



**Federal Fiscal Year FFY21-FFY23  
Disadvantaged Business Enterprise  
Overall Goal and Goal Setting Methodology**

**I. INTRODUCTION**

The Santa Cruz Metropolitan Transit District (“Santa Cruz METRO”) is the sole public transit operator in Santa Cruz County, and operates its transit services through 4 transit centers and 996 bus stops. It has a fleet of 98 buses to operate 26 routes. Santa Cruz METRO also provides paratransit services utilizing a fleet of shuttles and mini-vans. Santa Cruz METRO’s service area is the entire county, with a population of 273,213<sup>1</sup>, and provides over 5 million rides annually. As a recipient of Federal Transit Administration funding, Santa Cruz METRO is required to have a Disadvantaged Business Enterprise (DBE) Program and develop and submit a Triennial Overall DBE Goal for its FTA-assisted capital projects.

Santa Cruz METRO herein sets forth its Overall DBE goal and corresponding federally prescribed goal-setting methodology for the three-year FFY21-FFY23 period (October 1, 2020 through September 30, 2023), pursuant to Title 49 Code of Federal Regulations (CFR) Part 26 “Participation by Disadvantaged Business Enterprises in U.S. Department of Transportation Programs.” The purpose of the DBE goal-setting process is to level the playing field so that DBEs can compete fairly for Department of Transportation-assisted contracts, however, the program must be narrowly tailored in accordance with applicable law.

Santa Cruz METRO anticipates receiving approximately \$3,179,455 in federal funding for its capital project expenditures from October 1, 2020 through September 30, 2023, and has developed a 2.65% DBE Goal, with a 100% race neutral and 0% race conscious split to be applied to this funding. Santa Cruz METRO does not have FTA sub-recipients or pass-through FTA funds to other agencies; therefore, sub-recipient contracting opportunities do not exist and are not included in the goal calculation.

Santa Cruz METRO will periodically evaluate the goal and the award of federally assisted contracts to determine whether the present goal continues to be realistic or whether mid-course adjustments will be necessary. The DBE goal developed for FTA-assisted contracts identify the relative availability of DBEs, based on evidence of ready, willing and able DBEs in relationship to all comparable businesses that are likely to be available to compete for Santa Cruz METRO’s FTA-assisted contracts. The three-year overall goal reflects Santa Cruz METRO’s determination of the level of DBE participation that would be expected absent the effects of discrimination.

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<sup>1</sup> <https://www.census.gov/quickfacts/santacruzcountycalifornia>

**II. FTA-ASSISTED CONTRACTING OPPORTUNITIES FOR FFY21-FFY23**

**Table 1** represents Santa Cruz METRO’s FTA-assisted contracting opportunities, which consist of both projects that Santa Cruz METRO has already been awarded the funding for, and anticipated projects based on current and planned grant applications. These projects, which include Construction, Professional Services and Materials/Supplies contracting opportunities, are as follows:

<b>Project Name/Description</b>	<b>Estimated Total Project Cost in Period</b>
Maintenance Facility Interior Rehabilitation	\$150,000.00
Fuel and Wash Facility Rehabilitation	\$100,000.00
Upgrade Pasatiempo Northbound Stop	\$142,500.00
Bus Washer Mid-life Overhaul	\$100,000.00
Cavallaro Transit Center Roof Replacement and Solar Panels	\$150,000.00
Maintenance Facility Bay 11 and Other Modifications	\$360,000.00
Capital Upgrade of Bus Stops, Parking Lots, Transit Centers, Buildings	\$365,750.00
Vernon Street Bus Stop - Install Base and Concrete to Bus Stop Pad	\$572,954.00
Fuel and Wash Facility - Awning Construction Phase	\$215,000.00
On Route Construction/Installation	\$237,500.00
Inductive Charger Purchase	\$735,751.00
Maintenance Facility Electronic Access Control	\$50,000.00
<b>TOTAL</b>	<b>\$3,179,455.00</b>

**Table 2** provides a summary of the categories of work with the estimated cost for each. Categories of work are groups utilizing the comparable North American Industry Classification System (NAICS) codes for purposes of weighting the categories based on the project’s estimated cost.

<b>Category of Work</b>	<b>NAICS Code</b>	<b>Estimated \$ by NAICS</b>	<b>Estimated NAICS %</b>
Commercial and Institutional Building Construction	236220	\$700,183.00	22.02%
Electrical Contractors and Other Wiring Installation Contractors	238210	\$381,961.00	12.01%
Plumbing & HVAC Contractors	238220	\$109,500.00	3.44%
Painting and Wall Covering Contractors	238320	\$200,000.00	6.29%
Engineering Services (Building Inspection Services)	237310	\$17,881.10	0.56%
Site Preparation Contractor (grading, drainage)	238910	\$223,090.90	7.02%
Poured Concrete Foundation and Structural Contractors	238110	\$342,090.90	10.76%
Other Heavy and Civil Engineering Construction (land drainage contractors)	237990	\$12,750.00	0.40%
Prefabricated Metal Building and Component Manufacturing (bus shelter)	332311	\$78,000.00	2.45%
Car Washes	811192	\$70,000.00	2.20%
All Other Support Services (includes water softening and conditioning)	561990	\$10,000.00	0.32%
Roofing Contractors	238160	\$110,000.00	3.46%
Solar Electric Power Generation	221114	\$40,000.00	1.26%
All other Specialty Trade Contractors (parking lot paving and sealing)	238990	\$96,029.90	3.02%
Water and Sewer Line and Related Structures Construction	237110	\$12,062.20	0.38%
Landscape Architectural Services	541320	\$30,155.00	0.95%
All Other Miscellaneous Electrical Equipment and Component Manufacturing (inductive charger purchase)	335999	\$735,751.00	23.14%
Locksmiths	561622	\$10,000.00	0.32%
<b>TOTAL</b>		<b>\$3,179,455.00</b>	<b>100.00%</b>

### III. OVERALL GOAL SETTING METHODOLOGY

The two-step goal setting process required by 49 CFR 26.45 regulations has been used to determine the recommended overall goal for FFY21-FFY23. The two steps for setting an overall DBE goal are:

1. Establish a base figure for the relative availability of DBEs
2. Determine the base figure adjustment, if necessary

In order to establish the base figure for the relative availability of DBEs, Santa Cruz METRO staff determined a simple percentage of DBE vendors in the contracted types of work, weighted by the proportion of total project-based contract opportunities in that type of work. The base DBE goal was

then further adjusted to reflect Santa Cruz METRO's actual experience to narrowly tailor the base goal to market conditions. This multi-step process is set forth in detail below.

## **Step 1: Establishing a Base Figure**

### **A. Analyzing Available DBEs in the Relevant Contracting Markets**

To establish Santa Cruz METRO's Base Figure of the relative availability of DBEs to all comparable firms (DBE and Non-DBE) available to bid or propose on Santa Cruz METRO's contracting opportunities, staff followed the prescribed federal methodology. This was accomplished by accessing data from the California Department of Transportation (Caltrans) database of all statewide, certified DBE vendors, and the latest (2017) US Bureau of Census County Business Patterns (CBP) database. Both the CBP and Caltrans DBE vendor database offer vendor groupings according to the type of work vendors perform, as categorized by NAIC.

Staff first determined the market area from which vendors that bid on Santa Cruz METRO contracts would likely be chosen by reviewing Santa Cruz METRO's bidder's list and identifying all surrounding counties from which vendors typically submit bids or proposals. The following 14 counties create Santa Cruz METRO's market area for the purposes of developing the base DBE goal:

- 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 relevant market area, staff extracted a count of all vendors in the market area from the County Business Patterns (CBP) database and the Caltrans DBE vendor directory (using Caltrans Districts 04 and 05 which correspond to the 14 counties) by using the same NAICS code attached to each piece of potential contract work identified in the Contracting Opportunities.

By using the formula below, the Base Figure is derived by dividing the number of ready, willing and able DBE firms identified for each work category by the number of all firms identified for each corresponding work category (relative availability), weighting the relative availability for each work category by the corresponding work category weight from Table 2 (weighted ratio), and adding the weighted ratio figures together. A concerted effort was made to ensure

that the type of businesses included in the numerator was as similar as possible to the type of businesses in the denominator.

$$\text{Base Figure} = \sum \frac{(\text{Number of Ready, Willing and Able DBEs}) \times \text{weight}}{\text{Number of All Ready, Willing and Able Firms}} \times 100$$

For the numerator: CUCP DBE Database of Certified Firms

For the denominator: 2017 U.S. Census Bureau’s Business Patterns Database. The result of the Base Figure calculation is shown in **Table 3** as follows:

Category of Work	NAICS	Category Weight	DBEs	All Firms	Weighted Ratio
Commercial and Institutional Building Construction	236220	22.02%	40	1010	0.87%
Electrical Contractors and Other Wiring Installation Contractors	238210	12.01%	39	2200	0.21%
Plumbing & HVAC Contractors	238220	3.44%	15	2471	0.02%
Painting and Wall Covering Contractors	238320	6.29%	16	1443	0.07%
Engineering Services (Building Inspection Services)	237310	0.56%	130	2828	0.03%
Site Preparation Contractor (grading, drainage)	238910	7.02%	40	581	0.48%
Poured Concrete Foundation and Structural Contractors	238110	10.76%	35	443	0.85%
Other Heavy and Civil Engineering Construction (land drainage contractors)	237990	0.40%	31	76	0.16%
Prefabricated Metal Building and Component Manufacturing (bus shelter)	332311	2.45%	0	6	0.00%
Car Washes	811192	2.20%	0	327	0.00%
All Other Support Services (includes water softening and conditioning)	561990	0.32%	13	298	0.01%
Roofing Contractors	238160	3.46%	6	638	0.03%
Solar Electric Power Generation	221114	1.26%	0	11	0.00%
All other Specialty Trade Contractors (parking lot paving and sealing)	238990	3.02%	61	677	0.27%
Water and Sewer Line and Related Structures Construction	237110	0.38%	25	196	0.05%
Landscape Architectural Services	541320	0.95%	28	342	0.08%
All Other Miscellaneous Electrical Equipment and Component Manufacturing (inductive charger purchase)	335999	23.14%	1	53	0.44%
Locksmiths	561622	0.32%	0	118	0.00%
<b>BASE FIGURE</b>					<b>3.58%</b>

## Step 2: Adjusting the Base Figure

Upon establishing the Base Figure, staff considered the possible use of the Caltrans 2016 Disparity Study, reviewed past DBE goal attainment, and considered if there may be other evidence or information that would have an impact on achieving the DBE Goal.

### A. Evidence from Disparity Studies

The State of California's Department of Transportation, Caltrans, performed a disparity study in 2016. The study was amended in April 2017. The original study counted a high dollar construction contract twice. The amended study corrected the data and no additional clarifications were required. Santa Cruz METRO was informed that it may be able to use this study in its DBE Program.

Staff reviewed and analyzed the study to determine if it would be applicable to its local market area, and if using race conscious methods based on this study would be appropriate. The study mostly found disparity in the area of construction, which makes up a large part of the contracting opportunities for this goal period. This is also the main area that Santa Cruz METRO has been able to engage DBEs, but agrees that it may be an area with an opportunity to increase participation. Staff will consider using contract goals on future construction contracts if it observes or anticipates low participation in any given year of the current goal.

Overall, since this study covered the entire State of California, staff did not feel it was representative of its local market and would likely not qualify as "narrowly tailoring" Santa Cruz METRO's DBE Program.

### B. Statistical Disparities Relating to Financing, Bonding and Insurance

The Caltrans 2017<sup>2</sup> Disparity study revealed that marketplace conditions indicate that minorities, women, and minority- and woman-owned businesses face substantial barriers nationwide and in California. Race and gender-based disparities exist in terms of acquiring human capital, accruing financial capital, owning businesses, and operating successful businesses.

### C. Past DBE Goal Attainment

As outlined in the USDOT's, "Tips for Goal-Setting in the Disadvantaged Business Enterprise (DBE) Program," if warranted, a Step-2 adjustment for past participation may be made by calculating a median past participation percentage. Based on DBE attainment data for the last four years, METRO could consider 2.65% as its potential overall DBE goal—the average of the 3.58% current base figure and 1.72% past participation median value rounded to the nearest tenth percent.

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<sup>2</sup> <https://dot.ca.gov/-/media/dot-media/programs/civil-rights/documents/f0007117-proposedgoalandmethodology.pdf>

#### D. Employment and Other Data

In 2016, the U.S. Small Business Administration published data on California small businesses reflecting that 99.8% of California business are small businesses, and that 1.6 million of the 3.8 million small businesses are minority owned. This data is encouraging as it supports that there are ready, willing and able DBEs and small businesses in the overall California marketplace.

According to California's Employment Development Department (EDD), as of February 2020 the unemployment rate of 3.9%<sup>3</sup> was the lowest since 2006. Previous to the COVID-19 pandemic, EDD projected construction jobs statewide to increase 36% over the next ten years. However, due to the COVID-19 pandemic, the unemployment rate has jumped to 16.1% for California and 14.4% for the nation during the same period.<sup>4</sup> The areas of education and health services, government and construction saw the greatest numbers of job losses. While California's job growth between 2018 and 2019 was responsible for 22% of the nationwide growth, well outperforming all other states, the unemployment rate in Santa Cruz County was 17.4 percent in April 2020, up from a revised 8.1 percent in March 2020, and above the year-ago estimate of 5.3 percent.

Upon consideration of all of the above information and applying it to the planned projects, Santa Cruz METRO is making an adjustment for past participation to the Base Figure. The adjusted goal of 2.65% appears to be obtainable and beneficial to the DBE and small business contracting community.

#### IV. PROPOSED OVERALL DBE GOAL

**The final Proposed Overall DBE Goal for FFY21-23 for Santa Cruz METRO's FTA-assisted contracts is 2.65%.** As part of the prescribed goal-setting methodology, Santa Cruz METRO must project the percentage of its Proposed Overall Goal that can be met utilizing race-neutral and race-conscious measures.

#### V. RACE-CONSCIOUS & RACE-NEUTRAL PROJECTION

Santa Cruz METRO has achieved its goal through race-neutral means for two out of the last four federal fiscal years. DBE participation was higher in years in which the majority of contracting opportunities were in construction projects; DBE participation was lower when transportation, wholesale, and services contracts predominated. Since the majority of contracting opportunities in the current period are related to construction, Santa Cruz METRO will continue to employ an entirely race-neutral program.

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<sup>3</sup>The last data released was for **February 2020**. <https://www.labormarketinfo.edd.ca.gov/data/Top-Statistics.html#UR>

<sup>4</sup> [https://www.labormarketinfo.edd.ca.gov/file/lfmonth/scrz\\$pd.pdf](https://www.labormarketinfo.edd.ca.gov/file/lfmonth/scrz$pd.pdf)

RACE-CONSCIOUS & RACE-NEUTRAL PROJECTIONS	
DBE Base Figure	2.65%
Race-Conscious Component	0.00%
Race-Neutral Component	2.65%

## VI. RACE-NEUTRAL IMPLEMENTATION MEASURES

The U.S. DOT Regulations require that the maximum feasible portion of the DBE overall goal be met by using race-neutral methods. Race-neutral methods include efforts made to assure that bidding and contracting requirements facilitate participation by DBEs and other small businesses, such as unbundling large contracts to make them more accessible, encouraging prime contractors to subcontract portions of the work, and providing technical assistance, outreach and communications programs.

The three-year overall DBE goal also complies with the California Civil Rights Initiative, Proposition 209, in that any continuing race-conscious measures for new contracts, or contracts in progress, apply only to U.S. DOT-assisted contracts. The race-neutral elements of Santa Cruz METRO's DBE Program are applicable to all third-party contracts, regardless of funding source, in a manner that is consistent with Proposition 209. By this means, the administration of Santa Cruz METRO's contracts to include the participation of DBEs on a nondiscriminatory basis is preserved.

Efforts to meet the goal in this manner include:

- Santa Cruz METRO will focus on developing, refining and implementing race-neutral methods for facilitating DBE participation by advising prospective contractors of the areas for possible subcontracting opportunities, and providing contract information on available DBE firms who perform such work. Santa Cruz METRO will continue to solicit DBE participation on an ongoing basis, use DBE firms that have successfully completed prior projects, encourage eligible firms to become certified as DBEs, and provide requested technical assistance and related services when feasible.
- Santa Cruz METRO's website and solicitation documents advise its contracting community of the online directory of certified DBEs, found at the California Unified Certification Program website: <https://dot.ca.gov/programs/civil-rights/dbe-certification-information>.
- Using the Caltrans DBE database, procurement staff proactively sends formal solicitations to registered DBEs that may be interested. Pre-bid and pre-proposal conferences are held, which include a networking component to promote teaming opportunities between prospective prime contractors and the DBE and Small Business contracting community.
- Santa Cruz METRO will provide assistance in overcoming limitations such as inability to obtain bonding or financing (by means of simplifying the bonding process, eliminating the impact of surety costs from bids, and providing assistance with obtaining bonding and insurance when possible). Staff will refer the DBE and Small Business contracting community to the SBA Bonding Assistance Program.

- Santa Cruz METRO attends regular Business Fairs, providing information on its DBE Program and soliciting Small Businesses to participate in its contracts. The last event attended was a “Meet the Primes” event hosted by the Business Outreach Committee (a consortium of Bay Area transportation agencies) on November 5, 2019.
- Santa Cruz METRO will monitor carefully its progress during the course of each year and consider whether contract-based DBE goals would increase participation. All contracts that have DBE commitments will be monitored for compliance.

## **VII. Fostering Small Business Participation**

Santa Cruz METRO has implemented several strategies to foster small business participation in its contracting process. In addition to what is noted above, Santa Cruz METRO:

- Evaluates large projects for consideration of unbundling contracting opportunities into smaller portions so that small businesses, including DBEs, would have a greater opportunity to compete.
- Strongly encourages bidders on prime contracts to consider their subcontracting opportunities be a size that small businesses, including DBEs, can reasonably perform, and reach out to those communities proactively.
- Will partner with other local agencies and organizations to identify and advertise small business contracting opportunities, such as the Central Coast Small Business Development Center, the Business Outreach Committee, and the Regional Business Diversity Program (administered by the Valley Transportation Authority).

## **VIII. Public Participation and Facilitation**

Federal Regulations require that Santa Cruz METRO publish a notice in general circulation and DBE-oriented media announcing the proposed goal for FFY21 through FFY23 contracts assisted by U.S. DOT. An advertisement in both English and Spanish has been prepared and will be published in July 2020 in the Santa Cruz Sentinel and the Register-Pajaronian, and posted at all four major transit centers.

A Public Comment period will be opening on June 26, 2020, wherein staff will solicit comments from the public. During this period, staff will also contact as many diverse and disadvantaged business organizations as possible in order to meet with them, review the proposed goal and methodology, and consider their input, and incorporate all comments into the final document submitted to the FTA. A Public Hearing is scheduled for August 28, 2020 to finalize the Overall Goal.

Santa Cruz METRO will use its own website and subscriber notification system, GovDelivery, to publish information about the Proposed Goal and solicit input from interested parties.