



**EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE  
JULY 15, 2004**

**SUBJECT: FEDERAL TRANSIT ADMINISTRATION DISADVANTAGED  
BUSINESS ENTERPRISE ANNUAL OVERALL GOAL**

**ACTION: APPROVE THE FEDERAL TRANSIT ADMINISTRATION  
DISADVANTAGED BUSINESS ENTERPRISE ANNUAL OVERALL GOAL**

**RECOMMENDATION**

Approve 9% as the Federal Transit Administration (FTA) Disadvantaged Business Enterprise (DBE) Annual Overall Goal For Federal Fiscal Year 2005 (FFY05).

**ISSUE**

In accordance with the Department of Transportation (DOT) requirements found in 49 Code of Federal Regulations (CFR) Part 26, recipients are required to establish an overall annual goal, on a fiscal year basis, for participation of Disadvantaged Business Enterprises (DBEs) in DOT-assisted contracts. Recipients are required to submit their annual goals to the FTA by August 1. The recommended annual goal is for FTA-assisted contracts only.

**POLICY IMPLICATIONS**

The annual goal is based on demonstrable evidence of the availability of ready, willing and able DBEs relative to all businesses ready, willing and able to participate on Metro FTA-assisted contracts. The Diversity & Economic Opportunity Department (DEOD) conducted a review of Metro's Fiscal Year (FY) 2005 proposed budget to determine the projected number, type of work, and dollar amounts of contracting opportunities that will be funded, in whole or in part, with FTA-assistance.

DEOD also met with the Metro Strategic Business Units (SBUs) as part of the Shared Responsibility Program to obtain information needed to establish the annual goal and their respective individual goals.

The budget review revealed fewer "new" projects offering potential DBE opportunities than in the past. The majority of projects going forward in FY05 are carryover projects that were not awarded in FY04 or were existing projects awarded in prior fiscal years. The Eastside Light Rail Extension is the most notable capital project that will provide a significant share of Metro's DBE participation over the next few years.

In FY05, Metro anticipates awarding forty-one (41) FTA-assisted projects, totaling approximately \$107.3 million. Of this amount, Metro anticipates awarding \$9.7 million with potential DBE prime and subcontracting opportunities. Metro anticipates expending funds in the following five contracting categories: Construction, Professional Services, Materials/Supplies, Equipment and Other.

The annual goal calculation and list of projected FTA-assisted projects are shown in Attachments #1 and #2.

### Goal Methodology

Metro followed the two-step goal setting methodology prescribed in 49 CFR Part 26.45. The first step was to develop a base figure for the relative availability of DBEs. The relative availability of DBEs was the total number of ready, willing and able DBE firms divided by the total number of all firms for the types of contracts Metro anticipates awarding within its geographic procurement market. The second step required an examination of all evidence available in the market area to determine what adjustment, if any, was needed to the base figure to arrive at an overall goal.

### Geographic Procurement Market

An analysis of Metro's geographic procurement market revealed that Metro solicits participation from the Los Angeles, Orange, Riverside, San Bernardino, and Ventura Counties Consolidated Metropolitan Statistical Area (CMSA). The geographic procurement market was used for both the numerator (DBEs) and denominator (all businesses) within the area from which Metro draws the substantial majority of its contract competition.

### DBE Availability

Metro conducted an analysis to determine the number of DBEs that were available to participate as contractors and subcontractors in the projected contracting opportunities. The data source used for establishing availability of ready, willing and able DBE firms was derived from the Unified Certification Program (UCP) Southern California Cluster group database of certified firms. The availability was also supplemented with the census database of minority and women certified firms. The certified firms identified as available to perform work in various North American Industry Classification System (NAICS) work categories were matched with Metro subcontracting opportunities. The total DBE availability of 3,152 firms shown in Attachment #1 represents the numerator in the goal setting formula used to arrive at the base figure.

### Total Business Availability

Metro conducted a similar analysis to determine availability of all businesses within the same geographic market area. The U.S. Census Bureau 2001 County Business Pattern (CBP) was used to determine availability of all businesses within the NAICS categories in which Metro contracts. The denominator of 44,317 used to arrive at the base figure, shown in Attachment #1, represents the total number of businesses available in the market area.

## Calculation and Adjustment of Base Figure

To calculate the 7.04% base figure shown in Attachment #1, the number of available DBEs per Work Category was divided by the number of all available businesses in the geographic market and weighted against the percentage of FY05 projected FTA funds. After calculating the base figure, the DBE capacity and historical annual goal attainment was examined to determine what adjustment, if any was needed to the base figure in order to arrive at the annual goal.

Metro made an adjustment to the base figure by reviewing Metro's past DBE attainment over the last two fiscal years FY03(13.97%) and FY02(8.96%). This was added together for a total of 22.93%, and divided by two (2) for an average capacity of 11.47%. The average DBE capacity of 11.47% was added to the 7.04% base figure, and divided by two (2), resulting in an adjustment figure of 2.21%. This was added to the 7.04% base line figure resulting in an upward adjustment of 9.25%. As such, a 9% DBE annual overall goal is recommended for FFY05.

## Breakout Of Estimated Race-Neutral And Race-Conscious Participation

Metro will attempt to meet its 9% annual goal by utilizing race-neutral and race-conscious measures. Metro proposes to obtain 3% from race-neutral means and 6% through race-conscious means.

Race-neutral DBE participation includes, but is not limited to, the following: when a DBE wins a prime contract through customary competitive procurement procedures; when DBE participation is achieved on a contract that does not carry a DBE goal; when DBE participation on a contract exceeds a contract goal; and when DBE participation is achieved through a subcontract from a prime contractor that did not consider a firm's DBE status in making the award.

The remaining race-conscious portion of the annual goal will be achieved by establishing contract-specific goals for particular projects that have subcontracting opportunities. Contract goals are established to meet any portion of the overall goal that Metro does not expect to meet through race-neutral measures. Establishing reasonable contract-specific goals requires an examination of individual project requirements for subcontracting opportunities (including estimated dollar value, material content, etc.), as well as consideration of the apparent capacity and availability of DBEs to participate on specific contracts. This process also requires recognizing that there may be limits related to the actual interest level, capacity, and/or availability of DBEs that may impact the attainment of goals established on a particular project. While unknown factors preclude precise quantification of DBE goals, Metro will carefully review individual contracts prior to solicitation to ensure that established goals appear to be reasonably attainable in view of the DBE firms ready, willing, and able to compete for contracting opportunities.

## OPTIONS

There is no viable option as this action is required as a condition of receiving federal funds. In accordance with 49 CFR Part 26, FTA recipients who reasonably anticipate awarding in excess of \$250,000 (excluding transit vehicle purchases) FTA funds in prime contracts in a Federal fiscal year, are required to develop overall goals for that fiscal year.

## FINANCIAL IMPACT

There is no financial impact in implementing this action.

## DISCUSSION

The DBE Program requires that the recommended annual goal and methodology be advertised in minority and women focused media and general newspapers. The annual goal and methodology must be made available for inspection for a period of 30 days and must be available for public comment for a period of 45 days from the date of advertisement. The annual goal was advertised on June 2-3, 2004, in the Daily News, La Opinion, Chinese Daily, LA Watts Times and the APTA Passenger Transport.

The FTA annual goal methodology was also provided to the Metro Transportation Business Advisory Council (TBAC) for public comment. The comment period ends July 19, 2004. Based on historical information and aggressive outreach in the small business community, it is anticipated that no comments will be received during this period. However, staff will review any comments received and will provide an update, if warranted, at the July Board meeting.

## NEXT STEPS

Following Board approval, the annual goal will be submitted to FTA by August 1. The annual goal for FFY05 will be effective October 1, 2004 – September 30, 2005.

## ATTACHMENT(S)

1. Methodology for Calculating the DBE Annual Goal
2. FFY05 FTA-Assisted Contracts by SBU

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Methodology for Calculating FFY05 FTA DBE Annual Goal

Work Category	Description of Work	Industry Codes	Estimated FTA \$ with contracting opportunities in each category	Weighted % of FTA Funding By Work Category
A	Construction	NAICS 23	\$ 64,756,133	.6037
B	Professional Services	NAICS 54	\$ 15,023,149	.1401
C	Materials/Supplies	NAICS 42	\$ 17,058,375	.1590
D	Equipment	NAICS 33	\$ 8,411,084	.0784
E	Other	NAICS 56	\$ 2,012,695	.0188
			\$ 107,261,436	

**Goal Methodology**

Base Figure =  $\frac{\text{Number of Ready, Willing, and Able DBEs (NAICS)}}{\text{Number of All Ready, Willing, and Able Firms (CBP)}}$

Base Figure =  $\frac{(.6037) \text{ DBEs in A}}{\text{Firms in A}} + \frac{(.1401) \text{ DBEs in B}}{\text{Firms in B}} + \frac{(.1590) \text{ DBEs in C}}{\text{Firms in C}} + \frac{(.0784) \text{ DBEs in D}}{\text{Firms in D}} + \frac{(.0188) \text{ DBEs in E}}{\text{Firms in E}}$

Base Figure =  $\frac{(.6037) \frac{942}{11,702}}{11,702} + \frac{(.1401) \frac{1,900}{26,097}}{26,097} + \frac{(.1590) \frac{215}{3,474}}{3,474} + \frac{(.0784) \frac{14}{1,654}}{1,654} + \frac{(.0188) \frac{81}{1,390}}{1,390}$

Base Figure =  $\frac{(.6037)(.0805)}{11,702} + \frac{(.1401)(.0728)}{26,097} + \frac{(.1590)(.0619)}{3,474} + \frac{(.0784)(.0085)}{1,654} + \frac{(.0188)(.0583)}{1,390}$

Base Figure =  $.0486 + .0102 + .0098 + .0007 + .0011$

Base Figure =  $.0704 \times 100$

Base Figure =  $7.04\%$

**Annual Goal Components**

Annual Goal = Base Figure + Adjusted Figure based on average past attainment

Annual Goal =  $7.04\% + 2.21 = 9.25\% = 9\%*$

Race Conscious =  $6\%$  DBE participation achieved through contract-specific goals

Race Neutral =  $3\%$  DBE participation achieved through race-neutral measures

LEGEND	
CBP	County Business Pattern (Census)
DBE	Disadvantaged Business Enterprise
NAICS	North American Industry Classification System



\* Annual Goal was rounded to the nearest percent.

FFY05 FTA-Assisted Projects by Strategic Business Unit

SBU - Project Title	Task Description	FTA Funds with Potential Contracting Opportunities
9992 - Eastside LRT (800088)	07.02 COMMUNITY RELATIONS	\$ 140,000
	07.03 GEOTECHNICAL INVESTIGATION	\$ 106,612
<b>9992 - CHIEF OF STAFF BUSINESS UNIT Total</b>		<b>\$ 246,612</b>

1% Organizational Goal

9993 - Application Enhancement / Replacement	CIP 3900095 APPLICATION ENHANCEMENT MANAGEM	\$ 200,000
Covered Awning for Blue Line	COVERED AWNING FOR DIV 11	\$ 61,136
Eastside LRT (800088)	07.03 AUDITING SERVICES	\$ 8,400
HR/Payroll System Upgrades	Y2K HR SYSTEM	\$ 120,000
Install Outside Paving at Division 20 Red Line Maintenance Warehouse	CIP 3205136- OUTSIDE PAVING FOR DIVISION 20, HAM	\$ 31,178
New Storage Building for Red Line	NEW STORAGE BUILDING FOR DIV 20 WAREHOUSE M	\$ 364,000
Upgrade of the Customer Information System (CIS)	MODERNIZE THE CUSTOMER INFORMATION SYSTEM	\$ 160,000
<b>9993 - SUPPORT SERVICES BUSINESS UNIT Total</b>		<b>\$ 944,714</b>

3% Organization Goal

9994 - ADA Between Car Platform Barriers - Metro Red Line	ADA BETWEEN CAR BARRIER - MRL	\$ 339,477
ATV Bus Purchase (Hybrid Vehicles)	ADVANCED TRANSIT VEHICLE - CMAQ CFP #8116	\$ 18,557
Bus Division Amenity Improvement Project	DIVISION REMODEL & UPGRADE	\$ 160,000
Bus Division Maintenance Equip.	fy03 Maintenance Equipment	\$ 800,000
Bus System Support Replacement Non-Revenue Vehicles	CIP #3908038 FY03 MISC EQUIP	\$ 99,194
Crossing Gate Equipment Replacement	CROSSING GATE EQUIPMENT REPLACEMENTS	\$ 169,257
Division 1 Expansion (BOS Funded)	CIP 2305072- DIVISION 1 EXPANSION PROJECT	\$ 960,000
Division 2 Maintenance - Maintenance Building Modernization	CP #2305022 - Division 2 Maint. Bldg. Modern (\$1,264,000)	\$ 1,081,489
Division 7 Facility Improvements	CP 2305021 Div. 7 Facility Improvements (FY 03 \$2,860,000)	\$ 2,464,502
Eastside LRT (800088)	07.03 MISCELLANEOUS SPECIALTY SERVICES	\$ 44,800
El Monte Transit Station Enhancements	CP #2305025 - EL MONTE TRANSIT ENHANCEMENT - FY	\$ 57,178
In-Ground Bus Hoist Replacement	CIP 2304004 - IN GROUND BUS HOIST REPLACEMENT	\$ 2,880,000
LAX Terminal Improvements (BOS Funded)	CP #2305024 - LAX TERMINAL IMPROVEMENTS - FY02 -	\$ 146,634
Light Rail Train Tracking Improvements	LR TRAIN TRACKING IMPROVEMENT	\$ 163,077
MBL Long Beach Transit Mall Station Redesign	MBL LONG BEACH TRANSIT MALL STATION REDESIGN	\$ 217,894
Metro Blue & Green Lines Custodial Operations Facility	MBL & MGL CUSTODIAL OPERATIONS FACILITIES	\$ 964,630
Metro Blue Line Rail Vehicle Midlife Overhaul	MBL Rail Vehicle Midlife Overhaul - CP3106001	\$ 563,959
New Division 9 Transportation Building and Facilities Improvement	CP 305018 Div. 9 Shop Renovation (FY 03 \$5,440,000)	\$ 2,880,000

SBU - Project Title	Task Description	FTA Funds with Potential Contracting Opportunities
9994 - Permanent Restroom Facilities at Selected Locations.	CP #2305008 - PERMANENT RESTROOM FACILITIES - 720	\$ 457,600
Rail Communications Systems Upgrade	RAIL COMMUNICATION SYSTEMS UPGRADE	\$ 465,460
Rail Security Improvements	HOMELAND SECURITY - HEAVY RAIL ELEMENT	\$ 657,219
	MBL CCTV VIDEO TRANSMISSION SYSTEM UPGRADE	\$ 680,000
Rail Systemwide Safety Improvements	327057 RAIL SYSTEMWIDE SAFETY IMPROVEMENTS	\$ 308,556
Refurbish 4 Diesel Buses for Contract Service	CP #2205001 - Refurbish diesel buses for contract services (4)	\$ 256,000
Repave LAX & Other Terminals	CP #2305019 - REPAVE LAX/OTHER TERMINALS - FY03 -	\$ 303,057
Replace Guarded Rail Crossings	GUARD CROSSING MODIFICATIONS/UPGRADES	\$ 38,813
Replace Regional Rebuild Center Shop Equipment	Grant Funded 90-X817 revenue parts engine	\$ 200,000
RRC General Building Modifications	RRC GENERAL BUILDING MODIFICATIONS - FACILITIES	\$ 602,520
Seg.-1 Remote Terminal Unit (RTU) Upgrade	DESCRIPTION TO BE DETERMINED	\$ 88,631
Wayside Systems Battery Replacement/Refurbishment	CP3300006 - BATTERY UPGRADE/REPLACEMENTS BEG	\$ 225,839
Wayside Systems Tools and Equipment	(3300002) TOOLS AND EQUIPMENT	\$ 106,960
	MOW TOOLS & EQUIP	\$ 32,000
	WAYSIDE SYSTEMS TOOLS - HEAVY RAIL	\$ 30,400
Preventive Maintenance	PREVENTIVE MAINTENANCE	\$ 19,384,395
<b>9994 - TRANSIT OPERATIONS BUSINESS UNIT Total</b>		<b>\$ 37,848,098</b>
<b>3% Organization Goal</b>		
9996 - Rapid Bus Art Program	CIP #3909052 - RAPID BUS METRO ART PROGRAM	\$ 313,047
<b>9996 - COMMUNICATIONS BUSINESS UNIT Total</b>		<b>\$ 313,047</b>
<b>0.15% Organization Goal</b>		
9997 - Breda Rail Car Retrofit	BREDA CAR BRAKE RETROFIT	\$ 570,248
Eastside LRT (800088)	02.01 AT-GRADE GUIDEWAYS	\$ 13,713,600
	02.02 TUNNEL CONSTRUCTION	\$ 29,856,410
	03.01 UG STATION EXCAVATION	\$ 5,600,000
	07.03 COMMUNITY LINKAGES/URBAN DESIGN	\$ 110,400
	07.03 COMMUNITY OUTREACH	\$ 36,800
	07.03 CONSTRUCTION MANAGEMENT	\$ 3,503,200
	07.03 DESIGN SUPPORT DURING CONSTRUCTION	\$ 2,508,000
	07.03 DESIGN-BUILD ADVISOR	\$ 240,000
	07.03 GEOTECHNICAL INVESTIGATION	\$ 240,000
	07.03 LEGAL SERVICES	\$ 80,000
	07.03 PRE-CONSTRUCTION SURVEYS	\$ 308,000
	07.03 PRINTING SERVICES	\$ 36,800
	07.03 PROJECT MANAGEMENT ASSISTANCE	\$ 240,000
	07.03 RELOCATION PLAN & SERVICES	\$ 46,400



SBU - Project Title	Task Description	FTA Funds with Potential Contracting Opportunities
9997 - Eastside LRT (800088)	07.03 VEHICLE CONSULTANT	\$ 687,200
	07.04 ART PROGRAM-ARTIST 1	\$ 445,500
	07.04 DEPARTMENT OF WATER & POWER (WATER)	\$ 6,638,760
	07.04 ENVIRONMENTAL ENGINEERING SERVICES	\$ 698,220
	07.05 REAL ESTATE APPRAISAL	\$ 31,000
	07.05 REAL ESTATE APPRAISALS	\$ 13,500
	07.05 REAL ESTATE APPRAISAL	\$ 4,500
Mid-City-Wilshire BRT Corridor/Div. 10 Expansion (800111)	REAL ESTATE APPRAISALS	\$ 4,427
Seg-1 Remote Terminal Unit (RTU) Upgrade	DESCRIPTION TO BE DETERMINED	\$ 48,000
Upgrade Underground Storage Tanks and Remediate Soil	CIP 2304022 TANK REPLACEMENT	\$ 1,128,000
	Soil Remediation: CIP 2303039	\$ 1,120,000
<b>9997 - CONSTRUCTION PROJECT MANAGEMENT BUSINESS UNIT Total</b>		<b>\$ 67,908,965</b>
<b>5% Organizational Goal</b>		

<b>FTA Funds with Potential Contracting Opportunities</b>	<b>\$ 107,261,436</b>
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