

City of Austin
Small and Minority Business Resources

Personal Net Worth Update - 2024

Edward Campos, Director
Small and Minority Business Resources



SMALL AND MINORITY
BUSINESS RESOURCES



Personal Net Worth (PNW) History

- PNW Ordinance was adopted on June 8, 2006
- Began as a certification requirement on January 1, 2007
- The amount was indexed annually based on the South Region Consumer Price Index published by the US Department of Labor, Bureau of Labor Standards
- Initial language included for Austin Metro Area Consumer Price Index
- The PNW limit has increased each year
 - Initial PNW \$900K
 - Current PNW \$2.2M

Table 1: Historical and Current PNW Limits

	PNW Limit	% Change
2008	\$942,000	
2009	\$955,000	1.38%
2010	\$1,326,000	38.85%
2011	\$1,341,000	1.13%
2012	\$1,391,000	3.73%
2013	\$1,413,000	1.58%
2014	\$1,434,000	1.49%
2015	\$1,454,000	1.39%
2016	\$1,457,000	0.21%
2017	\$1,480,000	1.58%
2018	\$1,511,000	2.09%
2019	\$1,540,000	1.92%
2020	\$1,565,000	1.62%
2021	\$1,583,000	1.15%
2022	\$1,697,000	7.20%

Who is considered Economically Disadvantaged?

An economically disadvantaged individual is a business owner whose Personal Net Worth (PNW) does not exceed:

- \$2,218,934 for the MBE/WBE program
 - May change annually
- \$1.32 million for the DBE/ACDBE program
- An individual's personal net worth includes only his or her share of assets and liabilities held separately AND/OR jointly

Exclusions from the PNW

An individual's PNW includes only the applicant's share of all assets held separately and/or jointly as community property.

The following may be excluded:

- Individual's ownership interest in the applicant firm and/or assets titled to the firm.
- Individual's equity in his or her primary residence.
- Tax and interest penalties that would accrue if retirement savings or investments (e.g., pension plans, individual retirement accounts, 401(k) accounts, etc.) were distributed at present.
- The value of an asset or liability not shared/co-owned by the applicant.
- The asset value of a vehicle you are leasing.

IPWG - PNW Recommendations

IPWG's three of their 20 recommendations related to PNW:

- Recommendations 3 and 5: Keep Personal Net Worth (PNW) but modify/revisit the structure.
- Recommendation 4: The City should review its use of the South Region Consumer Price Index (CPI) in establishing its PNW to determine if this index accurately reflects the unique Austin economic marketplace.

In response to the recommendations, SMBR engaged local economist John Hockenyos, President of TXP, Inc. (TXP), to review SMBR's current PNW methodology, perform a review and assessment of the PNW process, and to update and refine the methodology used to calculate the personal wealth definition of economically disadvantaged.


In addition, TXP was asked to determine if the South Region CPI accurately reflects the Austin economic marketplace and conditions, and, if not, what index(es) the City should use to assist in establishing an annual PNW threshold.

TPX Review and Determinations

- TXP determined that the CPI, which reflects the rising cost of goods and services, is representative of the cost side of the equation, but does not include a measure of current capacity to pay.
- In addition, no measure corresponds to wealth, which in turn is typically driven by asset values, for which the performance of equity markets is a useful overall proxy.
- There is not a comprehensive local measure of wealth, although home values do provide some indication.
- SMBR should introduce variables into the PNW calculations that reflect capacity to pay (either reflecting income or assets) which has the effect of slightly increasing the PNW Limit.

Memo to Council and City Manager

- January 17, 2024: Memo to Mayor and Council regarding the Personal Net Worth Update to close out the remaining open items related to Resolution No. 20200326-053, specifically the newly adopted and revised MBE/WBE Procurement Program Ordinance, Administrative Rules process, and an update regarding the indexes used to calculate the PNW threshold.




MEMORANDUM


TO:

Mayor and Council Members

THROUGH:

Susana Carbajal, Chief of Staff 

FROM:

Edward Campos, Director, Small and Minority Business Resources Department (SMBR) 

DATE:

January 17, 2024

SUBJECT:

Minority-Owned and Women-Owned Business Enterprise Procurement Program Ordinance and Administrative Rules Revisions, and Personal Net Worth Update (Resolution No. 20200326-053)

[Resolution No. 20200326-053](#) directed the City Manager to convene an Inclusive Procurement Working Group (IPWG) to assess specific programmatic and administrative issues related to the City's Minority-Owned and Woman-Owned Business Enterprise (MBE/WBE) Procurement Program. This memo serves to close out the remaining open items related to this resolution, specifically the newly adopted and revised MBE/WBE Procurement Program Ordinance, Administrative Rules process, and an update regarding the indexes used to calculate the Personal Net Worth threshold.

On March 10, 2023, the IPWG issued their report containing [recommendations](#) to the Austin City Council. Staff reviewed these recommendations along with the 2022 Disparity Study [recommendations](#) to revise the MBE/WBE Procurement Program Ordinance and the Administrative Rules. The IPWG's report outlined 20 recommendations, three of which focused on Personal Net Worth.

MBE/WBE Procurement Program Ordinance
On July 20, 2023, Council approved Ordinance No. [20230720-113](#), which guides the City's Small and Minority Business Resources Department (SMBR) in administering the MBE/WBE Procurement Program. Highlights from the final ordinance include:

- Reducing the number of ordinances from 4 to 2 by consolidating the construction and construction-related professional services categories into one ordinance (Construction and Related Professional Services) and combining the non-professional services and commodities categories into a separate ordinance (Goods and Services);
- Removing the reference to information related to outdated MBE/WBE estimated Availability; and
- Moving administrative-related items to more appropriate departmental policies/procedures/rules.



Questions?
