SANTA MONICA'S BIG BLUE BUS THREE-YEAR DBE GOAL CALCULATIONS
Fiscal Years 2022, 2023, and 2024

I. Introduction

The Disadvantaged Business Enterprise (DBE) overall goal setting methodology is a requirement set forth in the United States Department of Transportation (USDOT) DBE regulations, 49 CFR Part 26.45. The DBE regulations require USDOT recipients to set an overall triennial goal for DBE participation in their federally assisted projects.

The regulations require that the overall goal be prepared using a two-step process. According to the USDOT Tips for Goal Setting[1] (USDOT Tips), approved by the General Counsel of the USDOT, the recipient must first determine a base figure for the relative availability of certified DBEs and potentially certified Minority and Woman-owned Business Enterprises, hereafter collectively referred to as Disadvantaged Business Enterprises (DBEs), in the relevant market area. Next, the recipient must examine all relevant evidence to determine what adjustment, if any, is needed to the base figure in order to arrive at an overall goal. The final adjusted figure is the recipient's overall goal, and represents the proportion of federal transportation funding that the recipient is expected to allocate to DBEs during the subsequent three federal fiscal years (FFY). Once the adjusted overall goal is determined, the process requires considering what portion of the goal will be met by race- and gender-neutral measures.

If a recipient purports that it can meet its overall goal with race- and gender-neutral measures, those measures must be utilized. In contrast, if the recipient determines it cannot achieve the entire overall goal using only race- and gender-neutral measures, it must establish a race- and gender-conscious portion of the overall goal.[2]

II. Proposed Overall Goal for FFY 2022-2024

Based on the requirements set forth in 49 CFR Part 26, Western States and the USDOT's Guidance Memorandum, City of Santa Monica Big Blue Bus (BBB) is submitting a goal for FFY 2022-2024. The recommended overall DBE goal for the period is 0.70%. The weighted figure for the goal is 0.87%

III. Overall Goal Setting Methodology

The two-step goal setting process required by the regulations and the findings of Western States has been used to determine the recommended overall goal for FFY 2022-2024. The two steps for setting an overall goal are to:

*   Establish a base figure for the relative availability of DBEs
*   Determine the base figure adjustment, if necessary

The base figure is intended to be a measurement of the current ready, willing, and able DBEs as a percentage of all businesses ready, willing, and able to perform the recipient's anticipated FTA-assisted contracts.[3] To determine the base figure the DBE Directories and Census Data Method will be deployed.

I. DBE Directories and Census Data Method

DBE directories of California USDOT recipients are consolidated into the California Unified Certification Program (CUCP) database. Using the CUCP database to determine DBE availability is limited to USDOT-certified businesses. However, to determine availability, *USDOT Tips* requires the inclusion of businesses that are not certified but are potential DBEs to determine availability. The Census Bureau's County Business Pattern (CBP) data is derived from businesses' federal income tax filings and, therefore, cannot address businesses' willingness to do business with Big Blue Bus. Additionally, the CBP does not have the functionality to filter businesses that work exclusively in the private sector, or those which are not interested in contracting with Big Blue Bus.

II. Disparity Study Method

A disparity study identifies businesses that made bids to the agency as either a prime or subcontractor, and those that are interested in bidding. It enumerates DBEs that are bidders as well as willing and able businesses which have not bid. This method is also recommended by the *USDOT Guidance Memorandum* for recipients in the Ninth Circuit.

BBB has not conducted its' own disparity study. However, due to the similarity of the local market area, BBB used findings from Metro's 2012 Disadvantaged Business Enterprise (DBE) Program Disparity Study. The availability data derived from Metro's Disparity Study was utilized in the goal setting process. The availability of businesses as enumerated in the 2012 DBE Program Disparity Study was augmented with current certification, trade and business association, and chambers of commerce lists.

IV. Step One Base Figure Calculation

A. Goal Setting Methodology

The initial phase of the Step One analysis requires the compilation of critical data regarding the recipient's procurement. The relevant data includes:

- Identification of the anticipated federally assisted projects and their costs
- Classification of the anticipated federally assisted projects by North American Industry Classification System (NAICS) code
- Enumeration of qualified businesses in the market area that are willing and able to provide the goods or services BBB anticipates awarding

1. Definition of City of Santa Monica's Big Blue Bus Market Area

BBB's relevant market area is being defined by the relevant market area in Metro's 2012 DBE Program Disparity Study. The market area was determined by the business location of prime contracts awarded during the January 1, 2008, to December 31, 2010 study period. A cluster analysis was prepared by business location and award amount to define the market area. All procurement with non-profits and other government agencies were excluded from the analysis. The analysis shows 71.86% of prime contract dollars were awarded to 107 businesses located in Los Angeles County, Metro's market area. The remaining 75 businesses, which represent 28.14% of contract 5 dollars, were awarded in areas outside of Los Angeles County. Table 1.02 presents the location of utilized businesses during the study period. BBB's market area is 72% Los Angeles County and 28% Orange, San Bernardino, and Ventura Counties.

Table 1.01: Vendors Utilized During Study Period

Business Location	Total Businesses	Percentage of Contract Dollars
Los Angeles County	107	71.86%
Outside Los Angeles County	75	28.14%
Total	**182**	**100.00%**

2. Identify Procurement Types by NAICS Codes

A six-digit NAICS code was assigned to each of the anticipated federally funded projects in FFY 2022-2024. The NAICS codes were derived from the descriptions of the anticipated federally assisted projects. Table 1.04 below defines the NAICS codes by industry.

Table 1.02: FFY 2022-2024 Federally Assisted Projects by NAICS Code

NAICS Code	Industry	NAICS Code Description
236220	Construction	Bus Shelter Construction
561730	Landscape	Landscaping Services, Installation

Identify Anticipated Federally Assisted Projects

The federally assisted projects BBB anticipates awarding over the next three fiscal years were identified with the estimated cost of each project. Estimated project costs for the three-year projections were grouped by NAICS code based on individual project descriptions. Table 1.02 presents the anticipated FFY 2022-2024 projects with the estimated budget.

Table 1.03: Anticipated Projects Estimated Contract Amount

NAICS Code	Industry	NAICS Code Description	Anticipated Amount
236220	Construction	Bus Shelter Construction	$416,345
561730	Landscape	Landscaping Services, Installation	$416,344

B. Base Figure Determination

The base figure is intended to be a measurement of the relative percentage of ready, willing, and able DBEs. The recipient is required to measure willing and able businesses in its marketplace, using the best available evidence, to derive a fair and accurate base figure that represents the percentage of available DBEs. According to Section 26.45(c) and USDOT Tips, the overall goal must be based on demonstrable evidence of ready, willing, and able DBEs relative to all ready, willing, and able non-DBEs available to participate on Big Blue Bus FTA-assisted contracts.

The USDOT rules require the calculation of the base figure using the following formula:

$$Step\ One\ Base\ Figure = \frac{Ready, willing\ and\ able\ DBEs}{All\ ready, willing\ and\ able\ businesses}$$

To enumerate the availability of DBEs, the California Unified Certification Program (CUCP) database was queried specifying the NAICS codes representing the industries whose work Big Blue Bus anticipates using. Census Data was used to determine all available businesses that fall under the NAICS category.

Table 1.04: Relative Availability by NAICS Code for FFY 2021-2024

NAICS Code	Number of Available Businesses		Percent of Total Available Businesses	
	DBE	**All**	**DBE**	**All**
236220	58	4284	1.35%	32.94%
561730	33	8721	0.38%	67.06%
Total	**91**	**13,005**	**0.70%**	**100.00%**

C. Weighted Base Figure

Weighting is recommended in *USDOT Tips* to determine the overall goal. The first step is to calculate a weight for each NAICS code, which is the percentage of the estimated budget for FFY 2022-2024 anticipated contracts. The second step is to divide the number of DBEs by the total number of businesses in each NAICS code and multiply the result by the corresponding weight in order to calculate the weighted percentage of DBE availability. Lastly, the weighted percentages in each NAICS code are combined to determine the weighted base figure. Table 1.04 presents the calculation of weighted availability. The weighted DBE availability is 0.87%.

Table 1.05: Weighted Base Figure

NAICS Code	Percent of Firms		Anticipated Contract Amount	Weight	Percent of Weighted Firms	
	DBE	**Non-DBE**			**DBE**	**Non-DBE**
236220	1.35%	98.65%	$416,345	50%	0.68%	49.33%
561730	0.38%	99.62%	$416,344	50%	0.19%	49.81%
Total			**$832,689**	**100%**	**0.87%**	**99.14%**

V. Step Two Base Figure Adjustment

A. Considerations for Adjustments to the Base Figure

The Step Two base figure adjustment, as recommended in *USDOT Tips*, requires examining relevant and reliable data in the recipient's market area to determine if an adjustment to the base figure is warranted. The consideration of an adjustment is intended to account for any impact the relevant factors may have on DBEs' contracting opportunities with BBB. The following factors were considered for the Step Two adjustment:

- Past DBE participation
- Documented private-sector discrimination

1. Past DBE Participation

As there has been insufficient data collected by the City of Santa Monica Big Blue Bus on past DBE usage, BBB will leverage Metro's DBE utilization rates.

DBE participation during FFY 2013-2015 was documented in Metro's FFY13 2nd Semi-Annual Report, FFY14 1st and 2nd Semi-Annual Reports, and FFY15 1st Semi-Annual Report. Table 1.07 details the median prime and subcontractor race- and gender-neutral and race- and gender-conscious DBE participation during FFY 2013-2015. The median figure is the center point among an ordered list of figures. Metro achieved 2.23% median 9 prime and subcontractor race- and gender-neutral and race- and gender-conscious DBE utilization; the highest overall DBE utilization of 22.41% was achieved in FFY 2014.

Table 1.06: FFY 2013-2015 Median Past DBE Participation

FFY13	FFY14	FFY15
0.51%	22.41%	2.23%
Median DBE Participation 2.23%		

2. Documented Private Sector Discrimination

Private sector business practices, which are not subject to government requirements, are indicators of marketplace conditions which could affect the formation and growth of DBEs. *Concrete Works of Colorado v. City of Denver (Concrete Works II)* set forth a framework for considering evidence of discrimination in private sector business practices. In accordance with Concrete Works II, three regression models were used to examine three outcome variables—business ownership rates, business earnings, and business loan approval. Each regression model compared minority males and females and Caucasian females to similarly situated non-minority males by controlling for race- and gender-neutral explanatory variables such as age, education, marital status, and access to capital. This adjustment factor was considered, however, no adjustment was made due to the various exemplary practices and support services BBB has implemented in order to decrease the barriers that DBEs confront when attempting to do business.

B. Adjustments to the Base Figure

As required by the USDOT Tips, the factors noted above were considered and no adjustments were made for the Step Two analysis.

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FINAL OVERALL DBE GOAL
0.87%

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VI. Race- And Gender-Neutral Goal

A. Formulation of the Race- and Gender-Conscious/Neutral Portions of the Goal

The final requirement of the goal setting process, as noted in 49 CFR 26.51, is to determine the projected portion of the overall goal that will be achieved by race- and gender-neutral measures. The DBE regulations in 49 CFR 26.51 require that a recipient meet the maximum feasible portion of its overall goal by using race- and gender-neutral measures.

Recipients in the Ninth Circuit cannot consider the use of a race-conscious goal unless a finding of disparity has been made for the ethnic groups to be included in the application. The disparity findings in Metro's 2012 DBE Program Disparity Study documented a disparity for African Americans, Asian-Pacific Americans, Subcontinent Asian Americans, and Hispanic Americans. An updated analysis was conducted following the 2012 Metro Disparity Study that showed Caucasian females are underutilized and should therefore be included in the FFY 2021-2024 overall DBE goal.

As there has been insufficient data collected by the City of Santa Monica Big Blue Bus on past DBE usage, BBB will leverage Metro's DBE utilization rates as an approximation of the Race Conscious/Neutral portions of the goal as they represent a similar market area as BBB.

Based on Metro's median past DBE participation, it is expected that 2% of the 0.87% overall can be achieved using race- and gender-neutral measures.

$$2\% \ Race \ Neutral = 0.87\% \ Overall \ DBE \ Goal$$

B. Race and Gender-Neutral Initiatives

a) Create and maintain bidder's lists to inform DBE and non-DBE firms of solicitations and future contracting opportunities.
b) Monitoring the requests for bid documents for DBE participation and contracting DBE's to determine their attendance at pre-bid meetings and intent to bid.
c) Surveying DBE's to determine reasons, if any, for non-participation in BBB projects.
d) Public notice of advertisements in various newspapers and trade journals as well as local chambers of commerce that will facilitate DBE's and other small business participation.
e) Refer interested firms of the existence of the Unified DBE Certification process and DBE directories.
f) Prompt payment clauses for subcontractors will be included in all contracts.