



## Public Works

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December 16, 2015

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### **Methodology For Calculating the Proposed DBE Goal for Federal Fiscal Year 2015 through Federal Fiscal Year 2017 (FFY15-FFY17)**

The City of San Luis Obispo's SLO Transit fixed-route bus system (SLO TRANSIT) is proposing an overall Disadvantaged Business Enterprise (DBE) goal of 1.7% for U.S. Department of Transportation, Federal Transit Administration (FTA) assisted contracts in federal fiscal years 2015 through 2017 (FFY15 through FFY17).

Prior to FFY15, the FTA required that any recipient of greater than \$250,000 in FTA funds annually must establish a DBE goal. Recently, the FTA shifted from a requirement to calculate annually the DBE goal to calculating it every three years. As such, SLO TRANSIT is herein complying with this new requirement.

SLO TRANSIT will receive approximately \$1.1 million in FTA funding in FFY15 through FFY 17. Staff calculated the three-year DBE goal based upon the proposed SLO TRANSIT FY14-15 budget. SLO TRANSIT will adjust its DBE goal, if necessary, when future budgets are known or if contracting opportunities increase due to new capital federal funding sources.

The Code of Federal Regulations, Title 49 Section 26 (49 CFR 26) describes several methods to calculate a DBE goal. The method staff chose to develop SLO TRANSIT's FFY15 through FFY17 goal specifies that a simple percentage of DBE vendors in the contracted types of work be weighted by the proportion of total contract opportunities in that type of work as shown in the overall budget to determine a base goal. The base goal is to be further adjusted, as appropriate, to reflect the recipient's actual experience or other qualifying factors to narrowly tailor the goal to area market conditions. The final goal is expressed as both the percentage and the amount of federal dollars in DBE contract opportunities.

SLO TRANSIT's goal will be reached through race neutral means by doing the following: DBE participation through a prime contract which a DBE obtains through customary competitive procurement procedures; DBE participation through a subcontract on a prime contract that does not carry DBE goals; DBE participation on prime contract exceeding a contract goal; and DBE participation through a subcontract from a prime contract that did not consider a firm's DBE status in making the award. SLO TRANSIT will not reach its goal through race conscious contract goals.

To calculate SLO TRANSIT's proposed FFY15 through FFY17 DBE Goal, staff used data from the proposed SLO TRANSIT FY14-15 budget, the latest (2008) US Bureau of Census County Business Patterns (CBP) database, and the California Department of Transportation (Caltrans) database of all statewide certified



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DBE vendors. Both the CBP and Caltrans DBE vendor database offer vendor groupings according to the type of work they 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 that SLO TRANSIT typically contracts by a corresponding NAICS code. The following text and tables describe the steps taken to calculate the goal.

First, staff examined the proposed SLO TRANSIT FY14-15 budget to determine the type and amount of contracts which could be awarded from the operating and capital sections of the budget. From an operating and capital budget of \$3,633,658, potential contract opportunities equal \$3,068,203 outside of vehicle procurement. The FTA provides an estimated \$1,189,140 in operating and capital funding assistance. The following table shows the calculations for the first step.

<b>Step 1: SLO Transit FY15 Operating &amp; Capital Budget Contract Opportunities</b>					
	(A)	(B)	(C)	(D)	(E)
	Total	\$ Procurement in Operating & Capital Budget	\$ Procurement in Operating & Capital Budget (B)/(A)	\$ FTA Operating & Capital Assistance	\$ FTA Operating & Capital Assistance in Procurement (C)*(D)
FY15 Operating Budget	\$ 3,633,658	\$ 3,068,203	84%	\$ 1,189,140	\$ 1,004,091
FY15 Capital Budget	\$ 199,740	\$ 199,740	100%	\$ 199,740	\$ 199,740
<b>Total:</b>	<b>\$ 3,833,398</b>	<b>\$ 3,267,943</b>		<b>\$ 1,388,880</b>	<b>\$ 1,203,831</b>

Second, staff identified every piece of potential contract work in the FY14-15 budget by a corresponding NAICS code. Staff aggregated the types of work into the four broader *Procurement Groups* of Construction, Transportation, Wholesale and Services identified in the Step 2 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 in each Procurement Group.

<b>Step 2. SLO Transit's FY15 Operating &amp; Capital Budget Contract Opportunities by Procurement Group</b>					
Procurement Group	Construction	Transport	Wholesale	Services	Total
\$in Group (FY15 Budget)	\$ -	\$ -	\$ -	\$ 1,589,580	\$ 1,589,580
% of All Procurements in Group	0.0%	0.0%	0.0%	100.0%	100%
\$ FTA in Group {(1)%* \$ Step 1. (E)}	\$ -	\$ -	\$ -	\$ 1,203,831	\$ 1,203,831

Third, staff determined the market area from which vendors who bid on SLO TRANSIT 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 DBE calculation. In addition, staff included any DBE vendor in the state that indicated that they perform work in Districts 04 and 05, regardless of the vendor's location. The following fourteen counties fall within Caltrans Districts 04 and 05, creating SLO TRANSIT's market area:



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- 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 market area, staff extracted a count of all vendors in the market area from the County Business Patterns (CBP) database by using the same NAICS code attached to each piece of potential contract work in the SLO TRANSIT FY-1415 budget. Next, staff performed exactly the same operation on the Caltrans DBE vendor directory to obtain a count of DBE vendors in the SLO TRANSIT market area. The count of all vendors, DBE vendors and the percentage DBE vendors by Procurement Group in SLO TRANSIT's market area are shown in the following Step 3 Table.

Step 3. SLO Transit's Market Area Firms by NAICS in Procurement Group					
Total Firms and Certified DBEs					
Procurement Group	Construction	Transport	Wholesale	Services	# of Firms
	2382	485991	221210,323110, 423120,423130, 424120,424720, 8112	522190,5241, 541, 561612, 561720,562112, 621111,8111, 812332	In NIACS
<b>Caltrans District 4</b>					
Alameda	671	17	1,492	7,612	9,792
Contra Costa	471	6	734	5,040	6,251
Marin	181	7	260	2,353	2,801
Napa	85	1	106	692	884
San Francisco	377	18	573	7,448	8,416
San Mateo	427	20	743	4,179	5,369
Santa Clara	797	16	1,448	10,822	13,083
Solano	190	6	318	1,047	1,561
Sonoma	393	6	461	2,383	3,243
<b>Caltrans District 5</b>					
Monterey	219		325	1,448	1,992
San Benito	29		33	135	207
San Luis Obispo	210		267	1,486	1,963
Santa Barbara	260	4	371	2,201	2,836
Santa Cruz	173	1	210	1,358	1,742
<b>TOTAL:</b>	<b>4,483</b>	<b>102</b>	<b>7,341</b>	<b>48,204</b>	<b>60,140</b>



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<b>Certified DBE's</b>					
	<b>Construction</b>	<b>Transport</b>	<b>Wholesale</b>	<b>Services</b>	<b>#DBE's</b>
	NAICs	NAICs	NAICs	NAICs	in NAICs
<b>Distrit 04 &amp; 05 &amp; Statewide DBE's</b>	155	6	77	824	1062
<b>% DBE's</b>	<b>3.46%</b>	<b>5.88%</b>	<b>1.05%</b>	<b>1.71%</b>	<b>1.77%</b>

Sources: US Bureau of the Census, County Business Patterns, 2008  
 CA Dept. of Transportation, UCP Directory of DBEs, 5/1/14

Fourth, 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 as determined in Step 2. This produced the base DBE goal for FFY15 through FFY17.

<b>Step 4: SLO Transit's FFY15-FFY 17 DBE Goal for FTA Assisted Contracts</b>					
	<b>Construction</b>	<b>Transport</b>	<b>Wholesale</b>	<b>Services</b>	<b>Total</b>
<b>% DBE's in Market Area</b>	3.45%	5.88%	1.05%	1.71%	1.77%
<b>% Contract \$ in Group</b>	0.0%	0.0%	0.0%	100.0%	100%
<b>Weighted %DBE(% Contracts*%DBE)</b>	0.00%	0.00%	0.00%	1.71%	1.71%
<b>\$ FTA Assistance</b>	\$ -	\$ -	\$ -	\$ 1,388,880	\$ 1,856,244
<b>\$ FTA in DBE Contracts</b>					
<b>%DBE * Total \$ FTA Assistance</b>	-	-	-	23,741.54	23,742

To obtain the final DBE goal using the chosen method prescribed by 49 CFR 26.45, staff examined the actual rate of DBE participation during the last three years relative to the adopted DBE goals to determine if the FFY15 through FFY17 base goal should to be adjusted. Although SLO TRANSIT didn't need to set a DBE goal due to the fact that the only projects was direct labor cost, fuel and vehicle cost that was purchase with FTA funding, SLO TRANSIT attempted to achieve 2% DBE goal and was not successful in achieving this goal. SLO TRANSIT had no large construction contracts available to bid during the analysis period. Due to an increase in FTA funding and an increase in current contract opportunities, SLO TRANSIT therefore had the need to adjust the base goal down.

In previous years, SLO TRANSIT adopted annual goals of 2% DBE participation. SLO TRANSIT's FY14-15 capital budget has no significant contract opportunities as it relates to large construction projects, which would warrant an upward adjustment to the FFY15 through FFY17 goal. SLO TRANSIT's capital contracting funds have been on a consistent decline since 2008. And with the calculated rate falling well below the goals of the last three years, staff decided that the calculated goal needed to be adjusted down to 1.7%.

SLO TRANSIT has only one major contract for the operations & maintenance associated with providing the service. This contract is due to expire on June 30<sup>th</sup>, 2016. As in the past, SLO TRANSIT will be sure to include in the RFP and contract language that if awarded to a non-DBE vendor, such primary vendor must also adopt the same DBE goal and or demonstrate a good faith effort in achieving it.

If approved by the City Council, SLO TRANSIT will establish a DBE Goal of 1.7% for FFY15 through FFY17. SLO TRANSIT's proposed DBE Goal for FFY15 through FFY17 and supporting documents for SLO TRANSIT's DBE Program are available for public inspection through August 6, 2015 at SLO TRANSIT's Administrative Offices, 919 Palm St. and on our website at [www.slotransit.org](http://www.slotransit.org).