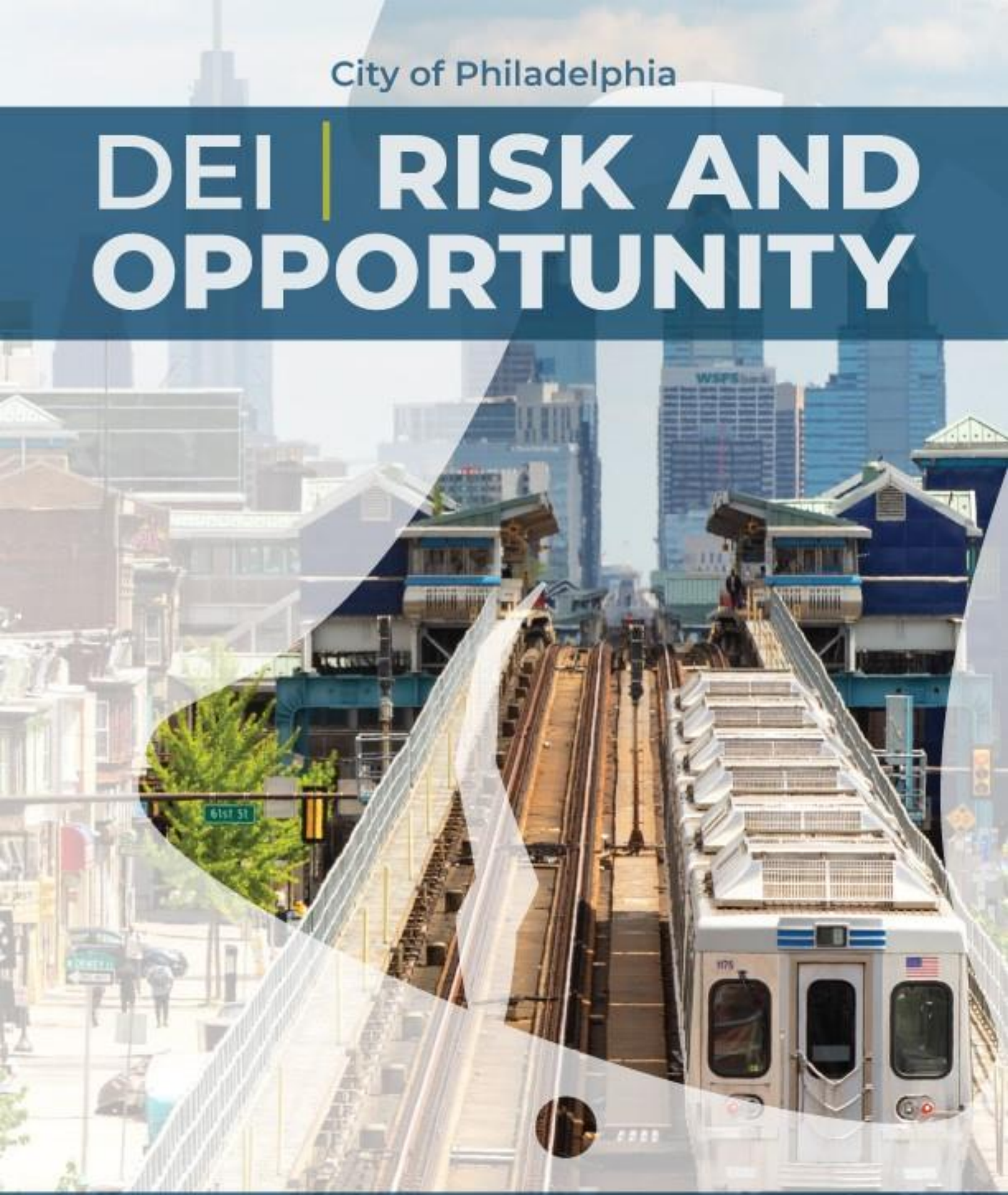
City of Philadelphia

DEI | RISK AND OPPORTUNITY



City Council PHILADELPHIA

FINAL REPORT
JUNE 2025

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Executive Summary

Philadelphia's diversity, equity, and inclusion efforts are at risk. This report offers a clear, data-informed, and legally sound path forward, grounded in historical precedent, economic analysis, and stakeholder engagement. It evaluates the legal, operational, and economic imperatives for transforming the City's diversity efforts into a resilient and sustainable framework. Leadership alignment and swift implementation will determine whether this moment becomes a turning point or a missed opportunity.

Key Findings:

1. Philadelphia's race- and gender-conscious contracting policies are increasingly vulnerable to legal challenges, accelerated by the Supreme Court's 2023 ruling in *Students for Fair Admissions v. Harvard* and a series of Trump administration executive orders targeting DEI programs at the federal level.

2. Barriers to diverse business participation persist across agency lines, with 65% of small businesses reporting they would not recommend Philadelphia as a place to do business, and contract dollars concentrated among a small number of firms, compounded by fragmented certification and accountability systems.

3. Existing workforce and small business programs are misaligned with inclusive growth goals, leaving Black, Brown, and low-income residents disconnected from Philadelphia's highest-wage sectors despite a historically low unemployment rate of 3.7%.

Key Recommendations:

1. Standardize outcomes-based contracting with measurable performance indicators.

2. Align workforce and procurement strategies under a unified equity framework.

Legislative & Legal:

1. Revise Philadelphia Code §17 to reflect modern equity standards.
2. Amend Philadelphia Code §17-1500 to codify the use of availability studies in forecasting opportunities and setting goals.
3. Establish a centralized compliance and certification office via Charter amendment and legislation.
4. Institutionalize public hearings and stakeholder engagement.

Programmatic:

1. Develop an inclusive, targeted small and local business program based on geographic/economic data.
2. Address access-to-capital disparities with city-supported bonding and financing options.
3. Require equity integration in all public economic development initiatives.

Accountability:

1. Create an empowered equity oversight entity with citywide authority.
2. Publish demographic-focused annual performance reports, publicly accessible and department-specific.

This report provides a framework to move the City from policies that exist on paper to systems that produce measurable, enforceable results and that can withstand legal scrutiny.

Call to Action:

The findings in this report point to a clear and time-sensitive need for structural reform. The recommendations that follow call on the Philadelphia City Council to modernize Philadelphia Code §17, create a centralized compliance and certification infrastructure to close longstanding enforcement gaps, and launch a Small Business Enterprise program. With major economic opportunities on the horizon in FY2026, early implementation will be essential to ensuring that the City's equity goals translate into measurable outcomes for diverse and small businesses.

Summary of Recommendations

1. Establish a permanent, centralized entity to pilot inclusive contracting tools.
2. Modernize diverse business data reporting and audit systems to ensure that procurement forecasting is grounded in accurate, real-time assessments of market availability.
3. Create an Office of Contract Compliance and Enforcement that would centrally oversee all aspects of city contracting, sealed bids and professional service contracts.
4. Provide bid preferences and other incentives for small, Philadelphia-based businesses.

Top Priorities for FY2026 Implementation

Create internal alignment and reporting structures to support data-driven, equitable decision-making.

Increase the participation of small and local businesses by 15 to 20 percent through coordinated reforms that lower barriers, address bonding and payment hurdles, use availability data to set goals and monitor performance, expand support for small and local firms, build vendor capacity, and improve oversight mechanisms.

Reduce legal liability exposure by aligning policy language and implementation with federal precedent.

Strategic Goals and Outcomes:

As national legal and political landscapes shift rapidly, Philadelphia must act decisively to align its equity ambitions with enforceable, sustainable, and data-informed strategies—or risk legal exposure, public backlash, and diminished credibility.

Legal & Equity Risk Landscape – City of Philadelphia: Philadelphia's diversity-based contracting programs now operate in a fundamentally altered legal environment. The Supreme Court's 2023 ruling in Students for Fair Admissions v. Harvard, subsequent federal executive orders, and emerging case law have collectively narrowed the legal basis for race-conscious procurement policies. At the same time, structural gaps in the City's compliance, certification, and data systems have left its equity programs exposed to both legal challenge and operational failure. This report identifies those vulnerabilities and charts a path toward a contracting framework that is legally defensible, data-driven, and built for measurable impact.

Compliance vs. Resilience – Strategic Framework Transition: Philadelphia must shift from a narrowly focused compliance framework to a broader model of legal resilience. This strategic pivot enables the City to withstand scrutiny, codify equity goals, and maintain public trust. Systemic barriers such as bonding restrictions, delayed payments, and opaque waiver processes limit the ability of diverse firms to compete equitably. Addressing these barriers is crucial for inclusive procurement reform.

FY2026 Events – Equity Risk & Visibility Opportunity: The year 2026 presents multiple high-profile opportunities (FIFA World Cup, PGA Championship, and infrastructure projects) that carry both reputational risk and potential for advancing equity. This visualization frames those dualities clearly.

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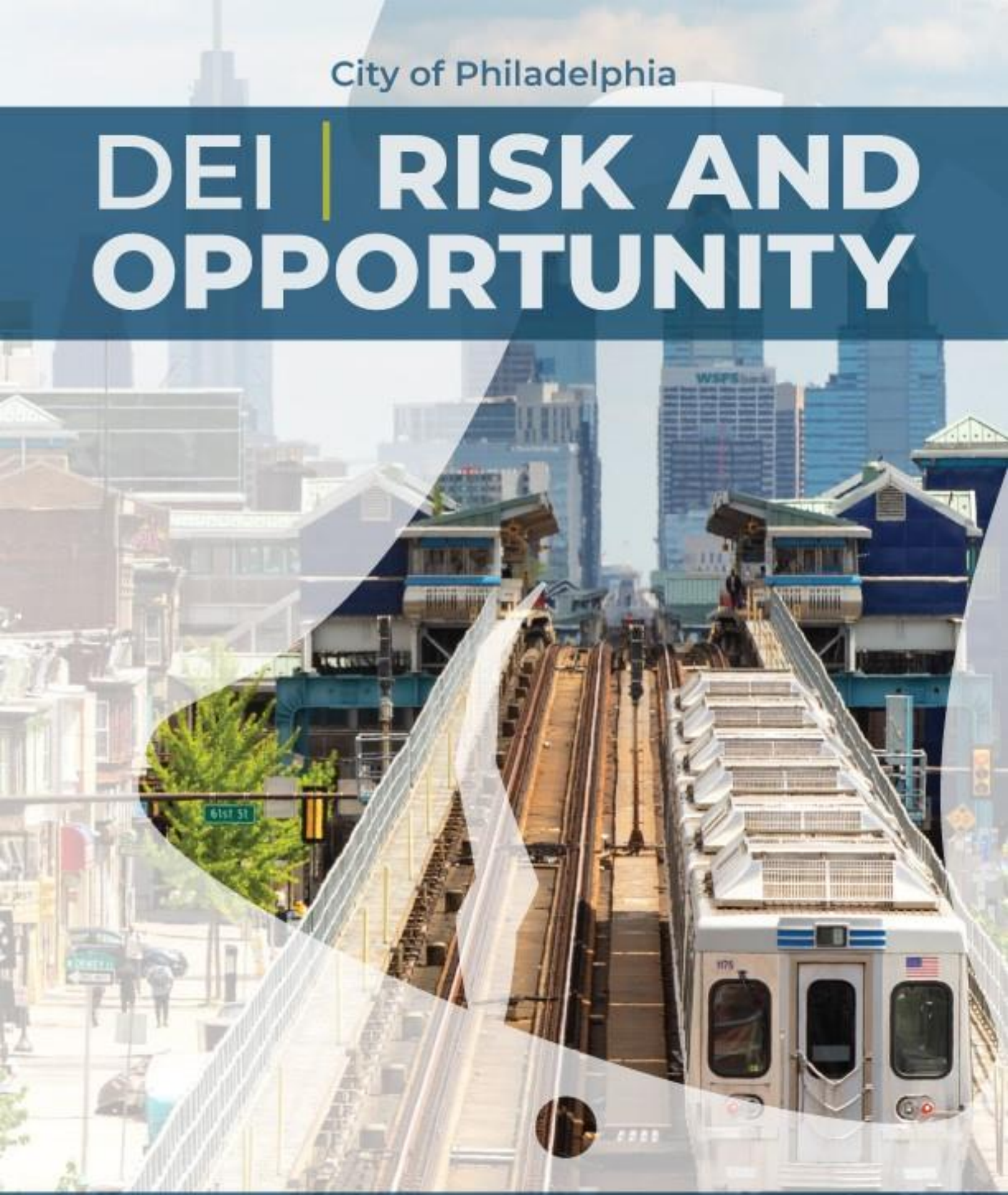

City Council PHILADELPHIA

FINAL REPORT
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Diversity, Equity, and Inclusion Through Economic Growth Strategy

Introduction

Philadelphia is home to a richly diverse population, yet that diversity is not proportionately reflected in business ownership, access to procurement opportunities, economic outcomes, and employment opportunities.

Diverse Businesses continue to face systemic challenges despite their critical role in driving job creation, revitalizing commercial corridors, and contributing to the City's fiscal health. On February 15, 2024, the Philadelphia City Council, led by Council President Kenyatta Johnson, established the Special Committee to evaluate the effectiveness of existing diversity, equity and inclusion (DEI) policies and to develop recommendations aimed at enhancing economic opportunities for diverse businesses in Philadelphia.

The Special Committee began its work amid a national transition. Starting in January 2025, the Trump administration used a series of Presidential Executive Orders to dismantle DEI programs across federal agencies, rescind longstanding anti-discrimination requirements in federal contracting, and create substantial legal uncertainty for state and local equity programs. Combined with recent Supreme Court rulings, these actions accelerated the erosion of affirmative action frameworks that had been in place for decades and intensified hostility toward the concept of diversity. Corporations including Walmart and Target followed, retreating from diversity measures, among them commitments made after the murder of George Floyd and the unrest that followed. This climate has deepened uncertainty for public institutions and placed the burden of justification on those seeking to advance inclusive practices in government and business, reframing the right of Black, Brown, LGBTQ+, and other historically underrepresented groups to participate fully in civic and economic life as, in many instances, conditional or legally suspect. For cities like Philadelphia, which depend on a diverse business base and workforce to drive economic growth, it raises critical questions about preserving fairness, inclusion, and accountability as federal support narrows.

This Committee's work remained grounded in a clear recognition: intentional, coordinated, and transparent policy action is necessary to ensure that every business, regardless of ownership demographics, has the tools and opportunities needed to thrive in the local economy. Through this effort, Philadelphia City Council affirms its responsibility to promote equitable access to economic opportunity.

The ambiguity surrounding future policy exposes vulnerabilities in the frameworks that support small and diverse businesses. Funding has already been delayed or withdrawn, leading to job losses. This report presents the Special Committee's findings and recommendations. It addresses documented challenges in the implementation and accountability of public contracting programs, policy enforcement, and participation initiatives for small and diverse enterprises. It also addresses shifting political priorities at every level of government.

Resolving these gaps is the precondition for Philadelphia's diverse businesses meaningfully participating in the Semiquincentennial and the large-scale economic development that will follow.

To address systemic inequities, the City Council authorized the Special Committee to examine DEI policies in both the public and private sectors. The Special Committee was tasked with identifying the structural, procedural, and policy barriers that inhibit the growth and participation of M/W/DSBEs and developing practical, evidence-based recommendations to promote inclusive economic engagement.

Its scope of work included convening stakeholder meetings, evaluating the effectiveness of existing programs and initiatives, examining local and national best practices, and identifying gaps in the City's accountability and enforcement mechanisms. From this work emerged recommendations to centralize and strengthen oversight of equity programs, close persistent gaps in compliance tracking and enforcement, and establish a legally defensible race-neutral framework for supporting local and small businesses.

While the committee understands the City's obligation to maintain a legally defensible, race-neutral stance, particularly for solicitations tied to state or federal funds, it finds that race-neutral tools alone have not addressed entrenched racial disparities in contracting outcomes. The committee endorses a framework that pairs race-neutral support with targeted measures responsive to documented disparities. Where federal conditions do not apply, public decision-makers should avoid preemptive or overreaching rollbacks of participation and support measures, prioritizing preservation of effective supports for underrepresented groups alongside clear legal defensibility.

Accordingly, the City should reorient its approach to safeguard eligibility for state and federal funding in a changing compliance landscape. Recent actions, such as Hartsfield-Jackson Atlanta International Airport forfeiting over $37 million in FAA grants after declining new Diversity, Equity, and Inclusion (DEI)-related terms, and the U.S. Department of Education's announcement to withhold $65 million in Magnet Schools funding from New York City, Chicago, and Fairfax County due to districts' refusal to amend DEI and transgender-inclusive policies, illustrate how funding conditions can necessitate race-neutral program design even when equity objectives remain consistent. In this context, the City will align program design with current funding and legal requirements while maintaining disciplined, evidence-based oversight to ensure that formal neutrality actively promotes substantive equity.

Identifying and Analyzing the Problems: Data and Methodology

Overview

Over the course of several months, the Special Committee met to discuss stakeholder experience, analyze departmental reports, and review national best practices to assess

the performance and limitations of Philadelphia's current anti-discrimination policies. This approach was designed to surface persistent challenges faced by diverse businesses, and to contextualize those barriers within the broader institutional frameworks that shape access to public opportunity.

Philadelphia's business leadership (both public and private) has historically recognized the necessity of Diversity in cultivating a dynamic and competitive economy. Data from the City's annual disparity studies (a requirement of Chapter §17-1500 of The Philadelphia Code) and recently commissioned availability studies demonstrate that M/W/DSBE availability remains low in many business sectors and business opportunities are disproportionately allocated, particularly impacting diverse businesses, which encounter persistent systemic barriers to business formation, operation, and growth.

Recurring challenges identified are delayed payment cycles that impose significant financial strain, overly complex and opaque procurement processes, inequitable bonding and insurance requirements that negatively impact the competitiveness of diverse contractors, and persistent barriers to capital access.

In its proposed Fiscal Year 2026 budget, the City's administration proposes eliminating the $100,000 Business Income and Receipts Tax exemption, which would burden small and emerging businesses. With that tax capture, the City's administration has proposed implementing a business supportive services program but the reach of that program has been questioned and it will not alleviate the new tax burden on small start-up businesses.

Public and private sector anti-discrimination initiatives have not eliminated barriers to business success. The persistence of these barriers reflects misalignment between policy and enforcement.

Organizations and economies that prioritize diversity and inclusion consistently outperform their peers (McKinsey & Company, 2023). These systems tend to be more innovative and resilient, demonstrably more profitable, showing stronger returns, improved employee retention, and broader access to emerging markets. Shareholders at Costco, Amazon, Disney, McDonald's, Pfizer, Apple, and other major corporations have voted down recent "anti-DEI" proposals as a threat to long-term value.

In Philadelphia, small diverse businesses are the backbone of the local economy; however, diverse businesses continue to be underrepresented in government contracting, corporate supply chains, and high-growth industries.

Workforce disparities intensify challenges in Philadelphia, where inequities in employment access persist. Philadelphia's unemployment rate fell to 3.7% in late 2023, but labor force participation among Black, Brown, and low-income residents remains low, particularly for those without postsecondary education. Education and training remain central to economic mobility.

Other key barriers include limited access to mentorship, government benefits, transportation, and affordable childcare. In the Fiscal 2026 budget, the City's administration proposed reducing the budget of the Zero Fare program that supports SEPTA free transit passes for poor working families; rather than decreasing funding to this program, which is based on a lottery system, the program should be expanded to enable more of the City's working poor to obtain better opportunities for employment.

The digital divide continues to widen employment gaps for residents who have been excluded from the workforce and lack access to foundational education. The Committee's discussions emphasized the importance of aligning job readiness with emerging occupations and the economic realities faced by displaced workers as automation and AI continue to transform labor demand. In this context, success must be measured by employment rates and the capacity of workers to adapt, grow, and thrive amid ongoing change. Through sustained investment and inclusive governance, Philadelphia can become a model for workforce innovation.

Municipal Contracting and Procurement Legislation

To develop root cause solutions, the committee analyzed legal and regulatory infrastructure impacting diverse businesses in municipal contracting and program implementation. Central to this framework are Philadelphia Code Sections §17-103, §17-109, §17-1500, and §17-1600, which collectively regulate processes by which contracts are bid and awarded and how equity focused goals are developed and embedded in municipal procurement. Philadelphia Code §17-103 codifies a Commonwealth of Pennsylvania requirement that any public construction or improvement contract exceeding $10,000 must be guaranteed by a performance and payment bond.

Philadelphia Code §17-109 addresses the disadvantages local businesses face when competing with non-local businesses, by offering local businesses a bid preference. The policy reflects a legislative finding that incentivizing local businesses supports economic development, fosters job creation, and strengthens the City's tax base. Under this provision, businesses certified as Local Business Entities (LBEs) may receive a competitive advantage in the form of a bid preference when competing for City contracts.

Certified LBEs may receive a bid preference, typically 10% for contracts under $1 million and 5% for larger contracts, when bidding on competitive contracts. To receive the preference, LBEs must certify that the majority of work and resources will be based within city limits, and any subcontractors used to meet those requirements must also be certified LBEs. Noncompliance can result in liquidated damages, contract breach, and potential debarment for up to three years. The local bidding preference functions as a targeted equity tool within the broader procurement ecosystem, designed to incentivize municipal engagement with the City's own economic base.

Philadelphia Code §17-1500 outlines the City's Annual Disparity Study and Participation Goals. Philadelphia Code §17-1600 forms the foundation of the City's Economic Opportunity Plan (EOP) system. It requires contractors seeking significant public

contracts to develop a plan outlining how they will incorporate M/W/DSBE participation in their projects. The EOP tracks both projected and actual participation, ensuring contractors are held accountable for their diversity commitments.

Additionally, Chapter §17-1600 grants the Office of Economic Opportunity (OEO) the authority to monitor and enforce compliance with these goals, providing a mechanism for the City to promote equity in its procurement and development partnerships. It also allows the City to evaluate good-faith efforts, implement corrective actions in cases of noncompliance, and regularly publish program outcomes.

Executive Order 01-21

Executive Order 01-21 outlines the City of Philadelphia's official policy on non-discrimination and affirmative inclusion in contracting opportunities. The order mandated that all City departments and agencies take proactive steps to ensure that Minority, Women, and Disabled-Owned Business Enterprises are actively included in procurement and professional services opportunities.

The executive order codifies Philadelphia's commitment to diversity, equity, and inclusion in citywide economic operations, establishing a framework that holds departments and contractors accountable through specific performance metrics, including annual disparity studies, participation benchmarks, and department-specific compliance plans. Additionally, the Office of Economic Opportunity (OEO) supports the infrastructure for diverse contracting goals, which is mandated to advance the economic opportunities of M/W/DSBEs and promote employment opportunities for diverse workers seeking jobs in the local economy.

Under the mandate of the executive order, OEO is responsible for developing, coordinating, and overseeing the implementation of equitable contracting practices across all City departments. It manages the OEO Registry of certified M/W/DSBEs, sets participation ranges for each contract type, and works closely with departments to create annual Compliance Plans with measurable benchmarks. OEO reviews each department's contracting projections and ensures that these align with citywide participation goals.

OEO is also responsible for overseeing contracts before and after they are awarded, engaging in bid evaluations, assessing whether contractors have demonstrated "Best and Good Faith Efforts," and ensuring that proposed M/W/DSBE partners fulfill commercially useful functions. This is followed by the submission of quarterly and annual Participation Reports to the Mayor and Philadelphia City Council, which track M/W/DSBE utilization against departmental goals. Additionally, OEO aids in the preparation and execution of disparity studies, which inform annual workforce and participation goals by comparing contractor data with regional business availability.

In addition to its oversight functions, the Office of Economic Opportunity (OEO) extends training and technical assistance to various departments and contractors. This includes the formulation of race- and gender-neutral strategies aimed at reducing participation

barriers. Such strategies may encompass the relaxation of bonding or insurance prerequisites, the segmentation of contracts, and enhanced outreach initiatives. Furthermore, the OEO requires nonprofit contractors to meet diversity standards, systematically collecting data pertaining to board composition, workforce demographics, and supplier diversity practices.

The Order grants further authority to the Office of Economic Opportunity (OEO) to oversee compliance, conduct on-site inspections, investigate claims of discrimination, and propose sanctions, including debarment, for bidders who do not adhere to established regulations or engage in exclusionary practices.

By establishing the Economic Opportunity Cabinet and formalizing the powers of the Office of Economic Opportunity, Executive Order 01-21 effectively realizes the City's equity objectives through the implementation of enforceable frameworks and inter-agency collaboration. This legal and administrative framework serves as a fundamental aspect of the committee's analysis and strategy formulation, ensuring that recommendations are consistent with both existing mandates and emerging best practices in inclusive public procurement.

Together, these provisions form the legal and operational foundation upon which the City's equity infrastructure is built. They establish the authority to implement diversity goals and also define the tools (bid preferences, bonding flexibility, accountability plans, and enforcement mechanisms) that determine how effectively those goals are realized. The Committee's analysis of these statutes revealed their potential and their limitations, informing recommendations that aim to modernize enforcement, close compliance gaps, and ensure these frameworks function cohesively to advance equitable participation. By aligning policy intent with implementation capacity, these reforms seek to transform the City's regulatory infrastructure into a coordinated system of measurable, enforceable, and legally resilient inclusion.

Recent Disparity and Availability Studies

Critical to the Special Committee's analysis was a comprehensive review of quantitative and qualitative evidence, including recent disparity and availability studies commissioned by the Office of Economic Opportunity (OEO). These studies provided granular data on the alignment between public contracting goals and actual M/W/DSBE participation, market availability across key industries, and persistent structural inequities in access to City contracts. In addition to these formal evaluations, the Committee examined agency-level compliance reports, and stakeholder testimony drawn from surveys. Together, these sources offered a multifaceted understanding of both the systemic barriers facing small and diverse businesses and the limitations of current policy interventions. The following section outlines the studies, data sources, and insights that informed the Committee's findings and shaped its recommendations.

OEO Availability Study: The Office of Economic Opportunity (OEO) commissioned an availability study to assess how many minority- and women-owned business enterprises (M/W/DSBEs) operate within Philadelphia's public works contracting landscape.

Conducted by Econsult Solutions Inc. and Milligan & Company, LLC, the study aimed to provide data-driven guidance for setting M/W/DSBE participation goals. By analyzing the City's FY21 public works (PW) spending across key industry codes and comparing this to local M/W/DSBE availability, the study offers a foundation for aligning contracting practices with equitable procurement objectives.

The analysis concentrated on three principal NAICS industry categories: NAICS 236 (Construction of Buildings), NAICS 237 (Heavy and Civil Engineering Construction), and NAICS 238 (Specialty Trade Contractors). For each category, the report examined the quantity and classification of contracts awarded, total municipal expenditures, and the number of qualified Minority- and Women-owned Business Enterprises (M/W/DSBEs) within the Philadelphia market. The analysis drew on federal business databases, local registries, and industry stakeholder input to identify M/W/DSBEs across 3-digit to 6-digit NAICS classifications.

The findings indicate significant disparities between municipal expenditures and the potential participation of Minority and Women-Owned Business Enterprises (M/W/DSBEs). In the fiscal year 2021, the highest expenditures were observed in the North American Industry Classification System (NAICS) sector 236, particularly in the domains of commercial and institutional building construction, where there was a strong availability of M/W/DSBEs. Conversely, other high-cost sectors, such as multifamily housing and water/ sewer infrastructure, demonstrated low representation of M/W/DSBEs. Furthermore, sectors classified under NAICS 238, such as masonry and plumbing, exhibited a robust availability of M/W/DSBEs, notably including a significant concentration of women-owned firms in the heating, ventilation, and air conditioning (HVAC) and related trades. While contracts under NAICS 237 are vital for infrastructure development, they were marked by pronounced disparities, exemplified by the minimal presence of M/W/DSBEs in sewer line construction, contrasted with higher representation in highway and bridge projects.

The study concluded that the availability of Minority and Women-Owned Business Enterprises (M/W/DSBE) fluctuates significantly based on specialization. Furthermore, it is imperative that a strategic emphasis is directed towards sectors where both municipal investment and M/W/DSBE capacity are robust. The study's findings highlight the benefit of using availability data to inform equitable procurement practices. Unlike disparity studies, which courts increasingly reject as grounds for race-conscious remedies, availability studies offer a legally sound method for assessing the actual pool of qualified vendors by industry and specialization. This approach ensures that participation goals are grounded in real market capacity rather than assumptions, helping the City to maintain both the effectiveness and legal defensibility of its DEI initiatives.

OEO Disparity Study: The Economic Opportunity Plan (EOP) Disparity Study, conducted by Econsult Solutions Inc. on behalf of the Office of Economic Opportunity (OEO), was designed to evaluate the gap between the commitments made to Minority, Women, and Disabled-Owned Business Enterprises (M/W/DSBEs) in City development contracts and their actual usage. As required by Philadelphia Code, EOPs are mandated for City-

supported contracts exceeding $100,000, and the OEO conducts annual assessments to monitor progress.

In Fiscal Year 2021 (FY21), 71 EOPs were recorded, with 55 of them providing usable data on M/W/DSBE commitments versus actual performance. The study examined several dimensions, including project status (active or closed), contract size, commitment level, managing department, and specific market segment. It also provided a comparative analysis of Fiscal Year 2016, offering insights into trends and areas for improvement. Overall, the study found that 80% of the 55 projects either met or exceeded their M/W/DSBE participation goals. Among closed projects, performance was particularly strong, with 93% meeting or exceeding their goals. Performance by contract size showed that all contracts over $5 million met their goals, while 86% of mid-size contracts ($500,000–$5 million) and 58% of contracts under $500,000 met targets.

Commitment level emerged as a key factor influencing performance. Projects with commitment goals between 20–25% were most likely to succeed, with 82% meeting or exceeding targets. Conversely, only 43% of projects with commitments above 25% achieved their goals, suggesting that higher goals do not always translate to higher fulfillment without added support mechanisms. At the lower end, just 68% of contracts with less than 20% commitment met their goals. Performance also varied by department. The Water Department and Division of Aviation showed strong performance, meeting goals in 86% and 75% of their respective projects. The Department of Streets also met goals in 75% of its EOPs, though overall dollar performance slightly lagged behind.

A final section of the study itemized all FY21 EOPs by contractor, department, proposed and actual commitments, and percentage differences, offering a detailed picture of project-by-project success. Compared to 2016, M/W/DSBE utilization in City-supported contracts has improved. However, the data reveals that success is not necessarily tied to project size or department but instead is more closely linked to how ambitious the M/W/DSBE participation goals are and whether they are accompanied by strategies to ensure follow-through.

The report serves as a supplement to the OEO Availability Study, providing actionable insights into how the City can more effectively align its commitments with tangible outcomes, as well as directing attention to areas where future inclusion efforts should be concentrated. While programming based on disparity study data may be scrutinized under current legal standards, the study offers value when used to inform administrative oversight, contract monitoring, and departmental accountability.

The performance data captured in EOP disparity studies can help identify implementation gaps, departmental trends, and contracting thresholds where diverse business participation is more or less likely to succeed. Though not a legally sufficient foundation for race-conscious goal setting, the data complements availability studies by revealing where commitments have been historically unmet, and where added support or structural changes may be needed to improve fulfillment.

When leveraged together, availability and disparity data offer a more complete picture of both capacity and performance. Availability studies define what is possible; disparity studies show what is happening in practice. Used in tandem, they allow the City to better align its aspirational goals with operational realities, strengthening program accountability, refining enforcement strategies, and supporting the development of more equitable procurement policies, even within the constraints of a shifting legal environment. OEO Annual Report FY 2023: The Fiscal Year 2023 Annual Report from the Office of Economic Opportunity (OEO) highlights Philadelphia's ongoing efforts to advance diversity, equity, and inclusion through public contracting. The City and its quasi-governmental partners spent over $1.18 billion with for-profit businesses, of which $370.7 million, or 31.4%, was awarded to certified Minority, Women, and Disabled-Owned Business Enterprises (M/W/DSBEs).

This represents an increase of nearly $72 million from FY 2022, reflecting both a post-pandemic economic rebound and a strategic shift toward more equitable participation in the City's procurement systems.

M/W/DSBE participation varied across contract types. These firms secured 38.3% of Personal and Professional Services (PPS) contracts, 26.2% of Public Works (PW) contracts, and 16.9% of citywide Services, Supplies, and Equipment (SSE) contracts. Small Order Purchases (SOPs) yielded the highest participation rate at 59.1%, albeit within a smaller total contract volume. Among departments, the Water Department led all agencies in total spend, with over $333 million in contracts and $107 million awarded to M/W/DSBEs. Other high-performing departments included Aviation, Streets, and Prisons, though levels of participation and performance varied significantly across agencies.

Total participation increased, but compliance with Economic Opportunity Plan (EOP) goals remains uneven. Of the $394 million in active contracts monitored through EOPs, $173 million (44%) met stated M/W/DSBE participation goals, while 39% of all tracked projects achieved these targets, an increase from 36% in FY 2022. Departments such as Water and Aviation demonstrated stronger goal alignment, while others, notably Streets, showed persistently low compliance, with only 7% of contracted dollars meeting inclusion benchmarks.

Upon deeper analysis the report also reveals a high concentration of contract dollars among a small number of M/W/DSBE firms, raising questions about the distribution of opportunity. The top ten M/W/DSBE vendors collectively received more than $98 million, with just two firms, U.S. Facilities Inc. and Manna Supply, Inc., accounting for nearly $41 million of that total. U.S. Facilities Inc., an African American male-owned firm, appeared twice in the rankings and served as a prime contractor with 100% MBE participation on its $21.1 million award, demonstrating a strong model of self-performance. However, this level of concentration suggests that while inclusion goals are being met in aggregate, they are not broadly distributed across the certified vendor pool.

To address this, the City must go beyond tracking aggregate percentages and invest in capacity building strategies that expand access for newer, smaller, and mid-size diverse

firms. OEO's outreach efforts such as MED Week, the Business Development Series, and enhancements to the OEO Registry are key to these goals. With over 2,000 registered firms, 60% of which are female-owned and 60.4% non-white, the Registry has been upgraded to support searches by firm capacity, size, and specialization, making it a central tool for identifying and matching diverse subcontractors.

Taken together, these findings affirm both progress and persistent structural barriers. The City has increased overall M/W/DSBE spend, but participation is concentrated among a small subset of firms, and enforcement varies across departments, undermining the broader goals of equity and inclusion. To achieve the intended impact of equity-driven contracting, Philadelphia must pair policy ambition with consistent enforcement, data transparency, and deliberate strategies to diversify vendor participation at scale.

Business Environment and Stakeholder Feedback: Across multiple studies, business owners and workforce stakeholders repeatedly highlighted systemic barriers impeding the growth of small and diverse businesses in Philadelphia.

The 2022 Ease of Doing Business survey by the Diverse Chambers Coalition found that the majority of small firms, especially solo entrepreneurs and those with fewer than five employees, experienced the City as an adversarial partner, citing delays in licensing, poor communication, and inconsistent responsiveness. Only 13% of respondents even knew about the City's Business Owner Bill of Rights, and 65% would not recommend Philadelphia as a place to do business.

These concerns were echoed in the ***Spring 2024 Budget Analysis Survey*** and the ***2025 State of the Economy*** report by the Chamber of Commerce, which emphasized widespread frustration with opaque procurement systems, complex compliance processes, and persistent barriers to City contracting for M/W/DSBEs. Construction and professional services firms—particularly those from underrepresented communities—reported difficulty accessing prime contract opportunities and navigating regulatory systems without technical or institutional support.

Philadelphia Works' March 2024 Labor Market Report added further dimension, noting that over half of the city's businesses employ fewer than five workers, but these firms account for only 5% of total employment. While unemployment dropped to a historic low of 3.7%, job growth was concentrated in higher-wage sectors and larger firms, leaving smaller and lower-wage employers more vulnerable to economic shifts. Labor force participation and employment outcomes also remain markedly lower for Black, Hispanic, and less-credentialed residents, reinforcing the structural nature of these disparities.

Together, these findings present a cohesive picture: while Philadelphia's economy is growing, its systems remain poorly aligned with the realities of small, diverse firms and workers. To unlock the potential of inclusive economic growth, the City must streamline administrative processes, strengthen supportive infrastructure, and ensure its equity goals translate into consistent, tangible improvements in business climate and workforce opportunity.

MACCID Reporting: The March 2009 Minority and Community Contractors and Investors Development (MACCID) Report and Appendices provide the foundational policy and historical context underpinning Philadelphia's DEI workforce framework. The report chronicles the longstanding exclusion of minority- and women-owned firms from City-backed construction opportunities and offers a comprehensive assessment of systemic barriers that hinder participation. Drawing from decades of advocacy and local data, the report reveals that disparities in access to public contracts are not a reflection of capacity but stem from entrenched structural barriers that disproportionately affect undercapitalized firms.

The report also outlines the shortcomings of enforcement, citing the lack of consistent penalties or incentives for contractors who fail to meet M/W/DSBE targets. Among its many forward-looking recommendations, MACCID called for the creation of a Municipal Infrastructure Fund to provide liquidity and bonding assistance to minority-owned contractors, the restructuring of the Office of Economic Opportunity (OEO) to enhance its compliance powers, and the development of joint ventures between majority and minority firms to build lasting equity. These proposals later informed the creation of Philadelphia's Economic Opportunity Plan (EOP) system, laying the groundwork for more formalized DEI accountability in public procurement.

Report City Accelerator on Inclusive Procurement: The Report for the City Accelerator on Inclusive Procurement commissioned by the City of Philadelphia on February 20, 2020 offers a critical evaluation of the City's DEI contracting efforts under Executive Order 15-08 and the EOP framework. This report serves as a diagnostic tool, identifying both promising practices and structural shortcomings in the City's approach to equity in procurement. While it acknowledges the progress made, particularly in increasing awareness and adoption of EOPs, it also points to wide variability in performance across departments and a consistent gap between aspirational goals and actual M/W/DSBE utilization. The report highlights that many participation goals are set without a clear understanding of market capacity, resulting in targets that overpromise.

It also notes that the City's enforcement infrastructure is underpowered; OEO lacks the staffing and data systems required to monitor compliance or impose consequences for underperformance effectively. Key recommendations from the report include institutionalizing disparity studies on a five-year cycle, strengthening OEO's authority and resources, revising bonding and insurance standards to lower entry barriers, and embedding incentive structures to reward prime contractors who actively mentor or partner with certified M/W/DSBEs.

The Special Committee's review revealed that systemic inequities in procurement and workforce access are not the result of a lack of qualified M/W/DSBEs but the culmination of structural barriers and inconsistent policy enforcement. These impediments hamper broader economic growth and competitiveness.

Legal Landscape

In conducting its review and developing recommendations, the Special Committee remained acutely aware of the rapidly evolving legal landscape surrounding race-conscious policies in public procurement and economic development. Current federal policies seek to dismantle DEI-informed programming, even as the documented benefits of such programs continue to grow.

Recent federal court rulings have cast a spotlight on the legal vulnerabilities of longstanding DEI programs, especially those relying on presumptive eligibility based on race or gender. These developments necessitate a careful recalibration of program design to ensure both legal defensibility and continued commitment to equity.

Trump administration Executive Orders mandate the termination of all DEI programs, jobs, contracts, and grants across federal agencies, prohibit DEI language in federal contracts, and require certification of non-DEI activities. One of the first Trump Executive Orders rescinded Executive Order 11246, a 60-year-old federal directive that prohibited workplace discrimination on federal contracts and required aspirational goals for the hiring of women and minority workers.

Recent court decisions also reverse judicial and legislative efforts to support historically disenfranchised business owners. Race-based remedial measures have always been subject to Strict Scrutiny, the highest level of judicial review. In previous decades, this meant "strict in theory" but not necessarily "fatal in fact," as the Supreme Court crafted methods to take race into account to remedy fact-based instances of discrimination and the disparate impact of discrimination. These methods included "disparity studies" which could demonstrate that the government was a "passive participant" in discriminating against minority contractors and that these contractors were disparately impacted.

But, in 2023, the Supreme Court in Students for Fair Admissions v. Harvard and UNC, determined that the consideration of race in college admissions violated the Constitution; a majority of the Court decided that diversity on campus no longer serves a compelling interest and that race-based classifications risk stigmatization. That decision was not confined to higher education but is ushering in a period where any consideration of race, including DEI and traditional affirmative action business programs, is suspect and likely unconstitutional.

For example, the Small Business Administration's 8a contract preference program, the Minority Business Development Agency supportive services program and U.S. DOT's Disadvantaged Business Enterprise program, have all been subject to this new wave of "fatal in fact" judicial scrutiny. These decisions have eviscerated the presumption that racial minorities and women are socially and economically disadvantaged and thus should be beneficiaries of these programs.

The presumption of socio-economic disadvantage based on race or gender is now deemed suspect and likely unconstitutional. Individualized determinations of social and economic disadvantage must be made and these programs, which sought to remedy past

and proven discrimination, must be accessible to all businesses without regard to race and gender.

Moreover, while the courts may acknowledge disparities in access to capital and contract awards to minority contractors, the courts have begun to reject statistical proof of these disparities in favor of a "color blind" view of America. Disparity studies are regarded as insufficient evidence to support the necessity for DEI policies. Now, only proven instances of intentional discrimination are apt to persuade a court to uphold a race-conscious remedy which would be limited to the identified victim of that discriminatory action.

Moreover, the Department of Justice which would normally defend lawsuits attacking the constitutionality of federal programs, has refrained from doing so in Mid-America Milling v. USDOT. That case, brought by white male contractors, is a challenge to the U.S. Department of Transportation's Disadvantaged Business Enterprise (DBE) program. Instead of defending this program, which was reauthorized by Congress in 2021, the Department of Justice is entering into a consent decree, stipulating that the DBE program's use of race and sex-based presumptions of social and economic disadvantage violates equal protection and is thereby unconstitutional. This act by the Department of Justice ends a 40-year-old program designed to provide meager opportunities (10%) for minority and female contractors on federal transportation contracts.

Dismantling the DBE program will impact the City's federal spend, but there is also a lawsuit instituted directly against the City of Philadelphia which portends a similar finding of unconstitutionality. In Road-Con, Inc. v. City of Philadelphia, a non-union contractor challenged the City's use of project labor agreements (PLAs). Project labor agreements had been used by the City for more than a decade on large City funded construction projects for the purpose of maintaining harmony with the local labor unions.

Aside from the legality of PLAs, the Third Circuit held that the City's use of aspirational goals for the employment of minority persons and women contained as a requirement in PLAs, constituted direct evidence of intentional discrimination against non-minority workers. While this case does not directly challenge Philadelphia's Economic Opportunity Plans (Chapter §17-1600 of The Philadelphia Code) which contains aspirational workforce goals, it signals increased judicial scrutiny of race-conscious contracting measures. For the Committee, Road-Con highlights the legal risks of race-conscious and broad remedial policies and underscores the need for narrowly tailored, data-driven approaches grounded in local market evidence.

Approximately 170 lawsuits have been filed against the Trump administration's anti-DEI measures. Their outcomes will depend on the integrity of the judiciary, the inherent rigor of the US Constitution, and the collective moral conscience of Americans. Some institutions and public advocates continue to strive to preserve DEI initiatives.

Groups such as the National Association of Diversity Officers in Higher Education, the American Association of University Professors, and the Mayor and City Council of Baltimore, Maryland, have sued the current administration, claiming that the Trump

Executive Orders infringe upon their First Amendment right to free speech by censoring their opinions on diversity, equity, inclusion, and accessibility. They also argue that the Executive Orders lack clarity.

Additionally, civil servants have sued federal agencies after being placed on administrative leave due to their assignments related to DEIA, contending that the orders violate the Administrative Procedures Act, the Administrative Leave Act, the First Amendment, and the Fifth Amendment. And, almost concurrent with the Department of Justice's consent decree in Mid-America Milling, a group of DBE business owners and advocacy groups were granted status to intervene as defendants in that lawsuit; however, the consent decree will now likely moot this intervention.

In response to this legal framework, the Committee's recommendations do not abandon or fail to acknowledge racial disparities and systemic discrimination, but pivot away from categorical classifications, emphasizing instead the enhancement of the overall economic environment for all small and local enterprises in Philadelphia. This approach involves concentrating on equitable access, capital readiness, regulatory reforms, and capacity building initiatives that support diverse entrepreneurs without dependence on presumptive classifications. By prioritizing race-neutral strategies and the inclusivity of local businesses, the Special Committee aspires to promote equity in a manner that is both inclusive and resilient under current legal standards.

Why Philadelphia Must Act Now

While current legal and political challenges call into question the constitutionality of DEI initiatives, the moral and economic imperatives for these programs remain unequivocal. Persistent disparities and unmet participation goals for small and diverse businesses remain entrenched despite the adoption of DEI programs across public and private sectors. Long-standing challenges are exacerbated by emerging federal pushbacks, an unclear legal landscape, and inconsistent policy enforcement, which further jeopardize economic prosperity and growth. Inaction on this front will result in tangible negative impacts on Philadelphia's economy. And more severely— its communities.

In Fiscal Year 2026, Philadelphia will mark its semiquincentennial with a yearlong slate of landmark events that position the city at the center of national attention. Major sporting events including the MLB All-Star Game, FIFA World Cup, NCAA Men's March Madness, and the PGA Championship will draw global audiences. Cultural and civic programming such as 52 Weeks of Firsts, Homecoming 250 marking the anniversary of the founding of the Navy and Marine Corps, the TED Democracy Flagship Event, Mural Arts' Printmaking for the People, and ArtPhilly's What Now will highlight Philadelphia's creative innovation, rich historical landscape, and democratic spirit.

These events are projected to bring unprecedented visibility, record tourism and economic opportunity. To fully realize the benefits of this moment, Philadelphia must act intentionally to dismantle longstanding barriers that have limited access for small and

diverse businesses and ensure they are not only included but prioritized in the City's economic strategy.

The Special Committee drafted this report in direct response to the urgent need for updated and resilient DEI policies amid shifting political priorities and emerging economic opportunities. Drawing on quantitative data, compliance reviews, and stakeholder insight, this report identifies systemic barriers that continue to limit the full participation of diverse and small businesses in Philadelphia's economy. The recommendations outlined in this report offer targeted policy and legislative strategies to strengthen Philadelphia's economic infrastructure, broaden opportunity, and ensure that future growth is both inclusive and equitable.

Key Findings

Persistent Structural Barriers Undermine Diverse Business Participation: Longstanding commitments to Diversity, Equity, and Inclusion (DEI) have not eliminated the deeply embedded obstacles that restrict diverse businesses' full participation in Philadelphia's economy. These challenges, such as delayed payments, complex and opaque procurement systems, restrictive bonding and insurance requirements, limited access to multi-year contracts, union labor constraints, and inadequate access to capital and mentorship, are not isolated issues. They are interconnected and systemic, compounding over time to create disproportionate burdens on undercapitalized firms. While DEI policies exist, inconsistent enforcement and fragmented strategies have limited their impact, weakening Philadelphia's ability to drive inclusive economic growth at scale.

Fragmented and Ineffective Workforce Development Efforts: Diverse and low-income residents continue to face limited access to stable, upwardly mobile employment, especially those without post-secondary credentials or digital literacy. Many workforce programs focus on short-term job placement, with little connection to high-demand sectors or the City's long-term investments. This mismatch leaves participants unprepared for sustained careers in growing fields. Critical support is treated as peripheral, even though its absence routinely blocks participation. These gaps reinforce inequity and stall mobility, particularly for residents already navigating economic hardship. The Committee finds that workforce development must operate as an integrated system, one that aligns training with industry needs and embeds support services as core infrastructure. Job quality, career growth, and long-term stability must define success.

Burdensome Regulatory and Procurement Processes: Sixty-five percent of small business respondents said they would not recommend Philadelphia as a place to do business, citing slow and unpredictable permitting and licensing processes, excessive compliance burdens, lack of transparency, and insufficient support for new and emerging businesses. More than a quarter rated interactions with key departments such as Revenue, Licenses and Inspections, and Streets as "poor" or "very poor." These findings, drawn from the Spring 2024 Budget Analysis Survey, the Philadelphia Ease of Doing Business Survey, and the 2025 Chamber of Commerce State of the Economy report, were consistent across committee meetings and stakeholder engagement sessions.

Business owners also reported frustration with delayed payments, inconsistent communication, and a lack of centralized resources for navigating procurement and licensing requirements. Regulatory uncertainty, taxes, and labor shortages ranked among the top concerns facing businesses in the region. For small and diverse firms, these barriers are especially potent. Without the internal capacity or institutional relationships to navigate a fragmented bureaucracy, these businesses are more likely to disengage from public contracting altogether, suppressing business formation and diminishing trust in public systems. At scale, this dynamic undermines the City's competitiveness and constrains the economic potential of the communities these systems are meant to serve.

Legal and Political Shifts Jeopardize Race-Conscious Policies: Recent judicial decisions have altered the legal framework for public-sector DEI initiatives. The rulings signal a decisive move away from broad race- or gender-based presumptions of disadvantage, requiring public entities to demonstrate specific, compelling evidence of discrimination and to narrowly tailor any race-conscious remedies.

For Philadelphia, this means that reliance on generalized disparity studies or historic patterns of underrepresentation is no longer sufficient to justify inclusive procurement or contracting preferences. Without rigorous, current data tied to specific industries and practices, such policies risk legal challenge and reversal. The City must therefore ensure that its strategies are not only legally defensible but also effective, focusing on race-neutral tools such as capacity building, technical assistance, accountability frameworks, and the removal of structural barriers that disproportionately affect diverse businesses.

Achieving equity in this environment requires operational sophistication and continuous review. Symbolic gestures must give way to measurable interventions that can withstand legal scrutiny while advancing inclusion. This legal shift also presents an opportunity: Philadelphia can modernize its policy infrastructure, moving from reactive compliance to proactive, data-informed systems. Equity must be embedded not as a periodic obligation but as a standing feature of governance and economic decision-making.

Strategic, Inclusive Action is Essential for Philadelphia's Approaching Opportunities: Significant economic opportunities, such as the fiscal year 2026 Semiquincentennial, World Cup and other forthcoming national and international events, present substantial growth potential for Philadelphia-based businesses and diverse residents.

However, without urgent and deliberate policy reforms aimed at addressing structural barriers, diverse businesses risk missing these critical opportunities. The Committee finds that durable contracting infrastructure, real-time compliance mechanisms, and enforceable equity standards are prerequisites for genuine progress. Without them, the City will continue to reproduce patterns of exclusion. These events will proceed regardless; the question is whether Philadelphia's diverse businesses and workers will be equitably included or left behind once again.

Limited Coordinated Capacity Building Infrastructure Restricts Growth, Prime Contracting, and Long-Term Competitiveness: The Special Committee finds that Philadelphia's current approach to supporting diverse business and small business is hindered by a lack of strategic coordination across its capital access, capacity building, and procurement systems. These firms are not limited by potential, but by a structural environment that fails to connect the necessary components of sustainable growth.

Flexible, growth-oriented capital remains elusive, especially for firms navigating delayed payments or seeking to scale for larger, multi-year contracts. Technical assistance and mentorship offerings, while present, are often detached from real procurement opportunities, and the City's network of Business Support Organizations (BSOs) lacks unified performance standards, shared accountability metrics, and consistent alignment with the City's contracting priorities.

While some departments demonstrate strong participation outcomes, these successes are often isolated and concentrated, reflecting pockets of progress rather than systemwide advancement. As a result, current interventions focus on increasing participation rates without addressing the systems needed to sustain that participation over time. Without a deliberate infrastructure that integrates financial tools, technical capacity, and procurement access, Philadelphia will continue to fall short of cultivating a competitive and inclusive local business ecosystem capable of meeting the scale of future investment.

Need for a Small Business Enterprise (SBE) Program: The Special Committee finds that the establishment of a Citywide Small Business Enterprise (SBE) Program is urgent and essential. Such a program would expand contracting access to undercapitalized businesses while reinforcing Philadelphia's broader equity goals. This moment demands precisely that level of structural innovation. In the wake of the U.S. Supreme Court's 2023 ruling and subsequent legal decisions that have invalidated key assumptions underpinning race-conscious contracting policies, Philadelphia's current framework faces growing legal vulnerability.

Yet the need to support disadvantaged businesses has never been more urgent. An SBE program offers a pathway to preserve that support by focusing on firm characteristics that correlate strongly with disadvantage, such as size, capitalization, and local footprint, while sidestepping the legal risks now associated with identity-based criteria. If implemented with intention, Philadelphia's SBE program can address longstanding structural gaps while ensuring the City remains compliant with evolving legal standards. It is not a retreat from inclusion but a strategic recalibration: one that secures the continuity of equity goals, expands the reach of public investment, and models what inclusive, legally resilient contracting can look like in the 21st century.

Risk of Settling for Optics vs. Impact: Across the country, many public contracting programs intended to address disparities have focused more on demonstrating progress than on building systems capable of sustaining it. Rather than developing durable, scalable models of inclusion that span the full range of government procurement,

policymakers have often relied on surface-level participation metrics that obscure deeper structural inadequacies. The cumulative effect has been the appearance of equity without the underlying infrastructure needed to support meaningful, repeatable access for diverse firms. This pattern, even if well-intentioned, has allowed inadequate procurement practices, weak operational frameworks, and fragmented data systems to persist.

These shortcomings undermine the very investments jurisdictions make in disparity and availability studies that consistently reveal the same patterns of exclusion across the country, particularly for diverse businesses. Formal participation gains have not changed a fundamental reality: these firms remain the most underrepresented in public contracting, and a persistent disconnect separates reported outcomes from real economic inclusion. Philadelphia, like many jurisdictions, has too often emphasized participation rates without fully accounting for their impact.

While some departments report high levels of diverse business engagement, the broader business environment, especially for Black- and Hispanic owned firms, continues to reflect limited opportunity and persistent barriers. In both perception and practice, participation alone has not translated into economic equity. Without urgent, structural reforms to address these systemic barriers, another generation of diverse businesses risks exclusion from the scale of opportunities ahead.

The Committee finds that Philadelphia must move beyond compliance-based strategies and implement strategic, process-driven reforms that measure not only how many firms are included, but how—and whether—they are truly positioned to grow, compete, and thrive.

Technology and AI Readiness: As artificial intelligence and automation increasingly transform business operations, procurement systems, and labor markets, the challenges facing diverse and small businesses are set to intensify. Competing in an AI-enabled economy will require significant capital investment, specialized workforce skills, and technological infrastructure.

For undercapitalized firms that have historically been excluded from full participation in public contracting, the barriers to entry will only grow more complex and costly. This technological shift extends far beyond operational efficiency. Public and private sectors are rapidly adopting AI for everything from bid evaluation to logistics and customer service. M/W/DSBEs that are unable to integrate these tools or lack the workforce capacity to leverage them will find themselves further marginalized in competing for contracts and navigating the broader evolving economic ecosystem.

At the same time, AI and automation are poised to displace large segments of the workforce, particularly in low- and mid-skill jobs where many historically disadvantaged individuals are concentrated. Without targeted upskilling and access to emerging tech-driven markets, these shifts risk deepening existing economic inequities. The Committee finds that equity strategies must now account for the accelerating impact of AI. Inclusion

can no longer be understood solely in terms of access to current opportunities; it must also address readiness for the next economy.

This includes ensuring that diverse businesses are not left behind in digital transformation, and that workforce development systems are equipped to prepare residents for the demands of automation-resilient employment. Any forward-looking procurement and inclusion policy must therefore consider digital equity, technological capacity building, and AI readiness as core pillars of economic opportunity.

Recommendations

The following legislative and policy recommendations are designed to close long-standing gaps in enforcement, transparency, and access for small, diverse, and local businesses. Each recommendation is informed by stakeholder input, legal analysis, and best practices drawn from local and national case studies. Together, they present a roadmap for embedding equity into the legal foundation and administrative functions of City government, ensuring that anti-discrimination principles are not only protected but actively advanced in the years ahead.

Legislative Recommendations

Establish a Centralized Oversight and Accountability Mechanism: The Special Committee recommends the creation of a permanent, centralized oversight and accountability mechanism through ordinance or Charter amendment to ensure equitable contracting practices are consistently enforced across all City departments. This mechanism would take the form of a dedicated office with an independent mandate, defined budget, and formal accountability to both the Mayor and City Council. It would be responsible for standardizing business certification procedures, monitoring departmental compliance with equity benchmarks, and publishing regular reports that assess the City's progress toward inclusive economic participation.

This recommendation directly responds to several longstanding challenges identified by the Committee: the absence of enforcement authority, the fragmentation of compliance responsibilities, and the lack of legal permanence for current equity functions. Existing offices that promote economic opportunities operate under limited executive authority, leaving them unable to enforce performance expectations, initiate corrective actions, or standardize data collection and evaluation across departments. Consequently, procurement equity has remained aspirational rather than operational, yielding uneven results and limited accountability.

Under the proposed structure, the new office would be empowered to define compliance standards, enforce contract terms, and take action against departments or vendors that fail to meet statutory obligations. This includes overseeing contract performance reviews, referring violations for investigation, and managing processes for vendor suspension and debarment. It would also coordinate closely with

investigative entities, ensuring that persistent or egregious noncompliance is met with timely and proportionate enforcement.

To reinforce transparency and drive continuous improvement, the office would implement standardized performance tracking tools and support the creation of an independent oversight body tasked with reviewing citywide contracting practices. This structure ensures that feedback from vendors, advocates, and community stakeholders directly informs program design and enforcement strategies. In addition to enforcement, the office would provide education and training to City staff and private contractors on procurement equity requirements, creating a culture of compliance that is proactive rather than punitive.

As part of its mandate, the office would be responsible for ensuring that DEI considerations are embedded in the City's major economic planning functions, including annual budget development, capital project planning, and economic development initiatives. No significant public investment would proceed without a documented equity review conducted by the office assessing its projected impact on diverse and small business participation. This positions DEI integration not as a parallel aspiration but as a standing procedural requirement with a named institutional owner and an enforceable review trigger.

Refine Municipal Code Language for Clarity and Legal Soundness: To safeguard the City's DEI efforts amid increasing judicial scrutiny, the Special Committee recommends a comprehensive revision of Chapter §17 and related procurement sections of the Philadelphia Code. This reform should emphasize legal clarity, procedural consistency, and constitutional resilience. Contracting practices that focus on classifications such as 'minority' or 'disadvantaged' status are legally vulnerable. The City should move away from reliance on these categories and pursue alternative, non-discriminatory frameworks such as fostering opportunities for small and local businesses. While such terms remain in use, they are increasingly subject to litigation, and updating definitions to reflect the evolving legal environment will provide City departments and vendors with clearer, more defensible guidance. A critical element of this modernization is the amendment of §17-1500 to codify the use of availability studies as the foundation for setting participation goals.

Availability studies carry growing legal importance, yet Philadelphia's procurement code does not formally require them. This omission leaves the City without a codified method for assessing the actual pool of ready, willing, and able small and diverse firms by industry, scope, and contract size. Unlike disparity studies, which courts have increasingly rejected as insufficient evidence for race-conscious remedies (e.g., Ultima Services Corp. v. USDA), availability studies offer a forward-looking, legally durable mechanism to align contracting goals with actual market capacity.

They also serve as a valuable tool for forecasting procurement trends and identifying gaps where targeted support or policy intervention is needed. Requiring availability

studies under §17-1500 would strengthen the City's ability to establish data-driven, measurable goals, while also enabling the development of industry-specific capacity building programs.

Reform Bonding Requirements to Expand Prime Contracting Opportunities: The Special Committee recommends amending §17-103 of the Philadelphia Code to remove structural barriers that prevent small and diverse businesses from competing effectively for public works contracts. Current bonding requirements disproportionately burden small and diverse firms, which often face higher bond rates or are denied bonding altogether despite demonstrated creditworthiness and capacity.

These practices can amount to discriminatory barriers that undermine access to City contracting. Philadelphia's current procurement code neither mandates bond rate disclosure nor allows alternative forms of financial security, despite permissive state law. This gives larger and better-capitalized firms an artificial advantage and effectively locks many capable diverse businesses out of prime contracting opportunities. The proposed amendment to §17-103 introduces three critical reforms:

- Bond rate disclosure, to increase transparency and surface inequities in risk pricing.
- Exclusion of bonding costs from bid evaluations, to neutralize unfair pricing advantages; and
- Authorization of alternative forms of financial security, to create accessible pathways for smaller firms to meet performance guarantees.

Introduce and Enforce Sheltered and Targeted Contracts and Set-Asides: The Special Committee recommends implementing a comprehensive local procurement strategy that includes both sheltered contracts and strengthened bid preference policies to expand equitable access to City contracting opportunities.

This recommendation advances a dual-track approach: reserving a defined percentage of contracts for small and local firms through statutory set-asides and reinforcing the City's Local Business Entity (LBE) program under §17-109 to ensure smaller businesses can compete effectively within an open-bid environment.

Sheltered contracts and revenue-tiered set-asides would guarantee that small and undercapitalized firms have dedicated procurement opportunities scaled to their capacity. This directly addresses the chronic exclusion of smaller businesses from the City's prime contracting pipeline by providing opportunities that are scaled to firm size and growth stage.

Simultaneously, the amendment to §17-109 enhances Philadelphia's local bid preference structure by offering a 15% bid preference on contracts under $500,000 and a 10% preference on contracts up to $1 million. These provisions level the playing field for qualified local businesses that struggle to compete on price against

larger or out-of-city firms. The amendment also improves access to certification by assigning LBE certification to OEO and introduces stronger annual reporting requirements, including enforceable performance benchmarks and corrective actions for unmet participation goals.

Institutionalize Regular Public Hearings and Stakeholder Feedback: The Committee recommends that the City institutionalize regular public hearings and formal stakeholder engagement processes to ensure the continued responsiveness and effectiveness of diversity, equity, and inclusion (DEI) policies.

This recommendation calls for legislative action through the passage of an ordinance requiring periodic public hearings and structured consultations with community stakeholders. These sessions would serve as formal opportunities to assess the impact of DEI strategies, gather feedback, and refine approaches based on lived experiences and evolving needs.

In conjunction with these hearings, the City should evaluate the current design, staffing, and operational capacity of the Economic Opportunity Review Committee as outlined in Section §17-1600 of the City Code. This evaluation is necessary to determine whether the committee is equipped to fulfill its oversight responsibilities and to ensure that it effectively supports the City's broader equity goals.

Policy Recommendations

Streamline Procurement Processes and Certification Procedures: This policy action calls for a comprehensive overhaul of current practices across all City agencies and political subdivisions to ensure consistency, transparency, and efficiency. Specifically, the Office of Contract Compliance and Enforcement should define and enforce standardized procurement protocols and quality assurance measures that promote inclusiveness and predictability in the contracting process.

Each agency would be required to review its procurement portfolio to identify opportunities that can be unbundled and made accessible to small and local firms through the Local Business Procurement Initiative (LBPI), with a particular focus on prime contracts valued at up to one million dollars. Agencies must also produce annual procurement forecasts that detail upcoming opportunities and distinguish between general, small, and local business prospects.

These forecasts would be reviewed by the designated official at the Office of Contract Compliance and Enforcement, who would be responsible for ensuring that the maximum number of eligible contracts are made available to certified small and local businesses. All procurements should be evaluated and documented to demonstrate active consideration of these firms for prime contracting roles.

Additionally, the Committee recommends increasing the current dollar threshold for LBPI participation to enable greater business participation. These reforms would significantly reduce the complexity and time delays currently associated with procurement, enhance predictability for vendors, and strengthen the pipeline of opportunities for underrepresented businesses seeking to grow through municipal contracting.

Reform Contracting and Payment Practices: This policy recommendation centers on implementing timely contract conformance protocols and instituting prompt payment measures, including performance metrics and enforceable penalties for delayed payments by both the City and prime contractors to their subcontractors. These provisions are designed to alleviate cash flow constraints that disproportionately affect under-capitalized firms, particularly diverse, small and local businesses.

As part of this reform, the Local Business Procurement Initiative (LBPI) program should be updated and relaunched with a renewed focus on enabling small and local firms to serve as prime contractors. The program would establish a contract ceiling of one million dollars for LBPI-certified firms, creating accessible and scalable opportunities for local business growth. To ensure meaningful impact, the program should launch with a goal of $100 million in projects across City agencies during its first year, followed by a 20 percent increase in annual project volume over the next five years, and a 10 percent increase in the five years thereafter.

These reforms directly address persistent delays and uncertainties in contract execution, which hinder the financial stability of small vendors. They also promote a more predictable and equitable contracting environment by expanding the pool of eligible small and local prime contractors and setting measurable benchmarks for economic inclusion. Moreover, this approach allows local labor unions to play a constructive role in supporting small business development, fostering collaborative partnerships that contribute to Philadelphia's broader economic goals.

Enhance Data Collection and Public Reporting Systems: This policy action calls for the development of an integrated, real-time dashboard to track key performance indicators, including contract awards, utilization of diverse, small, and local businesses, and the implementation of Economic Opportunity Plans (EOPs). The dashboard would serve as a central tool for monitoring program outcomes and would be supplemented by regular public reporting to City leadership and stakeholders.

To ensure consistency and enforceability, the Office of Contract Compliance and Enforcement would be responsible for establishing clear procedures for compliance and applying penalties for non-reporting or inaccurate reporting. These measures would help standardize accountability across departments and promote adherence to annual reporting expectations.

Additionally, all special programs or initiatives led by the Mayor's Office or the Philadelphia City Council would be required to submit annual reports to the appropriate governmental bodies, enabling thorough review and integration of DEI considerations into budget discussions and long-term planning.

To support accurate and uniform measurement, the City would also establish a formal certification and training program for internal and third-party EOP monitors. This program would ensure consistency in how data is collected, reported, and evaluated, particularly with regard to diverse participation. Collectively, these reforms address the current transparency gap, promote measurable progress, and establish the infrastructure necessary for data-driven improvements in inclusive contracting and policy implementation.

Expand Support Programs for Capacity Building: This recommendation emphasizes the need to broaden and strengthen initiatives such as the Mentor-Protégé and Emerging Vendor programs, while providing targeted technical assistance, training, and outreach. These efforts are designed to enhance the competitiveness of small and local businesses and address persistent gaps in business development, readiness, and sustainability.

To ensure holistic support, all municipal programs related to capital access, grants, and industrial development should be aligned to support the full maturity cycle of small and local businesses. Agencies such as the Philadelphia Industrial Development Corporation (PIDC), ReBuild, and the Department of Commerce should coordinate their efforts to reinforce this integrated approach, particularly for businesses engaged in City contracts. These agencies should be required to develop roadmaps that outline their contributions to the growth and long-term viability of small and local firms and submit regular progress reports to Philadelphia City Council for review and accountability.

In addition, the City should create pathways for non-union small businesses to grow into union shops, thereby expanding access to higher-value projects and reducing structural barriers to entry in the public construction and services sectors. Collectively, these measures address deficiencies in technical expertise, ensure the long-term competitiveness of underrepresented firms, and maximize the return on the City's investments in inclusive economic development. By establishing clear coordination, defined growth targets, and mechanisms to navigate union requirements, these programs will foster a stronger pipeline of qualified businesses prepared to meet the City's evolving procurement demands.

Strengthen Interdepartmental Coordination and Communication: This policy action calls for the development and enforcement of standard operating procedures and shared guidelines that apply across all departments. By establishing a unified framework, the City can eliminate redundancy, reduce confusion, and promote a more cohesive approach to public contracting.

Central to this recommendation is the elevation of the Office of Contract Compliance and Enforcement to a position of enterprise-wide influence. The office should be empowered to oversee and coordinate procurement-related activities across all departments and political subdivisions, ensuring that DEI principles are applied consistently and that compliance is uniformly enforced. Furthermore, the office should be formally established as part of the City's internal control infrastructure, reinforcing its authority and integrating oversight functions into the broader governance framework.

This coordinated approach would reduce fragmentation and siloed operations, promote more effective communication across City entities, and ensure that all agencies are aligned in advancing inclusive contracting goals. By embedding this level of coordination into the City's administrative structure, the recommendation provides a foundation for long-term institutional accountability and improved performance in achieving equity outcomes.

Establishing a Robust Small Business Enterprise (SBE) Program: This program would implement targeted contract allocation strategies by using geographic data, such as zip code analyses, to prioritize small businesses located in Philadelphia. By ensuring equitable geographic distribution of contracting opportunities, the City can begin to address long-standing disparities in public procurement.

A central component of the program would be the creation of a Small Business Reserve Program, which would formally designate specific contracts exclusively for certified small businesses. This approach would establish a reliable pipeline of accessible procurement opportunities, allowing firms to grow incrementally and sustainably. To support the readiness and competitiveness of these businesses, the City would expand its technical assistance offerings to include free services such as accounting support, legal counsel, and grant and proposal writing assistance.

In addition, the program would include capital accessibility initiatives through strategic partnerships with local financial institutions, aimed at easing traditional lending barriers for undercapitalized small businesses. To further reduce entry obstacles, the City would introduce more flexible bonding requirements or offer underwriting support for businesses with demonstrated performance histories.

Together, these measures would significantly reduce economic and geographic disparities, enhance the competitiveness of small firms, and create a legally defensible procurement model that avoids reliance on race- or gender-based presumptions. By equipping small businesses with targeted support, financial tools, and contract access, the SBE Program would foster long-term economic resilience and ensure that the City's contracting system is accessible to a wider and more representative range of entrepreneurs.

These legislative and policy reforms, taken together, offer a comprehensive blueprint for institutionalizing equity in City government. With clear statutory mandates and

streamlined administrative practices, Philadelphia can transform its public contracting system into one that not only acknowledges historical disparities—but actively dismantles them. The following section offers a detailed implementation roadmap to bring these recommendations to life.

Workforce Policy Recommendations

Integrate Equity and Performance Standards into workforce contracts: To respond to the persistent workforce disparities identified by the Special Committee, the Workforce subcommittee recommends that the City of Philadelphia develop standardized, outcomes-based contracting practices that elevate the effectiveness, equity, and long-term impact of workforce development programs. While various City agencies ensure a baseline of vendor effectiveness, this moment requires a broader, more ambitious framework that transforms workforce partnerships into accountable vehicles for inclusive economic mobility.

At the foundation of this framework should be the integration of clear, data-driven performance metrics into all workforce contracts. Contracts should require providers to demonstrate strong placement outcomes, such as placing at least 70% of participants in employment within 90 days of program completion. Just as critical is the issue of job retention: contracts should establish expectations for providers to track whether participants remain employed for six months or more, with standards that reflect the specific norms of each industry.

Compensation benchmarks are equally essential; workforce placements must meet or exceed a living wage threshold, with serious consideration as to whether $15 per hour is adequate given current economic conditions. Additionally, where relevant, providers should report on the attainment of industry-recognized credentials, offering transparency into the real, long-term value of training programs.

Beyond outcomes, equity must be embedded as a contractual standard, not a voluntary aspiration. Providers should be required to collect and report disaggregated demographic data which illustrates those served reflect the full diversity of Philadelphia's population. Contracts should also mandate barrier reduction strategies that respond to the most common challenges facing underserved populations, including transportation, childcare, language access, and digital exclusion.

Moreover, the Committee emphasizes the importance of culturally competent service provision. While some providers may already be advancing this work, the City should encourage all contractors to train staff in trauma-informed, culturally responsive practices— and to reflect, whenever possible, the communities they serve in their hiring practices.

Finally, all workforce development efforts must be anchored in industry demand and driven by meaningful engagement with employers. Providers should be required to participate in sector-based partnerships or employer consortia, helping to ensure that

training programs align with current and emerging labor market needs. Contracts should also prioritize programs that cultivate direct relationships with hiring employers and can secure letters of commitment or intent to hire graduates. This not only strengthens program design but also deepens accountability and reinforces a shared investment in the success of participants.

Together, these recommendations mark a transition from fragmented service delivery to a unified, equity-centered workforce development strategy. By embedding performance standards, equity requirements, and demand-driven design into municipal contracting practices, the City can foster a system that delivers measurable results, builds provider capacity, and centers economic opportunity for those too often left behind.

Tiered Evaluation Framework for Workforce Providers: To better evaluate and support the effectiveness of workforce contracting agencies, the Workforce Subcommittee recommends the development of a tiered framework that classifies providers based on their operational capacity and programmatic performance. This system would serve both as a diagnostic tool to guide technical assistance and as a contracting benchmark to ensure that agencies are matched with scopes of work appropriate to their capabilities. The proposed framework categorizes agencies into three tiers (Excellent, Satisfactory, and Poor) across critical service dimensions, offering a structured definition of workforce agency capacity.

Performance Outcomes: Agencies in the Excellent tier consistently achieve high placement and retention rates and demonstrate the ability to move participants into quality, career-track employment. Those rated Satisfactory meet basic expectations, such as moderate placement and retention rates, while Poor agencies underperform against established benchmarks and struggle to achieve sustainable employment outcomes for participants.

Employer Outcomes and Relationships: High-performing agencies exceed benchmarks with over 75% placement and 60% retention, backed by strong employer engagement. Satisfactory agencies maintain employer connections but may have less consistent outcomes. Agencies in the Poor tier fall short on both metrics and employer engagement, with minimal evidence of long-term employer partnerships or successful placements.

Employer Partnerships: Capacity can also be assessed by the depth and breadth of employer relationships. Excellent agencies maintain formalized, multi-industry partnerships and often co-design training with employers. Satisfactory providers may work with a limited number of employers but lack formal agreements. Poor agencies typically exhibit minimal employer interaction, which reduces job placement opportunities and weakens labor market alignment.

Wraparound Support Services: Agencies should also be assessed by their ability to offer comprehensive, integrated support services, such as childcare, transportation

assistance, and case management. Providers in the Excellent category deliver coordinated services that address the full spectrum of participant needs. Those in the Satisfactory tier may offer some support services but often lack integration or consistency. Poor agencies offer little to no wraparound services, which can impede participant success and retention.

Data and Evaluation Capacity: Effective workforce development relies on meaningful data collection and usage. Excellent agencies use real-time dashboards, collect long-term outcomes, and demonstrate a culture of continuous improvement. Satisfactory providers report regularly but may not use data strategically. Poor agencies either fail to collect complete data or are unable to demonstrate outcome-based reporting.

Budget size and staffing levels are relevant inputs but not determinative; a well-resourced agency that fails to deliver outcomes does not merit a higher tier classification, and a smaller agency with strong performance metrics and infrastructure may qualify as Excellent. Tier designation drives two concrete functions: contract matching, ensuring agencies are assigned scopes of work aligned with their demonstrated capacity, and targeted technical assistance, directing support to providers that need it most. Agencies that fall short on employer engagement, wraparound services, or data use will not be assigned contracts beyond their capability, reducing the risk of service failures and establishing a clear performance floor across the workforce development ecosystem.

Procurement Readiness and Capacity Assessment Standards: To ensure that workforce development contracts are awarded to agencies capable of delivering high-quality services at the appropriate scale, the City must implement clear and consistent standards for evaluating both program performance and organizational capacity. While previous recommendations have focused heavily on defining outcome metrics, this section emphasizes the evaluative processes that should be integrated into City contracting practices to assess an agency's readiness and capability to manage public workforce contracts of varying sizes and complexities.

First, contracting agencies must establish a process for assessing the financial and administrative infrastructure of providers. This includes a review of the provider's internal fiscal controls, accounting systems, and compliance procedures. Agencies should be required to demonstrate that they have dedicated financial management staff, appropriate oversight structures, and the ability to manage reporting and auditing requirements associated with public funds. The existence of strong administrative infrastructure is particularly important when contracts involve multiple funding sources, complex reporting obligations, or long-term deliverables.

Second, there must be a clear evaluation of staffing and service delivery capacity relative to contract scale. This means ensuring that the number, roles, and qualifications of program staff are aligned with the proposed scope of work. Agencies should be asked to demonstrate not only that they have sufficient staffing to execute the contract, but also that they have done so before—or can reasonably be expected to do so based on their

growth trajectory. Evaluation criteria should include whether the agency has previously managed contracts of similar size or complexity, and whether it has adequate systems in place for intake, case management, training delivery, and participant tracking.

Third, evaluators should examine the agency's organizational track record, particularly its history of managing government or philanthropic funding. This includes reviewing past performance metrics, participant outcomes, contract closeout reports, and any documented challenges or corrective actions. Agencies with a strong track record of timely execution, compliance, and demonstrated impact should be prioritized for higher-value contracts. Conversely, agencies with limited or poor performance histories may require additional technical assistance or be limited to smaller contract tiers until their capacity strengthens.

By integrating these standards into the City's procurement and evaluation process, Philadelphia can more effectively match contracts to provider capabilities, mitigate performance risk, and elevate the overall quality and reliability of its workforce development system. This evaluative structure also allows for a more transparent, equitable, and strategic allocation of public resources, ensuring that contracts are not only awarded competitively, but wisely.

Conclusion

Many small, diverse, and undercapitalized businesses encounter challenges navigating procurement processes, securing timely payments, or meeting administrative requirements: challenges that can limit their ability to grow, compete, and contribute fully to Philadelphia's economic life.

This report provides a roadmap to strengthen those systems through targeted reforms that enhance accountability, streamline procedures, and expand access to opportunity. By establishing centralized oversight, clarifying certification requirements, and enforcing key contract provisions the City can ensure more consistent outcomes and higher performance across departments. Improving payment timelines and centralizing oversight of vendor suspension and debarment will further increase trust and efficiency, creating a business environment that rewards compliance, reliability, and service quality.

Our policy and legislative recommendations address long-standing systemic disenfranchisement by confronting the structural conditions outlined in the Committee's findings. These recommendations are designed to remedy deficiencies and produce a more coherent, transparent, and legally resilient system that expands access while reinforcing public accountability.

By institutionalizing oversight, standardizing performance expectations, and embedding equity into the core functions of City government, this framework creates lasting conditions for inclusive growth where small and diverse businesses can scale, where workforce systems drive mobility, and where public investment yields broad-based, measurable impact.

Recent procurement data demonstrates both momentum and opportunity. In FY 2023, the City spent approximately $370 million with diverse firms—a meaningful share of overall spending. However, more than a quarter of those dollars were concentrated among the top ten minority-owned firms, highlighting the need to broaden participation across a wider range of vendors.

Our recommendations support this goal by making certification more accessible, strengthening data collection, and embedding equity considerations into every stage of the procurement cycle. Growing the overall pool of diverse contracts while improving their distribution across vendors will cultivate a more inclusive, competitive, and resilient local business ecosystem.

However, the advancement of equitable procurement policies alone is insufficient. Workforce development must be recognized as a foundational pillar of the City's inclusion strategy. Philadelphia cannot unlock the full value of its public investments if the labor force remains disconnected from the economic opportunities those investments are meant to create. The Committee's findings highlight the urgent need to reorient the City's workforce ecosystem from one that prioritizes short-term placement to one that fosters long-term, sustainable employment pathways.

Workforce systems today remain fragmented, poorly aligned with industry demand, and too often disconnected from the supports that make employment viable. To address these shortcomings, the Committee recommends integrating standardized, outcomes-based contracting, a tiered evaluation system for workforce providers, and a capacity readiness assessment for all agencies receiving public funds.

These measures will ensure that City contracts are awarded not only to vendors with technical skill, but also to workforce agencies with the demonstrated ability to deliver equitable, high-impact outcomes for job seekers across Philadelphia.

The reforms proposed in this report are designed to build an integrated, accountable, and equitable economic infrastructure—one where procurement and workforce systems operate in tandem to expand access, improve outcomes, and sustain inclusive growth. Together, they establish a framework for policy implementation, performance monitoring, and institutional alignment that prioritizes transparency, coordination, and impact.

With deliberate action, sustained oversight, and a commitment to continuous improvement, the City can ensure that public resources are deployed effectively and equitably, reaching more businesses, workers, families, and communities across Philadelphia. The path forward begins with structural reform that ensures the City's 250th anniversary is remembered as a turning point, not another missed opportunity.

Committee Membership

To address the complex and multifaceted systemic imbalances, the Philadelphia City Council enlisted the expertise of industry professionals from both the public and private sectors to serve on the Special Committee. Members were selected for their subject matter expertise in procurement, finance, legal compliance, small business development, and workforce development. The following individuals, representing the excellence and diversity of Philadelphia thought leadership, were appointed to serve:

- **Regina Hairston (Chair)**
  President and CEO, African American Chamber of Commerce of PA, NJ, and DE

- **Harold T. Epps (Chair)**
  Senior Advisor, Bellevue Strategies

- **Angelo Perryman**
  CEO, Perryman Construction

- **Bill Hankowsky**
  President and CEO, Liberty Property Trust

- **Blane Stoddart**
  President and CEO, BFW Construction Project Managers

- **Brian Oglesby**
  President and CEO, Eastern Minority Supplier Development Council (EMSDC)

- **Butch Bennett**
  Assistant Business Manager, The Philadelphia Building Trades Council

- **Carol Zachary Smith**
  Managing Partner, Global Synergies

- **Catherine Hicks**
  President, NAACP Philadelphia Chapter

- **Craig Williams**
  President, Pride Enterprise

- **Dean Robateau**
  Executive Vice President, McKissack Group

- **Della Clark**
  President and CEO, The Enterprise Center

- **Gianna Grossman**
  Deputy Commerce Director, Workforce Development, Philadelphia Department of Commerce

- **Glenn Bryan**
  Assistant Vice President, University of Pennsylvania

- **Janira Barroso**
  Deputy Procurement Commissioner, City of Philadelphia Procurement Department

- **Jeff Hornstein**
  Executive Director, Economy League of Greater Philadelphia

- **Jennifer Rodriguez**
  President and CEO, Greater Philadelphia Hispanic Chamber of Commerce

- **Jodie Harris**
  President, PIDC

- **John Thomas**
  President, Browntown Group LLC

- **Joseph Meterchick**
  Regional President for Philadelphia, Delaware and Southern New Jersey, PNC

- **Ken Anderson**
  Vice President, Civic Affairs, Chamber of Commerce for Greater Philadelphia

- **Khine Zaw Arthur**
  President and CEO, Asian American Chamber of Commerce of Greater Philadelphia

- **Lynne Newsome**
  Deputy Commerce Director, Office of Economic Opportunity

- **Lynn Cutler**
  President and Founder, Women's Opportunities Resource Center (WORC)

- **Michael O'Bryan**
  CEO, Humanature

- **Maria Frizelle-Roberts**
  President and CEO, MFR Consultants

- **Melissa Robbins**
  CEO, Robbins and Ross, LLC

- **Nico Meyering**
  Chairman, Philadelphia Mayor's Commission for People with Disabilities

- **Nicole Stokes**
  Deputy City Solicitor, City of Philadelphia Law Department

- **Robert Bright**
  Founder and President, Talson Solutions

- **Sheila Ireland**
  President and CEO, OIC Philadelphia

- **Thomas Webster**
  Co-Founder, Black Squirrel

- **Zachary Wilcha**
  CEO, Independence Business Alliance (LGBTQ+ Chamber)

The Philadelphia City Council is grateful for the service of these individuals who provided their time and talent to this Committee's important work.

Committee Structure

The full Committee performed its work by separating into five subcommittees addressing specific challenges recorded across local and national policy literature and industry experience. Each subcommittee (Capital Access, Construction, Corporate & Private Sector, Policy and Regulation, and Workforce) held meetings to evaluate business entry and growth barriers, review data and reports, and develop recommendations within their sectors.

Capital Subcommittee: This group focused on expanding access to financial resources for diverse businesses in Philadelphia. Its work involved assessing existing financial barriers, identifying gaps in capital access, and developing strategies to mitigate them. The subcommittee also promoted access to alternative lending sources tailored to the needs of diverse business owners.

- **Members:** Della Clark, Jodie Harris, Khine Zaw Arthur, Tom Webster

Construction Subcommittee: Dedicated to advancing equitable participation in the construction industry, this subcommittee evaluated current industry practices and identified structural barriers to entry and growth for diverse businesses. The group developed strategies to increase participation in public construction projects and improve long-term outcomes for diverse firms in the construction sector.

- **Members:** Robert Bright, Angelo Perryman, Carol Zachary Smith, Dean Robateau, Lynne Newsome, Craig Williams

Corporate and Private Sector Subcommittee: This subcommittee focused on increasing diverse business opportunities within the professional services sector, including legal, accounting, consulting, and other specialized fields. It analyzed sector-specific challenges and identified best practices within the sector. The group also proposed mentorship and training programs and helped define baseline and target goals for diverse business inclusion.

- **Members:** Maria Frizelle-Roberts, Bill Hankowsky, Jeff Hornstein, Ken Anderson, Blane Stoddart, Glenn Bryan, Brian Oglesby

Policy and Regulation Subcommittee: Charged with evaluating the policy landscape, this subcommittee reviewed local, state, and federal policies affecting diverse businesses. It identified regulatory and enforcement barriers and developed recommendations to strengthen procurement processes and promote equity, transparency, and economic inclusion in municipal contracting.

- **Members:** Jennifer Rodriguez, John Thomas, Melissa Robbins, Zachary Wilcha, Nicole Stokes, Janira Barroso, Lynn Cutler

Workforce Subcommittee: This group worked to enhance workforce development efforts to ensure equitable job access and career advancement for underrepresented populations. It assessed existing workforce programs, identified service gaps, mapped employment resources, and proposed strategies to improve job readiness, skills training, and pathways to employment for historically marginalized communities.

- **Members:** Sheila Ireland, Nico Meyering, Butch Bennett, Catherine Hicks, Gianna Grossman, Michael O'Bryan

Committee Meetings

The subcommittees were diligent in the prosecution of their work, meeting frequently to review cutting edge research, discuss and debate policies (e.g., Commercially Useful Function) and make findings (e.g., high bond cost for minority contractors, small size of minority owned businesses in Philadelphia) and recommendations (e.g., need for improved centralized compliance structure and a legislation package). Over twenty meetings took place over this period:

August
- Aug 08 — Committee Opening Meeting

September
- Sept 06 — Capital Meeting
- Sept 18 — Policy and Regulation Meeting
- Sept 18 — Construction Meeting
- Sept 19 — Professional Services Meeting
- Sept 20 — Capital Meeting
- Sept 20 — Workforce Meeting
- Sept 24 — Committee Meeting

October
- Oct 02 — Capital meeting
- Oct 08 — Policy and Regulation
- Oct 09 — Professional Services meeting
- Oct 18 — Construction
- Oct 23 — Corporate meeting

November
- Nov 19 — Capital Mapping Meeting
- Nov 26 — Construction Committee Meeting

December
- Dec 16 — Disparity Study Discussion
- Dec 16 — Title 17 Process Mapping Discussion
- Dec 17 — Chairs' Meeting
- Dec 19 — Construction Committee Meeting

January
- Jan 13 — DEI Update for the Council President
- Jan 16 — Construction Committee Meeting
- Jan 22 — Public Hearing Planning Meeting

February

- Feb 6 — Legislative Planning Meeting
- Feb 20 — Construction Committee Meeting
- Feb 21 — Recommendations Meeting *(Office of Economic Opportunity discussion with Lynne Newsome)*

March

- Mar 10 — Public Hearing Preparation
- Mar 20 — Construction Committee Meeting

April

- April 7 — Committee findings and recommendations distributed to the full Committee for a one-week reading period
- April 8 through 15 — Reading period; member feedback received
- April 16 — Revised final findings and recommendations presented to the Committee, reflecting reading-period feedback
- Apr 17 — Construction Committee Meeting
- April 23 — First draft of "DEI: Risks and Opportunity" report circulated; primary source documents (subcommittee reports, case law, City contracting data) uploaded to a shared drive accessible to all members
- Apr 25 — Workforce Committee Meeting

May

- May 8 — Workforce Committee Meeting
- May 12 — Council President staff briefing with members of City Council and their staff

June

- June 2 — Subcommittee chairs provided with proposed legislation drafts for review ahead of Council President staff's meeting with City Administration representatives

July

- July 28 — Final edited draft of Report distributed to Committee; edits and comments due August 6

August

- August 6 — Final edit deadline; closing comments again raised the legal status of race-conscious programs and noted the Administration's transition from an M/WBE program to a small business program

The Special Committee spent fourteen months assessing Philadelphia's procurement and workforce systems, analyzing disparity and availability data, reviewing business owner surveys, and examining the legal landscape reshaping public-sector equity programs nationwide. The findings are clear: the City's existing framework for supporting diverse

businesses is structurally fragmented, unevenly enforced, and increasingly vulnerable to legal challenge. This report presents a path forward through specific legislative amendments, new institutional infrastructure for compliance and oversight, and a workforce development strategy that connects Philadelphia residents to the economic opportunities the City's public investments are designed to create.

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Exhibits

Exhibit A – Legal Precedents Creating Risk for Philadelphia's DEI Framework

Legal Precedents Creating Risk for Philadelphia's DEI Framework

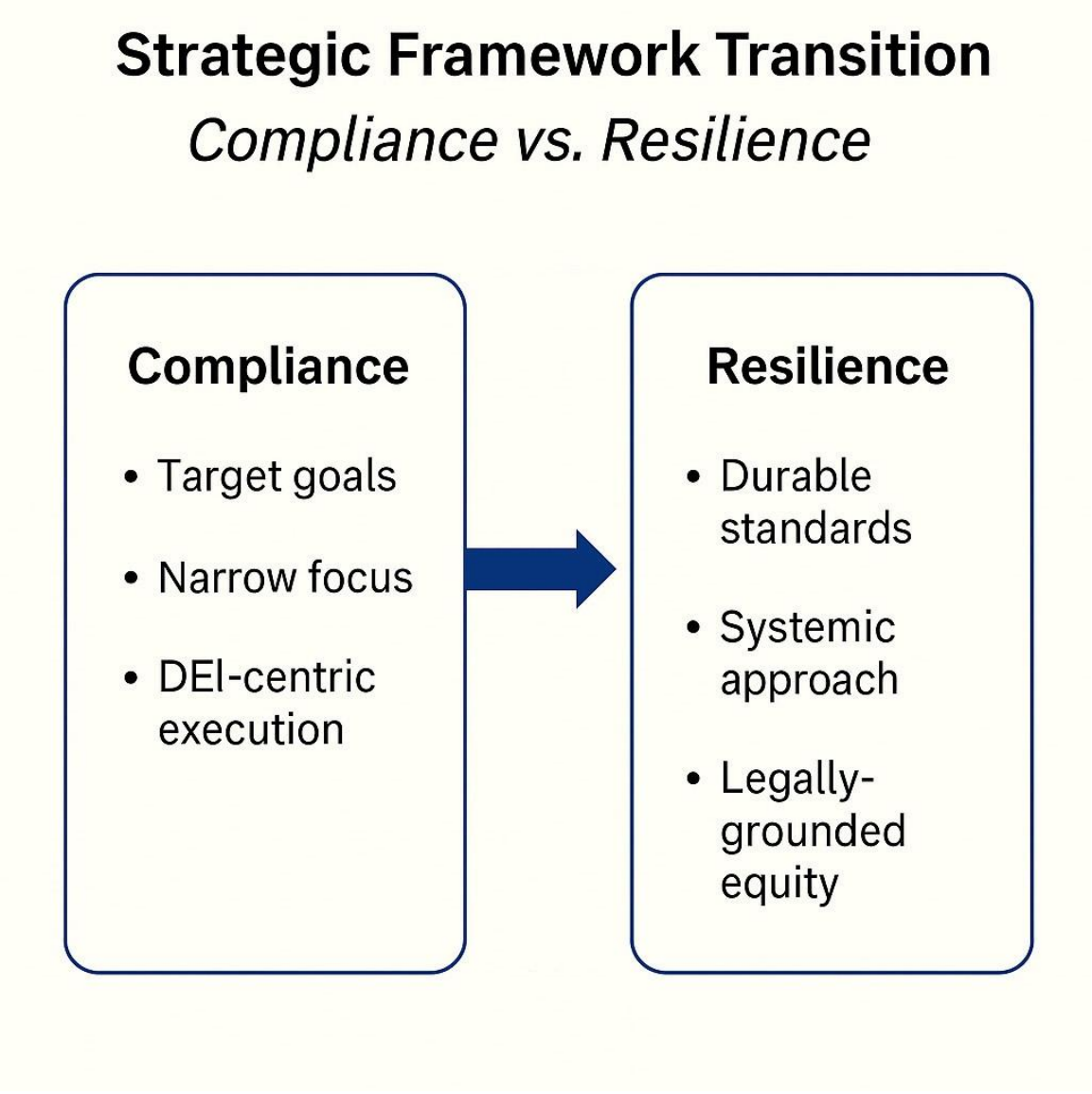
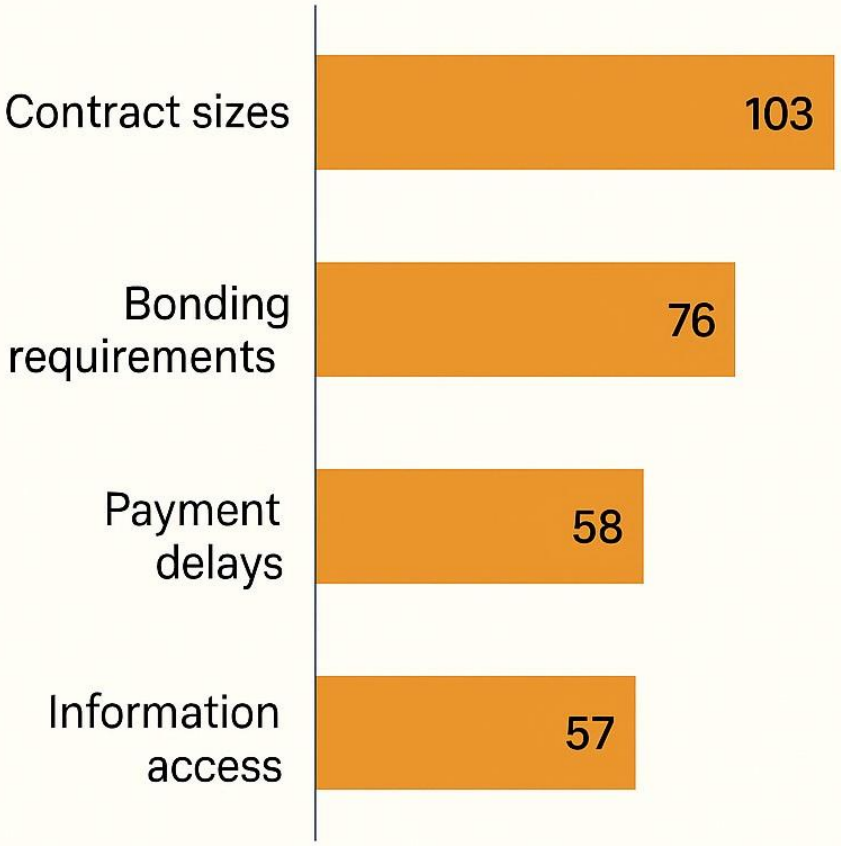


Exhibit B – Strategic Framework Shift – Compliance vs. Resilience

MWDBE Participation Barriers

Quantitative Overview