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FINANCE | ACCOUNTING | PERSPECTIVES | INTERVIEWS



FINANCE

THE CITY OF GRAND RAPIDS, MICHIGAN

Collaborating to Diversify the City's Broker-Dealer Pool

BY KATIE LUDWIG

Historically, minority-, woman-, and/or veteran-owned business enterprises (MWVBEs) have not played a significant role in the City of Grand Rapids' investment portfolio, but as the result of an intentional effort to seek out these firms, approximately 30 percent of the city's investment portfolio is now sourced from broker-dealer firms owned by people of color, women, and/or veterans. The success of this initiative can be tied back to the values of collaboration, equity, and innovation, as stated in the city's strategic plan:

- **Collaboration.** Working together in partnership with others; teamwork.
- **Equity.** Using city influence to intentionally remove and prevent barriers created by systemic and institutional injustice.
- **Innovation.** Challenging the way things have been done before; fulfilling community needs by offering new ways to serve our customers and enhance operations; being nimble, self-aware, and open to feedback.

Stacy Stout is the director of the city's Office of Equity and Engagement, which was previously known as the Office of

Diversity and Inclusion. In 2019, with the passing of the new city strategic plan, her position was elevated to a cabinet-level position and the office was tasked with helping embed equity throughout all departments.

"Every department is an equity office," Stout said. "We are subject matter experts and walk alongside to strategize and support, but the new model is more of a distributed model where every department leads with diversity, equity, and inclusion [DEI], and then we come alongside them to assist."

John Globensky, the city treasurer, said that he first started thinking about ways to diversify the city's pool of broker-dealers when then-City Commissioner Joe Jones (now president and chief executive officer of consulting firm The Hekima Group) brought the idea to him in 2017. "We had never really thought about going in and looking at our approved broker-dealers to understand who they are," he said. "We did all of our due diligence, but we never thought about intentionally being inclusive with MWVBE broker-dealers, so that was the start of the conversation."

"The reality is, unless we're intentional, we tend to go with who we know," Jones said. "If we have a workforce that is not ethnically diverse, we can expect that quite often our supplier base is going to be the same. Unless you have a circle that's diverse and expanding, you're going to have a supplier base that really lacks diversity as well. In fact, quite often, it's a very homogenous group of contractors, suppliers, and vendors, and so I thought this was a really big deal. I've just been happy to see how it's evolved, and even happier that we've gotten to this point where perhaps other cities and local units of government can do the same."

Levi Boldt, investment analyst in the Treasurer's Office, was similarly inspired after attending the city's Diversity, Equity, and Inclusion Gala in 2018. Boldt recalled that the keynote speaker challenged the audience to be more proactive about working with businesses owned by people of color.

Globensky and Boldt said they started by looking at other local governments that have had success in diversifying

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the pool of broker-dealers they're working with. The State of New York, the State of California, and the City of San Francisco, California, were helpful in identifying MWVBE broker-dealers.

"That gave us a starting point to start looking at specific firms, and then start doing the work to uncover more, and to talk to some of our other investment managers that we've used in the past and ask if they know of any other MWVBE firms," Globensky said.

"Our process before this was essentially passive. When a broker-dealer approached us, we would look at them under a microscope and determine if they meet our requirements, and then, if they did, we would submit them to the city commission for approval," Boldt explained. "I turned the order of operations around, so I was calling them and saying, 'Hey, I've already looked into your company. I know we're good

to do business with you. Do you want to do business with us?' Then we were able to get several minority-, woman- and veteran-owned firms approved."

As the city identifies new investment opportunities, Boldt emails all the approved broker-dealers to make them aware of what the city is looking for. "Everybody has the same timeframe. Nobody is given advance notice. There's no favoritism in that regard. It's simply 'this is what I'm looking for—what have you got?' And the firms that were brought on through this process certainly came through," he said.

One of the keys to getting initiatives like this started is adopting a "curious mindset" of considering and exploring new ways of doing things, Stout believes. "One of our values is equity, defined as leveraging city influence to intentionally remove and prevent barriers created by systemic and institutional injustice," she said. "So, this department says, 'Okay, we know that there's some injustice here, and how do we do what we can within our influence? This is within John's scope of work. He didn't have to get a mandate to do this. He didn't have to have a resolution. It was him saying, 'This is within my sphere of control and influence. How do I leverage that to advance equity within this organization and in the community that we serve?'"

"Sometimes organizations can be overwhelmed, depending on where they are on their journey of embedding equity into their operations. A lot of people will ask how much this is going to cost, but other than the staff time, it didn't cost additional money to do this and to get the outcomes that we're looking for," Stout added.



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Boldt said that he and Globensky have also reviewed the city's investment policy to identify any barriers that might exist for additional MWBE broker-dealer firms that would like to do business with the city, and they identified a few parts of their policy that favored larger firms. "We did tweak a couple things with our policy, both in terms of how we go about vetting and qualifying smaller firms, as well as how we deal with some of those situations with primary offerings where you might have three different syndicate members," he said. "From a policy standpoint, we said we're going to break up the trades. We know there's a chance we won't get as many bonds by doing this, but we're going to break up our trades to be proportional to the participation percentages of syndicate members. If you've got a primary offering that might be 80 percent for the lead and 10 percent for the two syndicates, we're breaking up our trades so that approximately 80 percent of the trade would be going to the lead underwriter and then 10 percent to the syndicates."

Having cross-departmental training and conversations around what it means to lead with equity and using a distributed model for equity work are

two keys to implementing sustainable, successful equity initiatives, Stout said. One way the city has built a distributed model is by training "equity champions." These are existing employees in middle management who undergo additional training and are empowered to undertake projects to help their departments achieve more equitable outcomes.

"I have two equity champions in my office, and they came up with an idea to revamp the information that our office sends out to every taxpayer each year in English and Spanish. It identifies all of the city's financial support offerings, from utility bill assistance to property tax deferments or exemptions and outlines how to get in touch with organizations to help if they're struggling with their taxes," Globensky explained.

"That's an investment in time," Stout said. "Allowing staff to be a part of in-depth trainings is a great return on investment for the department, as is really seeing equity work as part of the department's work. Equity is not a separate or secondary body of work—it's at the core of what departments do. That's the shift we've been making over the years."

Globensky encouraged other finance leaders who are thinking about ways to incorporate equity into their work to

be curious and keep the conversations going. "When we started having the conversations, we started learning as an organization. We weren't focused on diversifying the pool of broker-dealers. We weren't even considering it. We very much had blinders on. This is just the cut-and-dried way we do it, and there are always broker-dealers for us. It was a learning opportunity for me. There's not a list of MWBE broker-dealers out there—you have to intentionally look," he explained.

Similarly, Boldt encouraged investment managers to shift from "being reactive, waiting for brokers to approach us, to being proactive, seeking out brokers and vetting them ahead of time, even before having a conversation with them."

This commitment to innovation and a willingness to do things differently bodes well for Grand Rapids, Jones said. "There's no utopian city. There's no perfect place, but I do believe that we have the potential to be the model medium-sized city in the country, and that requires us to constantly be on the lookout for new ways to set ourselves apart from other medium-sized cities." ■

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