Commission Meeting

of

Disparity in State Procurement Study Commission

LOCATION: Committee Room 10
State House Annex
Trenton, New Jersey

DATE: August 6, 2019
10:00 a.m.

MEMBERS OF COMMISSION PRESENT:

Hester Agudosi, Esq., Chair
Senator Nellie Pou
Assemblywoman Annette Chaparro
Assemblyman Jamel C. Holley
Mark Doherty (for Assemblywoman Nancy F. Muñoz)
Maurice Griffin, Esq.
Jessica Murray (for Assemblywoman Nancy J. Pinkin)
Erin Rice (for Senator Richard J. Codey)
Alex Solomon (for Senator Chris A. Brown)
Melanie Walter, Esq.
AGENDA
Disparity in Procurement Study Commission Meeting

Tuesday, August 6, 2019

10:00 a.m.

Location:
Statehouse Annex
125 West State Street, Trenton, New Jersey
Committee Room – CR – 10, 3rd Floor, Room 358

I. Call to Order – Roll Call

II. Housekeeping Matters

III. Old Business

- Supplemental documentation to support Division of Property Management and Construction (DPMC) Testimony

IV. New Business

- Market Place Conditions for Minority, Women and Veteran Owned Businesses
  *Stacie Curtis, President, NJ Supplier Diversity Development Council
  *Orim Graves, CFA, Executive Director, National Association of Securities Professionals

- Review of General Delegated Purchase Authority Limits

- Technical Overview and Best Practices in Supply Chain Management
  Kevin Lyons, Ph.D., Associate Professor
  Department of Supply Chain Management Rutgers Business School
  Research Professor, Supply Chain Archaeology - Rutgers Center for Supply Chain Management
  Director, RBS Public Private Community Programs

V. Open Discussion/Adjournment
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## APPENDIX

Flyer

*NJ Connects*

submitted by

Disparity in State Procurement Study Commission

pnf:1-65
HESTER AGUDOSI, Esq. (Chair): Good morning.

I’m going to call to order the August 6, 2019 meeting of the Disparity in Procurement Study Commission.

I am Hester Agudosi, Chief Diversity Officer for the State Office of Diversity and Inclusion, Chair.

And we’re just going to have a roll call of who is in attendance, starting to my immediate right.

MS. RICE: Hi; yes, I’m Erin Rice, Chief of Staff for Senator Codey; representing him today.

MR. SOLOMON: I’m Alex Solomon from the Senate Republican Office, representing Senator Brown.

MR. DOHERTY: Mark Doherty, Chief of Staff for Assemblywoman Muñoz.

MR. GRIFFIN: Maurice Griffin, Acting Director, Division of Purchase and Property.

ASSEMBLYWOMAN CHAPARRO: Assemblywoman Annette Chaparro.

MS. AGUDOSI: Okay. There are some other Commission members who confirmed their attendance; and we are going to -- just in being conscious of time, we’ll move forward. And if others come in, we’ll have them state their names for the record.

Before I get into housekeeping, we have invited speakers, some I know -- because I can recognize them by face -- which is Stacie Curtis, who is representing the New Jersey Supplier Diversity Development Council.
I just want to ask whether or not Orim Graves, the Executive Director of the National Association of Securities Professionals -- if he is here.

**ORIM GRAVES:** (off mike) I am here.

**MS. AGUDOSI:** Good morning; thank you.

And also Kevin Lyons, who is Associate Professor, Department of Supply Chain Management for the Rutgers School of Business.

**KEVIN L. LYONS, Ph.D.:** (off mike) Yes.

**MS. AGUDOSI:** Wonderful.

Okay, so we have all of our speakers present.

And at this time, I just want to go over a couple of housekeeping matters.

Today marks six months since the Commission has begun meeting back in February. So we are at halfway through our term, which is one year.

Just for your reference, I had previously sent out a list of meeting dates, and I just want to go over that because it will be important for Commission members to be mindful of that and attend, in light of the fact that we only have a one-year term, and you’re halfway through.

So the next scheduled meeting is Tuesday, September 17; followed by a meeting scheduled on October 29 -- that’s a Tuesday; and then the last meeting of this year, 2019, is on December 3.

The Commission has been taking in testimony from a number of different sources, including representatives from our diverse Chambers, as well as representatives from some of our State departments. And in light of that, there will come a time when we are going to have to issue a report
and the findings of our -- the information that we have obtained. So I took the liberty of reaching out to Rutgers University, because of the fact that in our enabling legislation it says that we can lean upon all State departments, agencies, authorities, colleges, and universities. So we will be leaning on Rutgers University to assist us as we move forward to preparing our recommendations and findings.

Also, included in the information that was sent to the Commission members -- we had a representative, Christopher Chianese from the Department of Treasury, Division of Property Management and Construction. There were questions that were asked of him by State Senator Cunningham for additional information with respect to projects and spend, in Hudson County specifically. That information was provided to me, as the Chair; and I summarily sent out that information to all of the Commission members. So I just want to reiterate that you should have that information; it was sent to you subsequent to the meeting. And to the extent that you don't, if you just reach out to me I'll make sure that it's e-mailed to you.

And for the transcriber, I'll make arrangements for my assistant Mary to e-mail that supplementary documentation from the Division of Property Management and Construction.

Also, there was a letter that was sent out from my office inviting members of the Commission to participate in the inaugural launch of a statewide supplier diversity summit that’s going to be held on September 20, 2019, on the campus of NJIT at their Webcenter (sic). Because this is an inaugural launch and it’s designed to connect diverse businesses to have the ability to be able to meet with representatives from
our different State departments, agencies, authorities, and commissions, this is in alignment with the work of this Commission in trying to make sure that when it comes to contracting with diverse businesses they are very much a part of the State supply chain.

So to the extent that you are available to be present at that summit, I would ask that you just contact me, if you have not already done so, so that we can be sure to make -- be certain to make sure that you’re included on the program agenda.

That’s all I have for old business, unless there is anything that I neglected to mention that someone would like to bring to my attention. (no response)

And we have another Commission member.

If you can just state your name for the record.

MS. WALTER: Good morning.

Melanie Walter, Director of the Division of Local Government Services.

MS. AGUDOSI: Okay; we are now at the new business part of the agenda, and we are going to continue to examine marketplace conditions for minority-, women-, and veteran-owned businesses.

And so, at this time, I’m going to ask Stacie Curtis, who is President of the New Jersey Supplier Diversity and Development Council -- if she could come forward.

By way of background, I work with Stacie and the Council. It is an arm of the Board of Public Utilities, whose mission it is to work with the regulated utilities for the State to identify best practices, so that these
utilities will also have an increased and robust supply chain as it relates to diverse suppliers.

Stacie is the President of the Supplier Development Diversity Council; and we asked her to come in and speak about-- Not only is she the President of the Council, but she also is a woman-owned business based here in New Jersey. So she has the ability to give insight, not only with respect to the work of the Council, but also her experience as a woman-owned business.

I’d like for you -- if that’s not already in some of the remarks -- to just talk about how that experience transitioned to your being involved with the work of the Council.

And I think it’s also important to note that recently there was an article that came out, under the ROI, where some of the members of the diverse Chambers who testified before this Commission -- namely the Veterans Chamber, the Hispanic Chamber, and the African American Chamber -- had expressed some concerns about the transparency as it relates to the reporting of spend by the regulated utilities. So if you could also share some insights with respect to that, it would be appreciated.

S T A C I E M. C U R T I S: Sure.

Thank you, Hester, for having me today; thank you to the rest of the Commission for having me here today. I really appreciate it.

Just to tack on to what Hester had talked about -- the Supplier Development Diversity Council. I’ve been a woman-owned business since 2008. I also received certifications as a Small Business Enterprise -- DBE, SBE, MWSBE. The DBE and the WOSB are Federal certifications; the rest are State certifications -- just to differentiate that.
And I’m also sitting on a lot of boards. I work as a volunteer for the WBENC out of New York, where I’m certified as a WBE. And I sit on the Certification Committee. So I volunteer my time, and I go out and I certify woman-owned businesses. I do the re-certifications, and I also get involved in other areas to advocate for the WBENC.

MS. AGUDOSI: Stacie, I want to interrupt you for one second, because you said a lot of alphabet soup--

MS. CURTIS: Sure. (laughter)

MS. AGUDOSI: --that we know.

MS. CURTIS: Sure.

MS. AGUDOSI: But because this is a transcript and it goes on the public record, I’m going to ask you to just, you know, state out what those acronyms represent.

MS. CURTIS: Sure.

The WBENC is the Women’s Business Enterprise National Council, and the DBE is a Disadvantaged Business Enterprise certification; those are Federal. The WBE for the State of New Jersey, Port Authority of New York and New Jersey, and the WBENC, or Women’s Business Enterprise, certifications. And the N in the WBENC is Women’s Business Enterprise National.

And the Women’s Business Enterprise national certification is very important because they are the largest certifier, also, of the SBA; and also for Federal certification for women-owned small businesses. And a lot of states will accept that certification to fast-track a woman-owned business. So what that means is that they do not have to go through the process of submitting all the additional paperwork. They have to just submit a copy of
their application they used, their certification from the WBENC, and that gets submitted to the state; and they’ll fast-track that application so you don’t have to start from the beginning. So it’s very helpful to a lot of businesses in New Jersey.

So being on the WBENC and on all the committees that I volunteer my time for, I was asked to join the Supplier Development Diversity Council. That falls underneath the Board of Public Utilities, and that was formed in the Christine Todd Administration, where it would give an opportunity for all the regulated utility companies in New Jersey to meet diverse firms that are in New Jersey. So women-owned, veteran-owned -- which I just got approved for. It was always woman-owned. So it’s disabled veterans and minority businesses. And I’m like, “Hey, what happened to the veterans?” So we finally got that approved last year; and Hester, I think you were there when it was finally approved.

MS. AGUDOSI: Yes.

MS. CURTIS: So that was a nice success.

Every year, what we do is we meet with all the regulated utility presidents and all the procurement officers, and we have a President’s Forum. And the President of the BPU is there, with the Chief of Staff and his aide, and all the regulated utilities. What they’ll do is they’ll report their spend. “Okay, last year here’s how much that we spent on woman-owned, minority business enterprises -- MBEs -- service-disabled veterans; and now this year they’re reporting veteran businesses for New Jersey.” And then they also -- we asked a few years ago for them to include State members; you know, how does that affect everybody in the state? Because some of the utilities actually cross over to other states where they do work.
So now they’re working on breaking it out by state; and they also added in all of their diverse numbers with their employee counts. So it’s a yearly meeting.

We also have quarterly meetings where we try to introduce, with utilities -- I’ve worked with all of them throughout the years. They have their own separate events at their offices, and what they do is they pick vendors that are here in New Jersey, based on their NAICS codes and the SIC codes. So there’s a special code nationally that’s a sign for people who do construction, for those who do architectural engineering, for those who do any type of marketing materials, real estate services, and they have them at their offices and talk about the spend that they have for the upcoming years on projects. “And here’s what we’re going to be looking at. We need to hire diverse New Jersey firms that provide construction services, or architectural services, real estate services, professional services,” whatever it would be. And that helps them to expand their vendor pool when they put out all of the bids. It also encourages them to go on to their individual portals. And what they do is they provide that information on their companies in there.

MS. AGUDOSI: I’m going to interrupt you for one second--

MS. CURTIS: Sure.

MS. AGUDOSI: --because we had some Commission members who joined us.

Good morning; if you can just state your name for the record.

SENATOR POU: Good morning. My name is Nellie Pou, Senator from the 35th District.

MS. CURTIS: Nice to meet you.
ASSEMBLYMAN HOLLEY: Good morning. Jamel Holley, Assemblyman, 20th District.

MS. CURTIS: Nice to meet you.

MS. AGUDOSI: Good morning.

We have before us Stacie Curtis; she is the President of the Supplier Development Diversity Council that is under an arm of the Board of Public Utilities. She’s here to testify about her experience on that Council, in terms of the work that they do for supplier diversity efforts for regulated utilities. And she’s also giving the Commission some insight as a woman-owned business that has several certifications, State as well as national, as a woman-owned business.

So thank you, Stacie.

MS. CURTIS: Thank you, again.

So that pretty much sums up the goal of the SDDC.

And Hester, again, thank you for having me come here today. Hester and I have worked together for a little over a year now -- about how we move the needle to allow more diverse firms the opportunity to do work here in the State of New Jersey; and specifically to talk about some of the barriers that we face -- as business owners, who are small and diverse here in New Jersey -- with obtaining contracts from State agencies across the board.

And I guess I was a perfect candidate. Not only do I talk to a lot of diverse vendors here in New Jersey and support all the advocacy groups, I myself -- I’ve had a lot of barriers with trying to become pre-approved, for example, with the DOT. I submitted a letter to Hester that I received back, as I’ve been trying for about six years to become approved by the DOT.
MS. AGUDOSI: D-O--

MS. CURTIS: I’ve been in business for about--

MS. AGUDOSI: I’m going to stop you.

DOT; remember, just--

MS. CURTIS: Oh; Department of Transportation.

Sorry; (laughter) I forget that not everybody knows all these acronyms.

And I’ve been in business for 17 years. I am approved; I do work for all the regulated utilities here in New Jersey, wireless companies, and now I’ve gotten some county work as well. But the biggest barrier with a lot of the State agencies and Federal agencies is the cost-basis analysis, which is extremely time consuming. I actually-- I’m pretty smart; I’ve made it through all the processes for working for the regulated utilities, all the wireless carriers, and the counties. But this has been a challenge. I hired an attorney to help me put the application together, because it was quite cumbersome. And it probably took about a good 40, 50 hours to put the initial application in. And it was rejected; and it was rejected, pretty much, basically on the cost-basis analysis of how to separate indirect and direct costs.

For those who don’t know -- one way to simplify it -- our direct costs are anything that my company spends for a project. Indirect costs are all those that are overhead, insurances -- except for workers compensation. Workers compensation actually goes into the direct cost when you’re reporting these numbers. My accountant fees, my legal fees, my rent, my phone -- anything overhead, any staff that I hire that I can’t bill out to a client. You have to separate every single cost on every single employee.
And the accounting system that most small businesses have does not allow us to do that. Most of us use QuickBooks. In order to provide this type of information on this very detailed report you would have to have SAP, PeopleSoft, Oracle; and the expense of that can be anywhere from $80,000 to $100,000, between the initial setup fees and then the maintenance fees. And then on top of that you have to hire professional staff that are certified with these particular software programs.

So that is one of the biggest inhibitors of being approved by the State agencies. And I’d be more than happy to come back and work with any individuals; and I’ll be more than happy to share with you my application, and the rejection letter, and the additional information that I have provided. But for a small business, it takes a lot of time and costs a lot of money with no guarantee of work.

So I think that’s one of the reasons; and based on my experience with other companies like myself, that is the biggest challenge.

Another challenge is also that a lot of the contracts that do come out from the DOT and various State agencies -- a lot of the disciplines are put together. So you’ll be getting a contract for what I provide -- real estate services -- where I’m doing title work, and acquiring easements, providing staffing for projects. It’s a construction project -- a contract; or it’s an engineering contract. And in there you have to have $10 million dollars in cyber. You have to have all this OSHA information, all certified payrolls. I mean, I can go on, and on, and on. Well, that’s not what I provide, because those are not the services -- construction or engineering. So I can’t respond to the bid. So that’s another area where we are held back.
As far as insurances -- I talked a little bit about the cyber. Most companies and most State contracts have a $10 million cyber liability policy, and that can cost you a couple of thousand dollars. Also, they have high limits for employer practices liability and professional liability. And those policies can cost you anywhere from -- I don’t know, $6,000 to $10,000 a year, based on your insurance limits for it.

So insurances can be quite expensive; and if they can carve out the insurances for the services that you provide-- “Hey, this company doesn’t really need cyber for $10 million.” Maybe they only need $1 million, because they don’t have any private information that they’re storing on their servers. They don’t need nuclear insurance, because they’re not going into the nuclear facilities. Railroad insurance -- that’s another one -- they don’t need that, because they’re not going to be by the railroads. Why would they need, you know, a $6 million umbrella policy and a $4 million general liability policy when they’re not in construction or engineering?

So I think a lot of it is also looking at the master services agreements that they have and start carving out, based on professions and the services they provide.

I’m just looking at my notes; because I’ve been through it all these years, but sometimes I’ll forget.

Another issue is, what are the financial statements? A lot of them require audited financial statements, which can be costly as well.

I think I’ve talked about certified payroll; that’s typically tied in with engineering firms and construction. A lot of professional services do not need certified payrolls, which is another cost that adds on.
Revenue quotas -- there’s a big one. It’s also with a lot of the utilities and wireless carriers that I work for. Some of them -- the regulated utilities and wireless carriers will not consider even looking at your company and your documentation when trying to get pre-approved if you don’t have anywhere over $2 million in revenue. Some require $5 million in revenue; so that’ll knock out a lot of the small, diverse businesses here in New Jersey.

Another issue could be payment terms. Some utilities are great; some are not. Some State agencies are great -- county; some are not. Some have 45 payment days, some have 90, some have 120, some have 160. So for a small business to get a project to carry out financing, they have to pay their staff every other week. They have to pay their experts on time, their vendors -- whoever they use. And not to get paid for anywhere from 90 to 160 days is a financial burden. And so that leads to the lack of access to capital. I myself have worked with a lot of diverse firms here in New Jersey, with trying to get access to capital. Some banks are great to work with; some banks are more difficult. So it’s going over that barrier of, “How do I get access to capital?” without having to leverage their personal home, their personal finances. Because a lot of times they’ll be asking for that in order to get a loan.

I’m just trying to think of other areas.

Access to contracts -- you go on to the system, and you fill out all your information every year; you update all your diverse certifications. And sometimes you don’t always get notification, within a reasonable time period, to respond to a bid. So that can also be challenging as well.

And I think, you know-- I love this opportunity, I love being here today, I love being on the SDDC because I’ve always been about--
And I told Hester, the first time I met you, instead of *farm-to-table* I call it *mortgage-to-table*. You know, we have to put resiliency back into New Jersey; I’d like to see everybody work on it. You know, when they hire local firms, you’re going to hire local residents; and that’s going to help pay the mortgage, it’s going to help put food on the table; you know, buy books for school. It’s going to keep the economy going here in New Jersey. And how do we work together, for that totality, to bind it all?

Because what I’m finding, too, with a lot of these small, diverse firms that are here in New Jersey, and working with the utilities and helping them get work, is they’re out there, you know? They love doing charitable work. They put a lot of time and energy into charitable organizations. I myself, you know, donate to and work with the Monmouth County Food Bank. Every year my company chooses a charity to give back to; this past year is was CASA, and we loved doing work for them. Sometimes it was for the local Red Cross -- I can go on and on -- but a lot of these small, diverse businesses want to give back. They pay it forward as well, and they want to help out their communities. And, in turn, they’re also putting new innovation into the communities; and they’re teaching-- They’re spending their time mentoring young children -- college students how to become an entrepreneur, have your own business. And I think if we put more into that resiliency here in New Jersey and work together on it, I think we’re going to have a win-win situation.

And I’d love to help out further, and would love to share information on my experiences, if needed and when needed.
But I think the biggest issue that we face, across the board, is the cost-basis analysis, and what goes into it, and the time and expense; with no guarantee of revenue.

I hope I explained as much as I possibly could in a short period. I know you only wanted about 10 minutes.

MS. AGUDOSI: Thank you, Stacie.

Any questions from any members of the Commission?

MS. WALTER: To the extent that you’re able, or had experience in this area, could you speak about what you’ve observed in dealing with (indiscernible) contracts, cooperative pricing, and national co-ops; and the impact that has had, positive or negative, on your ability to access different markets?

MS. CURTIS: I have not spoken nationally about the issue. I have worked with all the utilities -- with them, in trying to come up with new ideas and new programs. And I’d be more than happy to work with the State in any capacity as well.

I think one of the areas, I think, that we can overcome this and help out a little bit, too, is a lot of utilities, and prime contractors -- and also sometimes with the DOT, and the Port Authority, and New Jersey Transit, various agencies -- they’re coming up with, like, a Tier 1, Tier 2, Tier 3 program. Does anybody have any experience with those programs? (no response)

Okay; how about this? Let me try to explain it on a level that someone can understand it.

You’re sick; you go to your doctor -- right? -- your primary care physician. And he goes, “Well, you know what? I think you have to go get
your heart checked. You have to go out to a cardiologist.” So he kind of like sends you to a new doctor. So the prime would be the doctor; and then they would hire or send you over to other firms to do the work. And I think that’s a good analysis, because what a prime would be, would be -- what’s a good-- Ferreira Construction; they’re a big, woman-owned business. They do construction; they’re starting to get into a lot of different areas. They’ll go in as the prime, because they have the technology to provide these cost-based analyses. They’re a big firm; they can get this done in a snapshot; they get approved; and then they’ll say, “Okay, you know what? We got this big construction bid, or this big engineering bid.” And they’re including marketing services in here, or they’re including engineering-- I’m sorry; right-of-way services in here, or whatever it would be. “Let me reach out to some of the smaller firms.” So each of those firms -- they would hire me. I would be considered a Tier 2; and then I might hire somebody else through me, and they would be considered a Tier 3. So it’s almost like a mentoring program; it starts setting you up to understand how to overcome all these barriers.

I hope that answered your question.

MS. AGUDOSI: Stacie, let me ask--

Oh, I’m sorry. Do you have additional questions?

MS. WALTER: Oh, I was going to follow up, if I could.

MS. AGUDOSI: Please.

MS. WALTER: So, that’s interesting. And I’m wondering -- when you see something like a job order contract list or a bundled contract, is that how you’re accessing those subcomponents of that contract?
MS. CURTIS: Sometimes. It’s often very difficult to get into those Tier 1, and Tier 2, and Tier 3. And Hester knows this as well -- one of the biggest barriers across the board is, a lot of times these agencies, companies -- they become comfortable with the firms that they’ve been using for 20, 30 years, and they don’t want to change. And it’s like, “How do you break that glass ceiling? You know, just give me a work order for $500 and let me prove myself.” And it’s often very, very difficult, because everybody becomes comfortable with the norm, you know? They fear change, so that’s a big obstacle. It requires a lot of time on my part to go out -- and I go to a lot of networking events, you know; I speak at local events, I speak for a lot of regulated utilities when they’re having their diversity fairs. And now, you know, probably, I’ll have to say, about seven years of doing this I’m actually starting to get that opportunity. And one of my first was this week, where the NJDOT real estate services bid was awarded to O. R. Colan; and they have been in there for years. And they just brought in a new firm called HTNB; and they reached out to us, for the first time ever, to write title services and potentially real estate work.

And another issue I wanted to bring up, too -- some of these firms are out of state that they hire.

MS. WALTER: Are what?

MS. CURTIS: Out of state.

ASSEMBLYWOMAN CHAPARRO: Out of state.

MS. CURTIS: So you have a State agency, and they’re awarding these three-year master services agreements to companies that are not in New Jersey. So that’s a barrier, as well, for them, because they’re not realizing, “Hey, you know, I’m hiring somebody from Pennsylvania, or
Kansas, or Colorado, or New York; and you’re in New Jersey.” Why not give a state company that opportunity? So sometimes they will come to us, because they realize that they need to have local resources. And what happens is, we get in; we pretty much start running the project locally. But, you know, they’re getting their cut because they have the prime contract.

MS. AGUDOSI: Stacie, I’m just going to ask you, because I think it would be important to just give some context. Tell us about your business, right? You said that you were in business for 18 years; can you give us a sense of what your staffing is--

MS. CURTIS: Sure.

MS. AGUDOSI: --what type of clients you hold? Because I think that that would be informative when you’re discussing, to the Commission, the challenges that you face.

MS. CURTIS: Sure.

MS. AGUDOSI: So all small businesses are not the same, in terms of just how they’re structured and set up.

So give us a little snapshot of your business.

MS. CURTIS: Sure.

My company is CW Solutions; and we were established in 2002. And it started with just my business partner and I, working for the wireless carriers. And in 2008, what we did was realize that you can’t put all your eggs in one basket, so we started diversifying and putting out our bids to regulated utilities. Because what we do is we provide a special niche in real estate. So we do title work just specifically for utility wireless and infrastructure projects. We get involved in the beginning. We put line lists together, guide them the right way. “Okay, you can’t come here, you know;
let’s move this route a different way because there might be liens on the property, or a State agency has jurisdiction.”

Once that’s done, we get involved; we put a team together, and we go out there, and we do all the acquisition of any easements that are out there. We get involved in some of the permitting issues as well.

So it’s a very special niche; and we started with our first contract for Verizon Wireless. And then we started with T-Mobile -- back then it was Nextel -- AT&T, Sprint. And then our first big project for the utilities was PSE&G; and now we do work for FirstEnergy, JCP&L. We do work for Middlesex Water, New Jersey American Water. We do work for the County of Monmouth. We were awarded a bid for the County of Bergen, where they can pick out their title consultants. We still haven’t done work for them yet.

So as we’re going along, we’re becoming more and more diverse with our client base, which is great. We have -- let me see here -- we have 14 employees and two part-time; one of them is an intern who wants to stay on with us. He’s going to law school at Widener, so he wants to stay on part-time. He really wants to get involved in property law, which is great.

And I have two overhead employees for accounting and administrative. And I have about two or three project managers, and then right-of-way agents who are out in the field. So I have a combination.

My office is at Two Tower Center. I’m moving right now, because they jacked the rent up significantly. And I’m moving into a hub, an urban zone, in New Brunswick; which, again, it’s all about what I like to do -- is putting resiliency back into an area.
And our revenues vary anywhere from $1.8 million to $2.5 million every year.

MS. AGUDOSI: Thank you.

Any other questions from any members of the Commission?

ASSEMBLYWOMAN CHAPARRO: Not at this time.

MS. AGUDOSI: Thank you very much, Stacie.

MS. CURTIS: Thank you; I appreciate it.

If I can be of any further assistance, I would be more than happy to. I appreciate your time.

MS. AGUDOSI: Thank you.

I’d like to ask Orim Graves if he could please come forward.

Good morning, Mr. Graves.

MR. GRAVES: Good morning, good morning.

MS. AGUDOSI: I want to thank you for traveling here to New Jersey, to be able to speak to us from your vantage point of being the Executive Director of the National Association of Securities Professionals.

By way of background, New Jersey recently passed legislation to increase and incentivize increased participation of diverse businesses with respect to financial services; specifically in our Division of Investments.

And so I’d like for you to just share, from your vantage point, what challenges, if any, are faced by diverse financial professionals, as well as best practices that you are aware of from your vantage point.

MR. GRAVES: Okay; thank you.

First, I’m going to give a little background about myself and the organization; and that may help to give some foundation to what I’m going to discuss.
And I also want to thank the Governor, Governor Murphy, for having the foresight to set up the office that you are currently engaged in. I want to thank you for the invitation, Chair Agudosi; and I want to thank the members of the Commission, also, for your work here, because this is important work.

I have been in the investment financial services business most of my career. That’s only two-and-a-half years; I started as a baby. (laughter)

And I have served in a number of functions. I was the Chief Investment Officer, for a period of time, at the city of Philadelphia. I have been an investment consultant -- institutional investment consultant, consulting to major pension funds around the country; public, Taft-Hartley and foundations. I have worked for a small, diverse-owned investment management firm that actually serviced -- had a number of large clients around the country. So I’ve seen the perspective of what diverse firms face on a number of different bases, sees on the bases, from both sides of the table.

I will tell you that there’s a lot of activity going on around the country, and there’s a lot of activity going on up and down the coast. And historically, New Jersey has kind of been a little bit out of the loop. So there’s a lot of activity in New York, a lot of activity in Pennsylvania, Maryland, D.C.; but New Jersey, for some reason, has been kind of MIA in the diverse space, as per what I get from my members.

Now, a bit on the organization. The National Association of Securities Professionals -- roughly more than 500 members in 11 chapters around the country. And they are -- it’s a trade association, focused on
representing diverse-owned firms and professionals in the financial services space. We’ve been around -- we just celebrated our 35th year; and we were started -- the organization was started by a number of luminaries of color who thought it was a good idea to pool their resources and try to lift, jointly, all the boats that they could. So that is kind of a little bit of the background on the organization.

I’m going to try to do this in two phases: So there’s investment management, and then there’s public finance. And I know you guys have done a lot of work; you were kind enough to supply me with some of the transcripts of the prior meetings. And I know you’ve heard from folks in New York, and others; and I think you are doing-- You’ve heard from some good people, so I won’t overlap what you’ve already discussed.

But from the perch where I sit, the investment management component is one that-- Our managers do not get the same looks as other managers, for a number of different reasons. They don’t go to the same country club; they don’t-- There are -- artificial barriers are set up, in terms of assets under management, years of service; how many of these organizations, by default, are small. And so some of the RFPs that have come out are biased and tilted towards larger firms. And it’s just been a -- it’s a tough go for the diverse-owned firms in the investment management space.

I can give you some numbers that are pretty atrocious, as it relates to the assets that diverse firms manage. And the perspective that I see is that there are a lot of people who want to actually do the right thing. And at the top there’s this will to do, but the want to do kind of gets diluted
at the actual operational level. And we’ve seen that over the transom in my career as Executive Director of NASP.

Specifically -- and I’m going to flip a little bit on the investment banking side -- specifically we advocated, during the meltdown, for our investment banks to work on their TARP and the TALF. Basically, they were the efforts by the Treasury to stabilize the economy; whereby our members would be out buying and selling assets that were being discounted heavily in the market. And we were getting no traction until we went to visit a certain individual in Treasury; and he was actually the operational guy. And so over a number of meetings we convinced him that our members had the same pedigree -- because they were trained at the same firms that effectively caused the meltdown, but the firm’s that they were hiring to bring it back -- to bring the economy back. And he said, back at me, he-- The light went on, and he said, “Well, your guys can do this as easy as anybody else, and I don’t see why we shouldn’t use you guys.”

So, ultimately, our investment banks were involved heavily in the rebirth of the economy, or the reconstruction, and the programs that were put in place to do it.

We also had a situation with the FDIC, during that period of time, where the FDIC had a bid out for firms to buy assets from the failed banks. And in that bid they had -- that you needed to have $50 billion of assets under management; that’s $50 billion. And so to do the work that they needed done, you didn’t need $50 billion in assets; so we went to them and actually helped them understand that this was not a requisite that was going to get anything done. So that component, ultimately, was successful, and our members were able to participate there.
So we’ve, sort of, been at the forefront of trying to fight through this. And I’m just giving you some examples of some of the barriers that do come up.

What I will tell you is that, again, the areas that kind of do a great job on the back of the ones that quickstep-- The Federal government does a great job as it relates to hiring diverse firms that are in the widget category. You know, if you produce a widget, a broom, technology services to a certain degree, janitorial, you can pretty much get the contract. But on the professional services side, that’s where you get the disconnect -- the accountants, lawyers, investment managers -- there’s a huge disconnect. And that’s not too different than some other entities, kind of, around the country. But the Federal government, actually, is the worst. And that’s why we’ve done a lot of work there, trying to get them to enlist our folks to get some results.

Talking about the will, and how -- and this flips back to the muni side, the municipal finance side -- many of our members were made successful, or got involved in the business -- and these are the older members -- because the mayors, and governors, and state treasurers of certain locations thought it was a good idea that they were in the room at the time when municipal services were let. And prior to that, there were no people of color who would come in the (indiscernible) groups to pitch business. And so, with that, we had a cadre of individuals who were brought to the table. They were junior vice presidents at the time; in fact, I had this conversation just last week with one of our members -- it was actually a board member as well. And so he was helped by Coleman Young out of Detroit. And he, at that point, brought the biggest deal in the
country to Citibank; it was $500 million. And that, then, propelled his career.

And so I raise that example as a component of the will to do this and the want to do it, and making sure it gets done. Because these mayors did not take meetings unless there were people of color in the room. Maynard Jackson, as you all know, is another one, from Atlanta; and he was actually one of the co-founders of the organization, of NASP.

And so his determination produced, again, a number of significant changes in the industry for people of color.

Another location that now is pretty good -- I know you wanted me to give some examples, and I'm going to cut it in a minute -- the state of Illinois does a great job, both on the investment side and the investment banking side, of engaging firms of color and people of color in their professional services. The city of Chicago actually has a 32 percent mandate that all business -- and that's all business, not just in financial services; it's anything you can name: school desks, whatever they buy, whatever they procure -- 32 percent has to be done with diverse-owned firms. And what has happened is that has led to, actually, the agencies wanting to do more, and doing more -- up to 60 percent in some cases -- because they don't want to come before Council and not have the numbers to effectuate that they have done what they're supposed to do.

And one last example of that. The state of Illinois implemented a bill -- I think it was 9606 (sic) -- which basically said that you need to -- all of the pension funds, and there are quite a few in the state -- that you need to utilize diverse-owned firms. And with that, one of the key elements in that component was that -- you know, they laid out that
you must use, and you have to specify a goal. But you will be measured on that goal. If nothing gets measured, nothing gets done. And the brilliance they had was that every year they hold a hearing; and their pension subcommittee of the state legislature basically holds these hearings and brings all of the state funds -- the leadership of those funds and their consultants; so staff and consultants, senior staff -- and they ask them what they’ve done. And they are supplied with reports ahead of time. And that is the best way to hold people accountable for making sure that you get what you are looking for, as it relates to improving diversity.

So let me just leave it here. You have to have, again, the will; you have to have the want. You have to get it done, and it has to be measured. There’s no way around that. And that’s, again, what I’ve seen from successful programs around the country.

And I apologize if I’ve, kind of, gone through a couple different versions; but that’s pretty much what I have.

MS. AGUDOSI: Thank you.

I just have a question before I open it up.

For the state of Illinois, that you indicated as having one of the better programs. Do you know -- did they conduct a disparity study?

MR. GRAVES: I believe Chicago did; I don’t know that the state did.

MS. AGUDOSI: And you were referring to -- when you said the 32 percent. Was that the state that had the 32 percent goal in terms of the utilization of diverse businesses, or was that the city of Chicago?

MR. GRAVES: The City of Chicago.

MS. AGUDOSI: So the City of Chicago.
MR. GRAVES: Yes.

MS. AGUDOSI: And for the state -- it also has a goal? Is that what you--

MR. GRAVES: Yes, the state has not mandated a goal. It’s mandated that the funds set a goal, but the state hasn’t mandated a goal.

MS. AGUDOSI: Okay. So when you were talking about that annual hearing, that was the state--

MR. GRAVES: Exactly.

MS. AGUDOSI: --asking for these different investment funds to come in and to, basically, report out what their numbers were, in relation to the goal. Is that correct?

MR. GRAVES: That’s correct, yes.

MS. AGUDOSI: Thank you.

Any other questions?

SENATOR POU: Madam Chair.

MS. AGUDOSI: Yes.

SENATOR POU: Thank you, Madam Chair.

Good morning.

MR. GRAVES: Good morning.

SENATOR POU: Mr. Graves, so I’m trying to follow and understand some of the information that you’ve provided.

The National Association of Securities Professionals that you talked about -- could you just describe that organization for me a little bit? So what’s the breakdown; how many members do you have and what’s the breakdown; how many states are involved? When you talk about people of color, how many different ethnic groups are involved?
MR. GRAVES: Okay.

So the organization has about 520 members at the moment. We are spread nationally, so we have members in -- you know, if I had to hazard a guess, probably 30 states. We have chapters in 11 states, 11 different locations.

Our members are made up of the Hispanic community, African American. We have women -- Caucasian women; we have Asians. We kind of have, sort of, everybody.

And we have, also, lawyers, brokers, consultants -- a lot of folks who touch the financial services industry and who can be helpful to the cause, and who may have something to gain from the organization. So we provide advocacy, obviously; we provide education to the members, and to the pension fund community as well.

We produce literature to help folks understand the dynamics of what’s going on. We work with younger people who want to get into the business, and try to develop a pipeline for talent to get into the business. So we are kind of a multi-pronged organization.

SENATOR POU: So very similar -- through the Chair -- very similar -- like Ms. Curtis provided an understanding of her business.

Oh, I’m sorry; the development or office management -- how does that function within your organization? So your key personnel -- if you can describe the inner structure of your office.

MR. GRAVES: Okay. I--

SENATOR POU: So do you have -- do you rely on various other states to provide the wherewithal, in terms of some of the services
they (indiscernible)? Or is there like a hub, an office that is under your direction, or under a direction that will provide these types of organizational, educational opportunities to the various different services that you described?

MR. GRAVES: Yes. So there’s a national office in Washington--

SENATOR POU: Okay.

MR. GRAVES: --and that office is the hub. There are -- right now, I have nine employees there, some of whom are interns. And we focus everything-- We support the chapters out of that headquarters office, and we engage with many of the state plans through that office, to, again, either come -- as I am doing here -- and discuss, you know, kind of the trends; what’s going on. Or we will have them participate in educational opportunities, seminars, and the like. We’ve just finished a really large conference that we do once a year in Baltimore, which had 600 people there.

And again, we provide-- We’re trustees of pension funds. We provide a packaged learning environment, which they will get continuing education credits for that.

Again, we provide services to states that, again, are looking for some help; either, maybe, a list of firms that they want to look at for bids, and trying to help them craft their strategies as a way of increasing diversity.

SENATOR POU: So finally, my last question -- I listened to when, I think, you were describing the amount of financial capital that you really needed to have, that were some of the demands; and describing-- The
one example that you talked about, where someone from Treasury talked about a $50 billion requirement in terms of your capital holdings, or the capital investment that you were referring to.

What are some of the recommendations that you think it would be helpful for us, as legislators, to be able to take into account. The kind of experience that we’re hearing here today, and the information--When I walked in, I was listening carefully, in terms of not only the situation in describing some of the obstacles and barriers that were put in place; but what are some of the recommendations that might help us, as legislators and as a Commission -- I’m sorry -- that might help to make some meaningful changes that would really help?

I am fortunate to serve on a couple of national organizations -- I just got back from one -- and we were discussing a number of different things. So this is the kind of input that I think helps us to make us better facilitators, if you will, and advocates in trying to assist in some of these changes.

So in streamlining the process -- whether that’s applicable or not -- or availing the opportunities to make various other investors out there that have the wherewithal to do that -- what would you recommend be done?

MR. GRAVES: So it actually spans across a number of different disciplines. And in the investment management space, one of the barriers is assets under management -- the one that I quoted, which was $50 billion. So that meant you had to have source through other clients -- $50 billion -- and that’s a huge number.

SENATOR POU: Sure.
MR. GRAVES: There is no -- at this point, there’s no diverse firm that has $50 billion under management. So again, that’s an arbitralional-type of requirement.

What you want to have is merely $10 million. And that has been mandated; and again, that’s Illinois’ legislation, and a number of other investment policies across plans -- public pension plans around the country. So that’s that facet, okay? -- $10 million is all you need. I mean, you just want to prove that the person can actually do-- And they have a track record, a verifiable track record.

You switch it to municipal underwriting. A lot of times, municipal underwriters are charged to have capital against their position if they’re going to bid for services.

On the municipal side, they generally don’t hold the -- they don’t hold securities, so they don’t buy for their account and their own selves. So there’s really no reason for them to have the capital that is sometimes stated in the requests when there are RFPs. And so that’s another area where you can actually have flexibility, and make a difference, and not necessarily mandating that they need a certain percentage of capital to what either they’re going to take down as bonds to sell.

And we can work on the details of that, at some point later. So we’re here to be, kind of, an ongoing resource to you guys.

And then, the other thing to really be careful of-- This happens on the corporate side; it actually happens in a big city to the north of you. Because when these deals get done, you might have 25 to 30 firms squeezed into a deal. You’ll have four to six firms taking the biggest cut of the economics. Those are the book runners. Then you’ll have a handful to 10
firms that are left to handle the economics -- some of the economics, the drop-down economics; and sometimes it’s $18,000, $20,000. I mean, it’s not really anything material that, as a percentage of the total deal, is meaningful to anybody.

So what you want to do is make sure that the economics are meaningful. It’s okay to get, you know, deals; but if I get 20 deals, and I can’t pay my people on the 20 deals, then--

Is that helpful?

SENATOR POU: I appreciate the response. I wasn’t very clear on the municipal bond exchange conversation that you were just talking about.

MR. GRAVES: Yes.

SENATOR POU: When you’re saying that it shouldn’t require you to leverage any of the investment, because-- So explain that again, please.

MR. GRAVES: Okay. So basically, when a municipal transaction is happening, the broker is basically telling you that they’ll commit to sell, let’s call it, $50 million.

SENATOR POU: Yes, I’m somewhat -- I’m familiar with the municipal bonds process. I just wasn’t sure I was understanding your suggestion, or what you were saying.

MR. GRAVES: Right. So sometimes there are capital requirements against that $50 million--

SENATOR POU: Right.

MR. GRAVES: --that they take down. But do they-- Because they’re on -- so they’re not positioning the $50 million -- so just selling it
all. So from your perspective, do they really need the capital requirements? Is that a functional barrier, or is that a meaningful barrier for the state, or the community, or the jurisdiction that actually is issuing the bonds?

So that’s all I was trying to-- Does that investment bank need to position capital to take those bonds down and then sell it? Nine times out of 10 -- not the level that they have to.

SENATOR POU: Okay, thank you.

MS. AGUDOSI: Any other questions? (no response)

Well, thank you, Mr. Graves. I appreciate, again, your coming before the Commission and sharing your insights.

And we also appreciate your offer of assistance as we move forward in the work which the Commission does.

Thank you.

MR. GRAVES: Thank you; it was my pleasure.

MS. AGUDOSI: Okay; moving forward with the agenda.

Although we have Kevin Lyons with Rutgers University -- and we are going to get to you, Kevin -- but we had on our agenda, the last time, a discussion on the delegated purchasing authority. I want to make sure that we do have that discussion as it relates to delegated purchasing authority. So I’m going to cue that up first before we ask Mr. Lyons to come before the Commission.

At our last meeting we had Michael Garner, who testified by conference call from the Metropolitan Transit Authority. And one of the things that Mr. Garner had talked about, in terms of being very helpful for the MTA in increasing its supplier diversity, was the fact that the MTA, and also New York state, had increased their delegated purchase authority to -- I
think it was in excess of $1 million -- or $1 million; something like that, give or take. And that’s significant, because delegated purchase authority basically means that this is authority that the departments and agencies retain for themselves to procure; and that that procurement does not have to go out to public bid. However, there are requirements that they have to solicit quotes.

And so, in light of the fact that it does not have -- the procurement does not have to go out to public bid, that basically opens up opportunities for those businesses that they go out and solicit these quotes from. So they don’t have all of the requirements that would be in a public bid RFP.

Presently, New Jersey’s delegated purchasing authority threshold limit is $40,000. So anything $40,000 or more -- there’s a requirement for it to go out to public bid. Anything under $40,000, the department or authority retains; all they have to do is solicit those quotes. And based upon a number of different factors -- that Maurice Griffin is going to explain in more detail -- they have the ability to do that direct procurement.

The significant thing that I took away from what Mr. Garner indicated is that when you raise that threshold to $250,000 or $1 million, you now put in the hands of your procurement professional, within that State department or agency, the ability to directly let contracts that fall within those guidelines -- and in this case, $1 million -- you open up more possibilities and opportunities. And that was one of the ways that the MTA was very effective in being able to diversify and increase their supply chain.
So having said that, I included in your materials the Treasury circular, as it relates to the delegated purchasing authority for New Jersey.

I’m going to ask our Commissioner, Maurice Griffin, who is the Director of the Division of Purchase and Property in Treasury, if he could just expand a little bit more, in terms of just what that process is. Because I think that that is something that the Commission should consider as well, as we look to ways in which we can increase and make our supply chain more diverse.

MR. GRIFFIN: Thank you, Hester.

So I’m going to try to synthesize something that is probably a two-to-three-hour presentation down into about five minutes; so bear with me. (laughter)

So as Hester was explaining, New Jersey has what is called delegated purchasing authority. Delegated purchasing authority is basically authority that has been granted by the Legislature to myself, as Director of the Division of Purchase and Property; and the Director of the Division of Property Management and Construction.

My Division does only goods and services; Property Management and Construction does, as the title would lead you to believe, property; but they also do leasing a property, anything dealing with property or construction. The buildings that are going up, currently -- the new buildings -- that’s DPMC. So both the Directors of those Divisions can delegate a certain portion of our authority to a State agency. The portion that we are allowed to delegate is also set by statute. It started at $25,000; each year we look at indices to determine how much that amount can go up. For State agencies -- most agencies, it was previously $36,000; it
went to $40,000 in the last threshold increase for State agencies. That happens every five years. There are certain local government agencies, and colleges and universities that it happens every two years. The two-year one -- I think the highest one is probably about $20,000, $25,000.

And as Hester mentioned, the difference between a delegated purchasing authority contracting vehicle and what-- The majority of contracts in New Jersey are public bid contracts. The difference is, under a public bid contract, by statute, there’s a certain amount of time each action I take must give the bidding community to take further action. So for instance, I advertise for a bid; I can’t do anything else for seven days. I amend what’s in the RFP; I can’t do anything else for seven days. I request questions; you know, you can send me questions. While you’re sending me questions, I can’t do anything else publicly. I answer all your questions; I can’t do anything else publicly for seven days.

So that causes publicly bid contracts to have a very long timeline.

On the other hand, under the DPA statutes, my unit has created a DPA circular which outlines the process; but that process is much shorter. So for anything under $1,000, you don’t really have to get quotes; you can just pick somebody and do it. Above $1,000 but below $17,500, you must get three verbal quotes. Between $17,500 and $40,000, you must get three written, sealed bids. But in all of those cases, it doesn’t have to be publicly advertised; you just have to get three. So if you know three, you send it to those three. If you want to send it to 25, you can send it to 25. But the minimum is three, in most cases, unless you can make a case that there are only two bidders or it’s a sole source.
And I’ll say that *sole source* is a term of art; what people think a sole source is, is not a sole source. Just because that vendor has all the stuff you want, that doesn’t make it a sole source. Sole source is -- there is no entity that can do this type of work. So I liken it to-- You may want a Caterpillar, but Caterpillar is not a sole source. There are several tractors that can get the job done for you.

How the index, or how the threshold is raised in that index, is based upon, for the two years, the Consumer Price Index. So it’s a very simple thing. You go to the Department of Labor website; it’s for the New York and Philadelphia area. You look at it, you do the calculation, and it’s raised. It’s never been lowered, but I guess, theoretically, that could be possible.

So for the five-year index -- that applies to most of the agencies -- and for this I have to look it up, because I don’t know where this index came from, but it’s in the statute -- it is the *Implicit Price Deflator for State and Local Government Purchases of Goods and Services Index*. It is published by the Department of Commerce. I don’t know why that was the one that was picked when the statute was passed. But in either case, how this works in my shop is, our Contract Compliance and Auditing unit has accountants. They do the calculation. Once they do that calculation, it goes to another unit within my Division for verification. Actually, two units -- it goes to both our Pricing Analysis Team, which is another set of accountants, and it goes to the Division Council. And once those verifications are made and we, sort of, write up what the two thresholds are, we then send it to the Treasurer’s Office for approval; and the Treasurer’s Office consults with the Governor’s Office. Once those two signoffs happen, we post the new price
indices on our website. Whenever the dates are triggered, the new indices must be posted by July 1, which is basically New Jersey’s fiscal year.

So I’m going to stop there. Hester probably has a million questions, so I’m going to let her ask them. (laughter)

MS. AGUDOSI: No, thank you; I appreciate that.

So for the two-year term, when is that due to come up?

MR. GRIFFIN: Next year.

MS. AGUDOSI: So by July 1, 2020, you’re due for an examination -- or re-examination of the index on the two-year terms.

MR. GRIFFIN: Correct.

MS. AGUDOSI: And the two-year term applies to which departments?

MR. GRIFFIN: So the two-year-- Well, the two-year term does not apply to, really, many State departments. The only State department on the two-year, really, is EDA. And currently, their threshold amount is $38,400. Most of the State agencies are on the five-year threshold.

MS. AGUDOSI: Okay.

MR. GRIFFIN: Most of them are $40,000. However, there are additional things on that five-year: public school districts. Public school districts have a $29,000 threshold unless they have a qualified purchasing agent, and then it’s $40,000.

MS. AGUDOSI: What does that mean?

MR. GRIFFIN: It means that they have someone in their shop who has certifications and qualifications to be designated a purchasing agent;
it’s a term of art. And each county or public school district can hire one, or not. If they do--

MS. AGUDOSI: Then it’s $40,000.
MR. GRIFFIN: --then it’s $40,000; if they don’t, it’s $29,000.
MS. AGUDOSI: Okay. And when is the five-year term due for another re-look?
MR. GRIFFIN: Also 2020. The five-year is on the -- what you would think of the five-year term. So it’s 2020, 2025--

MS. AGUDOSI: Okay; so both of them are due--
MR. GRIFFIN: Yes.
MR. GRIFFIN: Right.

So we have had discussions about changing the threshold; but it is a statutory limit, so it has to be a statutory change. Whether that amount is $250,000 or $500,000 is something that can be debated, but certainly two things: At $40,000, the ability of agencies to get things quickly done is limited. Most of it has to go through my shop, and, as I said, public bidding is not a fast process.

The other thing is that raising it will also take the burden off of both DPMC and DPP, in that we are no longer procuring things that are $41,000. If the limit is $5 million, then we’re only working on big things, and the cycle times for procurement shrinks. So it is certainly something that we have thought about, discussed; but it’s going to require statutory reform.

MS. AGUDOSI: So let me-- And of course, this is -- I don’t want to say “if you know,” but just to give us a general idea -- right? -- in
terms of, you do the procurements for all of the different State departments and agencies. How many of those, kind of, would be-- If we were to make this change -- right? -- how many of those that come in, that you’re procuring, are kind of like lower-level procurements, if you understand what I’m saying. Like, it is the $42,000, or the $50,000, or the $60,000, where it’s requiring the use of your resources for a contract that, suffice it to say, would not be a significantly appreciable difference between the $40,000 versus $60,000--

MR. GRIFFIN: Right.

MS. AGUDOSI: --as opposed to you, you know, letting out these master contracts--

MR. GRIFFIN: Right.

MS. AGUDOSI: --that are million-dollar contracts.

So what percentage kind of fall in that area, if you--

MR. GRIFFIN: I can’t give you a percentage; but I can say that probably there would be no significant impact on my shop, in Procurement, on things between $40,000 and $250,000. It’s once you get to that $250,000, $500,000 threshold, $1 million threshold, that you see a larger percentage of contracts that we do that would then be done by agencies.

So what that is -- it’s probably 20, 30 percent, somewhere in that range.

MS. AGUDOSI: That would fall within that--

MR. GRIFFIN: Yes; the majority of--

MS. AGUDOSI: --less than $250,000, or less.

MR. GRIFFIN: Well, million.

MS. AGUDOSI: Okay.
MR. GRIFFIN: The majority of contracts are probably between $1 million and $10 million. There is-- Then you jump to $10 million; the $10 million to $100 million is probably a small percentage; no more than 10 percent. And then once you get above $100 million, there are only, probably, a handful that require that -- State Health Benefits, (indiscernible), which is $9 billion. But the majority of contracts are in that $1 million, $10 million, $20 million range.

And most of those are what we call *statewide*; so that means multiple agencies are using it. The problem with the smaller ones -- the ones under $1 million -- is not when they’re statewide, because when they’re statewide, really, we’re the only ones who can procure them. It’s when Agency A needs this, and it’s a $500,000 contract. So we’re spending months procuring something for one agency, when that agency could just procure it.

And that would also, sort of, probably dovetail into what MTA was talking about, in that -- with those thresholds being at $1 million or $500,000 in the circular, while we probably should tweak it a little bit, it would probably stay the same. So in those cases, if you know that there are three or five women- or minority-owned businesses, veteran-, disabled-veteran-owned businesses that can do the job and meet the requirements, you can send it to those people and have them bid. Or you could split it to say that at least 50 percent of the award will go to those folks; or make it so that all of them bid, but it’s open to everyone. If you need five, and four qualify, and are responsive, but you need another, then you can award it to a non-SWBE.
So there are multiple ways to do it. But the threshold at $40,000 sort of puts strain on us, and constraints on the agencies.

MS. AGUDOSI: I could go on and on (laughter); however, in the interest of time I’m going to open it up to other Commissioners.

I thought it was important for us to, at least, get that on the table now, and we can revisit that.

But we do have Mr. Lyons here; and in fairness to Commission members, are there any other questions? I’m just going to say that, at best, because we’re here until noon, that we just open it up for 10 minutes or less for other questions as it relates to DPA.

Any Commission members have any questions?

SENATOR POU: I have a lot of questions (laughter), but I don’t want to take up -- I don’t want to give up-- I don’t know if any of the other members want to go first, if they have any.

ASSEMBLYWOMAN CHAPARRO: It’s all yours. (laughter)

SENATOR POU: Okay; in that case, thank you; thank you so very much.

First of all, I appreciate the information; and I know the amount of work that we’re talking about because it’s a very in-depth report, or information.

So I’m going to try to go real quick on my questions, then maybe you can just take a look.

I’d be interested in knowing -- what is the process of how a vendor is able to place themselves on your bidding list? Do we actually do solicitation, or is there a process where they just have to go online and be
able to answer a slew of questions, and then make them -- determine whether or not they are eligible?

So when you send out bids, are you sending them out to only those individuals on that list? Or if I don’t have, hypothetically, the wherewithal to know all of the different mechanisms that are required to be put on that list, how do I make sure I get on your list?

So information, education to the community -- how is that done?

Should I go just down--

MR. GRIFFIN: I'll answer that one.

SENATOR POU: Okay, all right.

MR. GRIFFIN: So I will answer for DPP only, first.

So we only do goods and services.

SENATOR POU: Yes, I know; thank you. (laughter)

MR. GRIFFIN: So DPMC does construction, which I’m not fully familiar with but I’ll try to touch on it with the amount I know, which may get me into trouble. (laughter)

So for DPP, we have an e-procurement system -- it’s NJSTART; www.NJSTART.gov -- where we encourage all businesses, within and without New Jersey, to register. When you are registering, it asks you all the pertinent information: name of the company, address, phone numbers, folks who -- you know, the key players. But you also must register for commodity codes; you must register for at least one. We encourage you to register for all of the ones that you think you might even want to apply for.

Once you are registered for a commodity code in the system -- when we go out to bid for something, for any agency, we enter the
commodity codes in, and it sends an automatic e-mail to every vendor registered in that commodity code notifying them that this is up for bid.

In addition to that, it’s posted on our website and, by statute, we are required to post in a newspaper of general circulation that a bid opportunity is happening. So we post in the newspaper telling them to go to NJSTART to look at the bid opportunity; we tell them what it is. And NJSTART sends an e-mail. So if you are registered, you’re going to get it.

We also, periodically, have our NJSTART team go out to speak at events. They speak at chambers; they go to local service events; they’re always at the League of Municipalities events. So, right now, although we only have about, I think, 2,700 vendors for goods and services, there are 35,000 vendors registered in NJSTART.

DPMC, I think, is a little different, in that I think they prequalify their vendors. And once you’re pre-qualified -- when they have a project that they need done, they send it to those prequalified vendors.

SENATOR POU: So a question from one of my colleagues--

ASSEMBLYWOMAN CHAPARRO: Is there a cost?

SENATOR POU: --is there a cost to register or to go online for that?

MR. GRIFFIN: So there is no cost to register in NJSTART.

ASSEMBLYWOMAN CHAPARRO: Okay.

MR. GRIFFIN: However, if you are a woman-owned, veteran-owned, minority-owned business, you also must register in what’s called New Jersey SAVI, which is administered by the Division of Revenue and Enterprise Services, where you are certified in one of those categories. There is a cost associated with that; I don’t know what it is--
MS. AGUDOSI: It is $100.

MR. GRIFFIN: All right; $100? Okay. But for NJSTART registration, you do not have to pay any money.

ASSEMBLYWOMAN CHAPARRO: Okay.

SENATOR POU: So, again, maybe what I can do, Madam Chair, because of your initial instruction, maybe I can just place this on the record--

MR. GRIFFIN: Sure.

SENATOR POU: --and then we can take it from there.

By no means, if time permits I’d love to be able to discuss it so that we can do that. If not, through some other way, we might be able to get some of the information.

There was discussion with regards to the sole source; that’s a very interesting category. I know what that means, and I understand that that becomes a very unique situation in how that is made available. But I’d be interested to know further information on how -- what are some of those particulars that identifies itself as a sole source.

With regards to the Department of Commerce--

MS. AGUDOSI: Senator, if I can just interrupt you for one second to address your questions.

SENATOR POU: Okay.

MS. AGUDOSI: What I’m thinking that we could probably do is if you ask the questions, we can have the DPP and DPMC respond to those specific questions--

SENATOR POU: Sure.

MS. AGUDOSI: --in the interim.
MR. GRIFFIN: Yes.

MS. AGUDOSI: And then I’ll forward that information to all the members on the Commission.

SENATOR POU: That would be great; thank you very much. Can I just continue with--

MS. AGUDOSI: Sure.

SENATOR POU: There was reference to the two-year term, in terms of the index and the five-year term. And I know that, for the two-year term, it was only EDA that was affected.

With regards to the five-year term, that really covers everything -- everyone else. There were some comments--

MR. GRIFFIN: Senator, I just want to interrupt you for one second.

SENATOR POU: Yes.

SENATOR POU: The two-year term -- EDA is the only State agency; but it affects numerous other entities.

SENATOR POU: So EDA is the only one that is up? Is that--

MR. GRIFFIN: EDA is the only State entity that is on the two-year list. All the other State entities are on the five year list--

SENATOR POU: The five-year list.

MR. GRIFFIN: --but the two-year list includes County Road Improvement authorities, Local Government Service--

SENATOR POU: Well, I’m so glad you said that, because that’s exactly where I was going.

MR. GRIFFIN: --Passaic Valley Sewer District, State colleges—

SENATOR POU: Okay.
MR. GRIFFIN: There are tons of people on, but only -- EDA is the only State agency on the two-year cycle.

SENATOR POU: Okay. So I was actually going to ask about that -- about all the other.

A lot of what we’re talking about I know is affecting -- and it’s representative of State procurement procedures. But a lot of what we’re talking about may, in fact, impact many other jurisdictions, whether it’s municipal, or county, and other authorities -- right? -- as well as colleges, and universities, and everything else in between. So I just wanted to get that clarified as well. So any and all of the changes that we’re talking about, possibly that we’re looking to do, may very well be impacted by some of these other local jurisdictions.

For example, that gets me to the threshold that we talked about. And I’m trying to talk really fast, so forgive me if I’m -- I hope I’m making my questions or my comments clear.

So the possibility of proposing a change from a-- If you are a qualified -- if you have a QPA, that would be, currently, the $40,000. But some of the conversations that we’ve talked about, based upon the information that we heard at our last meeting from Mr. Jackson--

MS. AGUDOSI: Michael Garner, from the Metropolitan Transit Authority.

SENATOR POU: Mr. Garner, yes, yes; thank you very much -- Mr. Garner -- that the threshold was significantly higher, and making those opportunities better for a number of reasons.

Would that also apply to these local jurisdictions? I’m thinking of smaller municipalities; I’m thinking about the work of other
departments, you know, that are responsible for the oversight of that. I’m looking at how placing-- What are some of the safeguards that would be required of us to ensure that that’s put in the hands of those qualified individuals.

MR. GRIFFIN: I’m going to answer just that part of it--

SENATOR POU: Okay. (laughter)

MR. GRIFFIN: --and say that each of those entities, the locals, are covered by separate statutes.

SENATOR POU: I’m aware of that.

MR. GRIFFIN: So if you change the State one, it has no impact on the rest.

SENATOR POU: Oh; well then that’s—

MR. GRIFFIN: You would have to change the statutes for those separately.

SENATOR POU: Oh, okay. So then my original question about some of the proposed changes that we’re looking at is only impacting or affecting State procurement requirements, not other local jurisdictions. Is that correct?

MR. GRIFFIN: Correct--

SENATOR POU: Because that’s different than what we said.

MR. GRIFFIN: --unless you also change the statutes for the local jurisdictions. If you only change the statutes that affect State agencies, it has no impact on those other entities.

SENATOR POU: Interesting. So I’m not sure-- (laughter)

MS. AGUDOSI: Can I make a suggestion--

SENATOR POU: Yes.
MS. AGUDOSI: --because this is chock full of questions and information; and we have Local Government Services represented on this Commission as well.

SENATOR POU: Yes.

MS. WALTER: Yes.

MS. AGUDOSI: And so we might want to, kind of, just break into a separate subcommittee on that; and we can talk about that.

But I want to be respectful of the fact that Mr. Lyons is here, and we want to be able to give him an opportunity to speak. And we will definitely, offline, address this issue, in terms of if we want to proceed through a subcommittee that can look a little more deeply into this, and then come back and present to the Commission. And I think that that might be something worth exploring.

ASSEMBLYWOMAN CHAPARRO: Yes.

SENATOR POU: Madam Chairwoman, I appreciate that; and that’s fine.

I would, however, want to make sure that it becomes an official part of our record, referring to whether it’s done through a subcommittee or through other appropriate means, I’d like to make sure that it is done through the process of this Commission -- that it is all officially recorded and changed -- the recommendations become an official part of the documents.

MS. AGUDOSI: Absolutely, absolutely. Any documents that the subcommittee comes up with -- that will be included in the transcript and part of the record, as well as recommendations.
But I just want-- Because I know that this is going to take more time for us to really dig into and be comprehensive; but I did want to kind of cue this up for discussion, to keep that in mind for our next presenter as well.

SENATOR POU: Okay; thank you.

MS. AGUDOSI: So at this time we are going to ask Kevin Lyons -- Professor Kevin Lyons to please come forward.

Good afternoon, Professor Lyons.

DR. LYONS: Good morning. How are you?

MS. AGUDOSI: Oh, it seems like it’s “good afternoon.”

(laughter)

Sorry about that; good morning.

DR. LYONS: Good morning.

So good morning to everyone; and thank you for inviting me, Hester.

I’m going to speak, just briefly, about the disparity study that we’re doing in Jersey City. I think that might, hopefully, help in the disparity study that’s going to be going on for the State.

One additional piece of information I should give is that I’ve been involved with the Newark 2020 initiative since -- officially since 2017. But under then mayor-Cory Booker, we launched an investigation of the businesses that resided in Newark to actually get a handle of the landscape of all the businesses that were in Newark, and then also to determine why they weren’t getting significant amounts of contracts from the large anchor institutions. And what I mean by anchor institutions, those are the large
corporate entities in Newark, like Prudential, and Audible, and Panasonic, and Rutgers, and the hospital health systems.

So there are 32 of these entities, but our study showed that they were only spending about 3 percent of the procurement spend with Newark businesses.

So I launched a pretty comprehensive research analysis to figure out why that was. So we went, literally, door to door to every single business in Newark and recorded all their information about the size of the company, their financials, the whole nine yards. And then I did a separate study of all the procurement that was happening with these anchor institutions to find out exactly what they were purchasing.

And, quite simply, I just did a match: What are we buying, and who are we getting it from, and are the Newark suppliers competitive? Can they actually step up to the plate and get these contracts that these large institutions have?

And at the end of the day, the answer was “yes.” There was no qualifying issues, as far as, you know, they’re not qualified -- which is what you hear mostly across the entire United States -- for woman-owned, and minority-owned businesses, and others, to get these contracts.

So in 2017, we launched the Newark 2020 buy local initiative, which I’m heading up; and that is to purposefully match large corporate and public institutions with these local businesses. And so we’ve been able to raise that 3 percent to 11 percent within a year-and-a-half; and our goal is to get it to 20 percent by the year 2020, so we have a lot of work to do.
PSEG, Rutgers, and handful of these anchor institutions are taking on the bulk of this. So we’re doing a lot of localized purchasing, and things are working out quite well.

So I wanted to get that out real quick, just to give you a little background of what kind of work I’m doing on the ground.

So in Jersey City, in January of 2019, we were awarded -- Rutgers and my team -- the contract to conduct a disparity study for the City of Jersey City. We are now in month number eight; and what we’ve done so far is a comprehensive procurement analysis of all the procurement that’s being done by Jersey City. So for the years 2013 to 2018, I have all the procurement records of all the procurement transactions conducted by the City. We have analyzed that; we’re breaking it down into categories. So that’s part one of the disparity study; there are three parts.

Part two -- that has been launched at the beginning of the summer -- was to do a comprehensive analysis -- like we did in Newark -- of every single business that exists in Jersey City so we can look at the disparity between what the City has been doing and what is basically available for them to do business with.

And part three is to do the disparity analysis -- what is the disparity between what’s been happening for the last six years, compared to what are the opportunities that are out there.

This particular disparity study is actually including veteran-owned businesses, as well as LGBT-owned businesses.

The disparity study from the direction I got was put into play so that the City can actually execute an effective set-aside program, along with other supplier diversity-related type programs. So this study is going
to allow them to officially launch several programs that they have scheduled for conducting business locally.

The challenge that we’ve had -- and I’ll sort of wrap up with that -- is there is no entity that I know -- not unless you guys do -- that has a comprehensive -- really comprehensive listing of all businesses that reside in New Jersey. We are actually looking at just doing the study within Jersey City, Hudson County, and the region we’re calling it; and the majority of our work is going to be literally foot traffic -- getting on the ground and actually mapping out every single business. Because some businesses have chosen for, a variety of reasons, not to register. They are doing business, they’re conducting business; and for whatever reason, they don’t want to register with either the State, or the County, or a local business. So our report will give full details about why that is.

But we’re also producing a GIS map -- a geographical depiction of the City of Jersey City, like we did Newark, so that you can visually see the landscape of the opportunities in Jersey City. And we’re hoping that that’s adopted, hopefully, statewide as well. It just makes it a lot easier for procurement professionals to look at these visual stimulants when it comes to procurement.

So right now, as I said, we’re in month eight of this study. And then, between September and December, we’re going to be starting to do all of the analysis to write up the final report.

And just, lastly, we’ve been involved -- or I’ve been involved in quite a few of these disparity studies throughout the entire United States -- from the West Coast all the way to New Jersey -- always as a researcher, always as a person who crunches the numbers. But one thing that I can tell
you that came out of our work in Newark and in Jersey City as well -- I’m focused on the businesses that are not there; which is an economic development gold mine of sorts. And why I say that is that when I look at all the major institutions in our cities and what they actually buy, and then compare that to what is available, there’s a mismatch. So even if Newark, for instance, tomorrow decided, “We’re going to buy everything that we can possibly buy from Newark,” that threshold, where it’s at -- 11 percent -- can only go as high as 30 percent. They would still have to go outside of the City of Newark to get the other 70 percent of what they need on a day-to-day basis.

So I did an analysis that basically said if the City wanted to do a recruitment of woman-owned and minority-owned businesses, they should my list of 70 percent, and then that would bring more economic development to that City. So that’s part two of my work right now. So either new businesses coming in to fill that void, or expanding the existing businesses that are there. So there are all kinds of commodities and services being represented in our cities. But with this disparity between what is missing and what possibly the existing businesses could take on to expand their business.

So this is something that will also be in my final report, but it’s active work that we’re doing right now. Because this idea that we can buy, in a supply chain, goods and services anywhere in the world -- but why wouldn’t you have the value proposition to do it locally? And if it’s available -- and most procurement folks that I spoke with-- I come from a procurement background myself -- getting what you need sourced locally is pretty much the best thing to do, especially if it’s at a competitive price and
the quality is there. And we do have quality businesses -- some of that were represented today -- that are right here at our back door. And I’m not sure why we’re, basically, going globally to get what we need when we can find what we need right here in New Jersey.

So that’s my closing statement.

MS. AGUDOSI: Thank you, Professor Lyons.

I have a couple questions for you.

DR. LYONS: Sure.

MS. AGUDOSI: The disparity study that you’re conducting for Jersey City -- what is the timeline on that?

DR. LYONS: So the final report is due in February, the first week in February of 2020.

MS. AGUDOSI: So that means that you will have completed the study within what period of time? Is that less than -- was it a year-and-a-half?

DR. LYONS: A year and one month. (laughter) Yes, it’s pretty aggressive.

MS. AGUDOSI: And you had indicated that you’ve been involved in disparity studies other than that -- just nationally. Can you give this Commission an appreciation of, on average, what the timeline is for a state disparity study, if you know?

DR. LYONS: I would say, on average, about two years. It’s a lot of data, a lot of-- What we’re doing on the ground-- I know that the State has a lot of databases and resources, but if you really want to do a comprehensive analysis, then that includes surveys and then, possibly, going out into the field to capture as much of the supplier base as possible.
MS. AGUDOSI: So what would be -- if you can kind of get a little bit more granular -- what would be the difference in terms of approaching a State disparity study of information that you would pick up and how one would approach that?

DR. LYONS: Actually, there really is no difference; it’s just that it’s super-sized, you know? A disparity study -- if you look at every one of the studies done across the United States, they have the same basic three concepts: What are we currently doing; and the entity has to pick how far back you want to go. And then, what are we purchasing is that first analysis. But breaking it into different categories is time-consuming as well.

But the availability analysis is probably the one that takes the most time; because now you want to make sure that you’ve captured every single business that’s out there in the landscape that we call New Jersey. So that might be partnering up with municipalities and counties that have data on their suppliers and maybe, sort of, rolling that up into the State.

So the counties are doing a pretty good job of capturing supplier information; but I would think that in partnership with them, if that’s not already obtained, that that would probably make the task a lot easier.

MS. AGUDOSI: And I’m curious -- to the extent that you have counties, or municipalities like Jersey City, or even some of our State authorities that have conducted disparity studies as well -- I’m thinking of New Jersey Transit, as well as the Port Authority -- are you able to rely on that data in conducting a statewide disparity study? Are you able to pull that, or do you have to recreate the wheel as it relates to the information that you’re pulling and the data that you’re analyzing?
DR. LYONS: It’s one of those yes and no’s, because the suppliers change their information frequently; and that’s the biggest challenge. You can capture as much information on these suppliers, but if they change their phone number, or e-mail address, or whatever, that’s just a moving target. And so part of our project for Jersey City is to create a database that allows suppliers to basically update their own information and then basically work within that ecosystem.

So using the Port Authority and others -- they do a really good job of vetting their suppliers. But the longer that data remains out there, post a year, then it becomes -- in the research that I’ve done, you’re going to have to do another analysis because it’s going to be old information.

So that’s just the general challenge. I’m sorry to bring you bad news (laughter), but it’s just that it’s very hard to keep these databases clean and then keep the information up-to-date.

And then there are some suppliers that are not even registering themselves as woman-owned or minority-owned businesses. They are operating fully; they can absolutely be certified as such. But for whatever reason, just decided that, “That’s just not something I’m going to do.” So the information is, unfortunately, incomplete at best.

MS. AGUDOSI: Any other questions from members of the Commission?

Yes, welcome.

Ladies first.

ASSEMBLYWOMAN CHAPARRO: So I’m very interested, because I represent Jersey City also. So I’ll be in touch with you.

DR. LYONS: Okay.
ASSEMBLYWOMAN CHAPARRO:  But you touched on something -- the list of businesses; how getting data is very hard because municipalities don’t have it, I’m assuming. What business doesn’t want to be registered? That’s promoting their business.

So I’m sure your study that will touch on that. Because I work for a municipality, and one of the things is that -- depending on which office you call, you get different information.

DR. LYONS: Correct.

ASSEMBLYWOMAN CHAPARRO:  And registering your business is not something that anyone cares about at this point.

DR. LYONS:  Right.

ASSEMBLYWOMAN CHAPARRO:  And I’m wondering if that’s just mismanagement, or is that a very clever way of keeping information not OPRA-able. (laughter)

So is there a way that -- there are so many things that we have to touch here -- but is there a way that a municipality should be forced to make sure that every business is registered, that there is an office, and that there are consequences if they don’t? Because how else will you know what you have in your community?

There are a lot of things that are up and coming in Hudson County.

DR. LYONS: Sure.

ASSEMBLYWOMAN CHAPARRO:  And there are so many different businesses that are booming. And even in the municipality where I work, I can’t even tell you 10 percent of those businesses -- where are they, who are they. And sure, you can get a fee for that; different types of
licenses. But why are you not interested in knowing each and every business that’s out there? It’s great for the community; and I think that would also shine a light on different types of procurements and all that other stuff that we’re doing right now.

But it’s very important that we do that, because it seems like--I don’t ask the questions, because I’m learning a lot about this and it’s really blowing my mind. So I’m trying to learn. But if I had to just, kind of, give you the gist of what I thought when it comes down to bidding for -- whether it’s State or municipality -- they throw a piece of paper and say, “This is a requirement.” They’re very hard; you don’t know what you’re doing. So a lot of people go, “Forget about it; it’s already -- it’s given to someone already.”

DR. LYONS: Right.

ASSEMBLYWOMAN CHAPARRO: And then, when someone comes in, and they say, “Well, I didn’t know that you needed to do it this way,” and somebody else comes in and they know exactly how to do it--

DR. LYONS: Right.

ASSEMBLYWOMAN CHAPARRO: “You know, I asked the question; how did you know?”

DR. LYONS: Right.

ASSEMBLYWOMAN CHAPARRO: Yes, it’s very frustrating. So we do have to make sure that it’s, pretty much, a simple 1, 2, 3. Yet there are so many things-- But I’m wondering, was it really designed that way for that reason? And it’s just -- it really is frustrating. So people don’t want to apply for something they know is going to cost them money and
time; and then it’s designed to just deny them anyway. Because I always wonder about the follow-up.

DR. LYONS: Yes.

ASSEMBLYWOMAN CHAPARRO: And you mentioned that the policy -- the $10 million policy; $10 million. Well, when you give that in (indicates) -- right? -- there’s a policy. Is that policy active throughout the entire time, or do they cut back? Because I used to give out licenses for taxis -- that’s before Ubers were in -- and it’s $1.5 million for limousines. So they would bring it in; I would call up the person who gave the policy. It was never done before, but when I started doing it, I said, “Let me just find out,” because I’m worried about who’s not insured. The person who gave the policy, “Yes, they’re insured.” But when I would call the actual company, “Never heard of it;” the policy was fake.

So I’m wondering -- of course, it’s expensive, so they’re not going to want to pay that. So you have to follow up because, in two months or three months it’s going to expire; it’s not going to be valid. And they’re supposed to send the municipality a letter, but most of these places don’t.

DR. LYONS: Right.

ASSEMBLYWOMAN CHAPARRO: So there are so many things that you just-- Yes, you try to make it easier, but there’s still a follow-up process. Because a lot of people are going to be cut out of this -- you know, being part of a State contract, they’re going to be cut out to give it to somebody else who just, basically, knows how to pretty it up and get it. Then, of course, they’re across the board.
So yes, we do need a lot of different things; but we’ll talk some more.

I’m just trying to wrap this all up, and we definitely need the local and county one (indiscernible). There are so many questions; and the more and more I (indiscernible), the more and more I think, “Yes, I was right. This is rigged.” (laughter)

DR. LYONS: Yes; well, I can give just a quick comment, and I think it will resonate with everyone.

But most of the businesses, just in our initial surveying--

ASSEMBLYWOMAN CHAPARRO: Right.

DR. LYONS: --and this is something I already knew -- back from when I was the -- I was the Chief Procurement Officer at Rutgers for part of my career -- is that we gave out so much paperwork that it was like, “You know what? They are doing this on purpose, because they know that I don’t have an accountant, or a lawyer, or whatever. So just, you know, forget it.”

ASSEMBLYWOMAN CHAPARRO: Right.

DR. LYONS: So a lot of those small businesses are refusing to register or actually even conduct business with the government because it’s, like, “It’s just too much. And if I do,” like you said, they have built in to the (indiscernible), “Well, it’s just going to go to somebody else anyway, so why am I wasting my time?”

ASSEMBLYWOMAN CHAPARRO: Right.

DR. LYONS: But what we need to do is have a more aggressive, hand-to-hand sort of process where we work with our suppliers; simplify the forms-- Like, at Rutgers, we finally did away with the --
sending them all the terms, and conditions, and whatnot. Basically we just sent them a link, and said, “If you want to read all of our garbage, then it’s on the website.” (laughter)

And so, you know, those are things that you can do to try to simplify the process. And, you know, we have the Small Business Administration and all these other places that help; but we’re basically sending them to all these different places. But at the end of the day, it’s all about a contract, you know? “Can I get that contract? Am I actually going to have an opportunity to fairly get this contract? I don’t want a handout; I don’t want anybody to give me anything. But don’t throw up all these roadblocks in order for me to bid.” And that’s been pervasive throughout the entire United States. That has nothing to do, specifically, with New Jersey, but it’s just the way it is, unfortunately.

ASSEMBLYWOMAN CHAPARRO: Unfortunately.

MS. WALTER: In your research, are there any particular types or scopes of contracts that you find are the most ripe for change? Is there a dollar amount or a certain category that you identify as a primary target?

DR. LYONS: That’s a big one.

So the most controversial one, I guess you could say, and ripe for change is construction. It always has been and always will be, unfortunately.

The process of general contractors, and then them deciding who gets the subcontracts is always an issue. But large entities, like the State and other governments, looking at woman-owned and minority-owned businesses as ripe for prime -- there’s always this assumption that, “Well, we’ll get it through a subcontract of some sort.” But we have hugely
qualified woman-owned and minority-owned businesses that can manage a construction contract from A to Z. And that is something that needs to change significantly.

So I would say construction is pervasive throughout the entire nation, including New Jersey; and development -- very controversial, as far as the quasi-agencies that are responsible for getting the -- for developing skyscrapers and whatnot. So the city is basically over here (indicates), doing their daily stuff; and then there’s the developing -- weighing of cities that basically have total control over who gets contracts and such.

So that’s something that I think needs to be taken a look at, especially when they’re getting tax ratables and whatnot. And so the businesses and the citizenry are saying, “Well, why aren’t those guys, like, included in the scrutiny?” To some degree, they are; but they really aren’t. And so that’s something that I think needs a closer look.

So, yes, basically, construction, general contracting, and the like. Professional services across the board is also, kind of, squishy when it comes to who gets the contracts. You know, accounting services and other professional services generally go to, like, the KPMGs and the big firms. But we have more than enough qualified local woman-owned and minority-owned firms that can do that kind of work as well.

MS. AGUDOSI: I’d like to ask -- and I know we are at the end of our time -- but if we can just end with you -- right? -- what would be recommendations that you would put forth before this Commission that would be ways that we could aid in diversifying public contracting?

DR. LYONS: I think that the communication about what you’re doing and how you’re doing it; and somehow or another getting that
communicated down into the ranks of the suppliers. I think that -- you know, obviously everyone has website; that’s great. But folks are busy, especially in a small- to mid-size diverse firm. If you take them away from their job to go to workshops and whatnot, that’s work that they’re not doing, “because I’m attending this thing.”

So we have to figure out a way to communicate, every step of the way, know that the State is open for business; the county, the local municipalities as well. And this back-and-forth, you know, hand-in-glove kind of approach to our businesses, to let them know that you actually do care about them. I hear this a lot, “Yes, well, we’ll do more business with the State, or the municipality, or the county; but, you know, they don’t really care. So the little businesses that I do have, or the little contracts that I do have is just enough. You know, I don’t want to after that, because it’s too much work.” But if there was more communication back-and-forth, where it’s almost like you assign buyers to commodities, and part of their responsibility is to spend more time -- like I used to do in the old days, physically out in the field, you know, meeting, and greeting, and talking with New Jersey-based suppliers -- it goes a long way. Sometimes it’s like, “Wow, I haven’t seen anybody from the State in years.”

But that hand-touching kind of thing -- it sounds kind of corny, but it’s actually very effective, and it builds a lot of trust between the government entities and the suppliers. So that would be my top recommendation.

MS. AGUDOSI: Thank you very much.

DR. LYONS: Thank you.
MS. AGUDOSI: I’d like to thank all of the presenters and speakers, again, for taking the time to come and share your insights; and to be open to answering questions that this Commission has.

This is ongoing work that we are involved in, and I would dare say, on behalf of the members of the Commission, that as we move forward there may be opportunities for us to continue to reach out to you, if the need arises, just to get some more technical insights or support.

So with that being said, unless there are any other questions--

Yes.

MS. RICE: I just have a very quick question -- a request for some follow-up.

You had mentioned the NJSTART registration being an umbrella over many of the different agencies, as far as registering on there.

MR. GRIFFIN: For goods and services contracts only.

MS. RICE: Exactly; that’s what I mean. (laughter)

So there is a separate one for the DMPC. How many others are out there? You know, say, DOT would have its own. How many -- under the State, how many different places do you need to register?

So I didn’t know if we could follow-up on that.

MR. GRIFFIN: Think of a large number; it’s more than that. (laughter)

MS. RICE: Okay; no, absolutely, how many-- Are we looking at 100, 500?

MR. GRIFFIN: Each--

MS. RICE: Yes.
MR. GRIFFIN: Each entity that has contracting authority probably has its own system.

MS. RICE: Okay; so maybe streamlining of that could be something to look at as well.

Okay, thank you.

MS. AGUDOSI: And Commissioners, I will just say that I will reach out to everyone, via e-mail, regarding what we discussed in terms of just setting up some subcommittees to look at some of the topic areas that I think, at this point, we can kind of move forward with. So just keep that in mind when you get the e-mail from me.

MR. GRIFFIN: Hester, if I could ask the Senator to send her questions through you that she wanted answered.

SENATOR POU: Sure, I’m happy to -- although you have it on the record.

MR. GRIFFIN: Yes.

SENATOR POU: Okay.

MS. AGUDOSI: So all your questions are on the record?

SENATOR POU: No, I’m happy to forward that information.

MS. AGUDOSI: Okay.

Now it is afternoon; have a good rest of the afternoon, all.

ALL: Thank you.

(MEETING CONCLUDED)