



Federal Fiscal Year 2015 - 2017 (FFY15-FFY17)

Disadvantaged Business Enterprise

Overall Goal and Goal Setting Methodology

I. INTRODUCTION

The FTA requires that any recipient of more than \$250,000 in FTA funds annually must have a DBE goal. Santa Cruz Metropolitan Transit District (Santa Cruz METRO) will receive approximately \$5.7 million in FTA funding in FFY15 and will set a DBE goal, as it has for more than 20 years.

The FTA shifted from a requirement to calculate annually the DBE goal to calculating it every three years. Santa Cruz METRO complied with the requirement to calculate an annual goal through FFY11 and produced a three-year goal beginning with the FFY12-FFY14 period. Based on the requirements set forth in 49 CFR Part 26 (Regulations), Santa Cruz METRO is setting the goal for the three-year FFY15-FFY17 period. The FTA reporting period for the recommended overall goal will be October 1, 2015 to September 30, 2017.

II. PROPOSED OVERALL GOAL FOR FFY15-FFY17

The recommended overall DBE goal for the FFY15-FFY17 period is 1.90% for U.S. Department of Transportation, Federal Transit Administration (FTA) assisted contracts. Calculation of this goal was based anticipated FTA assisted contracts to be awarded between July 1, 2015 and June 30, 2017. Santa Cruz METRO will adjust its DBE goal, if necessary, when future budgets are known and if the contracting opportunities change.

The 1.90% overall goal identifies the relative availability of DBEs based on evidence of ready, willing and able DBEs in relationship to comparable businesses known to be available to compete for Santa Cruz METRO's FTA-assisted contracts. The goal reflects staff's determination of the level of DBE participation expected to be achieved absent the effects of discrimination.

Santa Cruz METRO intends to meet this three-year goal to the maximum extent feasible through race neutral measures. To ensure public participation in the goal-setting process, Santa Cruz METRO staff participated in outreach planning efforts through the Bay Area Business Outreach Community. The proposed overall goal will be publicized in the media and on Santa Cruz METRO's website. In addition, the proposed goal will be posted at Santa Cruz METRO's office in Santa Cruz, California.

III. OVERALL GOAL SETTING METHODOLOGY

The proposed three-year overall goal of 1.90% DBE participation is based upon contracting opportunities in grants received or anticipated to be received from FTA that Santa Cruz METRO will expend between FFY2015 through FFY2017. While the amounts of FTA assistance and budgeted procurements will differ

each year, it is anticipated that the types and percentages of contracting opportunities will be similar to those projected for FY2015. The total adjusted FTA-assisted budget for FY2015 is \$48,464,472 with \$6,367,441 in contracting opportunities.

The two-step goal setting process required by 49 CFR 26.45 regulations has been used to determine the recommended overall goal for FFY15-FFY17. 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

The Regulations describe several methods to calculate a DBE goal. 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 contract opportunities in that type of work as shown in the overall budget. 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. The final goal is expressed as both the percentage and amount of federal dollars in DBE contracting opportunities.

Step 1: Establishing a Base Figure

A. Analyzing Available DBEs in the Relevant Contracting Markets

To calculate Santa Cruz METRO's proposed DBE Goal for FFY15-FFY17, staff used data from Santa Cruz METRO's FY15 Operating and Capital Budget (Budget), the latest (2013) US Bureau of Census County Business Patterns (CBP) database and the California Department of Transportation (Caltrans) database of all statewide, certified DBE vendors, which is updated daily. Both the CBP and Caltrans DBE vendor database offer vendor groupings according to the type of work vendors 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 for which Santa Cruz METRO typically contracts by a corresponding NAICS code. The following text and tables describe the steps taken to calculate the base DBE goal and the adjusted final DBE goal.

First, staff examined Santa Cruz METRO's FY15 Budget to determine the type and amount of contracts which could be awarded from these budgets. In a Budget of \$48,464,472, potential contract opportunities equal \$6,367,441. The FTA provides \$5,690,364 in operating assistance, from which \$747,621 would be spent in procurement. The following table shows the calculations for the first step in determining the base DBE goal.

Santa Cruz METRO DBE Goal Calculation for FFY15 - FFY17

Step 1.A: Santa Cruz METRO FY15 Operating Budget Contract Opportunities ⁽¹⁾

	(A) Total	(B) \$ Procurement in Operating Budget	(C) % Procurement in Operating Budget	(D) \$ FTA Operating Assistance	(E) \$ FTA Operating Assistance in Procurements (C) * (D)
FY15 Operating Budget	\$ 48,464,472	\$ 6,367,441	13.14%	\$ 5,690,364	\$ 747,621

⁽¹⁾ METRO's FY15, FY16 Capital Budget has no federally-funded contract opportunities; None assumed for FY17.

Next, staff identified each item of potential contract work in the Budget by a corresponding NAICS code. Staff aggregated the types of work into the four broader Procurement Groups of Construction, Transportation, Wholesale and Services as set forth in the 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 for each Procurement Group.

Step 1.B: Santa Cruz METRO FY15 Operating Budget Contract Opportunities by Procurement Group

Procurement Group	(1) Construction	(2) Transport	(3) Wholesale	(4) Services	(5) Total
\$ in Group (FY15)	\$ 144,259	\$ 400,000	\$ 105,000	\$ 5,718,182	\$ 6,367,441
% of All Procurements in Group	2.27%	6.28%	1.65%	89.80%	100.00%
\$ FTA in Group [(1) % * \$ Step 1. (E)]	\$ 16,938	\$ 46,965	\$ 12,328	\$ 671,389	\$ 747,621

Staff then determined the market area from which vendors that bid on Santa Cruz METRO 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 base DBE goal calculation. In addition, staff included any DBE vendor in the state that indicated that they perform work in Caltrans Districts 04 and 05, regardless of the vendor's location. The following 14 counties fall within Caltrans Districts 04 and 05, which therefore create Santa Cruz METRO's market area for the purposes of developing the base DBE goal:

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

After determining the relevant market area, staff extracted a count of all vendors in the market area from both the County Business Patterns (CBP) database and the Caltrans DBE vendor directory by using the same NAICS code attached to each piece of potential contract work in the Santa Cruz METRO FY15 Operating Budget. The count of all such vendors, DBE vendors and the percentage of DBE vendors by Procurement Group in Santa Cruz METRO's market area are shown in the following table.

Step 1.C. Santa Cruz METRO Market Area Firms by NAICS in Procurement Groups Total Firms and Certified DBEs

County	(1)	(2)	(3)	(4)	#Firms in NAICS
	Construction 2382	Transportation 485991	Wholesale 221210,323110, 423120,423130, 424120,424720, 8112	Services 5221,5241, 541, 561612, 561720,562112,621111,8111, 812332	
Caltrans District 04					
Alameda	660	11	355	8,024	9,050
Contra Costa	457	5	117	5,195	5,774
Marin	169	0	48	2,345	2,562
Napa	69	0	15	669	753
San Francisco	349	7	148	8,365	8,869
San Mateo	424	15	132	4,553	5,124
Santa Clara	767	9	309	11,925	13,010
Solano	168	4	44	1,065	1,281
Sonoma	353	2	93	2,421	2,869
Caltrans District 05					
Monterey	203	2	46	1,514	1,765
San Benito	44	0	2	145	191
San Luis Obispo	184	1	54	1,477	1,716
Santa Barbara	238	2	62	2,287	2,589
Santa Cruz	144	1	34	1,387	1,566
Districts 04 & 05	4,229	59	1,459	51,372	57,119

Certified DBEs

Market Area	Construction	Transport.	Wholesale	Services	#DBEs in NAICS
	NAICs	NAICs	NAICs	NAICs	
District 04 & 05 & Statewide DBEs	111	7	45	1,362	1,525
%DBE	2.62%	11.86%	3.08%	2.65%	2.67%

Sources: US Bureau of the Census, County Business Patterns, 2013

CA Dept. of Transportation, UCP Directory of DBEs, 7/28/15

B. Calculating the Base DBE Figure

Next, 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 previously determined above in Step 1.B. This calculation produced the Santa Cruz METRO base DBE goal for FFY15-FFY17 as set forth in the below table.

Step 1.D: Santa Cruz METRO's FFY15-FFY 17 DBE Goal for FTA Assisted Contracts
Weighted Average of DBE Participation by Procurement Group as a Percentage of Total Contracts ⁽²⁾
% DBE Participation and Projected \$ FTA in DBE Contract Awards

	(1) Construction NAICs	(2) Transport. NAICs	(3) Wholesale NAICs	(4) Services NAICs	Total
% DBEs in Market Area	2.62%	11.86%	3.08%	2.65%	2.67%
% Contract \$ in Group	2.27%	6.28%	1.65%	89.80%	100.00%
Weighted %DBE (% Contracts * %DBE)	0.06%	0.75%	0.05%	2.38%	3.24%
FTA Dollars in DBE Contracts					
\$ FTA Assistance	\$ 16,938	\$ 46,965	\$ 12,328	\$ 671,389	\$ 747,621
\$ FTA in DBE Contracts					
% DBE * Total \$ FTA Assistance	548.20	1,520.06	399.01	21,729.90	\$ 24,197

⁽²⁾ Sum of (% DBE * % Group in Procurement Budget) for all four Procurement Groups

Step 2: Adjustment of Base DBE Goal

In order to obtain the final DBE goal in accordance with the methods described in the 49 CFR 26.45, staff examined the following factors: (1) the actual rate of DBE participation on FTA-funded contracts during the last five years relative to the adopted DBE goals; (2) anticipated contracting opportunities for the FY15 Budget; and, (3) the mid-point between Santa Cruz METRO's five preceding goals and the mid-point between Santa Cruz METRO's five preceding attainments. We note that there are no relevant disparity studies that Santa Cruz METRO can use in the Step 2 analysis – California Department of Transportation has an availability and disparity study, dated June 29, 2007, but it is not relevant for Santa Cruz METRO. We also note that Santa Cruz METRO does not have data that addresses statistical disparities in the ability of DBEs to get financing, bonding and insurance or on employment, self-employment, education and training, or union apprenticeship programs.

Staff examined budgetary changes by categorizing contracting opportunities in the FY15 Budget as shown in the following table and further evaluating known contract opportunities for FY16 and FY17. For FY15, nearly all of the anticipated procurements arise from operating budget with limited opportunities for subcontractors, unlike large construction projects, thus limiting the METRO's ability to fracture the projects into smaller contracts favorable to DBE and small businesses. The relatively few capital contracting opportunities in FY16 and FY17 are relatively small, do not lend themselves to subdivision into a number of subcontracts and thus do not offer better contracting opportunities than in FY15; therefore, the distribution of contracting opportunities across the four procurement groups used for the FY15 contracting opportunities would not likely change, and projecting the same rate of DBE participation through FY16 and FY17 contracts seems reasonable.

FY15 Contract Awards by Category

Contract Year	Description	Total	Procurement Group
FY15	BUS AIR, FUEL & OIL FILTERS	\$ 45,000.00	Wholesale
FY15	PROJECT MANAGEMENT CONSULTANT SERVICES	\$ 3,360,382.00	Services
FY15	THIRD PARTY ADMINISTRATION OF WORKERS' COMP CLAIMS	\$ 275,000.00	Services
FY15	VEHICLE REPAIR AND MAINTENANCE SERVICES	\$ 50,000.00	Services
FY15	VEHICLE REPAIR AND MAINTENANCE SERVICES	\$ 65,000.00	Services
FY15	VEHICLE REPAIR AND MAINTENANCE SERVICES	\$ 25,000.00	Services
FY15	VEHICLE REPAIR AND MAINTENANCE SERVICES	\$ 10,000.00	Services
FY15	VEHICLE REPAIR AND MAINTENANCE SERVICES	\$ 20,000.00	Services
FY15	VEHICLE REPAIR AND MAINTENANCE SERVICES	\$ 2,000.00	Services
FY15	SUPPLEMENTAL PARATRANSIT SERVICES	\$ 400,000.00	Transport
FY15	SECURITY GUARD SERVICES	\$ 1,830,000.00	Services
FY15	PURCHASE, DELIVERY AND SERVICING OF HEAVY-DUTY COACH BATTERIES	\$ 60,000.00	Wholesale, Services
FY15	BIOLOGICAL MONITORING SERVICES FOR OUTFALL CONSTRUCTION	\$ 30,800.00	Services
FY15	FLEET MAINTENANCE CONSULTANT SERVICES	\$ 25,000.00	Services
FY15	EXECUTIVE RECRUITING SERVICES	\$ 25,000.00	Services
FY15	EXTERIOR PAINTING OF THE CAVALLARO TRANSIT CENTER	\$ 36,190.00	Construction
FY15	PURCHASE AND INSTALLATION OF CARPET REPLACEMENT AT PACIFIC STATION	\$ 14,543.00	Construction
FY15	Construction and Completion of Green Valley Road Bus Stop Improvements	\$ 93,525.97	Construction

FY16	EXECUTIVE RECRUITING SERVICES (PLANNING & GRANTS MANAGER)	\$ 30,500.00	Services
FY16	COMPREHENSIVE OPERATIONAL ANALYSIS	\$ 181,786.00	Services
FY16	RADIO SYSTEM MAINTENANCE AND REPAIR	\$ 177,000.00	Services
FY16	LIFE AND ACCIDENTAL DEATH AND DISMEMBERMENT INSURANCE	\$ 82,188.00	Services
FY16	Long Term Disability Insurance	\$ 269,742.00	Services
FY16	Employee Dental Insurance	\$ 940,000.00	Services
FY16	STATE LEGISLATIVE REPRESENTATION SERVICES	\$ 90,000.00	Services
FY16	FEDERAL LEGISLATIVE REPRESENTATIVE SERVICES	\$ 201,000.00	Services
FY16	Santa Cruz METRO Administration Building Roof Replacement	\$ 102,400.00	Construction
FY16	PURCHASE, DELIVERY AND SERVICING OF METRO'S REVENUE AND NON-REVENUE TIRES	\$ 272,023.00	Wholesale / Services
FY16	Outfall Mitigation Monitoring	\$ 17,000.00	Services
FY16	Marketing and Communication Services	\$ 10,000.00	Services

FY17	FASTENERS, ELECTRICAL TERMINALS AND MISCELLANEOUS ITEMS (RTCC)	\$ 90,000.00	Wholesale
FY17	PURCHASE AND DELIVERY OF DIESEL FUEL (RTCC)	\$ 2,370,000.00	Wholesale
FY17	LICENSED BROKER SERVICES FOR EXCESS WORKERS' COMPENSATION INSURANCE	\$ 47,500.00	Services
FY17	EXCESS WORKERS' COMPENSATION INSURANCE	\$ 917,508.00	Services
FY17	EMPLOYEE VISION CARE SERVICES	\$ 696,800.00	Services
FY17	PURCHASE AND DELIVERY OF LIQUEFIED NATURAL GAS	\$ 6,500,000.00	Wholesale
FY17	SECURITY UPGRADE OF MECHANICAL PLATFORM AT OPS	\$ 65,000.00	Construction
FY17	EARTHWORK AND GRADING AT 135 DUBOIS	\$ 25,000.00	Construction
FY17	COURIER SERVICES	\$ 65,000.00	Services
FY17	INSTALLATION OF PIPE PROTECTION AT OPS	\$ 36,500.00	Construction
FY17	EXTERIOR PAINTING OF THE WATSONVILLE TRANSIT CENTER	\$ 120,000.00	Construction
FY17	PURCHASE AND INSTALLATION OF A BUILDING ACCESS CONTROL SYSTEM AND SITE CONNECTIVITY	\$ 150,000.00	Services
FY17	SECURITY SURVEILLANCE CONSULTANT SERVICES AT OPS AND FUEL & WASH FACILITY	\$ 50,000.00	Services
FY17	PURCHASE AND INSTALLATION OF A SURVEILLANCE SYSTEM AT OPS AND FUEL & WASH FACILITY	\$ 172,000.00	Services
FY17	PURCHASE AND INSTALLATION OF ANTI-CLIMB FENCING PANELS AT OPS	\$ 46,000.00	Construction
FY17	SEALING AND PAINTING OF STAIRS AT THE JUDY K. SOUZA OPERATIONS FACILITY	\$ 198,000.00	Construction
FY17	RESEALING AND RESTRIPIING OF PARKING LOTS AT SANTA CRUZ METRO FACILITIES	\$ 75,000.00	Construction
FY17	ROOF SECTION REPAIR AT PACIFIC STATION	\$ 12,000.00	Construction
FY17	PURCHASE & INSTALLATION OF GENERATORS	\$ 150,000.00	Services
8 FY17	CLASSIFICATION AND COMPENSATION STUDY	\$ 100,000.00	11/30/2016 Services
FY17	ADA BUS STOPS / FACILITIES EVALUATIONS	\$ 100,000.00	Services

Considering the factors above, Santa Cruz METRO will adjust its Step 1 calculated DBE goal downward by averaging its Step 1 Goal of 3.24% with its median DBE contracting attainment of 0.56% from the last five goal periods. The Step 2 adjustment reduces the DBE goal from 3.24% to 1.90%, which makes the final goal reasonable, rational and compliant with the Regulations. The 1.90% DBE goal applicable to FTA-assisted contracts equates to \$14,192 in FTA funds for DBE participation for FFY15.

FINAL OVERALL DBE GOAL

1.90 percent

In accordance with 49 CFR 26.45 and FTA guidance in revising its methodology for calculating a DBE goal, Santa Cruz METRO will use a DBE goal of 1.90% for FFY15 - FFY17. Santa Cruz METRO's proposed DBE goal and the methodology will be available at Santa Cruz METRO's Administrative Offices, 110 Vernon Street, Santa Cruz, CA 95060, on METRO's website www.scmtd.com.

IV. PROJECTION OF PERCENTAGE OF THREE-YEAR OVERALL DBE GOAL TO BE ACHIEVED THROUGH RACE-NEUTRAL 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. Race-neutral DBE participation includes any time a DBE wins a prime contract through customary competitive procurement procedures, a DBE is awarded a subcontract on a prime contract that does not carry a DBE goal, or a DBE wins a subcontract, even if there is a DBE goal, from a prime contractor that did not consider its DBE status in making the award.

Because of the emphasis placed on race-neutral methods and the small dollar amounts of projected new formal contracts with subcontracting opportunities, Santa Cruz METRO will not be setting contract-specific DBE goals on new contracts to be awarded in FFY15 through FFY17.

In addition, 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 availability of DBE firms to 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.

Race-neutral measures will comprise 100% of the total contracting opportunities through various types of contracts, including construction, professional services, procurement of materials, supplies, equipment and other services. Santa Cruz METRO will monitor carefully its progress during the course of each year. All contracts that have DBE commitments will be monitored for compliance.

V. PUBLICATION OF PROPOSED THREE-YEAR OVERALL DBE GOAL

Federal Regulations require that Santa Cruz METRO publish a notice in general circulation and DBE- oriented media announcing the proposed goal for FFY15 through FFY17 contracts assisted by U.S. DOT. Legal notices announcing the proposed goal will be published in one general circulation newspaper, *Santa Cruz Sentinel* and one minority-focused newspaper, *Watsonville Pajaronian*. Both notices will be published in Spanish and English. In addition, a legal notice will be posted at Santa Cruz METRO's Administrative office in Santa Cruz, California and on its website.

The legal notice will inform the public that information on the proposed goal and methodology is available for inspection during normal business hours at Santa Cruz METRO's office for thirty days from the date of publication. This notice will also advise that Santa Cruz METRO and U.S. DOT will accept public comments on the proposed goal and methodology for a period of forty-five days from the date of publication. At the conclusion of the public review and comment period, Santa Cruz METRO will take the approved goal and methodology to its Board of Directors for approval.

VI. COMPLIANCE WITH CALIFORNIA PROPOSITION 209

The three-year overall DBE goal 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.