



**EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
JULY 21, 2005**

SUBJECT: DEPARTMENT OF TRANSPORTATION OVERALL ANNUAL GOALS
ACTION: APPROVE DEPARTMENT OF TRANSPORTATION OVERALL ANNUAL GOALS

RECOMMENDATION

- A. Approve 8% as the Federal Transit Administration (FTA) Disadvantaged Business Enterprise (DBE) Annual Overall Goal For Federal Fiscal Year 2006 (FFY06).
- B. Approve 8% as the Federal Highway Administration (FHWA) Disadvantaged Business Enterprise (DBE) Annual Overall Goal For Federal Fiscal Year 2006 (FFY06).

ISSUE

In accordance with the Department of Transportation (DOT) Disadvantaged Business Enterprise (DBE) Program 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 DBEs in DOT-assisted contracts. Recipients are required to submit annual goals to the concerned DOT Operating Administration (OA), in this case the FTA and FHWA respectively.

FTA recipients are required to submit their FTA overall annual goal by August 1. The FHWA proposed overall annual goal was submitted to Caltrans, the authorized FHWA local assistance agency, for approval on May 26, 2005. Metro received Caltrans approval of the draft annual goal methodology on June 3, 2005, and instructed Metro to move forward with the public participation and comment phase of the process. After public comment, the final overall goal is submitted to Caltrans by September 1.

The DBE Program is administered to provide a level playing field on which DBEs can compete fairly for DOT-assisted contracts and to help remove barriers to the participation of DBEs in DOT-assisted contracts. The overall annual DBE goals are expressed as a percentage of total FTA or FHWA funds Metro will expend in the forthcoming year.

POLICY IMPLICATIONS

The Diversity & Economic Opportunity Department (DEOD) conducted a review of Metro’s Fiscal Year 2006 (FY06) capital and operating budget to determine the projected number of contracts, type of work, and dollar amounts of contracting opportunities that will be funded, in whole or in part, with FTA and/or FHWA-assistance. DEOD reviews all “new” contracts to be let in the upcoming fiscal year, which may include carryover contracts that were not awarded in the previous fiscal year. DEOD met with the Metro Strategic Business Units (SBUs) as part of the Shared Responsibility Program to obtain information concerning the federal-assisted contracts each SBU anticipates awarding in the upcoming fiscal year. This information is used to set the annual goal and Shared Responsibility goals for each SBU.

The FY06 budget comprises a total of \$20.3* million in new DOT-assisted contracts. Of this amount, Metro anticipates awarding \$12.7 million with potential DBE opportunities. The projected DOT-assisted contract expenditures are shown below:

DOT Administration	New DOT- Assisted Contracts Dollars*	New DOT- Assisted Contracts Dollars w/ Potential DBE Opportunities	# of DOT- Assisted Contracts w/ Potential DBE Opportunities
FTA	\$19,010,552	\$11,346,446	28
FHWA	\$1,360,000	\$1,360,000	1
TOTAL	\$20,370,552	\$12,706,446	29

*Excludes transit vehicle manufacturer (TVM) purchases, Metro labor/overhead costs and other non- contractable items.

The FY06 budget presents fewer FTA-assisted capital and operating projects that will create “new” contracts that historically offer greater opportunities for DBEs. In the past, a larger number of these type projects would carry federal funding. The FY06 budget identifies twenty-five new capital projects, of which three (3) or 12% are FTA-assisted, with the remaining percentage state and locally funded. The current trend in how projects/contracts are funded, as well as an agency-wide reduction of the overall number of programmed capital and operating projects that generate new contract opportunities, directly impacts DBE participation on Metro contracts.

In FY06, Metro anticipates awarding one (1) contract with DBE opportunities in the amount of \$1.3 million in FHWA-assistance. This is a carryover contract that was included in the FY05 annual goal but was not awarded. As such, no new FHWA-assisted contracts were identified in the FY05 budget.

The list of projected FTA and FHWA assisted contracts with potential DBE opportunities is shown in Attachment #2.

Goal Methodology

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 and FHWA-assisted contracts. 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 is 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 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 1,678 (FTA) and 343 (FHWA) 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 2002 County Business Pattern (CBP) was used to determine availability of all businesses within the NAICS categories in which Metro contracts. The denominator of 27,970 (FTA) and 4,416 (FHWA) 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 FTA 8% and FHWA 8% base figures 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 FY06 projected FTA and FHWA 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 no adjustments to the base figure. The FTA and FHWA base figures were rounded to the nearest percent resulting in an 8% FTA and 8% FHWA annual DBE goals.

Breakout Of Estimated Race-Neutral And Race-Conscious Participation

Metro will attempt to meet its annual goals by utilizing race-neutral and race-conscious measures. Metro proposes to obtain 2% (FTA) and 3% (FHWA) from race-neutral means and 6% (FTA) and 5% (FHWA) 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 DOT-assistance. In accordance with 49 CFR Part 26, Section 26.45, recipients must set an overall goal for DBE participation in DOT-assisted contracts.

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 FY06 FTA and FHWA annual goals were advertised from June 30, 2005 through July 6, 2005 in the

Daily News, La Opinion, Chinese Daily, LA Watts Times, Rafu Shimpo, Eastern Publication Groups and the APTA Passenger Transport. The annual goal and methodology was made available for inspection for a period of 30 days from June 30, 2005 – August 11, 2005. The FTA and FHWA goals and methodology must be made available for public comments for 45 days. The public comment period begun June 30, 2005 and will end September 1, 2005. The FTA and FHWA annual goal methodology was also provided to the Metro Transportation Business Advisory Council (TBAC) for public comment.

Based on historical information and aggressive outreach in the small business community staff anticipates that no comments will be received during this period. However, staff will review any comments received and will provide an information update to the Board via Board Box.

NEXT STEPS

Following Board approval, the FTA annual goal will be submitted to FTA by August 1 and the final FHWA annual goal will be submitted to Caltrans by September 1. The annual goals for FFY06 will be effective October 1, 2005 – September 30, 2006.

ATTACHMENT(S)

1. FFY06 Methodology for Calculating the FTA and FHWA DBE Annual Goals
2. FFY06 FTA and FHWA Assisted Projects by SBU

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 Attachment 1 – FFY06 Methodology for Calculating FTA Annual DBE Goal

Work Category	Description of Work	Industry Codes	Projected FTA \$ with contracting opportunities in each category	Weighted % of FTA Funding by Work Category
A	Construction	NAICS 23	\$5,875,830	51.79%
B	Professional Services	NAICS 54	\$4,293,644	37.84%
C	Equipment	NAICS 33	\$1,176,972	10.37%
Total			\$11,346,446	100%

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 = $(51.79\%) \frac{\text{DBEs in A}}{\text{Firms in A}} + (37.84\%) \frac{\text{DBEs in B}}{\text{Firms in B}} + (10.37\%) \frac{\text{DBEs in C}}{\text{Firms in C}}$

Base Figure = $(51.79\%) \frac{686}{6,839} + (37.84\%) \frac{991}{21,121} + (10.37\%) \frac{1}{10}$

Base Figure = $(.5179)(.1003) + (.3784)(.0469) + (.1037)(.10)$

Base Figure = $.0519 + .0177 + .01037$

Base Figure = $.0799 \times 100 = 7.99$

Base Figure = 8%*

Annual Goal Components

Annual Goal = Base Figure + Adjusted Figure

Annual Goal = 8% + 0% = 8%

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

Race Neutral = 2% DBE participation achieved through race-neutral measures

LEGEND	
CBP	2002 County Business Pattern (Census)
DBE	Disadvantaged Business Enterprise
NAICS	North American Industry Classification System

*Base Figure was rounded to the nearest percent.



Los Angeles County Metropolitan Transportation Authority
Attachment 1 – FFY06 Methodology for Calculating FHWA DBE Annual Goal

Work Category	Description of Work	Industry Codes	Projected FHWA \$ with contracting opportunities in each category	Weighted % of FHWA Funding by Work Category
A	Professional Services	WCC C87 or NAICS 54	\$1,360,000	100%

Goal Methodology

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

$$\text{Base Figure} = \frac{(100\%) \text{ DBEs in A}}{\text{Firms in A}}$$

$$\text{Base Figure} = \frac{(100\%) \cdot 343}{4,416}$$

$$\text{Base Figure} = (100\%) (0.0777)$$

$$\text{Base Figure} = 0.0777$$

$$\text{Base Figure} = 0.0777 \times 100 = 7.77\%$$

$$\text{Base Figure} = 8\%^*$$

Annual Goal Components

$$\text{Annual Goal} = \text{Base Figure} + \text{Adjusted Figure}$$

$$\text{Annual Goal} = 8\% + 0\% = 8\%$$

Race Conscious = 5% DBE participation achieved through contract-specific goals

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

LEGEND	
CBP	2002 County Business Pattern (Census)
DBE	Disadvantaged Business Enterprise
NAICS	North American Industry Classification System
WCC	Caltrans' Work Category Codes

* Base Figure was rounded to the nearest percent.



Metro

Los Angeles County Metropolitan Transportation Authority
Attachment 2 – FFY06 New DOT-Assisted Contracts by Strategic Business Unit

Metro SBU	Project #	Project Name	Projected # of DOT-Assisted Contracts with DBE Opportunities	Projected FTA Contracting \$ with DBE Opportunities	Projected FHWA Contracting \$ with DBE Opportunities
Chief of Staff	210008	Gateway Headquarters Improvement Projects	1	\$595	
Chief of Staff Business Unit Total			1	\$595	\$0

2% Organizational Goal for FTA-Assisted Projects

Communications	405547	Rideshare Services	1	\$50,000	
Communications Business Unit Total			1	\$50,000	\$0

3% Organizational Goal for FTA-Assisted Projects

Construction	800088	Eastside Light Rail Transit	1	\$40,160	
	800112	SFV East-West BRT	1	\$31,250	
Construction Business Unit Total			2	\$71,410	\$0

2% Organizational Goal for FTA-Assisted Projects

Countywide Planning	420004	State Route 2 Freeway Terminus Improvement Project	1		\$1,360,000
	800113	Mid City Exposition Blvd LRT	1	\$992,000	
Countywide Planning Business Unit Total			2	\$992,000	\$1,360,000

7% Organizational Goal for FTA-Assisted Projects

7% Organizational Goal for FHWA-Assisted Projects



Metro

Los Angeles County Metropolitan Transportation Authority
Attachment 2 – FFY06 New DOT-Assisted Contracts by Strategic Business Unit

Metro SBU	Project #	Project Name	Projected # of DOT-Assisted Contracts with DBE Opportunities	Projected FTA Contracting \$ with DBE Opportunities	Projected FHWA Contracting \$ with DBE Opportunities
Support Services	300033	Rail Operations - Green Line	2	\$59,118	
Support Services Business Unit Total			2	\$59,118	\$0

6% Organizational Goal for FTA-Assisted Projects

Metro Operations	202003	Bus Div Maintenance Equipment	1	\$567,869	
	204008	Div. 22 Improvements	1	\$1,624,676	
	204010	MBL Long Beach Transit Mall Station Redesign	1	\$880,000	
	204017	Div 21 Improvements	1	\$1,200,000	
	205004	Rail Security Improvements	2	\$1,256,274	
	205012	MBL Four Quadrant Gate Program	1	\$2,038,309	
	205014	Light Rail Train Tracking Improvement	1	\$64,081	
	300011	Bus Operations	7	\$532,104	
	300022	Rail Operations - Blue Line	1	\$114	
	300033	Rail Operations - Green Line	1	\$18,183	
	300044	Rail Operations - Red Line	1	\$5,037	
	301012	Metro Orange Line	1	\$9,324	
	305008	Bus Maintenance - West Side/Central Service Sector	1	\$5,250	
	800288	Metro Gold Line Eastern Extension Deferred Items	1	\$1,972,102	
Metro Operations Business Unit Total			21	\$10,173,323	\$0

8% Organizational Goal for FTA-Assisted Projects

Agency-wide	Total DOT-Assisted	FTA-Assisted	FHWA-Assisted
Projected Number of DOT-Assisted Contracts with DBE Opportunities	29	28	1
Projected DOT-Assisted Contracting Dollars with DBE Opportunities	\$12,706,446	\$11,346,446	\$1,360,000