



## **Methodology For Calculating the Proposed DBE Goal for Federal Fiscal Year 2015 through Federal Fiscal Year 2017 (FFY15-FFY17)**

The San Luis Obispo Regional Transit Authority (RTA) is proposing an overall Disadvantaged Business Enterprise (DBE) goal of 1.4% (rounded up from 1.37% as shown in the Step 4 Table below) for U.S. Department of Transportation, Federal Transit Administration (FTA) assisted contracts in federal fiscal years 2015 through 2017 (FFY15 through FFY17).

Prior to FFY15, the FTA required that any recipient of greater than \$250,000 in FTA funds annually must establish a DBE goal. Recently, the FTA shifted from a requirement to calculate annually the DBE goal to calculating it every three years. As such, RTA is herein complying with this new requirement.

RTA will receive approximately \$6.7 million in FTA funding in FFY15. Since RTA's future budgets are uncertain due to possible changes in federal funding support when the current surface transportation act expired on September 30, 2014 (not including congressional extensions), the type and amount of contracted work may change in future years. Because of this uncertainty, staff calculated the three-year DBE goal based upon the proposed RTA FY14-15 budget. RTA will adjust its DBE goal, if necessary, when future budgets are known or if contracting opportunities increase due to new capital federal funding sources.

The Code of Federal Regulations, Title 49 Section 26 (49 CFR 26) describes several methods to calculate a DBE goal. The method staff chose to develop RTA's FFY15 through FFY17 goal specifies that a simple percentage of DBE vendors in the contracted types of work be weighted by the proportion of total contract opportunities in that type of work as shown in the overall budget to determine a base goal. The base goal is to be further adjusted, as appropriate, to reflect the recipient's actual experience or other qualifying factors to narrowly tailor the goal to market conditions. The final goal is expressed as both the percentage and the amount of federal dollars in DBE contract opportunities.

RTA's goal will be reached through race neutral means by doing the following: Arranging solicitations, times for the presentation of bids, quantities, specifications, and delivery schedules in ways that facilitate participation by DBEs and other small businesses and by making contracts more accessible to small businesses, by means such as those provided under § 26.39 of this part; Providing assistance in overcoming limitations such as inability to obtain bonding or financing (e.g., by such means as simplifying the bonding process, reducing bonding requirements, eliminating the impact of surety costs from bids, and providing services to help DBEs, and other small businesses, obtain bonding and financing); Providing technical assistance and other services; Carrying out information and communications programs on contracting procedures and specific contract opportunities (e.g., ensuring the inclusion of DBEs, and other small businesses, on recipient mailing lists for bidders; ensuring the dissemination to bidders on prime contracts of lists of potential subcontractors; provision of information in languages other than English, where appropriate); Providing services to help DBEs, and other small businesses, increase opportunities to

participate in a variety of kinds of work, handle increasingly significant projects, and achieve eventual self-sufficiency. RTA will not reach its goal through race conscious contract goals.

To calculate RTA's proposed FFY15 through FFY17 DBE Goal, staff used data from the proposed RTA FY14-15 budget, the latest (2008) US Bureau of Census County Business Patterns (CBP) database, and the California Department of Transportation (Caltrans) database of all statewide certified DBE vendors. Both the CBP and Caltrans DBE vendor database offer vendor groupings according to the type of work they perform as categorized by the North American Industry Classification System (NAICS), which provides a two to six-digit number corresponding to every known type of work performed by businesses in North America. In order to compare data from all three data sources using a common classification, staff identified all of the goods and services that RTA typically contracts by a corresponding NAICS code. The following text and tables describe the steps taken to calculate the goal.

First, staff examined the proposed RTA FY14-15 budget to determine the type and amount of contracts which could be awarded from the operating and capital sections of the budget. From an operating and capital budget of \$14,155,160, potential contract opportunities equal \$4,354,210 outside of vehicle procurement. The FTA provides an estimated \$6,709,980 in operating and capital funding assistance. The following table shows the calculations for the first step.

**Step 1: RTA FY15 Operating & Capital Budget Contract Opportunities**

	(A)	(B)	(C)	(D)	(E)
	Total	\$ Procurement in Operating & Capital Budget	\$ Procurement in Operating & Capital Budget (B)/(A)	\$ FTA Operating & Capital Assistance	\$ FTA Operating & Capital Assistance in Procurement (C)*(D)
FY15 Operating Budget	\$ 8,307,730	\$ 3,525,230	42%	\$ 3,202,760	\$ 1,359,031
FY15 Capital Budget	\$ 5,847,430	\$ 828,980	14%	\$ 3,507,220	\$ 497,212
	\$ 14,155,160	\$ 4,354,210		\$ 6,709,980	\$ 1,856,244

Second, staff identified every piece of potential contract work in the FY14-15 budget by a corresponding NAICS code. Staff aggregated the types of work into the four broader *Procurement Groups* of Construction, Transportation, Wholesale and Services identified in the Step 2 Table below. The four Procurement Groups derived from all contract opportunities are shown in the following table by dollar amount and percentage of total contract opportunities in each Procurement Group.

Step 2. RTA's FY15 Operating & Capital Budget Contract Opportunities by Procurement Group					
	(1)	(2)	(3)	(4)	(5)
Procurement Group	Construction	Transport	Wholesale	Services	Total
\$in Group (FY15 Budget)	\$ 88,750	\$ 27,788	\$ 2,648,092	\$ 1,589,580	\$ 4,354,210
% of All Procurements in Group	2.0%	0.6%	60.8%	36.5%	100%
\$ FTA in Group {(1)%* \$ Step 1. (E)}	\$ 37,835	\$ 11,846	\$ 1,128,908	\$ 677,654	\$ 1,856,244

Third, staff determined the market area from which vendors who bid on RTA contracts would likely be chosen. Since it is conceivable that a vendor may come from as far north as Sonoma, or as far south as Santa Barbara for the award of a large contract, staff included all of Caltrans Districts 04 and 05 when conducting its DBE calculation. In addition, staff included any DBE vendor in the state that indicated that they perform work in Districts 04 and 05, regardless of the vendor's location. The following fourteen counties fall within Caltrans Districts 04 and 05, creating RTA's market area:

- Alameda County
- Contra Costa County
- Marin County
- Monterey County
- Napa County
- San Benito County
- San Francisco County
- San Luis Obispo County
- San Mateo County
- Santa Barbara County
- Santa Clara County
- Santa Cruz County
- Solano County
- Sonoma County

After determining the market area, staff extracted a count of all vendors in the market area from the County Business Patterns (CBP) database by using the same NAICS code attached to each piece of potential contract work in the RTA FY-1415 budget. Next, staff performed exactly the same operation on the Caltrans DBE vendor directory to obtain a count of DBE vendors in the RTA market area. The count of all vendors, DBE vendors and the percentage DBE vendors by Procurement Group in RTA's market area are shown in the following Step 3 Table.

**Step 3. RTA's Market Area Firms by NAICS in Procurement Groups**

Total Firms and Certified DBEs					
	(1)	(2)	(3)	(4)	
Procurement Group	Construction	Transport	Wholesale	Services	#Firms
	2382	485991	221210,323110, 423120,423130, 424120,424720, 8112	522190,5241, 541, 561612, 561720,562112, 621111,8111, 812332	in NAICS
<b>Catrans District 04</b>					
Alameda County	671	17	1,492	7,612	9,792
Contra Costa County	471	6	734	5,040	6,251
Marin County	181	7	260	2,353	2,801
Napa County	85	1	106	692	884
San Francisco County	377	18	573	7,448	8,416
San Mateo County	427	20	743	4,179	5,369
Santa Clara County	797	16	1,448	10,822	13,083
Solano County	190	6	318	1,047	1,561
Sonoma County	393	6	461	2,383	3,243
<b>Catrans District 05</b>					
Monterey County	219	-	325	1,448	1,992
San Benito County	39	-	33	135	207
San Luis Obispo County	210	-	267	1,486	1,963
Santa Barbara County	260	4	371	2,201	2,836
Santa Cruz County	173	1	210	1,358	1,742
<b>Distrist 04 &amp; 05</b>	4,493	102	7,341	48,204	60,140
<b>Certified DBE's</b>					
	Construction	Transport	Wholesale	Services	#DBE's
	NAICs	NAICs	NAICs	NAICs	in NAICs
<b>Distrist 04 &amp; 05 &amp; Statewide DBE's</b>	155	6	77	824	1062
<b>% DBE's</b>	<b>3.45%</b>	<b>5.88%</b>	<b>1.05%</b>	<b>1.71%</b>	<b>1.77%</b>

Sources: US Bureau of the Census, County Business Patterns, 2008  
CA Dept. of Transportation, UCP Directory of DBEs, 5/1/14

Fourth, staff used the DBE percentage obtained above for each Procurement Group and multiplied that by the percentage (weight) of the total work to be performed in that Procurement Group as determined in Step 2. This produced the base DBE goal for FFY15 through FFY17.

Step 4: RTA's FFY15-FFY 17 DBE Goal for FTA Assisted Contracts					
Weighted Average of DBE Participation by Procurement Group as a Percentage of Total Contracts					%
DBE Participation and Projected \$ FTA in DBE Contract Awards					
	(1)	(2)	(3)	(4)	
	Construction	Transport	Wholesale	Services	Total
% DBE's in Market Area	3.45%	5.88%	1.05%	1.71%	1.77%
% Contract \$ in Group	2.0%	0.6%	60.8%	36.5%	100%
<b>Weighted %DBE(% Contracts*%DBE)</b>	<b>0.07%</b>	<b>0.04%</b>	<b>0.64%</b>	<b>0.62%</b>	<b>1.37%</b>
\$ FTA Assistance	\$ 37,835	\$ 11,847	\$ 1,128,908	\$ 677,654	\$ 1,856,244
\$ FTA in DBE Contracts					
%DBE * Total \$ FTA Assistance	1,305.24	696.85	11,841.16	11,583.83	25,427

Sum of (% DBE \* % Group in Procurement Budget) for all four Procurement Groups

To obtain the final DBE goal using the chosen method prescribed by 49 CFR 26.45, staff examined the actual rate of DBE participation during the last three years relative to the adopted DBE goals to determine if the FFY15 through FFY17 base goal should to be adjusted. Although RTA didn't need to set a DBE goal due to the fact that the only projects was direct labor cost, fuel and vehicle cost that was purchase with FTA funding, RTA attempted to achieve 4% DBE goal and was not successful in achieving this goal. RTA had no large construction contracts available to bid during the analysis period. Due to an increase in FTA funding and an increase in current contract opportunities, RTA therefore the need to adjust the base goal down.

In previous years, RTA adopted annual goals of 4% DBE participation. RTA's FY14-15 capital budget has no significant contract opportunities as it relates to large construction projects, which would warrant an upward adjustment to the FFY15 through FFY17 goal. RTA's capital contracting funds have been on a consistent decline since 2008. And with the calculated rate falling well below the goals of the last three years, staff decided that the calculated goal needed to be adjusted down to 1.4% (rounded up from 1.37% as shown in the Step 4 Table).

If approved by the Board of Directors, RTA will establish a DBE Goal of 1.4% for FFY15 through FFY17. RTA's proposed DBE Goal for FFY15 through FFY17 and supporting documents for RTA's DBE Program are available for public inspection through May 6, 2015 at RTA's Administrative Offices, 179 Cross Street, CA 93401 and on our website at [www.slorta.org](http://www.slorta.org).