availability)	Disparity Ratio (utilization divided by availability)
	Millions	Percent			
<i>MBE</i>	\$ 1.3	10.6 %	12.9 %	(2.36) %	0.82
<i>WBE</i>	2.4	19.5	20.7	(1.2)	0.94
<i>Total MBE/WBE</i>	\$ 3.7	30.1 %	33.6 %	(3.5) %	0.89
<i>Majority-owned</i>	8.5	69.9	66.4	3.5	1.05
<i>Total</i>	\$ 12.2	100.0 %	100.0 %		

Note: Rounding may affect subtotals; ** indicates statistically significant difference at .95 level of confidence.

Source: BBC Research & Consulting.

The 19.5 percent of general services dollars going to small WBEs is also about what one would expect from WBE representation among small firms available for Denver general services work (21 percent).

The study team then examined the pool of general services vendors with 25 to 499 employees (“medium-sized firms”). Figure III-35 presents these results. Although MBEs account for about 7 percent of available medium-sized firms available for Denver general services work (after appropriate weighting to reflect distribution of work by general services sector), they received only 1.4 percent of the Denver dollars paid to this group of firms. WBEs represent about 19 percent of the available medium-sized firms available for Denver general services work, but only received 8.4 percent of Denver payments to medium-sized general services firms. The study team can reject chance in the sampling of available general services firms as a cause of the identified disparity (differences are statistically significant at the 95 percent confidence level).

Figure III-35.
Denver utilization of *medium* MBE/WBEs on general services contracts, 2003-2004, compared with availability for contracts.

	Utilization as Prime Contractors		Availability for Prime Contract Work	Difference (utilization minus availability)	Disparity Ratio (utilization divided by availability)
	Millions	Percent			
<i>MBE</i>	\$ 0.3	1.4 %	7.3 %	(5.88) %**	0.20
<i>WBE</i>	<u>1.6</u>	<u>8.4</u>	<u>18.9</u>	<u>(10.5)</u> **	0.44
<i>Total MBE/WBE</i>	\$ 1.8	9.8 %	26.2 %	(16.4) %**	0.37
<i>Majority-owned</i>	<u>16.9</u>	<u>90.2</u>	<u>73.8</u>	16.4	1.22
<i>Total</i>	\$ 18.7	100.0 %	100.0 %		

Note: Rounding may affect subtotals; ** indicates statistically significant difference at .95 level of confidence.
Source: BBC Research & Consulting.

Finally, Figure III-36 compares MBE and WBE utilization and availability among general services firms with at least 500 employees. The lack of Denver utilization of large MBE general services firms is easily explained. No work went to MBE general services firms of this size, and none were identified within the Denver marketplace. Denver utilization of large WBE general services firms was minimal even though expected utilization of WBEs was 13 percent. However, the study team cannot reject chance in sampling of available general services firms as a cause for this disparity.

Figure III-36.
Denver utilization of *large* MBE/WBEs on general services contracts, 2003-2004, compared with availability for contracts.

	Utilization as Prime Contractors		Availability for Prime Contract Work	Difference (utilization minus availability)	Disparity Ratio (utilization divided by availability)
	Millions	Percent			
<i>MBE</i>	\$ 0.0	0.0 %	0.0 %	0.00 %	0.00
<i>WBE</i>	<u>3.2</u>	<u>1.8</u>	<u>13.4</u>	<u>(11.6)</u>	0.13
<i>Total MBE/WBE</i>	\$ 3.2	1.8 %	13.4 %	(11.6) %	0.13
<i>Majority-owned</i>	<u>176.1</u>	<u>98.2</u>	<u>86.6</u>	11.6	1.13
<i>Total</i>	\$ 179.3	100.0 %	100.0 %		

Note: Rounding may affect subtotals; ** indicates statistically significant difference at .95 level of confidence.
Source: BBC Research & Consulting.

How do firm owners and managers perceive opportunities for Denver general services contracts? In the same surveys conducted to determine availability of firms for Denver general services work, the study team asked firm owners and managers about doing business with Denver. These questions were open-ended—the study team did not specifically ask business owners about the categories of potential problems shown in Figure III-37.

The most frequent comment among firms already doing business with Denver was suggestions for better ways to learn of Denver contract opportunities. Many suggested a bidders list or automatic email notification of opportunities. This was also true among the random surveys of local firms conducted by the study team.

Among Denver vendors, about 8 percent had comments concerning slow payment by the City and 6 percent complained of a slow, cumbersome contracting process. A few firms noted that they had difficulty bidding against larger firms. Some suggested that Denver look beyond low price when selecting a vendor.

Figure II-37.
Comments of Denver vendors and randomly-selected firms about Denver general services contracting

Comments	Denver Vendors		Random Surveys	
	Number of Vendors	Percent of Vendors	Number of Firms	Percent of Firms
Process is fair	7	3.3 %	2	0.6 %
Process is not open and fair	3	1.4	5	1.4
Need notification/website/email	24	11.2	23	6.4
Process is cumbersome and slow	13	6.1	2	0.6
Insurance requirements are too difficult	0	0.0	0	0.0
Slow payment or other payment problems	17	7.9	0	0.0
Problems bidding against larger firms	3	1.4	8	2.2
Should consider qualifications/service	7	3.3	5	1.4
Should have local preference	4	1.9	2	0.6
Problems with specs or bid documents	1	0.5	3	0.8
Should break up large contracts	0	0.0	0	0.0
Give more feedback on bids	1	0.5	0	0.0
Need an introduction to the process	0	0.0	0	0.0
Other comments or problems	26	12.1	14	3.9
Total	106		64	

Source: BBC Research & Consulting telephone surveys, 2005

The in-depth interviews provided additional insight into industry perceptions.

Slow payment is a consistent complaint for general service providers. Several service providers reported problems with payment.

The owner of a travel agency which specialized in international travel stated that the \$20 per ticket she had charged had been lower than the fees charged by other travel agencies (typically \$35 to \$40). She said that slow payment had been a problem. While things had improved and she was now being paid within 30 days, slow payment had caused her work with Denver to be frustrating and unprofitable.

The vice president of a media reproduction company identified slow payment as a barrier to doing business with Denver. She had waited 4 months to be fully paid on an invoice.

The manager of a landscaping firm reported that her only problems doing business with Denver were having to pay prevailing wages and having to wait an unusually long time to get paid. She said that she did not mind paying Denver's prevailing wage (and she said that her employees loved receiving the premium), but it was not truly reflective of her industry. She thought that since landscaping crews used a skid-steer, Denver classified them as heavy equipment operators. The problem was waiting a minimum of 30 to 60 days after having paid the employees a premium. This was not always Denver's fault. Her worst experience was with a prime contractor who falsely claimed that the billings had been submitted and Denver was not paying. In actuality, the prime contractor had not submitted the billings. After repeated contacts with Denver, this landscaping company was permitted to submit an independent invoice and was paid directly by Denver. The landscaping company manager observed that this treatment by Denver was not ordinary, and was very much appreciated.

Untimely contracting process. A representative of a company that did landscaping work for the City was frustrated by the timeliness of City responses to bids, especially when this service provider was awarded the bid. He said it was fairly common for contracts to take weeks to get from Purchasing through Legal. He reported that the Forestry Department expects the company to start within a week of having a contract, and the company's business was booked in advance.

Favoritism in contract awards. Some service providers felt the selection process reflected favoritism. Examples follow.

A minority woman owner of travel agency does a small percentage of its business with public agencies including Denver. She has only received limited and infrequent work from the Mayor's Office of Workforce Development. She does not think Denver is sincere in wanting to do business with minority firms. She believes the City buys from people as a payback for campaign contributions and favors. She cited a travel agency that was used extensively by the City and had a member of City Council on its Board of Directors. While that person is no longer on City Council, the City continues to use the travel agency.

The vice president of a media reproduction company viewed the lengthy pre-qualification requirement as a means for the purchasing agent to weed out other possible vendors so the bid could be awarded to a pre-selected favorite vendor.

Focus on large vendors who concurrently supply financing. The owner of a company in the copier service and maintenance business observed a barrier to working with big companies and with government. He said the big copier companies offered package lease and maintenance deals for fixed amounts. These arrangements were called "cost per copy." These were based on projected use. He said these deals were very poor financially for the customer, but the customers tended to think they were getting good deals. Among the problems with the deals were that they did not reflect reduced use, prevented returns, included heavy additional use charges and included excessive end-of-contract buy-outs. They almost always involved new equipment which carried a huge price premium. He provided an example involving a new copier with an end-of-contract buy-out price of \$6,000. He said that this kind of equipment was the kind of equipment, which sold wholesale for \$600. He said that it was common for there to be a big payment required at the end of the contract term that would be waived if the customer signed another multi-year contract.

Is there any qualitative evidence of discrimination against MBE/WBE general services firms on particular Denver contracts? In-depth interviews with MBEs/WBEs did not reflect discrimination either in Denver or in the industry.

Conclusions for Denver general services prime contracts. Analysis of Denver utilization of MBE/WBE general services firms and availability of MBE/WBEs for this work reveals disparities in the utilization of minority- and women-owned firms. Some of this disparity can be explained by the fact that most Denver general services dollars go to very large firms. Among small firms, there does not appear to be much, if any, advantage for majority-owned firms over MBE/WBEs.

The most striking evidence of disparities is among firms with 25 to 499 employees. MBE and WBE general services firms in this size range receive far less Denver work than what would be expected based on availability.

Despite the existence of disparities in expenditures to MBEs/WBEs, the qualitative information does not appear to provide any basis to attribute the disparities to discrimination.

Local general services firms offered many suggestions as to what kinds of assistance would be valuable to them.

All participants in in-depth interviews were asked what kinds of programs they felt would benefit small businesses and minority- and women-owned businesses. Summaries of their suggestions follow.

Look beyond low bid. The manager for a landscaping firm said that her firm was known for its exceptional landscaping and flower bed designs. The company would like to do more business with Denver, but the low bid process would rarely award contracts to the company. The City would almost always award contracts to contractors who were cheaper, but whose designs and services were inferior.

Provide education assistance to small businesses. The vice president of a media reproduction company suggested the City produce and distribute a DVD on doing business with the City. Her company had paid \$1,200 for a DVD on winning work with government entities. While the DVD was not worth the price paid, it was very helpful on the topics of reading and responding to RFPs. She recommended that Denver do something similar or provide workshops on how to respond to Denver RFPs.

An African American commercial photographer stated that he would like to see the City hold a job fair at which he could meet City employees, learn what they are looking for, and learn what opportunities are available.

Increase notification of opportunities to propose. The white female manager of this Hispanic male-owned translation services company said that while the company did not require a program to overcome the effects of discrimination (which did not apply to this company or its principal), the company would welcome any assistance it could get. She suggested that her company be contacted by e-mail whenever bidding opportunities arose. She would also like opportunities to get her name in front of buyers and to participate in networking events.

MBE/WBE program was not requested; Focus on small business development. The Native American owner and operator of a carpet and upholstery cleaning company stated he had not knowingly been a victim of discrimination based on his Native American ancestry. While he believed that other Native Americans had experienced discrimination, he felt that, "Opportunity should be given according to qualifications and ability," and he said, "Discrimination is not the answer to past discrimination."

The manager of a white female-owned landscaping firm said that being certified WBE with Denver and CDOT had not been a benefit. She reported that the company received three faxes per day soliciting bids; virtually none of them were of interest. They were for work, which the company did not do, or were for low-bid opportunities at which the company could not succeed due to its high-end services.

The Hispanic male owner of a supplier and installer of electronic systems advocated for a formal program that included a goal of 30 percent of large projects for small, local businesses. Despite having experienced an incident related to Denver procurement where he felt he had been victimized by racial discrimination, and despite being a former certified MBE, he did not advocate for a minority business program. He felt that a SBE program would provide the proper assistance to disadvantaged minority firms.

Financing for providers of general services. The Hispanic male owner of a supplier and installer of electronic systems suggested that the City retain the Mayor's Office of Economic Development small business loan program, and suggested the City avoid contracting practices that required small businesses to finance City projects for extended periods of time.

Improve specifications by soliciting input from disinterested third parties. The owner and operator of a carpet and upholstery cleaning company proposed that specifications be determined by independent experts who were not selling services. He felt specifications should not be crafted by bidders, or by bureaucrats who did not understand cleaning services and who were influenced by bidders. The specifications should be prepared by people with "nothing to gain." Well-crafted specifications would take into account the long-term value of proper cleaning to extend the life of the carpet and reduce the cost of replacement. The specifications should include the equipment and chemicals to be used, the quality control procedures to be used, and should include the required qualifications of the personnel. On this last point, he was critical of low skilled labor, which was frequently used on carpet cleaning jobs, resulting in poor results and reduced long-term value.

Subcontracting in Denver general services contracts. As with professional services, from the information available to the study team, it appears that very few City general services contracts at the City involve subcontracts. The study team concludes that because subcontracting is not a typical practice in the types of general services fields involved in Denver work, there are better ways to develop MBE/WBE participation in City goods contracts short of implementing subcontracting goals.

Recommendations

Denver's utilization of MBE and WBE general services firms falls short of what would be expected based on MBE and WBE availability, especially for medium-sized firms. However, the study team found that most City general services procurements are open to competition and go to the lowest bidder.

The City can do more to communicate bidding opportunities to MBE/WBEs and majority-owned firms alike. Denver can also consider breaking up larger general services contracts into smaller contracts amenable to competition from smaller firms. About 85 percent of Denver's general services dollars go to large firms.

Many of the initiatives that will assist small firms in pursuing general services contracts are extensions of what the Purchasing Division and other City departments already do. These include:

- Consistently require express justifications and upper-management approval of sole source contracts.
- Help educate goods suppliers on how to submit proposals and to do business with the City.
- Speed up the payment process.
- Increase notices for opportunities to bid.

The recommendations outlined in Section V of this report also include developing a formal bidders list, better tracking of small business and MBE/WBE utilization and extending portions of the Construction Empowerment Initiative to services firms. The study team also recommends that two areas of general services procurement — building management and maintenance, and security services — be targeted for greater opportunities for small businesses. The City will need to divide large contracts and remove other barriers to small business participation in these two areas.

SECTION IV.

Goods

The City and County of Denver's goods purchases complete the study team's analysis of procurement. Goods purchases are typically made by the Purchasing Division in the same way as general services purchases. Needed products are specified and the procurement usually goes to the lowest bidder.

Denver purchases a wide variety of goods ranging from computer equipment and software to automobiles and electrical parts and supplies.¹ Most of the goods purchases are typical of any public agency. Two-thirds of the payments for goods go to firms with offices in the Denver area. In some cases, Denver buys directly from the manufacturer, which is often located outside the local market.

The study team focused on the types of goods purchases for which Denver pays by check and only examined vendors receiving payments of \$5,000 or more. BBC counted 1,017 goods vendors doing business with the City and County from January 2003 through December 2004. More vendors would appear if BBC had examined Denver purchases through its new procurement card (p-card) system. Procurement cards are used to go to a local store or other vendor to purchase low dollar, one-time procurements that have a unit cost of under \$1,000 or \$2,000 (depending on the agency) and that are not available on City contracts. Including the p-card purchases would also increase the proportion of Denver goods purchases going to local vendors.

Denver goods purchases made the traditional way (by check) averaged about \$75 million per year for the two-year period.

Figure IV-1.
Summary of recommendations

- Continue to conduct outreach to SBE/MBE/WBEs and train new bidders on procurement procedures.
- Track utilization of SBE/MBE/WBEs.
- Consider improvements to electronic bid notification system.
- Extend provisions of the Construction Empowerment Initiative to small goods firms.
- Target office equipment and office supplies for greater participation by small businesses.
- Denver should of implement race- or gender-based programs for goods procurement at this time.

This chapter is organized in the same order as the other industry analyses. We discuss the specific fields involved in Denver contracts, which allows us to focus on these areas when examining local marketplace conditions. The balance of this chapter examines how minority- and women-owned firms have fared when seeking Denver goods purchases.

The study team's recommendations for changes for this area of Denver procurement are summarized in Figure IV-1 and discussed at the end of this chapter.

¹ Denver also purchases a range of construction supplies directly from vendors in the amount of about \$5 million annually. These purchases have been excluded from our analyses.

Denver Goods Purchases

Denver purchases a large volume of very diverse types of goods.

Total dollars of goods purchases. The study team researched Denver's use of goods vendors through the same procedures as for the other procurement areas. The results presented here are for firms receiving at least \$5,000 of payments from January 2003 through December 2004. Over 1,000 different vendors received this volume of payment. Payments totaled \$147 million. BBC identified goods services through the procedures listed in Figure IV-2.

Figure IV-3 shows the distribution of Denver goods purchases by type of supplier. Computer equipment and software firms accounted for \$23 million of Denver goods payments. Automobile purchases accounted for another \$22 million of payments.

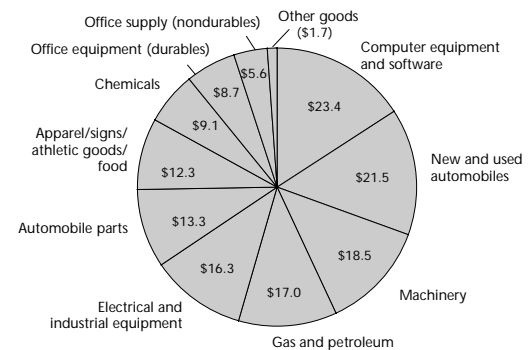
Figure IV-2. Identification of Denver payments for goods purchases

Because most goods purchases go through the Purchasing Division, BBC could often identify purchases as goods based on the description of the procurement in the City's electronic contract files. Other methods included:

- The primary Standard Industrial Classification (SIC) codes for firms doing Denver work as provided by Dun & Bradstreet;
- Review of information on Denver vendors' websites;
- Phone calls to Denver vendors; and
- Review by Denver Purchasing staff.

Also note that computers and prepackaged software somewhat overlapped with IT consulting, discussed under professional services. Also, communications equipment and services are examined as a general services group. This type of procurement could also have been examined under goods purchases.

Figure IV-3. Denver payments to goods services firms, Jan. 2003-Dec. 2004 (millions)



Source: BBC Research & Consulting from Denver Purchasing data.

Figure IV-4 on the following page presents a detailed breakdown on the specific industry specializations included in each grouping. Note that BBC classified a firm into a single category of goods purchase based on its primary area of sales or the goods it primarily provides to Denver. This was a necessary simplification; products sold by some firms span these categories.

Figure IV-4.
Grouping of Denver goods payments

<i>Group</i>	<i>Number of Vendors</i>	<i>Sub-Industry detail (4-digit SIC code)</i>
Computers and software	107	<ul style="list-style-type: none"> ■ Computer terminals ■ Computer and software stores ■ Computers, peripherals, and software ■ Prepackaged software
New and used automobiles	59	<ul style="list-style-type: none"> ■ Motor vehicles and car bodies ■ Truck and bus bodies ■ Automobiles and other motor vehicles ■ New and used car dealers
Machinery, equipment and supplies	167	<ul style="list-style-type: none"> ■ Construction and mining machinery ■ Farm and garden machinery ■ Industrial machinery and equipment ■ Service establishment equipment and supplies ■ Transportation equipment and supplies ■ Equipment rental and leasing*
Natural gas and petroleum	29	<ul style="list-style-type: none"> ■ Natural gas transmission ■ Natural gas distribution ■ Petroleum product wholesalers, except bulk stations
Electrical and industrial equipment, parts and supplies	192	<ul style="list-style-type: none"> ■ Electronic parts and equipment* ■ Electric lamps ■ Lighting equipment* ■ Electrical equipment and supplies* ■ Process control instruments ■ Fluid meters and counting devices ■ Analytical instruments ■ Motors and generators ■ Electrical apparatus and equipment ■ Electrical appliances, television and radio ■ Electronic parts and equipment* ■ Industrial supplies
Automobile parts and accessories	56	<ul style="list-style-type: none"> ■ Motor vehicle supplies and new parts ■ Tires and tubes ■ Auto and home supply stores
Apparel/signs/athletic goods/food	194	<ul style="list-style-type: none"> ■ Men's and boy's suits and coats ■ Sporting and athletic goods* ■ Signs and advertising specialties ■ Men's and boy's clothing ■ Farm supplies ■ Miscellaneous apparel and accessory stores ■ Sporting goods and bicycle shops ■ Miscellaneous retail stores*
Chemicals	39	<ul style="list-style-type: none"> ■ Soap and other detergents ■ Industrial organic chemicals* ■ Adhesives and sealants ■ Chemicals and allied products*
Office equipment (durables)	62	<ul style="list-style-type: none"> ■ Office machines* ■ Office equipment ■ Furniture ■ Furniture stores
Office supplies (nondurables)	69	<ul style="list-style-type: none"> ■ Printing and writing paper ■ Stationery and office supplies ■ Industrial and personal service paper

* Not elsewhere classified.

Location of firms involved in City goods work. Although the City purchases from goods vendors from throughout the country, about two-thirds of goods payments go to firms with offices in the Denver Metropolitan Area. Figure IV-5 shows the location of goods vendors receiving at least \$5,000 of Denver payments from January 2003 through December 2004.

Figure IV-5.
Analysis of relevant geographic market area for City of Denver goods purchases

Area	Number of Vendors Paid	Sum of Payments	Percent of Total Payments
City of Denver	327	\$ 59,441,107	40.3 %
Other Denver MSA	280	34,794,393	23.6
Boulder	18	1,278,836	0.9
Subtotal	625	95,514,336	64.8 %
Other Colorado	48	16,847,650	11.4
Other Areas	344	35,055,904	23.8
Total	1,017	\$ 147,417,890	100.0 %

Note: Includes vendors receiving total payments of at least \$5,000 from January 2003 through December 2004.

Source: BBC Research & Consulting from City and County of Denver database.

Types of Goods Procurement from Denver

The study team examined the firms receiving the most procurement activity in each of the ten subindustries identified in Figure IV-4.

Computers and software. From January 2003 through December 2004, Denver spent about \$23 million or 16 percent of total goods expenditures with firms supplying computers and software.

The majority of payments to computer and software firms were received by firms with 500 or more employees (“large firms”). For those firms for which BBC could identify the size of the company, about 70 percent of payments for computers and software went to large firms. Eighteen percent of payments went to firms with 25 to 499 employees (“medium-sized firms”). Figure IV-6 shows the distribution of payments by size of firm.

BBC identified 107 firms providing computers and software that received at least \$5,000 in payments from the City for 2003-2004. The fourteen firms listed in Figure IV-7 received at least \$300,000 in payments during this period. These fourteen firms were paid a total of \$18.9 million, or about 81 percent of the \$23 million paid to all computer and software firms during the study period. Many of these vendors are very large firms. Figure IV-8 on the following page briefly describes each firm.

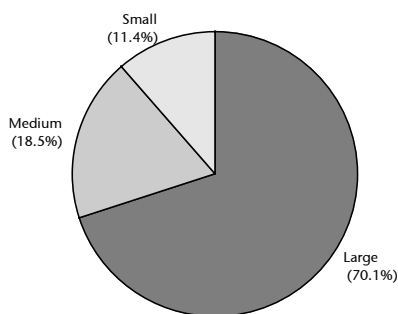
Figure IV-7.
Computer and software firms receiving \$300,000 or more in Denver payments, Jan. 2003-Dec. 2004

Computers and software	Payments (millions)
Dell Marketing, LLP	\$ 6.9
Software Spectrum	3.1
Oracle Corporation	1.9
IBM Corporation	1.0
Intersystems USA, Inc	0.9
MRO Software, Inc	0.9
Tritech Software Systems Inc	0.7
Hewlett Packard	0.6
Southern Computer Warehouse	0.6
Peak Resources, Inc	0.6
Carl Corporation (WBE)	0.4
Microsoft Corporation	0.4
S I T A Inc	0.3
Lasercycle USA, Inc	0.3

Note: Payments to prime contractors.

Source: BBC Research & Consulting from Denver Purchasing data.

Figure IV-6.
Total payments to computer and software firms by size of firm



Note: Payments to prime contractors.

Source: BBC Research & Consulting from Denver Purchasing data.

Figure IV-8.
Background on computer and software firms receiving
at least \$300,000 in Denver payments, Jan. 2003-Dec. 2004

Dell Marketing, LLP. Dell Marketing is a division of Dell, Inc., the world's largest direct sales computer vendor. Dell is a diversified information technology supplier that sells desktops, notebooks, network servers, workstations, storage systems, software and peripherals to consumers and businesses. Dell was established in 1984 by Michael Dell in Round Rock, Texas, where the firm's headquarters remain. The company has hundreds of offices throughout the world and employs more than 55,000 people. Dell is a publicly-traded company.

Software Spectrum. Software Spectrum is one of the largest software resellers in the world. Software Spectrum operates as a wholly-owned subsidiary of Level 3 Communications, a publicly-traded (Nasdaq:LFLT) communications and information technology company. Software Spectrum was established in Dallas, Texas in 1983, although today the firm is headquartered in Plano, Texas and employs approximately 1,100 people worldwide.

Oracle Corporation. Oracle Corporation is an information technology firm that was founded in 1977. The firm develops and installs software for small and large corporations worldwide. Headquartered in Redwood Shores, California, Oracle has two corporate offices in Colorado, one of which is in Denver. Oracle is a publicly-traded firm (Nasdaq:ORCL).

IBM Corporation. IBM is the world's largest information technology company, with 2004 revenues nearing \$100 billion in 2004. IBM was incorporated in 1911, and today IBM's main offices are located in Armonk, New York, although IBM has corporate offices worldwide. IBM is a publicly-traded company (NYSE:IBM).

Intersystems USA, Inc. Intersystems USA is an information technology firm based in Denver, Colorado. The company specializes in airport information management and display technologies. Intersystems has many offices located in both North America and Europe, and is a wholly-owned subsidiary of the Formula Systems Group, a publicly-traded company (NASDAQ:FORTY).

MRO Software, Inc. MRO Software is a software development company based in Bedford, Massachusetts. MRO specializes in asset management software, and its customer base includes utilities, manufacturing, government, financial services, as well as other related sectors. MRO employs nearly 1,000 individuals at its corporate and sales offices located throughout North America, Europe, Asia and Latin America. The company's stock is publicly-traded (Nasdaq:MROI).

Tritech Software Systems Inc. Tritech Software develops and installs highly integrated software for public safety command and control—the company's clientele consists of police, fire and EMS divisions. Founded in 1983, Tritech is based in San Diego, California. The company is currently an employee-owned firm.

Hewlett Packard. Hewlett Packard was originally founded in 1939, and today is one of the largest producers of computer hardware and software, specializing in servers, printers, personal computers and other electronic equipment. HP is one of the largest companies in the United States, with more than 140,000 employees worldwide. HP's headquarters remain in Palo Alto, California, although the company has offices worldwide. The company is publicly-traded (NYSE:HPQ).

Southern Computer Warehouse. Southern Computer Warehouse (SCW) is a retailer of computer hardware and IT equipment. SCW's sole office is located in Marietta, Georgia. SCW was founded in 1994, and the company remains privately-owned.

Peak Resources, Inc. Peak Resources is a company based in Denver, Colorado that specializes in selling computer hardware and implementing IT strategies for businesses of all sizes. Peak Resources has another office located in Coppell, Texas, and is an employee-owned company.

Carl Corporation. Carl Corporation was recently acquired by The Library Corporation (TLC). TLC develops database software specific to the library industry. TLC is based in Inwood, West Virginia, although it has a regional office located in Denver. The Library Corp was founded in 1974, and is a woman-owned firm (the firm is not certified).

Microsoft Corporation. Microsoft Corporation was founded in 1975 and today designs, manufactures, licenses and supports many types of software around the world. Microsoft has approximately 61,000 employees working in offices worldwide, including one office in Denver, Colorado. Microsoft is based in Redmond, Washington, and is a publicly-traded company (Nasdaq:MSFT).

Figure IV-8. continued
Background on computer and software firms receiving
at least \$300,000 in Denver payments, Jan. 2003-Dec. 2004

SITA Inc. SITA Inc. specializes in the development and installation of air transit-oriented applications, communications and IT infrastructure. SITA Inc. is based in Amsterdam, the Netherlands, while its partner company, SITA SC is based in Geneva, Switzerland. The company's U.S. headquarters are located in Atlanta, Georgia.

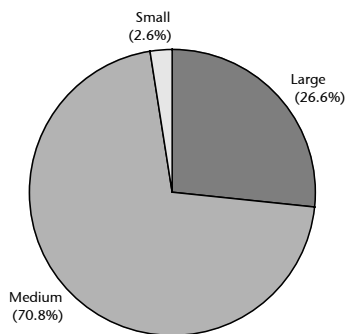
Lasercycle USA, Inc. Lasercycle USA was founded in Boulder, Colorado in 1975. Today the company is one of the largest regional suppliers of printer and copier supplies. The firm has four offices and several distribution warehouses located across the country. The company's headquarters are in Denver, Colorado, and the company is privately-owned.

New and used vehicles. Denver spent about \$21 million with 59 firms supplying new and used vehicles during the two-year study period.

More than 70 percent of payments for new and used vehicles were received by medium-sized firms (25-499 employees). Figure IV-9 shows the distribution of payments by size of firm.

Fourteen firms received at least \$300,000 in Denver payments (see Figure IV-10). These firms were paid a total of \$18.6 million, or about 87 percent of the total spending on vehicles. Most are Colorado-based companies. Figure IV-11 on the following page discusses each of these vendors.

Figure IV-9.
Total payments to new and used vehicle firms by size of firm



Note: Payments to prime contractors.
 Source: BBC Research & Consulting from Denver Purchasing data.

Figure IV-10.
New and used vehicles firms receiving \$300,000 or more in Denver payments, Jan. 2003-Dec. 2004

<i>New and used automobiles</i>	<i>Payments (millions)</i>
Lakewood Fordland Inc	\$ 4.7
Transwest Truck Inc	3.4
Pierce Manufacturing Inc	2.5
Navistar International Corp	2.4
Champion Chevrolet Inc	1.5
Intermountain Coach Inc	0.7
Rush Truck Center of Colorado Inc	0.7
Formby Ford Inc (MBE)	0.4
Phil Long Ford Denver LLC	0.4
Pro Chrysler Plymouth Jeep	0.4
O'Meara Ford	0.4
Burt Chevrolet Inc (MBE)	0.3
Colorado Mack Sales & Service	0.3
Colorado Truck Equipment and Part Inc	0.3

Note: Payments to prime contractors.
 Source: BBC Research & Consulting from Denver Purchasing data.

Figure IV-11.

Background on new and used automobile firms receiving at least \$300,000 in Denver payments, Jan. 2003-Dec. 2004

Lakewood Fordland Inc. Lakewood Fordland is an independent Ford dealership based in Lakewood, Colorado that sells new Ford cars and trucks, auto parts and services. The firm began its services in 1963 in Lakewood.

Transwest Truck Inc. Transwest Truck is a transportation company offering light, medium and heavy-duty trucks and trailers as well as specialized vehicles such as school buses and fire trucks. The firm is headquartered in Commerce City and has several other Colorado offices in Henderson, Longmont, Grand Junction, and Colorado Springs, and an additional office in Missoula, Montana.

Pierce Manufacturing Inc. Pierce Manufacturing is a leading manufacturer of fire and rescue apparatus. The company also manufactures bomb response and homeland security vehicles. Pierce Manufacturing was founded in 1913 in Appleton, Wisconsin, where its main headquarters remain. Pierce Manufacturing has a local distributor located in Boulder, Colorado. Pierce has distributors nationwide and is a subsidiary of Osh Kosh Trucks, a publicly-traded company (NYSE:OSK) that produces large commercial and military vehicles.

Navistar International Corp. Navistar International Corporation, through its subsidiary, International Truck and Engine Corporation, produces commercial truck, school bus, and mid-range diesel engines. The company also provides financing and insurance for its customers. Navistar is based in Warrenville, Illinois and has manufacturing and distribution centers worldwide. Navistar is a publicly-traded company (NYSE:NAV).

Champion Chevrolet, Inc. Champion Chevrolet is a General Motors dealer in Windsor, Colorado that also deals in alternative fuel vehicles, hybrid and clean fuel fleet vehicles.

Intermountain Coach Inc. Intermountain Coach sells new and used cars, vans, shuttles and busses. Intermountain also installs wheelchair lifts, air conditioning and other products for vehicles of all types. Intermountain Coach was founded in 1982 and is a partnership. Intermountain's only location is in Colorado Springs, Colorado.

Rush Truck Center of Colorado Inc. Rush Truck Center of Colorado is the local distribution center for Rush Enterprises, a retailer of medium and heavy-duty trucks, construction machinery and farm equipment. Rush Enterprises was founded in Houston, Texas in 1965. Today the company has distribution centers nationwide and is publicly-traded on the NASDAQ National Market (NasdaqNM:RUSHA and NasdaqNM:RUSHB).

Formby Ford Inc. Formby Ford is a Ford dealership located in Dacono, Colorado. Formby Ford is privately-owned.

Phil Long Ford Denver LLC. Phil Long Ford is a local Ford dealer. Phil Long has several locations in Colorado, including one in Denver and two locations in Colorado Springs. Phil Long also sells commercial trucks and vans for commercial or industrial fleets.

Pro Chrysler Plymouth Jeep. Pro Chrysler Plymouth Jeep is a Denver-based dealer of new and used Chrysler and Jeep vehicles. Pro Chrysler is locally-owned and operated.

O'Meara Ford. O'Meara Ford is a Denver-based dealer of new and used automobiles. O'Meara Ford was founded in 1913.

Burt Chevrolet Inc. Burt Chevrolet is a Denver-based dealer of new and used automobiles and one dealership within the Burt automotive network of dealerships. The Burt automotive network consists of ten different dealerships across the Denver Metro Area. Burt automotive network was founded in 1939, and today Burt Chevrolet is a Hispanic-owned firm.

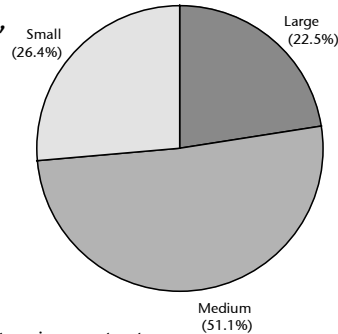
Colorado Mack Sales & Service. Colorado Mack Sales & Service is an outside investor-owned distributor of Mack Trucks and Mack Truck parts. Colorado Mack was founded in 1989 in Denver, where it still operates today.

Colorado Truck Equipment and Part Inc. Colorado Truck Equipment is a distributor of commercial trucks and equipment. BBC was unable to locate any additional information on this firm.

Machinery, equipment and supplies. During the two-year study period, 167 firms providing machinery, equipment and supplies received at least \$5,000 in payments from Denver. For those firms for which BBC could identify the size of the company, about half of the payments for were received by medium-sized firms. About as much Denver purchases went to small firms as large firms. Figure IV-12 shows the distribution of payments by size of firm.

As shown in Figure IV-13, 20 firms received at least \$200,000 in Denver payments. In total, these firms received \$13.8 million, or about 75 percent of the \$18.5 million paid to all machinery, equipment and supply firms during the study period. Many of these firms are distributors and most have offices in the Denver area. See Figure IV-14 for a brief introduction to each firm.

Figure IV-12.
Total payments to machinery, equipment and supplies firms by size of firm



Note: Payments to prime contractors.

Source: BBC Research & Consulting from Denver

Figure IV-13.
Machinery, equipment and supplies firms receiving \$200,000 or more in Denver payments, Jan. 2003-Dec. 2004

Machinery, equipment and supplies	Payments (millions)
Northern Colorado Paper Inc	\$ 2.0
Farris Machinery Company	1.6
W.W. Grainger	1.4
Wagner Equipment Co.	1.3
United Rentals Inc	1.0
Teague Equipment Company	0.9
Wheatland Fire Equipment Company	0.7
The L.L. Johnson Distributing Company	0.7
MacDonald Equipment Company	0.6
Cryotech De-Icing Technology	0.5
Rocky Mountain Source	0.4
CPS Distribution Company	0.4
Colorado Golf & Turf	0.4
Ellen Equipment Corporation	0.3
Boyle Equipment Company	0.3
Colorado General Equipment Company	0.3
United Green Mark Inc	0.3
Major Contracting Services Inc	0.3
Altec Industries Inc	0.2
Denver Brass & Copper	0.2

Note: Payments to prime contractors.

Source: BBC Research & Consulting from Denver Purchasing data.

Figure IV-14.
Background on machinery, equipment and supplies firms receiving at least \$200,000 in Denver payments, Jan. 2003-Dec. 2004

Northern Colorado Paper Inc. Northern Colorado Paper (NCP) was founded in 1978 and is a wholesale distributor of paper products, janitorial and industrial cleaning supplies, and industrial packaging. NCP is based in Greeley, Colorado, and has an additional office in Pueblo. The firm is a family-owned and operated business.

Farris Machinery Company. Farris Machinery Company specializes in the manufacturing of commercial mowers. The company is based in Munnsville, New York, and has dealers located worldwide (there are two dealers in Northern Colorado, and none in the Denver area). Farris Machinery is a privately-held firm.

W.W. Grainger. W. W. Grainger is wholesale distributor of electric and industrial supplies and products. Granger is one of the largest distributors of such products. In 2004 the company had sales of \$5 billion through a network of nearly 600 branches and 20 distribution centers (there are six W.W. Granger locations in the Denver area). The company is based in Chicago, Illinois and is publicly-traded (NYSE:GWW).

Wagner Equipment Company. Wagner Equipment Company is a regional dealer of Caterpillar construction equipment. Wagner is also a retailer of air compressors and rock drills, trailers and other industrial equipment. Wagner is based in Aurora, Colorado, and has three additional offices in the Denver area. Wagner Equipment is a privately-owned firm.

United Rentals Inc. United Rentals is one of the largest equipment rental companies in the United States, with over 700 rental locations in the U.S., Canada, and Mexico. United Rentals rents various types of industrial equipment, including aerial lifts, air compressors and tools, earthmoving equipment, and pressure washers, among other equipment. United Rentals is a publicly-traded company (NYSE:URI) with several rental locations in the Denver area.

Figure IV-14. continued
Background on machinery, equipment and supplies firms
receiving at least \$200,000 in Denver payments, Jan. 2003-Dec. 2004

Teague Equipment Company. Teague Equipment Company rents and sells specialized heavy equipment for construction and utility work. Teague is based in Denver, Colorado and is a private firm.

Wheatland Fire Equipment Company. Wheatland Fire Equipment Company is a retailer of firefighter tools, pumps and equipment. Wheatland is a family-owned firm and is based in Wheatland, Wyoming.

The L.L. Johnson Distributing Company. The L.L. Johnson Distributing Company is a wholesale distributor of landscape and turf care equipment. L.L. Johnson was founded in 1976 in Denver, Colorado and currently sells equipment to businesses in Colorado and the surrounding states from six regional offices, two of which are located in the Denver area. The L.L. Johnson Distributing Company is a family-owned company.

MacDonald Equipment Company. BBC was unable to locate any information on this firm.

Cryotech De-Icing Technology. Cryotech De-Icing Technology manufactures and sells various types of de-icing chemicals. These de-icers are used on roads, as well as airport runways and airplanes. Cryotech is based in Fort Madison, Iowa, and has one sales office in the Denver area. Cryotech is owned by General Atomics, a privately-owned scientific research company based in San Diego, California.

Rocky Mountain Source. BBC was unable to locate any information on this firm.

CPS Distribution Company. BBC was unable to locate any information on this firm.

Colorado Golf & Turf. Colorado Golf & Turf sells golf course and turf care equipment, including golf carts, John Deere mowers and other maintenance equipment. Colorado Golf & Turf is located in Denver, Colorado and is a privately-owned firm.

Ellen Equipment Corporation. Ellen Equipment Corporation rents and sells heavy equipment for construction and grounds keeping work. Ellen Equipment is headquartered in Denver, Colorado with three additional regional offices.

Boyle Equipment Company. Boyle Equipment Company sells sewer cleaning, video inspection and pipe cleaning equipment. Boyle Equipment is located in Commerce City, Colorado.

Colorado General Equipment Company. Colorado General Equipment Company, founded in 1977, specializes in the sale of tractors and mowers. Colorado General Equipment is based in Brighton, Colorado, and is a privately-owned firm.

United Green Mark Inc. United Green Mark was acquired by the John Deere Landscapes company in May of 2005. Prior to the acquisition, United Green Mark sold landscaping equipment throughout the western United States from 40 company locations. John Deere Landscapes also sells landscaping equipment, and today has nearly 300 locations nationwide, four of which are located in the Denver area. John Deere Landscapes is a division of John Deere & Company, a publicly-traded firm (NYSE:DE).

Major Contracting Services Inc. Major Contracting Services (MCS), is also known as MCS Portable Restroom Services. BBC was unable to locate any additional information on this firm.

Altec Industries Inc. Altec Industries is a manufacturer of specialty equipment for the electric utility, telecommunications, and tree care industries. Headquartered in Birmingham, Alabama and operating many sales offices throughout North America (two of which are in the Denver area), Altec sells its machinery in over 120 countries and employs over 2,500 individuals. The company was founded in 1929 and remains family-owned and operated.

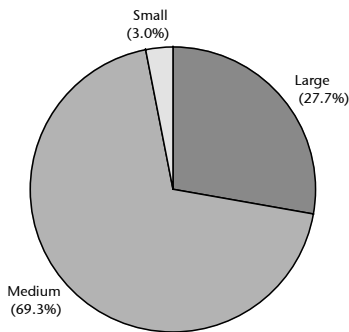
Denver Brass & Copper. Denver Brass & Copper (DBC) is a wholesale provider of gas and plumbing equipment, plastic pipe, and irrigation equipment. DBC was founded in Denver in 1947, and has since grown to include nine Front Range locations. DBC is an employee-owned firm.

Natural gas and petroleum. Denver spent about \$17 million with firms supplying natural gas and petroleum products during the study period. There were 29 firms that met the \$5,000 payments threshold over two-year study period.

The majority of payments for natural gas and petroleum were received by medium-sized firms. For those firms for which BBC could identify the size of the company, about 70 percent of the payments for natural gas and petroleum products were received by medium-sized firms. Figure IV-15 shows the distribution of payments by size of firm.

Four firms received at least \$500,000 in Denver payments from 2003 to 2004. The four firms listed in Figure IV-16 were paid a total of \$15 million, or 88 percent of payments to all of these types of vendors. Figure IV-17 introduces each firm.

Figure IV-15.
Total payments to natural gas and petroleum firms by size of firm



Note: Payments to prime contractors.

Source: BBC Research & Consulting from Denver Purchasing data.

Figure IV-16.
Natural gas and petroleum firms receiving \$500,000 or more in Denver payments, Jan. 2003-Dec. 2004

<i>Gasoline and petroleum</i>	<i>Payments (millions)</i>
Gray Oil Inc (WBE)	\$ 5.8
ADSI	4.3
Utility Resource Solutions LP	3.3
Natural Fuels Company LLC	1.6

Note: Payments to prime contractors.

Source: BBC Research & Consulting from Denver Purchasing data.

Figure IV-17.
Background on natural gas and petroleum firms receiving at least \$500,000 in Denver payments, Jan. 2003-Dec. 2004

Gray Oil Inc. Gray Oil Inc is a wholesale distributor of oil and related products. Gray Oil's sole location is in Fort Lupton, Colorado, and has approximately 65 employees. The company is a privately held woman-owned firm.

ADSI. ADSI (Aircraft Deicing Services, Inc) is a company that provides airliner services at airports. At DIA, ADSI provides both fuel and deicer for airplanes. ADSI is a wholly-owned subsidiary of Gunthrie North America, Inc.

Utility Resource Solutions LP. Utility Resource Solutions (URS) provides natural gas to commercial and residential consumers in Illinois, Indiana, New York, Colorado and Massachusetts. URS is based in Houston, Texas, and is a privately-owned firm.

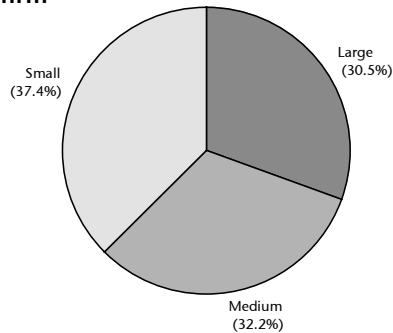
Natural Fuels Company LLC. Natural Fuels Company is a retailer of natural gas. The company was formed in 2003, and currently has six offices throughout the United States, one of which is located in Denver. Natural Fuels is a privately-owned company.

Electrical and industrial equipment, parts and supplies. In the 2003–2004 time period, Denver spent about \$16 million with firms providing electrical and industrial equipment, parts and supplies.

Payments for electrical and industrial supplies were more evenly split among small, medium and large firms. About 37 percent of the payments were received by small firms (fewer than 25 employees). Figure IV-18 shows the distribution of payments by size of firm.

BBC identified 192 firms supplying electrical and industrial supplies that received at least \$5,000 in payments from Denver during the study period. Seventeen firms listed in Figure IV-19 received at least \$200,000 in Denver payments during this period. These firms were paid a total of \$10.6 million, or about two-thirds paid to all electrical and industrial supply firms. Figure IV-20 provides a brief history of each firm.

Figure IV-18.
Total payments to electrical and industrial equipment, parts and supplies firms by size of firm



Note: Payments to prime contractors.
Source: BBC Research & Consulting from Denver Purchasing data.

Figure IV-19.
Electrical and industrial equipment, parts and supplies firms receiving \$200,000 or more in Denver payments, Jan. 2003–Dec. 2004

Electrical and industrial equipment, parts and supplies	Payments (millions)
Crouse-Hinds Airport Lighting Products	\$ 2.0
Western Signal Inc	1.7
3M	1.2
Component Specialties, Inc	0.9
Denver Distributors, Inc	0.7
Ceavco Audio-Visual Co Inc	0.5
DPI International	0.5
Graybar Electric Company, Inc	0.4
Wired Rite Systems Inc	0.3
Gades Sales Company, Inc	0.3
Conserve-A-Watt Lighting Inc	0.3
McQuay International	0.3
FCX Systems Inc	0.3
Anixter, Inc	0.3
Teledyne Isco Inc	0.2
Applied Biosystems	0.2
Vulcan Signs	0.2

Note: Payments to prime contractors.
Source: BBC Research & Consulting from Denver Purchasing data.

Figure IV-20.
Background on electrical and industrial equipment, parts and supplies firms receiving at least \$200,000 in Denver payments, Jan. 2003–Dec. 2004

Crouse-Hinds Airport Lighting Products. Crouse-Hinds manufactures and installs runway lighting equipment for airports. The company is based in Windsor, Connecticut, and is owned by Cooper Industries, a publicly-traded (NYSE:CBE) corporation that specializes in the manufacturing of industrial tools and equipment. Cooper Industries is based in Houston, Texas.

Western Signal Inc. Western Signal provides traffic control products in Colorado, Utah, Idaho and Wyoming. The firm was founded in 1985 in Denver, where the company’s headquarters remain. Western Signal maintains an additional office in Murray, Utah, and is a privately-owned firm.

3M. 3M develops, produces and sells a diverse line of products, with positions in a variety of industries, including consumer and office graphics display, electronics, health care, safety, and transportation among others. 3M was founded in 1902, and today its headquarters are located in St. Paul, Minnesota. 3M has offices worldwide, including one office in Greenwood Village, Colorado. The company’s stock is publicly-traded (NYSE:MMM).

Component Specialties, Inc. Component Specialties Incorporated (CSI) is a distributor of a full line of electrical components and lighting applications. CSI is located in Aurora, Colorado, and has been in business since 1971. CSI is a privately-owned firm.

Denver Distributors, Inc. Denver Distributors is a retailer of various electric and lighting components. Denver Distributors was founded in 1960 and its sole office remains in Denver. The company is employee-owned.

Figure IV-20. (continued)

Background on electrical and industrial equipment, parts and supplies firms receiving at least \$200,000 in Denver payments, Jan. 2003-Dec. 2004

Ceavco Audio-Visual Company Inc. Ceavco Audio-Visual rents and sells audio-visual equipment, provides stage support engineers and installs new systems as well as provides repair and service to stage systems. Ceavco is based in Denver, Colorado, and has another office in Colorado Springs. The company was founded in 1961 and is a privately-owned company.

DPI International. DPI International, formerly Dorado Products, manufactures, distributes and installs access control systems. DPI was founded in 2003 and today has two offices, one of which is in Denver. The firm is a privately-owned company.

Graybar Electric Company, Inc. Graybar Electric is one of the largest private companies in the United States. The firm is entirely employee-owned. From its corporate location in St. Louis, Missouri, and approximately 250 distribution centers throughout North America (including two locations in the Denver Metro Area), Graybar distributes electrical components, equipment and materials to electrical, commercial, utility and telecommunication groups.

Wired Rite Systems Inc. Wired Rite Systems is a Denver-based firm that specializes in selling vehicle electrical systems. Wired Rite was a woman-owned firm, but the company was recently purchased by outside investors.

Gades Sales Company, Inc. Gades Sales Company is a company that specializes in the distribution of transportation control equipment, including traffic signals, intersection controls, and computerized systems to manage intersections. Gades was founded in the 1940s and remains a privately-owned company. The company serves the Rocky Mountain region from four office locations, including one in Denver.

Conserve-A-Watt Lighting Inc. Conserve-A-Watt is a retailer of electrical equipment, wiring and related equipment. Conserve-A-Watt's sole office is located in Denver, Colorado and is a privately-owned company.

McQuay International. McQuay International is a worldwide manufacturer of commercial air conditioning, heating and ventilation equipment. McQuay has office locations throughout North America, Europe and Asia, including one distribution center located in Aurora, Colorado. McQuay is owned by the Hong Leong Group in Malaysia—a multinational corporation involved in financial services, real estate, and manufacturing and distribution.

FCX Systems Inc. FCX Systems designs, manufactures and sells frequency converters, ground power systems, and pre-conditioned air units. The manufacturer has its sole location in West Virginia. The company is privately-owned.

Anixter, Inc. Anixter is the world's largest distributor of communication products and electrical and electronic wire and cable to original equipment manufacturers. Anixter was founded in 1957, and today the company has sales offices and warehouses worldwide. The company's headquarters is located in Glenview, Illinois, and the company's stock is publicly-traded (NYSE:AXE).

Teledyne Isco Inc. Teledyne Isco manufactures a wide range of products for professionals working in water pollution monitoring. The Isco corporation was founded in 1951, and recently merged with Teledyne to become a publicly-traded company (NYSE:TDY). Teledyne-Isco is headquartered in Los Angeles, California.

Applied Biosystems. Applied Biosystems provides equipment for the life sciences industry. The firm is involved in the following markets: basic research, commercial research (pharmaceutical and biotechnology) and standardized testing. Applied Biosciences was founded in 1980, and the firm's headquarters are located in Foster City, California. Applied Biosystems is a publicly-traded company (NYSE:ABI).

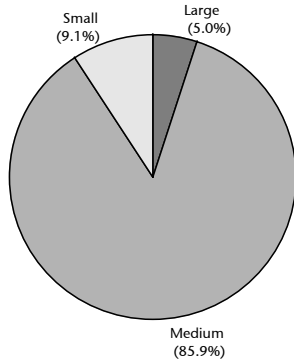
Vulcan Signs. Vulcan Signs is a division of Vulcan, Inc, a company that was founded in 1935 and today is an employee-owned company based in Foley, Alabama. Vulcan Signs was developed in 1977 and produces highway signs, decals, signposts and fasteners, pavement marking materials, and other related goods. Vulcan Signs is one of the largest traffic-control sign producers in the country, with sales in all 50 states and a number of foreign countries.

Automobile parts. From January 2003 through December 2004, Denver spent about \$13 million with firms supplying automobile parts.

The vast majority of payments for automobile parts were received by medium-sized firms. Figure IV-21 shows the distribution of payments by size of firm.

Fifty-six firms supplying automobile parts received 2003-2004 payments of at least \$5,000. The eleven firms shown in Figure IV-22 received at least \$200,000 in Denver payments during this period. These firms were paid a total of \$11.5 million, or about 86 percent of what was paid to all automobile parts supply firms during the study period. BBC's descriptions of these firms are provided in Figure IV-23.

Figure IV-21.
Total payments to automobile parts supply firms by size of firm



Note: Payments to prime contractors.
Source: BBC Research & Consulting from Denver Purchasing data.

Figure IV-22.
Automobile parts supply firms receiving \$200,000 or more in Denver payments, Jan. 2003-Dec. 2004

Automobile parts suppliers	Payments (millions)
O.J. Watson Equipment Company, Inc	\$ 7.9
A&E Tires Inc (WBE)	0.7
United Rotary Brush Corporation	0.5
Drive Train Industries Inc	0.4
Goodyear Tire and Rubber Company	0.4
AMGS Distributing Inc	0.4
Universal Tractor Company (WBE)	0.3
Napa Auto Parts	0.3
Hydraulic Energy Products Inc	0.3
G.C.R. Denver Tire Center	0.2
Frontier Truck Equipment & Parts Company	0.2

Note: Payments to prime contractors.
Source: BBC Research & Consulting from Denver Purchasing data.

Figure IV-23.
Background on automobile parts supply firms receiving at least \$200,000 in Denver payments, Jan. 2003-Dec. 2004

O.J. Watson Equipment Company, Inc. O.J. Watson Equipment Company is a company that specializes in heavy equipment such as crane trucks, dump trucks, aerial bucket trucks, and other heavy equipment.

A&E Tires Inc. A&E Tires is a retailer of automobile tires. The company is a woman-owned firm, but is not certified. A&E Tires has two offices in the Denver area, and employs approximately 70 individuals.

United Rotary Brush Corp. United Rotary Brush Corporation designs and manufactures rotary brushes (brushes that are used for street sweepers, road construction, runway snow removal, and other functions). United Rotary Brush was founded in 1983 in Kansas City, Missouri. Today, United Rotary Brush operates four different manufacturing and distribution facilities (none of which are located in Colorado). The privately-owned company has approximately 250 employees and annual revenue of between \$5.0 million and \$9.9 million.

Drive Train Industries Inc. Drive Train Industries (DTI) is a Denver-based retailer of auto parts, and provides auto part installation and repair services as well. DTI was founded in Denver in 1945 and today operates seven offices along the Front Range, from Wyoming to New Mexico. Drive Train Industries is an employee-owned corporation that employs over 200 individuals.

Goodyear Tire and Rubber Company. Originally founded in 1898, Goodyear Tire and Rubber Company is the largest tire manufacturer in the United States. Goodyear has manufacturing plants and distributors worldwide, and is headquartered in Akron, Ohio. Goodyear has one corporate distribution center in Denver, which has about 10 employees and annual revenue of between \$5.0 and \$9.9 million. Goodyear Tire is a publicly-traded company (NYSE:GT).

AMGS Distributing Inc. BBC was unable to locate any information on this firm.

Universal Tractor Company. Universal Tractor Company is a retailer of tractors and tractor parts. Universal was founded in Denver in 1950, where the company's sole office remains. The company is majority-owned.

Napa Auto Parts. Napa Auto Parts is one of the premiere retailers of auto parts in the United States. Napa was founded in 1925 and today has over 6,000 auto parts stores and 65 distribution centers around the country. Napa Auto Parts is a privately-owned corporation, and the vast majority of Napa Auto Parts stores are independently-owned franchises.

Figure IV-23. continued
Background on automobile parts supply firms
receiving at least \$200,000 in Denver payments, Jan. 2003-Dec. 2004

Hydraulic Energy Products Inc. Hydraulic Energy Products is a Denver-based retailer of hydraulic products such as water pumps, valves, tanks and related products. Founded in 1983, today Hydraulic Energy Products has approximately 20 employees and between \$1.0 and \$2.4 million in revenue. Hydraulic Energy is a privately-owned company.

G.C.R. Denver Tire Center. G.C.R. Denver Truck Tire Center is the local branch of G.C.R. Tire Centers, a division of Bridgestone/Firestone. Founded in 1945, today G.C.R. is headquartered in Austin, Texas and has 150 distributors nationwide, five of which are located in Colorado and two of which are located in Denver. Bridgestone/Firestone is based in Tokyo, Japan and is a publicly-traded company.

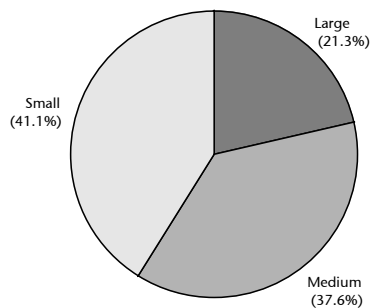
Frontier Truck Equipment and Parts Company. Frontier Truck and Equipment Parts Company has been in business since 1982, retailing trucks and truck parts. The company also has the ability to service many different types of commercial trucks. Frontier is owned by Adrian Steel, a privately-owned company based in Adrian, Michigan.

Apparel, athletic goods, signs and food. BBC grouped a diverse set of routine government purchases into one category that includes apparel, athletic goods, signs and food. From January 2003 through December 2004, Denver spent about \$12 million with firms supplying these items.

About 40 percent of the payments for apparel, athletic goods, signs and food were received by small firms. Figure IV-24 shows the distribution of payments by size of firm.

Nearly 200 firms supplying this diverse set of items received 2003-2004 payments of at least \$5,000. The 14 firms shown in Figure IV-25 received at least \$200,000 in Denver payments (as prime contractors) during this period. These firms were paid a total of \$6.7 million, or about 55 percent of what was paid to all firms during the study period. These top vendors range from very small local firms to large publicly-traded companies. BBC's descriptions of these firms are provided in Figure IV-26 on the following page.

Figure IV-24.
Total payments to apparel, athletic goods, signs, and food firms by size of firm



Note: Payments to prime contractors.

Source: BBC Research & Consulting from Denver Purchasing data.

Figure IV-25.
Apparel, athletic goods, signs and food firms
receiving \$200,000 or more in Denver payments,
Jan. 2003-Dec. 2004

<i>Apparel, athletic goods, signs and feed</i>	<i>Payments (millions)</i>
Public Safety Warehouse	\$ 1.1
Young Electric Sign Company	0.7
Nu-Crisp Image Apparel	0.6
Cintas Corporation	0.6
Neve's Uniforms & Equipment	0.6
Robinson Dairy Inc	0.5
Arapahoe Sign Arts	0.5
Stillman Wholesale Meat Co.	0.4
Donson's Distributing Inc	0.4
American Produce, LLC	0.3
American Pride Co-Op	0.3
Galligan Wholesale Meat Co.	0.3
Gordon Sign	0.2
Recreation Plus Ltd.	0.2

Note: Payments to prime contractors.

Source: BBC Research & Consulting from Denver Purchasing data.

Figure IV-26.

Background on apparel, athletic goods, signs and food firms receiving at least \$200,000 in Denver payments, Jan. 2003-Dec. 2004

Public Safety Warehouse. Public Safety Warehouse is a retailer of public safety equipment such as badges, armors, weapons, handcuffs, vehicle equipment, and police uniforms (among other items) in Colorado. The firm has offices in Aurora and Colorado Springs and is privately-owned.

Young Electric Sign Company. Young Electric Sign Company (YESCO) was founded in Utah in 1920. YESCO builds custom-designed signs and display systems for arenas, hotels, and businesses of all sizes. YESCO is headquartered in Salt Lake City, Utah, and has 27 offices throughout the Western United States, including offices in Denver, Colorado Springs, Fort Collins and Grand Junction. YESCO is a privately-owned firm.

Nu-Crisp Image Apparel. Nu-Crisp Image Apparel is a privately-owned firm based in Denver, Colorado. Nu-Crisp is a retailer of uniforms and other athletic apparel. Today, Nu-Crisp has about 10 employees and annual revenue of less than \$4 million.

Cintas Corporation. Cintas Corporation designs and manufactures corporate uniforms, entrance mats, promotional products and document management services. Founded in 1929, Cintas is currently headquartered in Cincinnati, Ohio. Cintas operates approximately 350 locations across the United States (one of which is located in Denver) and employs more than 30,000 people. Cintas is a publicly-traded company (NASDAQ:CTAS).

Neve's Uniforms & Equipment. Neve's Uniforms & Equipment sells public safety products to individuals, law enforcement, fire rescue and emergency medical professionals, and other government offices. Neve's is a privately-owned firm that was founded in Denver in 1980. Today, Neve's has locations in three different states, including its headquarters in Denver.

Robinson Dairy Inc. Originally founded in Denver in 1885, Robinson Dairy is owned today by Dean Foods, a publicly-traded company (NYSE:DF). Robinson Dairy processes and distributes a wide variety of dairy products in Colorado. Robinson Dairy has its processing plant located in Denver and has distribution centers located in Colorado Springs and Silverthorne, Colorado.

Arapahoe Sign Arts. Arapahoe Sign Arts is a sign fabrication and contracting company based in Denver, Colorado. The company produces signage, exhibits and displays for clients of all types. Arapahoe Sign Arts was founded in 1996 and is a privately-owned and operated firm.

Stillman Wholesale Meat Co. Stillman Wholesale Meat is a distributor of meat and other food products. Stillman was founded in 1973 by its present owner, and is an uncertified white, woman-owned firm. Today Stillman Wholesale Meat has approximately 35 employees and revenue of between \$0.5 and \$0.9 million per year.

Donson's Distributing Inc. Donson's Distributing is an independent foodservice distributor serving eating establishments, health care facilities, schools and institutions. Donson's was founded in 1957 and recently acquired by Vistar Corporation, a Denver-based food distribution company. Vistar is owned by Wellspring Capital Management, a private equity investment firm based in New York City.

American Produce, LLC. American Produce, is a wholesale distributor of food products in the Denver Metro Area. The company is privately-owned, and is based in Denver. BBC was unable to locate any additional information on this firm.

American Pride Co-Op. American Pride Co-Op is a agricultural cooperative based in Brighton, Colorado with additional offices in Mead and Strasburg, Colorado. American Pride provides clients with a variety of agricultural products such as seed, fertilizers, animal feed and petroleum products. American Pride is a large co-op, with approximately 130 employees and more than \$50 million in annual revenue.

Galligan Wholesale Meat Co. Galligan Wholesale Meat Company a Denver-based wholesale meat distributor. Founded in 1978, Galligan is still owned by its founder, and today has annual revenues of between \$1.0 and \$2.5 million.

Gordon Sign. Gordon Sign designs, manufactures, installs and maintains custom signs. Gordon Signs was founded in 1904 in Denver, Colorado. Today Gordon Signs serves all industry segments from three separate offices, in Colorado Springs and Denver, Colorado, and Cheyenne, Wyoming.

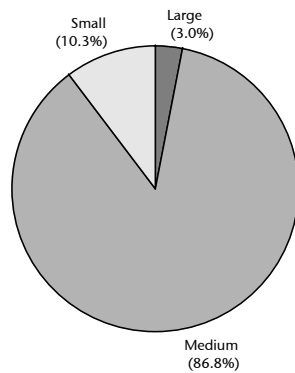
Recreation Plus Limited. Recreation Plus is a distributor of playground equipment, playground surfacing, park services equipment, and park shelters. Privately-owned, Recreation Plus is located in Golden, Colorado, from where it serves all of Colorado and Wyoming.

Chemicals. Denver spent about \$9 million with firms supplying chemicals during the study period. There were 39 firms that met the \$5,000 payments threshold over the two-year study period.

The vast majority of payments for chemicals were received by medium-sized firms. For those firms for which BBC could identify the size of the company, almost 87 percent of the payments were received by medium-sized firms. Larger firms receive a small percentage of Denver’s purchases. Figure IV-27 shows the distribution of payments by size of firm.

The four firms shown in Figure IV-28 received at least \$500,000 in Denver payments during this period. These four firms were paid a total of \$7.5 million, or about 83 percent of what was paid to all chemical supply firms during the study period. BBC’s descriptions of these firms are provided in Figure IV-29.

Figure IV-27.
Total payments to chemical supply firms, by size of firm



Note: Payments to prime contractors.

Source: BBC Research & Consulting from Denver Purchasing data.

Figure IV-28.
Chemical supply firms receiving \$500,000 or more in Denver payments, Jan. 2003-Dec. 2004

Chemicals	Payments (millions)
Envirotech Services, Inc	\$ 4.6
Old World Industrial, Inc	1.5
TMT–Pathway	0.8
Midwest Chemical & Supply	0.7

Note: Payments to prime contractors.

Source: BBC Research & Consulting from Denver Purchasing data.

Figure IV-29.
Background on chemical supply firms receiving at least \$500,000 in Denver payments, Jan. 2003-Dec. 2004

Envirotech Services, Inc. Envirotech Services was founded in 1988. The firm sells and distributes products for dust control, de-icing, grass, lawn and landscape care, as well as a variety of other industrial and commercial products. Envirotech’s main office is located in Greeley, Colorado, and the company also has a Logistics Center in Kersey, Colorado. Envirotech is a private partnership.

Old World Industries, Inc. Old World Industries, a privately-owned, medium-sized (about 150 employees) company, markets and sells chemical products and automotive parts. The company began 30 years ago as a chemical distributor. Today, the firm has three distinct divisions: automotive, industrial chemical distribution, and ethylene oxide and derivatives manufacturing. Old World headquarters are in Northbrook, Illinois and the firm has several regional distribution centers throughout United States.

TMT–Pathway. TMT–Pathway supplies roadway marking supplies to customers throughout the western United States. T.M.T. was founded in 1920. Today the firm has manufacturing facilities in Los Angeles and Salem, Oregon, and distribution offices throughout the western U.S., including one office in Denver, Colorado. TMT-Pathway is owned by Jackson Products, Inc., a privately-owned company based in St. Charles, Missouri.

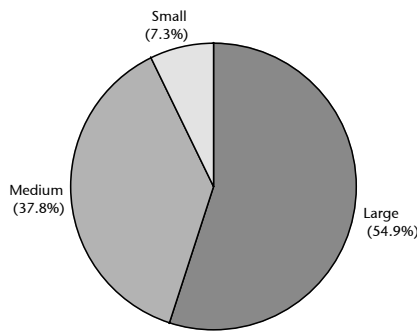
Midwest Chemical & Supply. Midwest Chemical & Supply is a wholesaler of janitorial and other cleaning supplies. Midwest Chemical’s only office is located in Denver, and the firm was founded in 1982. Midwest Chemical & Supply is a privately-owned company.

Office equipment. Denver spent about \$8.7 million with office equipment firms during the study period. There were 62 firms that met the \$5,000 payments threshold over the two-year study period.

Large firms received more than half of the payments for office equipment. Small firms obtain very little of these purchases. Figure IV-30 shows the distribution of payments by size of firm.

The eight firms shown in Figure IV-31 received at least \$300,000 in Denver payments during this period. These eight firms were paid a total of \$7.1 million, or about 82 percent of what was paid to all office equipment firms during the study period. Descriptions of these firms are provided in Figure IV-32.

Figure IV-30.
Total payments to office equipment firms by size of firm



Note: Payments to prime contractors.
Source: BBC Research & Consulting from Denver Purchasing data.

Figure IV-31.
Office equipment firms receiving \$300,000 or more in Denver payments, Jan. 2003-Dec. 2004

Office equipment	Payments (millions)
Xerox Corporation	\$ 2.5
Sequoia Voting Systems	1.5
Lewan & Associates	0.7
Inscape Office Specialty (WBE)	0.7
Konica Minolta Business Solutions	0.5
Panasonic Communications & Systems	0.5
Pitney Bowes Incorporated	0.4
Rocky Mountain Desk Corporation	0.3

Note: Payments to prime contractors.
Source: BBC Research & Consulting from Denver Purchasing data.

Figure IV-32.
Background on office equipment firms receiving at least \$300,000 in Denver payments, Jan. 2003-Dec. 2004

Xerox Corporation. Xerox Corporation designs and manufactures printing and publishing equipment, including: printers, copiers, fax machines, other office equipment and related software. Xerox was founded in 1906 and is currently headquartered in Stamford, Connecticut. Xerox is one of the largest corporations in the world, currently employing nearly 60,000 individuals. Xerox is a publicly-traded company (NYSE:XRX).

Sequoia Voting Systems. Sequoia Voting Systems manufactures, sells and installs voting equipment for government agencies. Sequoia was founded in 1900 in Oakland, California, where the company's headquarters remain today. Sequoia is owned by SmartMatic, an international company based in Venezuela, although SmartMatic does maintain one of its U.S. offices in Denver, Colorado.

Lewan & Associates. Lewan & Associates provides office equipment, including computers, copiers, and supplies to businesses throughout Colorado. Lewan & Associates was founded in Denver in 1972, and currently has ten locations, three of which are in the Denver Metro Area. Lewan & Associates is a privately-owned firm.

Inscape Office Specialty. Inscape Office Specialty is a designer, manufacturer and supplier of office filing and storage cabinet systems. Inscape Office Specialty is based in Toronto, Canada and has a network of local distributors throughout North America (one of which is located in Denver). Inscape Office Specialty is a subsidiary of Inscape, Ltd, a publicly-traded company (TSX:INQ.SV).

Konica Minolta Business Solutions. Konica Minolta Business Solutions is a global company specializing in imaging and printing. Konica Minolta's products include digital printers, fax machines, digital cameras and other business and industrial imaging products. The company is based in Tokyo, Japan and is traded on Tokyo's stock exchange.

**Figure IV-32. (continued)
Background on office equipment firms
receiving at least \$300,000 in Denver payments, Jan. 2003-Dec. 2004**

Panasonic Communications & Systems. Panasonic Communications & Systems is a global company that develops business electronic equipment, particularly phone systems and IT hardware. The U.S. branch of Panasonic Corp, Panasonic North America, owns Panasonic Communications & Systems (Panasonic North America headquarters are located in Secaucus, New Jersey). Panasonic is a publicly-traded company.

Pitney Bowes Incorporated. Pitney Bowes Incorporated manufactures and distributes a wide range of mailing systems and document management products. Pitney Bowes was founded in 1920, and is currently headquartered in Stamford, Connecticut. It is a publicly-traded company (NYSE:PBI).

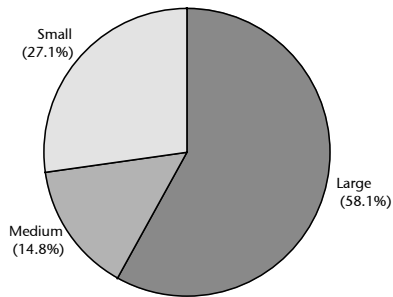
Rocky Mountain Desk Corporation. Rocky Mountain Desk Corporation sells and installs desks and other office equipment for companies in Colorado. The company was founded in 1983 in Denver, Colorado, and has since added an office in Fort Collins. The firm is privately-owned.

Office supplies. Denver spent about \$5.5 million from 2003 to 2004 with 69 office supply firms that met the \$5,000 payments threshold.

For firms for which BBC could identify the size of the company, about 58 percent of the payments were received by large firms. Figure IV-33 shows the distribution of payments by size of firm. Small firms obtained about one-quarter of these purchases.

The nine firms shown in Figure IV-34 received at least \$100,000 in Denver payments during this period. These nine firms were paid a total of \$4.0 million, or about three-fourths of what was paid to all office supply firms during the study period. Descriptions of these firms are provided in Figure IV-35 on the following page.

**Figure IV-33.
Total payments to
office supply firms by size of firm**



Note: Payments to prime contractors.

Source: BBC Research & Consulting from Denver Purchasing data.

**Figure IV-34.
Office supply firms receiving \$100,000 or more
in Denver payments, Jan. 2003-Dec. 2004**

Office supply	Payments (millions)
Office Depot	\$ 2.1
Lewis Paper Place (WBE)	0.7
One Source Industries	0.3
Sam's Club	0.2
Xpedx	0.2
Western Paper Distributors	0.1
Franklin Covey	0.1
Corporate Express	0.1
Source Management Inc	0.1

Note: Payments to prime contractors.

Source: BBC Research & Consulting from Denver Purchasing data.

Figure IV-35.

Background on office supply firms

receiving at least \$100,000 in Denver payments, Jan. 2003-Dec. 2004

Office Depot. Founded in 1986, Office Depot sells a wide variety of office supplies and equipment. Headquartered in Delray Beach, Florida, Office Depot has over 1,000 retail stores in North America, as well as a business services division and an e-commerce website. Office Depot is a publicly-traded company (NYSE:ODP).

Lewis Paper Place. Lewis Paper Place is a distributor of a wide variety of papers, envelopes and other graphic arts supplies. Lewis Paper Place is headquartered in Wheeling, Illinois, and has eight distribution centers, one of which is located in Denver. Lewis Paper Place is certified as a (white) woman-owned firm.

One Source Industries. One Source Industries is a wholesale retailer of access/smart cards, access control systems, identification and badge printers, and other identification and badge related equipment. One Source was founded in 1998 in Tampa, Florida, and remains a privately-owned firm.

Sam's Club. Sam's Club is a member's only warehouse retailer that sells a wide variety of products, including groceries, electronics and automotive, office supplies and equipment and household goods. Sam's Club has over 550 locations in the U.S., 10 of which are within the Denver Metro Area. Sam's Club is a division of Wal-Mart Stores, Inc., a publicly-traded company (NYSE:WMT).

Xpedx. Xpedx is a global retailer of paper, packaging supplies and equipment, and other graphic imaging equipment and supplies. The company is headquartered in Loveland, Ohio. The company's Midwest regional headquarters is located in Denver, which employs approximately 100 individuals. Xpedx is owned by International Paper Company, a publicly-traded paper manufacturer and wholesaler (NYSE:IP).

Western Paper Distributors. Western Paper is a distributor of wash room, janitorial, food service, and lodging products. Western Paper operates three distribution centers, one of which is located in Denver. The company is privately-owned.

Franklin Covey. Franklin Covey provides both business consulting services and related office supplies to businesses of all sizes. Franklin Covey is headquartered in Salt Lake City, Utah and has offices world wide (four offices are located in the Denver area). Franklin Covey is a publicly-traded company (NYSE:FC).

Corporate Express. Corporate Express sells business office supplies, computer products and office furniture to businesses located around the world. Corporate Express has offices located throughout world, and the North American headquarters are in Broomfield, Colorado. Corporate Express is a wholly-owned subsidiary of Buhrmann, NV, a publicly-traded (NYSE:BUH) international business services and distribution group.

Source Management, Inc. Source Management sells stationary and office supplies. Based in Denver, Source Management also has two regional sales offices. Founded in 1990, the company is privately-owned.

Other goods. Other goods firms are those specialty items, including taser guns and ammunition. From January 2003 through December 2004, Denver spent about \$1.7 million, or just 1 percent of total goods expenditures, with firms supplying miscellaneous goods. BBC identified 43 firms supplying other goods that received payments totaling at least \$5,000.

Types and sizes of contracts. In addition to analyzing payments to goods firms, BBC studied 39 randomly-sampled goods purchases over the study period. The study team was able to research these purchases through hard copy files available in the Purchasing Division.

As with the study team's analysis of other areas of procurement, not all of the desired information was available from the procurement files. Nevertheless, this dataset of goods purchases allows us to make conclusions from the information we did glean. The discussion below is based on the information reported in these files.

The goods purchases collected by the study team ranged from a \$1,000 purchase order for a treadmill to a \$300,000 contract for fire department apparel. In total, BBC sampled 25 purchase orders and 14 contracts for the purchase of goods. Each of the contracts was managed by Purchasing staff.

Denver purchasing policy stipulates that formal bids (those with an approximate value of \$25,000 or more) must be advertised in the Daily Journal or other newspaper. Formal bids may also be downloaded from the City Purchasing website. Informal bids (those with an approximate value of

more than \$5,000 but less than \$25,000) may be viewed in the “Green Book” at the City’s Purchasing Division offices. Informal bids (less than \$5,000) do not need to be publicly advertised, however, the buyer is expected to obtain three quotes.

The majority of the goods purchases reviewed by the study team, where mandated by policy, were competed (either formally or informally) and the winning vendor was chosen based on price. In a few cases, the vendor was chosen based on qualifications or a combination of qualifications and price. About one-third of purchases falling below the threshold for a formal bid were also competed.

Most of the contracts or purchase orders that were not competed were either sole-sourced with explanation or were contract renewals. A few of the files did not have any evidence of competition or explanation for sole-source selection. Analysis of the sole-sourced contracts found the following:

- Because Denver has standardized some of its equipment, it sometimes goes to a specific dealer when it purchases parts. For example, Denver sole-sourced two Toro weather stations from The L.L. Johnson Distributing Company as well as traffic control hardware and software from Econolite Control Products, Inc.
- Denver often returns to the vendors that provided specialized original equipment when it needs parts. An example of this is a purchase of polygraph equipment to improve system performance from Axiton.
- Prepackaged software is often purchased on a sole-source basis. Similarly, the owners of the software are often the only ones to provide software maintenance. An example was the purchase of software upgrades for the Police Department’s scanning electron microscope from Oxford Instruments.
- Sometimes the good is so specialized that only one manufacturer makes it.
- Denver’s sole-source explanation is sometimes based on an immediate need. For example, one sole-source explanation included the emergency purchase of a lighting fixture due to vandalism.
- In a few cases, the purchase appeared to be sole-sourced, but there was no explanation in the procurement file.

The files reviewed for the sampled goods purchases suggest that Denver’s procurement of goods is typically competitive and similar to the practices of other public sector agencies.

Insights into the Local Goods Industry

As with the study team’s analysis of other local industries, we were able to draw some insights into the fields that make up the “goods industry” as defined for purposes of this study. Figure IV-36 summarizes the breadth of the research the study team conducted.

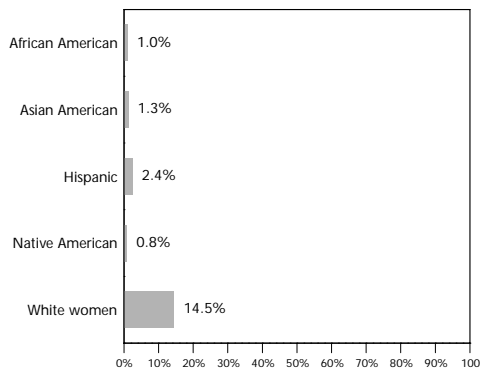
Do minorities and women own goods firms?

BBC surveyed Denver Metro Area goods firms in mid-2005 to determine the share that are owned and controlled by minorities or women. As with the surveys of professional services and general services firms discussed in the previous sections, the goods firm survey was conducted in two parts. First, BBC attempted interviews with all past Denver goods vendors receiving at least \$5,000 in payments for 2003-2004. Among Denver goods vendors the study team successfully contacted, 358 firms that indicated they were available to do business with Denver in the future. Second, BBC managed a survey of randomly-selected goods firms in the Denver Metro Area within the fields involved in Denver goods work. There were 377 firms included in the random vendor surveys that indicated qualifications and interest in Denver work.²

Figure IV-36.
Research into the local goods industry

BBC attempted interviews with each current and past local area Denver goods vendors that received at least \$5,000 in payments from January 2003 through December 2004. We successfully interviewed about 360 of these firms. BBC retained Customer Research International (CRI), a Texas-based telephone survey firm, to conduct telephone interviews with randomly-selected goods firms in the Denver marketplace. CRI reached about 700 firms (not all of which were available for Denver work). In addition, the study team staff completed in-depth interviews with 8 MBE/WBE and majority-owned goods firms. We supplemented this research by collecting Dun & Bradstreet information for Denver consultants by researching firms on the Internet.

Figure IV-37.
MBEs and WBEs as a share of total firms available for Denver goods contracts.



Note: Limited to firms that perform work for the public sector and report qualifications and interest in Denver professional services contracts. Availability is weighted based on the dollars of Denver contracts going to different types of goods firms.

Source: BBC Research & Consulting availability survey, 2005.

The survey was conducted for the ten goods fields examined in this section. To determine overall MBE/WBE availability for goods contracts, the results for each sector were dollar-weighted by the amount of Denver work going to each sector.³

Race/ethnicity and gender of firm control and ownership were determined through the telephone surveys with these firms.

BBC’s analysis found that 5.5 percent of the firms available for Denver general services contracts were minority-owned and 14.5 percent were white women-owned. Overall, about one of every five goods firms available for Denver goods purchases were MBE/WBEs (see Figure IV-37).

² Firms were asked whether they perform work for public sector clients and whether they were qualified and interested in certain types of work for the City and County of Denver. Only firms that do public sector work and report qualifications and interest in Denver goods contracts are included. BBC and Customer Research International staff surveyed firm owners or managers to conduct this research.

³ Different weights were also applied to Denver vendors and non-vendors. Because BBC attempted interviews with all Denver general services vendors receiving a certain amount of work, but only a sample of non-vendors, vendors and non-vendors surveyed received different weight when determining overall availability

What are current marketplace conditions? A sizeable portion of the major supply firms are national or international companies with hundreds of supply locations and thousands of employees. Many of the suppliers are the actual manufacturers of a product.

An owner of a goods firm usually cannot carry any product he or she wishes. Exclusive distributorships restrict access to certain lines of goods. Many large distributors can purchase products in bulk, and keep them in inventory if need be, which gives them a price advantage over smaller firms.

Subcontracting is relatively rare in the private marketplace. There usually is no need to subcontract out any portion of a goods purchase.

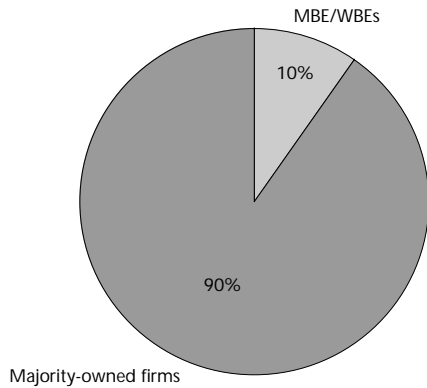
MBE/WBE experiences in the goods industry. The study team conducted in-depth personal interviews with owners of local goods firms in the Denver marketplace.

Large goods firms have advantages when competing on prices, as illustrated in the following interview comments. Two white male representatives from the local branch of a large national, white family-owned janitorial supply company, did not believe there was race or gender discrimination in their industry. However, they readily acknowledged that the purchasing power held by large companies such as theirs presented a huge advantage over smaller competitors. They felt this circumstance was perpetuated by low-bid procurements. They observed that when low price is the sole or primary consideration, small businesses cannot possibly succeed against large competitors.

One business owner described conditions that may or may not reflect race or gender discrimination. The Hispanic owner of a supplier of specialized irrigation systems, who had never successfully done business with the City, complained that he had been discriminated against because of his race. He reported that the problem had been worse following concerns about illegal immigration. He reported that at the time of the interview, he had recently lost a bid in Boulder to a competitor which had inferior and more expensive products, and he had no explanation other than racial discrimination.

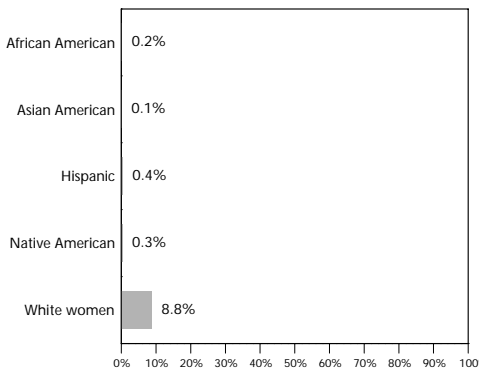
In sum, the study team collected relatively little qualitative information that would indicate race and gender discrimination in the local goods industry. There were more comments from these interviews that pertained to City and County of Denver goods procurement. These are discussed later in this section of the report.

Figure IV-38.
MBE/WBE utilization on Denver goods purchases, 2003-2004



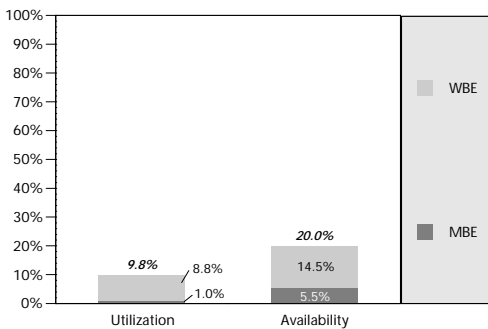
Source: BBC Research & Consulting from Denver Purchasing data.

Figure IV-39.
Utilization on Denver goods contracts by race/ethnicity and gender, 2003-2004



Source: BBC Research & Consulting from Denver Purchasing data.

Figure IV-40.
Denver utilization of MBE/WBEs on goods contracts, 2003-2004, compared with MBE/WBE availability for contracts



Source: BBC Research & Consulting.

Is Discrimination Affecting MBE/WBEs When Competing for Denver Work?

There is some evidence that MBEs do not face a level playing field in the local marketplace and for sales to Denver.

How much work are MBE/WBEs winning?

Of the 1,017 firms receiving at least \$5,000 in prime contract payments for Denver goods purchases between January 2003 and December 2004, only 30 were identified as MBE/WBEs. BBC determined MBE/WBE status through phone calls to firms, D&B data and Denver staff review. BBC was unable to reach all vendors. However, the payments received by vendors for which BBC could not identify MBE/WBE status accounted for only 1 percent of total goods payments.

BBC found that 10 percent of Denver's payments for Denver goods purchases over the study period went to MBE/WBEs, as shown in Figure IV-38.

Utilization by race/ethnicity and gender. White woman-owned firms received most of the payments received by MBE/WBEs. Total MBE utilization was 1.0 percent compared with WBE utilization of about 9 percent. African American-owned firms received 0.2 percent of Denver goods dollars. About 0.1 percent of Denver goods spending went to Asian American-owned firms. Hispanic-owned firms received 0.4 percent and Native American-owned firms received 0.3 percent of total goods purchases. Figure IV-39 shows payments by race/ethnicity and gender ownership of goods firms.

Are there disparities between Denver utilization of MBE/WBEs and the availability of MBE/WBEs to supply goods to Denver?

Previously in this section, the study team reported that about one-fifth of local firms available to provide goods to Denver were MBE/WBEs based on BBC's surveys of Denver vendors and randomly-sampled firms within the local marketplace. The 10 percent utilization of MBE/WBE goods firms is less than what would be anticipated from this level of availability, as shown in Figure IV-40.

Figure IV-41 shows that utilization of African American-, Asian-, Hispanic- and Native American-owned goods firms was below availability of these firms for Denver goods purchases. For example, 0.2 percent of Denver goods dollars in 2003-2004 went to firms owned by African Americans. Based on the availability analysis, about 1.0 percent of goods dollars would be expected to go to African American-owned firms. Chance in the process of sampling available firms can be rejected as a cause of the disparity for African American-owned firms.

Figure IV-41.
Denver utilization of MBE/WBEs on goods contracts, 2003-2004,
compared with availability for contracts, by race and gender

	Utilization as Prime Contractors		Availability for Prime Contract Work	Difference (utilization minus availability)	Disparity Ratio (utilization divided by availability)
	Millions	Percent			
MBE					
African American	\$ 0.3	0.1 %	2.7 %	(2.6) %**	0.05 **
Asian American	0.1	0.1	6.9	(6.9)	0.01
Hispanic	1.0	0.5	5.8	(5.4) **	0.08 **
Native American	<u>0.2</u>	<u>0.1</u>	<u>0.8</u>	<u>(0.7)</u>	0.12
Total MBE	\$ 1.6	0.7 %	16.3 %	(15.5) %**	0.05 **
WBE	<u>7.2</u>	<u>3.4</u>	<u>12.5</u>	<u>(9.1)</u> **	0.27 **
Total MBE/WBE	\$ 8.7	4.1 %	28.8 %	(24.7) %**	0.14 **
Majority-owned	<u>201.6</u>	<u>95.9</u>	<u>71.2</u>	24.7	1.35
Total	\$ 210.3	100.0 %	100.0 %		

Note: Rounding may affect subtotals. ** indicates statistically significant difference at .95 level of confidence.

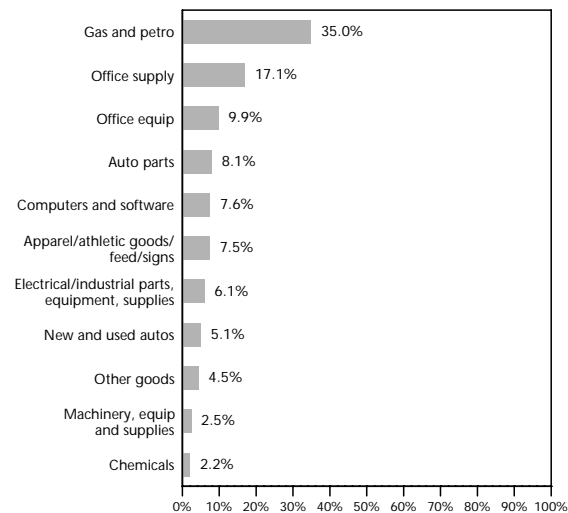
Source: BBC Research & Consulting.

Utilization of WBEs was about six-tenths of what might be expected based on availability. This disparity was also statistically significant, meaning that chance in the sampling of available firms can be rejected as a cause of the difference between utilization and availability.

Does utilization vary by type of goods?

MBE/WBE utilization varies considerably by industry, as shown in Figure IV-42. MBE/WBE utilization is highest for natural gas and petroleum suppliers. This is because the largest supplier—Grey Oil—is a woman-owned firm. About 17 percent of Denver office supplies purchases are made from MBE/WBE firms, largely because of Lewis Paper Place, a WBE, which is the second-largest office supplies vendor for the City.

Figure IV-42.
Denver utilization of MBE/WBE goods firms by field, 2003-2004



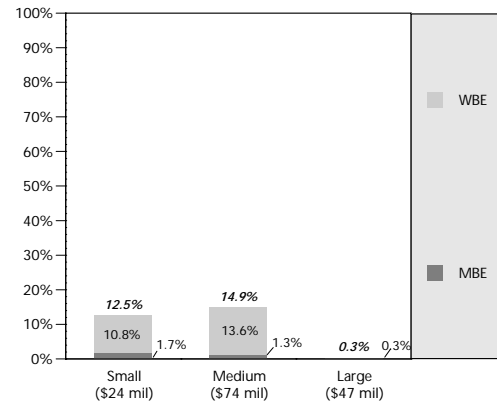
Source: BBC Research & Consulting.

Can size of firm explain the disparities? Figure IV-43 examines MBE/WBE utilization among goods firms of different employment sizes. About \$24 million in Denver goods purchase dollars went to firms with fewer than 25 employees (“small firms”). About 12 percent of the dollars going to small firms went to MBE/WBEs.

Among medium-sized firms (25-499 employees), MBE/WBEs accounted for about 15 percent of Denver goods payments. About \$74 million of goods payments was earned by all firms of this size.

About \$47 million of goods purchases went to firms with 500 or more employees. MBE/WBEs received less than 1 percent of the dollars going to large firms.

Figure IV-43.
Denver utilization of MBE/WBEs on goods contracts by size of firm



Source: BBC Research & Consulting.

The study team compared MBE/WBE utilization and availability among small firms, medium-sized firms and large firms.

MBE/WBE utilization among small firms (12.5 percent) is only about one-half what would be expected based on MBE/WBE representation among small firms available for Denver goods purchases—23 percent. Figure IV-44 compares utilization and availability for small firms. There are disparities between utilization and availability for MBEs and WBEs.

Figure IV-44.
Denver utilization of *small* MBE/WBEs on goods contracts, 2003-2004, compared with availability for contracts

	Utilization as Prime Contractors		Availability for Prime Contract Work	Difference (utilization minus availability)	Disparity Ratio (utilization divided by availability)
	Millions	Percent			
<i>MBE</i>	\$ 0.4	1.7 %	4.5 %	(2.9) %**	0.37
<i>WBE</i>	2.6	10.8	18.2	(7.4) **	0.59
<i>Total MBE/WBE</i>	\$ 3.0	12.4 %	22.7 %	(10.3) %**	0.55
<i>Majority-owned</i>	21.3	87.6	77.3	10.3	1.13
<i>Total</i>	\$ 24.4	100.0 %	100.0 %		

Note: Rounding may affect subtotals. ** indicates statistically significant difference at .95 level of confidence.

Source: BBC Research & Consulting.

Among medium-sized firms, MBE utilization was nearly equal to MBE availability (1.3 percent and 1.4 percent, respectively). Utilization of WBEs was double what was expected from availability among all medium-sized firms available for Denver goods purchases. Figure IV-45 shows these results.

Figure IV-45.
Denver utilization of *medium* MBE/WBEs on goods contracts, 2003-2004, compared with availability for contracts

	Utilization as Prime Contractors		Availability for Prime Contract Work	Difference (utilization minus availability)	Disparity Ratio (utilization divided by availability)
	Millions	Percent			
<i>MBE</i>	\$ 1.0	1.3 %	1.4 %	(0.1) %	0.93
<i>WBE</i>	<u>10.1</u>	<u>13.6</u>	<u>6.4</u>	<u>7.3</u>	2.14
<i>Total MBE/WBE</i>	\$ 11.1	15.0 %	7.8 %	7.2 %	1.92
<i>Majority-owned</i>	<u>63.2</u>	<u>85.0</u>	<u>92.2</u>	(7.2)	0.92
<i>Total</i>	\$ 74.3	100.0 %	100.0 %		

Source: BBC Research & Consulting.

There are few MBE/WBEs among large firms available for Denver goods purchases. MBEs accounted for 1.0 percent of large firms available for these contracts. WBEs were 0.5 percent of available goods firms with 500 or more employees. MBE/WBEs accounted for very little of the goods dollars going to large firms—0.3 percent (see Figure IV-46).

Figure IV-46.
Denver utilization of *large* MBE/WBEs on goods contracts, 2003-2004, compared with availability for contracts

	Utilization as Prime Contractors		Availability for Prime Contract Work	Difference (utilization minus availability)	Disparity Ratio (utilization divided by availability)
	Millions	Percent			
<i>MBE</i>	\$ 0.1	0.2 %	1.0 %	(0.8) %	0.22
<i>WBE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.5</u>	<u>(0.4)</u>	0.08
<i>Total MBE/WBE</i>	\$ 0.1	0.3 %	1.5 %	(1.2) %	0.18
<i>Majority-owned</i>	<u>47.2</u>	<u>99.7</u>	<u>98.5</u>	1.2	1.01
<i>Total</i>	\$ 47.3	100.0 %	100.0 %		

Source: BBC Research & Consulting.

How do firm owners and managers perceive opportunities for Denver goods contracts? As previously discussed for professional services and general services firms, the study team asked Denver vendors and other firms randomly-surveyed in the local marketplace about their perceptions of the ease of doing business with the City. Results are reported in Figure IV-47.

More than one-quarter of Denver goods vendors interviewed had suggestions or complaints concerning the information they receive on bid opportunities. Suggestions included a better website for purchases, e-mail notification or more advanced notification.

The next largest areas of suggestions were asking Denver to consider qualifications of the firm to perform the contract as well as bid price, and improving the specifications or bid documents.

The most frequent area of comments among firms already doing business with Denver was suggestions for better ways to learn of Denver contract opportunities. Many suggested a bidders list or automatic email notification of opportunities. Suggestions concerning better notification was also the most frequent comment among the random surveys of local goods firms conducted by the study team.

Among Denver vendors, about 12 percent said (unprompted) that the procurement process was open and fair and about 10 percent said that the process was not open or was unfair. Only two firms reached in the random surveys said they perceived Denver procurement to be not open or unfair.

A few Denver vendors noted slow payment problems with the City.

A few firms noted that they had difficulty bidding against larger firms. Some suggested that Denver look beyond lowest price when selecting a vendor.

Figure IV-47.
Comments of Denver vendors and randomly-selected firms about Denver goods services contracts

Comments	Denver Vendors		Random Surveys	
	Number of Vendors	Percent of Vendors	Number of Firms	Percent of Firms
Process is fair	45	12.6 %	0	0.0 %
Process is not open and fair	34	9.5	2	0.5
Need more advanced notification/website/email	99	27.7	15	4.0
Process is cumbersome and slow	19	5.3	2	0.5
Insurance/bonding requirements are too difficult	0	0.0	2	0.5
Slow payment or other payment problems	16	4.5	2	0.5
Problems bidding against larger firms	8	2.2	3	0.8
Should consider qualifications/service	36	10.1	7	1.9
Should have local preference	18	5.0	0	0.0
Problems with specs or bid documents	34	9.5	4	1.1
Should break up large contracts	5	1.4	0	0.0
Give more feedback on bids	10	2.8	0	0.0
Need an introduction to the process	0	0.0	7	1.9
Other comments or problems	<u>90</u>	25.1	<u>20</u>	5.3
Total	414		64	

Source: BBC Research & Consulting telephone surveys, 2005

The case study interviews again provided insight into industry perceptions.

Slow payment is a chronic complaint. A seller of flowers had only done business with the Denver Public Library. She had won bids based on low price. While she had been paid within 30 days, this was still a burden because, “little businesses need the money yesterday.” She said that she wished the library could pay with credit cards.

A person involved in the business of brokering art between artists and people who are building or moving into new office space reported that she had supplied art to Denver offices. She obtained this contract by means of a cold call to the facility manager. She complained that it took Denver 60 days to pay her, during which time she had to pay the artists. She felt it was unfair for Denver to use her company to finance its art purchase.

Unfair practices by wholesalers who also sell directly to the City. The owner of an office systems and furniture distributor observed that on large projects for municipalities, furniture manufacturers who are normally her suppliers become her competitors. The manufacturers bid directly for the work. She gave the example of a manufacturer who would normally sell a product at wholesale for \$158, but which bids directly to the municipality for \$300. The manufacturer offered the product to this company at \$300 wholesale, ensuring that it would be the lowest bidder. She felt it was very difficult to penetrate public bidding opportunities. In her opinion, the contracts get awarded to the same firms over and over again.

Focus on low bid results in less efficiency and greater long-term costs. Two representatives from the local branch of a large national janitorial supply company stated they were frustrated by Denver's focus on low cost for the procurement of janitorial supplies. They observed that this is common with governmental entities, but was changing based on their experiences with a few public sector clients. They proposed that Denver make its procurement decision based on low operating cost, taking into consideration such non-procurement factors as labor and waste. They proposed a relationship similar to the one they have developed in Arizona. This company studied the State's procurement of janitorial supplies by talking with facility and purchasing managers, and recommending ways to achieve the lowest overall operating costs. The company then began to sell Arizona the products. The difference between low price and low cost is exemplified by the purchase of toilet paper. This company installed (at its own expense) a type of toilet paper dispenser, which used high quantity rolls which minimized waste. The rolls had a higher unit price than those supplied by other suppliers, but due to the efficiency resulting from reduced labor and the elimination of waste, the operating cost was less. They recommended that Denver follow the City of Broomfield's lead. A Broomfield RFP asked, "How would you standardize the city's purchases, what standard products would you propose, and how would you supply those standard products." They assert that this approach, combined with e-commerce inventory, ordering and payment methods they can provide, would lower Denver's overall operating costs.

A representative from the local branch of a large national supplier of heavy equipment similarly complained that Denver's procurement of heavy equipment was too focused on price and not on long-term operating costs, including residual value and long-term cost of repair. He said government entities tended to keep heavy equipment up to 20 years, and over time the purchasers of his premium brand experienced substantial operating cost savings that more than justified the higher initial price.

Frustration with futile bidding opportunities. Two representatives from the local branch of a large national janitorial supply company stated that, at present, they only do a little business with Denver because the City's propensity to use single line bids did not usually work for their company. They gave the example of a single line bid they won for trash can liners. The bid package said to expect to sell 700 cases. There were no cases actually purchased. The bid was apparently for a size that no one used. The next time the bid came out, the same line item was included.

Fraud in goods procurement. Two representatives from the local branch of a large national janitorial supply company described one incident of suspected fraud. One of them performed a site visit with a manufacturer's cleaning product representative. The manufacturer's rep suspected a counterfeit product after looking at the label on a 55 gallon barrel of cleaner that was purported to have been supplied by the manufacturer. The barrel was opened and the contents were found to be a different cleaner that, among other things, was not in concentrate form.

Bid specifications and entrenched brand preferences serve to exclude competition. A company that sold specialty and heavy equipment reported that while the company did 50 percent of its work with other government agencies, it was unable to get anywhere with Denver. The owner had several problems with Denver. First and most importantly was the charade of an open bid when the City intended to target the purchase to a local competitor with an exclusionary specification. He stated that he did not mind exclusive arrangements per se, and his company benefited from them with other governmental entities. However, Denver wasted his time by entertaining proposals that it had no intention of considering. For example, he reportedly arranged for a manufacturer's demonstration of a piece of heavy equipment, and not one manager, supervisor or purchaser bothered to come outside to see the equipment. The manufacturer's rep said that in 13 years, he had never been treated so rudely. The exclusive specification restricted purchases to one local competing vendor. In this person's opinion, the specification was irrational. He said he had repeatedly tried to contact people at the agency to discuss the specification, and they would not even call him back. The only person who would talk with him was his regular contact in Purchasing who continued to send him bid packages and claim that the bid "was wide open" when in this person's opinion it clearly was not. Second, this company had submitted the winning bid on a piece of equipment for which the competing company submitted a higher bid. The purchase was re-bid, and the competing company lowered its price by \$30,000 in order to secure the contract. Third, the Purchasing person continually called him to bid on a parts contract that the company had held in the past but had never sold anything. Fourth, Denver refused to purchase certain aftermarket parts for equipment that had originally procured from the local competitor. A person in Colorado Springs procurement had told him that his price for these parts was 20 percent less than the local competitor. This company's owner stated that he thought Denver was "behind the times" in its equipment purchases, and the purchasing objectives had more to do with job security than efficiency. As an example, he said Denver currently uses two trucks and two crews to perform two tasks that could be performed by his equipment brand by a single truck and single, smaller crew. He said that it would "take a regime change" before his company would ever do business with Denver.

A representative from the local branch of a large national supplier of heavy equipment complained that Denver's decision makers were out of touch with developments in technology that favor his premium brand. These decision makers refused to accept new ways of building equipment. He also viewed suspiciously a bid that appeared to have permitted a competitor to substitute a part after the bid opening in order to enable the City to award the procurement to its usual source of heavy equipment. Following the bid opening, the competitor's bid was revised to include the supplier of the key part, the explanation being given was that there had been an oversight.

A supplier of specialized irrigation systems, who has never successfully done business with the City, objected to the specification of specific products. He believed that the City engineers did not know all of the materials that were available to fulfill projects. He felt he was excluded from offering his systems because of the specifications.

Lack of bidding opportunities. The sales and customer service representative of a joint venture with a publicly-traded company which is one of the “big four” in national office supplies reported that while a few Denver agencies purchase from this JV, Denver mostly buys off of the City of Los Angeles contract with another of the big four, which is based in Florida. She believed that Denver had not publicly bid this procurement for five years. This person wondered why Denver did not open up the bidding. She asserted that her JV could handle the large procurement opportunity. She said that when she met with Denver Purchasing, “Its never seemed like they wanted us.” She suspects there is a strong alignment between the purchasing person responsible for this procurement and the competing office supply company which holds the LA contract.

A person involved in the business of brokering art between artists and people complained that Denver typically purchased art through art selection committees, which would not give her the time of day, or through architects or interior designers, who tend to “put the same poster in every room. It looks so cheap.” She felt that if the City was going to put millions of dollars into the furnishing of its buildings, the art should be of the same caliber.

Is there any qualitative evidence of discrimination against MBE/WBE goods firms on particular Denver contracts? In one interview with an MBE/WBE, the study team was advised of an alleged incident of discriminatory treatment on an indirect Denver procurement.

The African American female owner of an office systems and furniture distributor expressed her belief in what she called “undercover prejudice.” She used the term in a verb form as “being UPed,” meaning she has suffered from undercover prejudice. She described UP as when systems are put in place that do not expressly say “no blacks” but that essentially achieve the same result. MBE programs such as Denver’s former program, that requires MBEs to disclose personal and business financial information in the certification process while not requiring white male firms to make similar disclosures, were an example she cited of undercover prejudice.

She believed that she was discriminated against because she was African American when her company bid on the project to provide furniture for a Denver municipal facility. The bid was submitted to and the procurement was made by a third party manager of this facility. First, the manufacturer for this specified product would not supply her with a price until 4 minutes before her bid was due. She was told the manufacturer “didn’t know” what her price would be when she first contacted the manufacturer. She had to fight for nine months to get the \$500,000 contract awarded to her company, despite being the low bidder. The company that managed the facility tried to hire someone else to supply the furniture. This other supplier had a higher price, and submitted its bid after the bidding deadline. She was not awarded the contract until she forced a meeting with the Mayor. She felt that when the bid document specified a particular product or manufacturer, this opened the door to undercover prejudice because the manufacturer had the power to determine who would win the low-bid contracts. She believed she had been quoted one price while others, who may be golfing buddies or do more volume business, received lower prices.

Conclusions for Denver goods prime contracts. Denver’s utilization of MBE/WBE goods firms is substantially less than what would be expected based on the relative availability of MBEs and WBEs for these purchases. Controlling for size of firm does not explain the disparities for MBEs, as minority-owned firms received a disproportionately low share of work going to small firms and to medium-sized firms. Size of firm does more to explain the overall disparities for women-owned firms. The share of Denver payments going to medium-sized WBEs actually exceeded what would be

expected based on WBE availability by a large margin. The fact that little money goes to large WBEs can be explained by the fact that there are few large WBEs available for Denver goods purchases.

Interviews with MBEs reflected a few accusations of race-based discrimination, in one case involving a City-owned (but third-party managed) facility. While the Denver accusation was credible, and alleged race-based discrimination, it was noteworthy in its isolation. Interviews did not reflect a pervasive pattern of discriminatory behavior.

Local goods firms offered many suggestions as to what kinds of assistance would be valuable to them. All participants in the in-depth interviews were asked what kinds of programs they felt would benefit small businesses and minority- and women-owned businesses. Summaries of their suggestions follow.

MBE/WBE goals program. The African American woman owner of an office systems and furniture distributor said that in the past, being qualified as a Denver MBE has meant nothing. She felt there needs to be a mechanism for enforcement which would require prime bidders to actually use the MBEs they have specified in their bid. Offenders should be banned from future bids. She proposed the certification process should be like Boulder's where she had not had to go through all of the paperwork and had not had to disclose her personal and business finances just to get certification. She observed the double standard that near-bankrupt white male firms do not have to prove they are financially stable to win a project. If Denver really wanted to do business with MBEs, it should require that a portion of project dollars actually go to MBEs. The City should prove what dollars go to MBEs, broken down by ethnic group. She cited Dallas as an example of a city which did this. She also suggested that when the City specified a particular manufacturer or product and that manufacturer bid directly, the manufacturer should be required to disclose its wholesale prices charged to other bidders in order to level the playing field.

The Hispanic owner of a supplier of specialized irrigation systems, who has never successfully done business with the City, would like to see a set-aside program for U.S. veterans (he is a Vietnam veteran).

Study how Denver could save money in its procurement by looking at long-term costs.

Representatives from the local branch of a large national janitorial supply company proposed that Denver cause a study to be performed (they would bid on the study) to identify ways to save money in the procurement and management of janitorial supplies. The objective would be to look at overall costs, taking into consideration such factors as labor and waste, and not look simply at low price for an item by item procurement. They proposed that part of the RFP should include how the vendor could utilize small, minority- and women-owned businesses in the procurement process.

The representative from the local branch of a large national supplier of a premium brand of heavy equipment suggested that Denver's procurement of heavy equipment take into consideration long-term operating costs and not just initial price.

Recommendations

As with general services procurement, many of the initiatives that will assist small goods firms are extensions of what the Purchasing Division and other City departments have already implemented. These include: controlling sole-source bidding, educating new vendors, speeding payment and increasing notices of opportunities to bid.

Unlike general services, a relatively small portion of Denver purchase dollars goes to large firms (less than one-third in 2003-2004). The City does not currently concentrate goods purchases with the largest vendors.

The recommendations outlined in Section V of this report are parallel to those for general services, including developing a formal bidders list, better tracking of small business and MBE/WBE utilization and extending portions of the Construction Empowerment Initiative to goods firms. The study team also recommends that two areas of goods procurement — office equipment and office supplies — be targeted for greater opportunities for small businesses. The City will need to divide large contracts and remove other barriers to small business participation.

As with general services, the study team recommends against implementing SBE subcontracting goals for goods purchases. Subcontracting is not a typical practice in the industry and there are better ways to develop SBE/MBE/WBE participation in City goods contracts short of implementing subcontracting goals.

SECTION V.

Recommendations and Conclusions

Summary of Conclusions and Recommendations

The analysis presented in Sections II, III and IV indicates substantial underutilization of small businesses. The study team concludes that these findings can and should be aggressively addressed by DGS Purchasing.

Key Findings

Professional services. A relatively large share of the City's professional services contract dollars go to firms with fewer than 25 employees (42 percent in 2003 and 2004). About 28 percent of professional services contract dollars in 2003 and 2004 went to MBE/WBEs. Although MBE/WBE utilization is still somewhat lower than MBE/WBE availability to perform professional services work, this disparity is much narrower than for goods or general services.

The study team recommends additional Department of General Services assistance and oversight related to professional services contracts, but no new programs for this procurement area. The City should periodically monitor MBE/WBE and small business utilization in professional services. Specific recommendations are presented in the second half of this section.

Goods and general services. Small (fewer than 25 employees) and medium-sized (25-499 employees) firms receive relatively little dollar volume of City goods and general services purchases:

- Small firms received only 17 percent of goods purchase dollars and only 6 percent of general services dollars. Even medium-sized firms received only 9 percent of general services purchases.
- MBE/WBEs received 10 percent of goods purchase dollars and only 4 percent of general services dollars in 2003 and 2004. The study team found disparities between MBE/WBE utilization and availability.

The study team's analysis of MBE/WBE utilization and availability indicates disparities in the utilization of African American-, Asian- Hispanic-, Native American-, and women-owned goods and general services firms. The study team makes three conclusions related to these disparities:

- The disparities alone may not provide the basis for the implementation of a race and/or gender-based remedial program. Although the disparities in City use of minority- and women-owned goods and general services may present a strong basis in evidence for race- and gender-based relief, the study team found some, but limited, anecdotal information that supports a finding of race and gender discrimination.

- Although a market study was not within the scope of the Procurement Opportunity Study, discriminatory forces may exist in the markets that include DGS vendors. This finding is based on the strong showing of discriminatory forces in the marketplace that included the construction and professional design industries documented in the study conducted for the City by National Economic Research Associates entitled, “Race, Sex, and Business Enterprise: Evidence from Denver, Colorado” (NERA 2006 Study). The NERA 2006 Study examined approximately the same time period as the Procurement Opportunity Study, and the study team believes that market forces such as lending practices and differences in supply availability could also exist in the markets in which DGS vendors operate. As noted above, the study team also found some anecdotal evidence of race and gender discrimination consistent with marketplace discrimination.

- Most MBEs and WBEs operating in the local goods and general services fields are classified as “small businesses.” Similarly, a relatively large proportion of small firms are minority- and women-owned businesses: MBE/WBEs account for more than one-third of small general services firms and about one-quarter of small goods firms. Some disparities in City utilization of MBE/WBE general services firms may be explained by the fact that relatively little general services spending goes to small firms. Only a small portion of the disparities in the use of MBE/WBE goods firms can be explained by firm size, however.

- Relevant court decisions require public entities such as the City and County of Denver to first consider neutral remedies to combat the effects of any race or gender discrimination.

- Opening more goods and general services procurement opportunities to small firms could have important benefits to the City beyond combating any effects of race and discrimination on minority- and women-owned firms. These include economic development benefits to the metro area and increasing competition for certain types of City procurements. Opening procurements to more competition also enhances perceived fairness and objectivity of City purchasing in the local community.

Summary. For these reasons, the study team recommends a multi-tiered initiative to improve opportunities for small businesses to access City goods and service procurements. Establishment of a comprehensive Small Business Enterprise (SBE) Program for DGS Purchasing is a first step toward opening more opportunities to minority- and women-owned firms. Continued disparities in the utilization of MBEs and WBEs after full implementation of an SBE program could suggest that stronger measures are needed, including race and gender-based remedial programs.

Recommendations

Encouraging use of small business, and thereby opening more opportunities for MBE/WBEs, is challenging due to the nature of City goods and general services purchases and portions of the City Charter that govern these procurements. Effective measures for promoting use of small businesses in procurement differ from those in construction and professional design, the subject of a new City SBE ordinance.

The study team recommends the following as five initial steps to increase use of small firms and MBE/WBEs in procurement:

1. A new policy for encouraging use of small businesses in Denver professional services, goods and other services procurement.
2. Requirements for periodic utilization reports and ongoing DGS tracking of SBE utilization in City procurement.
3. An ordinance for SBE utilization in procurement which is parallel to the City's "Opportunities for Small Business Enterprises in City Contracts for Construction, Reconstruction and Remodeling, and Professional Design and Construction Services...." To be effective, the procurement program must differ in important ways from the construction and design program.
4. Pilot programs to break up contracts and increase outreach to small businesses for selected target procurement areas.
5. More control by the Department of General Services over the solicitation and award of contracts for professional services to ensure transparency and fairness in the process.

The City could implement any combination of these initiatives; each does not depend on the implementation of the other. Each initiative is discussed in turn.

1. Policy for SBE Utilization in Professional Services, Goods and Other Services

Any procurement opportunity program must fit within the existing key goals and objectives of the Purchasing Division of DGS. In an interview, the Acting Director of the Purchasing Division observed that the Division was obligated by law, policy, commitment or good procurement practices to balance and attempt to achieve all of the following:

- (a.) Achieving the greatest value for the City, frequently by purchasing at the lowest possible cost;
- (b.) Satisfying the needs and reasonable preferences of end users in the agencies and departments, who request and pay for the procurements;
- (c.) Use of professional procurement practices to ensure transparency and fairness;
- (d.) Achievement of a \$3.5 million cost savings this year, pursuant to a recent commitment by the Manager of the Department of General Services; and
- (e.) Implementation of "green" or environmentally friendly procurement.

The Acting Director candidly observed that these goals were sometimes in conflict, and that a program to assist small businesses could add another possible conflict with existing goals. However, he expressed a high degree of confidence in the professionalism of the Purchasing staff in their ability to strike a proper balance. While any given procurement might not be able to meet all of the goals, on balance all of the goals would be achieved to the degree possible.

To ensure that encouragement of small business participation is an equal priority of the Purchasing Division, the study recommends that the City adopt a formal policy for small business utilization in goods and other services. There could also be a policy to encourage small businesses in Denver professional services work even though the 2003-2004 data show this area is already open to small business participation.

2. Tracking Utilization and Developing a Bidders List

DGS currently does not track small business or MBE/WBE utilization. The study team recommends that the Purchasing Division implement a tracking system and issue periodic reports. Utilization reports that track small business utilization and MBE/WBE utilization across goods and general services purchases should be issued every six months.

The best way for the City to develop the information necessary for such reports is to move to a formal vendor registration system. This system would collect information on firms at time of bid or prior to bid. To have a valid bid, firms would need to include a vendor registration form or have a form on file that references a vendor number. Potential vendors for formal bids would register in advance of bid submittal. For informal bids, Purchasing staff should still ask vendors to fill out vendor registration forms and submit them via fax.

If Purchasing collects detailed information on the commodities and services provided to the City, the vendor registration system can also serve as a bidders list.

- Purchasing staff and end users could access this list to identify potential bidders on goods and general services purchases, especially for bids that do not have to be advertised.
- This system would replace or supplement the informal bidders lists maintained by individual City buyers.
- This master vendor registration system could also integrate with the Purchasing website and the user names and passwords the City requires for potential bidders to download City requests for bids and requests for proposals.
- A bidders list that includes small businesses and MBE/WBEs gives the City the opportunity to target its outreach and training with interested vendors.

Vendors should renew information on their registration forms each year or every other year.

Small business status and MBE/WBE status should be based on information reported by the bidder. At this time, the study team recommends against requiring formal certification of vendors as SBEs or as MBE/WBEs.

As an alternative, Purchasing could require information on business size and MBE/WBE ownership status prior to a firm receiving payment. This system would not be as useful in creating a bidders list system, but would at least enable the City to begin to collect data for further study.

3. Enacting an Ordinance for SBE Utilization in Procurement

The City could enact an SBE program for an ordinance for procurement that is similar to the City's ordinance for an SBE program for construction and professional design.

The Construction Empowerment Initiative of the Department of Public Works. On November 13, 2006, the Denver City Council passed Ordinance No.760, Series of 2006, which (among other things) established a new Article VII of Chapter 28 of the DRMC entitled, "Opportunities for Small Business Enterprises in City Contracts for Construction, Reconstruction and Remodeling, and Professional Design and Construction Services...." This "SBE Program" for construction and related professional services does not apply to DGS goods and services purchases. However, it provides a well reasoned framework for a small business opportunity program for DGS Purchasing.

The purpose of the City's SBE Program is to promote the use of all small business enterprises, not limited to any non-size classification such as gender or race or physical locality in the City. The SBE Program empowers the Director of DSBO to identify contract categories for inclusion, and identify specific contracts to be awarded, in accordance with a set-aside or "sheltered market" structure. This in essence reserves certain categories of contracts or certain contracts to SBE Program participants.

Constraints for City procurement. Any form of procurement opportunity program must fit within the constraints of the Charter of the City and County of Denver (Charter) and the Denver Revised Municipal Code (DRMC).

Subsection (A) of Section 2.9.3 of the Charter, Powers and duties of Department of General Services, empowers the Department of General Services (DGS) to manage and control the purchasing of supplies, equipment, personal property and services for all City departments, agencies, commissions and authorities (with certain exceptions). DGS is empowered to establish standards and specifications. Item (ii) specifies the following specific requirements:

Purchases shall be made from the lowest responsive, qualified bidder or, in the case of a request for proposal, purchases shall be made as provided by ordinance; provided, however, that if bidding or requesting proposals is impracticable, purchases may be made by the department in such manner as shall be provided by ordinance.

Purchases are governed by Division 2 of Article IV of Chapter 20 of the DRMC. Section 20-62, Contracts, which states as follows:

Contracts through the manager of general services shall be let to the lowest qualified, responsive and responsible bidder, except in the case of request for proposals which may be awarded to the most qualified, responsive, responsible proposer whose proposal represents the best value to the city.

Section 20-63, Bidding procedures, establishes two kinds of bidding procedures. “Formal procedures” are described in Subsection (a) in pertinent part as follows:

Formal advertisement by official publication shall precede the issuance of any bidders proposal or request for proposal estimated to amount to twenty-five thousand dollars (\$25,000) or more. Such advertisement shall specify the supplies or services to be purchased or refer to the standards and specifications established pursuant to this division and shall state the amount of the bond, if any, required. If formal advertisement is not practicable, bids or proposals shall be requested from at least three (3) responsible bidders or proposers dealing in the supplies, equipment or personal property required. ***

“Informal procedures” are described in Subsection (b) of Section 20-63 of the DRMC as follows:

Any bidder's proposal or request for proposal for supplies or services which is estimated to amount to less than twenty-five thousand dollars (\$25,000) may be by informal procedure upon notice calculated to inform potential bidders in a manner that will achieve maximum competition among bidders and maximum economy to the city. However, no bidder's proposal or request for proposal or purchase may be subdivided to avoid the requirements of subsection (a) or any other provision of this division. Informal procedures do not require advertising, receipt of bids or proposals in a sealed form or a public bid or proposal opening or acceptance.

Only a few limited types of purchases are not subject to bidding requirements. One of the bidding exceptions is for purchases under \$5,000.

The forgoing provisions of the Charter and the DRMC substantially constrain any possible program which targets small businesses. Requirements for competitive bidding for ordinary goods and services, and the requirement to award contracts to the lowest responsive, responsible bidder, place small businesses at huge disadvantages. The consistent information which was reported to the study team by large and small businesses was that large businesses could simply offer lower prices, due to advantages in purchasing power and the ability to warehouse large quantities of goods or to retain large numbers of employees on the payroll.

However, the Charter and the DRMC leave areas of flexibility for the establishment of a small business opportunity program. For example, DGS personnel could target small businesses with procurements which are exempt from bidding requirements because the procurement amount is less than \$5,000. While these amounts are small, this kind of small procurement opportunity could be particularly beneficial to small emerging businesses. This kind of small procurement can also open the door to the establishment of a relationship with the City which could lead to more significant opportunities in competitive bidding procurements. Another example is the use of targeted bidding for informal bids for purchases less than \$25,000. This is discussed below.

Recommendations for a SBE Program for Procurement The study team recommends the adoption of an SBE program for DGS Purchasing which is similar to the Construction Empowerment Initiative. This recommendation is qualified in two important respects. First, the program must be developed *by* personnel DGS *for* DGS Purchasing. The department must be instrumental in the development of the program and thereby have ownership in the program. The Public Works program should not merely be copied for application to DGS Purchasing. Second, the

study team recommends the following specific modifications to the Construction Empowerment Initiative to meet some of the unique needs of DGS Purchasing and the procurement environment in which this department functions:

- (a.) Size standards for what is deemed a “small business” should be substantially lower than 50% of SBA size standards, which is applied for the Department of Public Works program. The study team recommends that the maximum size standard for “small business” be set at firms with total employment of up to 24 employees.
- (b.) Certification requirements should be less formal and the verification process less rigorous than for the Construction SBE Program. The study team recommends that SBEs who participate in the DGS Purchasing SBE Program should self-certify as part of the vendor registration process (see recommendation #2). DGS Purchasing should have the right to verify all information, and should verify the self-certifications on both a random basis and in response to complaints or information which suggests the self-certification was in error, but should not verify every application.

This recommendation reflects two observations. First, the dollar value of the procurements in the recommended program are low, and if a burdensome and costly application process is imposed, the application process will be a disincentive to small businesses to participate. A stringent application process would hinder the program’s reach to the target market. A low dollar value will eliminate much of the potential for abuse. Second, there are thousands of potential SBE program participants, and a stringent application process would create a huge (and unfunded) burden on either DGS or DSBO, or both.

- (c.) Procurements which are included in the sheltered market for small businesses should be limited in dollar value to (a) less than \$25,000 for procurements not involving contracts (i.e., standard bids) and thereby fall within the limit for informal purchases; and (b) less than a set number such as \$100,000 for all procurements involving contracts when a request for proposal has been used and when DGS can justify the acceptance of proposals for non-price considerations. Sheltered market procurements must always meet the requirements of the Charter and the DRMC.
- (d.) The selection of sheltered market procurement opportunities must be undertaken with a recognition of the impact on agencies and departments. DGS procurements are different than most construction projects because the procurement costs are allocated to the agencies’ and departments’ budgets. Agencies and departments should be involved in the selection of sheltered market procurements. It is suggested that DGS personnel work with agencies and departments to identify the most effective and efficient opportunities to limit bidders to SBEs.
- (e.) The establishment of aspiration “goals” (such as in construction contracting programs) is neither feasible nor desirable for procurement, as indicated by the City’s past experiences. The study team recommends against creating contract goals for small business participation.

Capacity building initiatives. In its findings and recommendations with respect to the City’s contracting with construction and professional design firms, the DSBO Task Force also recommended a series of steps be taken which are collectively referred to as “Capacity Building Initiatives.” This DSBO Task Force recommendation suggested many specific actions to be taken by the City, which are outlined as follows:

1. Business Formation
 - Streamline City Processes
 - Internship Program
 - Adopt a Mentor-Protégé Program
 - Provide Business Development Assistance and Contract Training
2. Business Earnings
 - Review Surety Bonding and Insurance Requirements
 - Ensure Prompt Payments on Denver’s Contracts
 - Review Pre-qualification Standards and Policies
3. Access to Capital
 - Investigate a Guaranteed Surety Bonding Program
 - Implement a Contract Financing Program

The Capacity Building Initiatives present an excellent framework for assistance the City can and should provide to all small businesses, including minority or women-owned businesses, that desire to do business with DGS Purchasing or who are already doing business and wish to expand their volume of City purchases.

Some of the Capacity Building Initiative recommendations pertain only to construction and professional design. For example, bonding is not an issue which relates to businesses who were the subject of the Procurement Opportunity Study.

However, most of the recommendations directly target areas of concern and need for improvement that were consistently reported in telephone and personal interviews with vendors and aspiring vendors for DGS Purchasing. For example, streamlining processes and prompt payment concerns could be directly applicable to DGS Purchasing (although, in fairness, DGS has very little to do with the payment process, and cannot effectuate change in the agencies, Clerk and Recorder’s office and the Auditor’s office where payment processes take place). If these recommendations are implemented for construction and professional design, they can be implemented for DGS Purchasing without much, if any, additional cost. Two proposed initiatives are worth highlighting in this report.

Offering business development assistance to small goods and services vendors is just as important as offering this assistance to construction businesses. In the interviews conducted as part of this study, the study team received repeated requests for management, technical, technology and financial services support to assist these firms’ competitiveness and market access. The City should provide classes and individual sessions, or work with existing resources and local educational institutions to provide education and outreach to eligible firms.

Small businesses also need training in how to bid City procurements and administer contracts. Many problems could be avoided or lessened if smaller firms better understood Denver's requirements for bidding, proposal and contractual requirements, invoicing, auditor requirements, preparing bids, RFPs and presentations, financing, and SBE application, certification and graduation. Workshops should be offered by DSBO in conjunction with DGS Purchasing, paying agencies and other entities. The City should also improve and expand upon the materials available to vendors on the Purchasing website.

Denver Purchasing can also revise its procedures for providing notices of upcoming bids. In the study team's interviews, many small businesses asked for more access or more frequent automated notices of bids to be provided electronically. Management at DGS Purchasing is well aware of vendor criticism that getting bidding opportunity information from the DGS website is cumbersome and intrusive because the system requires that anyone who downloads procurement information to first log in. Vendors want to be able to casually get information without supplying return contact information. DGS Purchasing has exercised its judgment in determining that it is important for the integrity and fairness of the procurement systems, that DGS be able to contact every party who requested bid information. This is to make sure that all potential bidders have the same information. As changes to bid packages occur, the log in requirement enables DGS to contact everyone who has a bid package, and supply the update. While this is not an unreasonable exercise of judgment, and the preservation of the integrity of the process is very important, Purchasing could make changes to overcome this obstacle. The study team recommends that more information on the items being bid be viewable on the website without requiring the firm to register. Potential vendors should be able to easily view this information and then decide whether to register to download the bid information. The City can continue to require potential vendors to log in and provide identification information in order to view the complete set of bid documents.

Vendors have also requested that they receive targeted e-mail on every bidding opportunity within a narrow, defined range, which matches their bidding interests. DGS Purchasing lacks the sophisticated database which would be required to accomplish this task. Instead, DGS Purchasing personnel maintain their own e-mail data lists, and try to match procurement opportunities with potential bidders through e-mail notices. Development of a comprehensive bidders list (see recommendation #2) would provide much more comprehensive information to allow Purchasing staff to e-mail bid opportunities to registered vendors that are small businesses.

4. Implementing Pilot Programs for Targeted Procurement Areas

The study team recommends that Purchasing make targeted efforts to increase small business participation in a few targeted procurement areas. If this proves successful and advantageous to the City, this initiative could expand to other procurement areas. The study team recommends the City target the following sectors for initial implementation of the SBE program.

Purchasing activities. The study team recommends that Purchasing work with end-user departments at the City to:

- Break up large contracts into smaller portions that are open to small businesses;
- Where appropriate, include relevant non-price factors in the evaluation of the bid;

- Take other actions to make City procurement more accessible to smaller firms; and
- Perform targeted outreach to increase the number of small business bidders in these areas.

These procurement areas should also be the first priority for targeted bidding procedures (described under recommendation #3).

Targeted procurement areas. In general services, initial targeted areas should be:

- Building management and maintenance (currently only 8 percent of dollars go to small or medium-sized firms); and
- Security services (currently only 2 percent of dollars go to small or medium-sized firms).

The program is not needed for maintenance and repair (60 percent of dollars now go to small or medium-sized firms) or for business services (76 percent goes to small or medium-sized firms). Due to industry structure, it may be difficult to include more small businesses in communications equipment and services (only 6 percent now goes to small or medium-sized firms), waste management (2 percent to small and medium-sized firms) and parking services (only large firms got this work in 2003-2004).

In goods, the City should target the SBE program for:

- Office equipment (45 percent of purchases now go to small or medium-sized firms); and
- Office supplies (42 percent now goes to small or medium-sized firms).

Small and medium-sized firms account for at least 70 percent of goods purchases in each of the other areas of City goods purchases except for computers and software (now 30 percent). As it is unlikely that the City will be able to substantially increase its purchases of computers and software from small businesses, this area is not recommended as a target.

5. Additional Control over Professional Services Contracts

The study team found that professional services contracts were the most open to small businesses and to minority- and women-owned firms of any area of City procurement. However, because so much discretion is given to the end user, the current system is ripe with potential for abuses that could negatively affect MBE/WBEs. The study team recommends greater transparency, tracking and record keeping related to these purchases.

The City already has processes for soliciting and evaluating competitive sealed proposals, it just does not require its departments to use these procedures. The City has poor records on its professional services contracts and the procedures used to select these firms. The City is behind other public organizations in its practices for making professional services procurements. For example, in its Principles and Practices for State and Local Government Purchasing, the National Association of State Purchasing Officials is highly critical of public organizations that place responsibility for professional services contracting in the hands of individuals without training in procurement practices.

As a first step, the City should encourage use of competitive bidding and require departments to report all professional services contracts to the Purchasing Division, including information on how the professional services firm was selected. When sole-source purchases are made, the departments should be required to report specific justification of those purchases to the Purchasing Division. The Purchasing Division would prepare reports of each department's sole-source and competitive professional services purchases every six months for review by City management and City Council. Assembling this information on professional services contracts, organized by department may, in aggregate, control over-use of non-competitive processes.

As part of this ongoing reporting, end-user departments should request information about professional services firms doing business with the city, including small business and MBE/WBE ownership status. This information should go to Purchasing, which should develop a parallel SBE/MBE/WBE utilization reporting system to that recommended for goods and general services.

Expanding upon current practice, Purchasing staff should advise departments on when a competitive proposal process for a professional services contract would better serve City policy.

When contracts are competed, the department should provide all supporting information to the Purchasing Division. The City should make all proposals and scoring of proposals available for public review (protecting the names of individual reviewers).

Summary

The study team recommends that increasing opportunities for small businesses, and therefore for minority- and women-owned firms, be adopted as a City policy for goods and services procurement in addition to construction and professional design. We recommend that the City extend the tools available in the Construction Empowerment Initiative to firms involved in City procurement. Many of the elements of the Construction Empowerment Initiative directly apply to goods and services firms. Other elements of the program will need to be modified, especially the definition of "small business" and the requirements to be identified as an SBE. The Purchasing Division will also need to work to divide certain contracts into purchases open to small businesses.