

City of Los Angeles Department of Transportation

DBE Triennial Goal FFY 2019-2021

Disadvantaged Business Enterprise Goal for DOT-Assisted
Contracts



June 25, 2018

BACKGROUND

The City of Los Angeles Department of Transportation (LADOT) receives federal financial assistance from the U.S. Department of Transportation (DOT). Recipients are required to set an overall goal for Disadvantaged Business Enterprise (DBE) participation in DOT-assisted contracts in accordance with 49 CFR Part 26 “Participation by Disadvantaged Business Enterprises (DBE) in Department of Transportation Programs.” The triennial goal is established to help ensure that DBEs have equal opportunity to participate in LADOT’s DOT-assisted contracts.

Effective Dates of Triennial DBE Goal

October 1, 2018 through September 30, 2019 (FFY 2019)

October 1, 2019 through September 30, 2020 (FFY 2020)

October 1, 2020 through September 30, 2021 (FFY 2021)

49 CFR Part 26 requires recipients of DOT federal aid to use a two-step process in the development of their overall DBE goal. This document provides information about DOT-assisted contract opportunities available during the triennial goal period, methodology used to establish the DBE goal, proportion of the DBE goal anticipated to be met through race-neutral and race-conscious means, and consultation and publication of the DBE goal.

DOT-ASSISTED CONTRACT OPPORTUNITIES

This section describes the upcoming federally-funded operational and capital projects including total DOT funding amount, which is required to be at least \$250,000. Transit vehicle purchases were not considered. LADOT anticipates awarding \$960,744 in DOT-assisted grants during FFY 2019-2021 on the following projects:

Solar Real-Time Bus Arrival Signs

Temporary Federal ID Number: 1644-2018-2

DOT Grant Amount: \$418,404

LADOT anticipates awarding \$418,404 in Federal Transit Administration (FTA) Section 5307 1% Associated Transit Improvement (ATI) grant funding in Fiscal Year 2019 for 170 solar-powered, real-time bus arrival information signs (Solar Bus Signs Project). The signs will be installed at select bus stops along DASH routes within the Los Angeles Promise Zone, a collective impact anti-poverty initiative that began in 2014. This project supports LADOT’s broader efforts to improve DASH performance and provide equitable

and affordable access to information, quality transit service, and advanced transportation technologies.

Central Avenue Public Transit Improvement/Street Light Project

Federal Award Identification Number: CA-04-0208-01

DOT Grant Amount: \$542,340

LADOT anticipates awarding \$542,340 in FTA 5309 funds for the Central Ave. Public Transit Improvement/Street Light Project at Washington Blvd and Walnut St to 58th and Slauson Ave (Central Ave. Project). This project will consist of purchase and installation of 11 street light bracket arms and 23 new decorative street lights for bus stops in the project area.

DBE GOAL AND METHODOLOGY

LADOT followed the federal regulations including the two-step goal setting methodology set forth in 49 CFR Part 26.45. This section illustrates the methodology for determining base and weighed base figures for the Solar Bus Signs and Central Ave. Projects. LADOT used the California Unified Certification Program (UCP) DBE directory and US Census Bureau data to establish base figures. LADOT did not use bidders lists to inform the base figure because of disparate work types in projects undertaken in the past three years compared to those of the Solar Bus Signs and Central Ave. Projects.

Step I: Determine Base Figure for Relative Availability of DBEs

Solar Bus Signs Project Base Figure Methodology

Calculation of the Solar Bus Signs Project Base Figure is detailed in Table A. North American Industry Classification System (NAICS) codes were obtained through online search for firms that provide solar-powered real-time bus arrival signs and their respective NAICS codes (column A). DBEs with the corresponding NAICS codes were identified through the California Unified Certification Program (UCP) database (column G).¹ The number of businesses with the corresponding NAICS codes was obtained through the US Census Bureau County Business Patterns for 2016 using California as the market range (column H).² Number DBEs were divided by total firm counts for all NAICS codes to determine the base figure.

¹ California Unified Certification Program (UCP). Accessed 6/6/18. <http://www.dot.ca.gov/hq/bep/ucp.htm>

² US Census Bureau County Business Patterns. Accessed 6/6/18. <https://www.census.gov/programs-surveys/cbp/data/tables.html>

$$\text{Base Figure} = \frac{\text{Ready, Willing and Able DBEs}}{\text{All Ready, Willing and Able Firms}}$$

$$106 / 1,464 = 7.24\%$$

Geographic Market Area

LADOT determined that data from the state of California will be used for the Solar Bus Signs Project. Given the relatively small number of firms estimated to be in the market for this relatively specialized product, LADOT found that it is reasonable to use the State of California as the market area.

Weighing Base Figure

The LADOT Head of Transit Operations verified that this work is typically conducted by one firm that manufactures, transports, and installs the solar bus signs. A known vendor of solar bus signs confirmed that the vendor ships and/or installs the product according to the client's needs.³ Given that it is reasonable that one vendor would manufacture, transport, and install their own signs, the base figure was not weighed between these three components of work. Instead, the number of DBEs was divided by total number of firms across all NAICS codes to provide an estimate of DBE availability.

It is possible that not all NAICS codes associated with the production of solar bus signs were captured, or that the NAICS codes used include firms that do not produce solar bus signs. Additionally, secondary and tertiary NAICS codes were also included. Error could result depending on accuracy of the NAICS codes used.

Base Figure for Relative Availability of DBEs

LADOT found that the relative availability of DBEs is **7.24%** for the Solar Bus Signs project. This amounts to \$30,294 (column K).

³ Phone call with vendor 6/1/18

Table A: DBE Availability – Solar Bus Signs Project

(A)	(B)	(C)	(D) = (BxC)	(E)	(F) = (DxE)	(G)	(H)	(I)	(J) = (G/H)	(K) = (JxF)
Project Title & Subcontracting Opportunities (2017 NAICS)	Total Project Cost	DOT Funding %	DOT Amount	Weight Estimated % of Project Total of Cost	Estimated DOT % of Total Project Cost	CUCP # DBE Firms Available June 2018	2016 US Census # of DBE & Non DBE Firms	Range of Market	% of relative DBE availability	Dollars to DBEs based on relative availability
SOLAR SIGNS - FTA 5307 1%	\$597,404	70%	\$418,404	100%	\$418,404			California		\$30,294
Radio and Television Broadcasting and Wireless Communications Equipment Manufacturing #334220						4	174		2.30%	
Other Communications Equipment Manufacturing #334290						7	63		11.11%	
Search, Detection, Navigation, Guidance, Aeronautical, and Nautical System and Instrument Manufacturing #334511						1	106		0.94%	
Sign manufacturing #339950						22	595		3.70%	
All other Support Activities for Transportation #488999						17	67		25.37%	
All Other Business Support Services #561499						55	459		11.98%	
LINE SUB-TOTAL				100%	\$418,404	106	1,464		7.24%	\$30,294

Central Ave. Project Base Figure Methodology

Calculation of the Central Ave. Project Base Figure is detailed in Table B. The City of Los Angeles Bureau of Street Lighting (BSL) provided a preliminary project cost estimate detailing cost components. NAICS codes for construction, concrete, and electricity supply provided by BSL were used to obtain number of businesses in the UCP database (column G) and US Census Bureau County Business Patterns (column H).⁴ According to BSL, a construction company will be the prime contractor, while concrete and electricity suppliers will be subcontractors.

Geographic Market Area

LADOT used firm data from Los Angeles County for the Central Ave Street Lights Project. A search in the UCP database and County Business Patterns indicated that the relative availability of DBEs for each of the NAICS codes were greater in Los Angeles County than in the state of California. Given this indication of local availability, LADOT defined Los Angeles County as the geographic market area.

Weighing of Base Figure

The base figure was weighted based on BSL projection of contract dollars going to construction (80%), concrete (9%), and electricity supply (11%) components of work (column E).

$$\text{Base Figure} = \frac{\text{Ready, Willing and Able DBEs}}{\text{All Ready, Willing and Able Firms}}$$

$$328 / 2,728 = 12.02\%$$

For NAICS code #237310 Highway, Street, and Bridge Construction, The UCP database identified 206 DBE firms while the US Census County Business Patterns provided a count of 80 total firms. To account for this discrepancy and adjust towards a more realistic figure, the percentage of relative DBE availability was adjusted from 250% to 90%. There may be contractors with other NAICS codes that were not included in calculating the base figure. Additionally, different actual percentages of contract dollars going to types of work would result in inaccuracy of the base figure.

⁴ California Unified Certification Program (UCP). Accessed 6/15/18.
<http://www.dot.ca.gov/hq/bep/ucp.htm>

Base Figure for Relative Availability of DBEs

LADOT found that the relative availability of DBEs is **12.02%** for the Central Ave. Project. This amounts to \$79,228 (column K).

Table B: DBE Availability – Central Ave. Project

(A)	(B)	(C)	(D) = (BxC)	(E)	(F) = (DxE)	(G)	(H)	(I)	(J) = (G/H)	(K) = (JxF)
Project Title & Subcontracting Opportunities (2017 NAICS)	Total Project Cost	DOT Funding %	DOT Amount	Weight Estimated % of Project Total of Cost	Estimated DOT % of Total Project Cost	CUCP # DBE Firms Available June 2018	2016 US Census # of DBE & Non DBE Firms	Range of Market	% of relative DBE availability	Dollars to DBEs based on relative availability
CENTRAL AVE STREET LIGHTING	\$542,340	100%	\$542,340							
Construction				80%	\$433,872			LA County		\$45,682
Highway, Street, and Bridge Construction #237310						72*	80		90.00%	
Electrical Contractors and Other Wiring Installation Contractors #238210						135	1,886		7.16%	
Concrete								LA County		
Structural Steel and Precast Concrete Contractors #238120				9%	\$48,811	61	106		22.59%	\$28,089
Electrical Supply										
Electrical apparatus and equipment, wiring supplies, and related equipment merchant wholesalers #423610				11%	\$59,657	60	656	LA County	3.28%	\$5,456
LINE SUB-TOTAL		100%		100%	\$542,340	328	2,728		12.02%	\$79,228

*UCP identified 206 DBE firms in the market area. The 2016 US Census County Business Patterns provided a count of 80 firms in the market area. To account for this discrepancy (greater number DBE firms than total firms), the percentage of relative DBE availability was adjusted to 90%.

Overall DBE Goal

The total of all weighted dollars going to DBEs between the two projects based on relative availability is \$109,522. The total DOT-assisted amount is \$960,744.

$$\$109,522 / \$960,744 = 11.40\%$$

The final overall DBE goal for FFY 2019-2021 is 11.40%.

Step 2: Adjust the Base Figure for the Overall DBE Goal

Step 2 consists of adjusting the overall DBE goal calculated in Step 1 to account for other evidence, which may include:

- Past participation
- Evidence from disparity studies
- Statistical disparities relating to financing, bonding, and insurance
- Data on employment, self-employment education and training, and union apprenticeship programs
- Other relevant data

Past Participation

Projects anticipated for FFY 2019-2021 are different from the types of projects in the past three years, thus no adjustment was made for past participation. The current Solar Bus Signs and Central Ave. Projects require different materials and labor than the transit pavilion, bus maintenance, and mixed-use development projects from the past three years. While the transit pavilion project included a bus light component, City labor was used in this project whereas contract labor will be used in the Central Ave. Project. While not used to adjust the base figure, this section provides DBE participation and their respective goals in the past three years:

DBE Goal FFY 2016-2018

LADOT's DBE goal for FFY 2016-2018 was 18.7% (Table C). Two projects were included in calculation of the October 1, 2015 - September 30, 2018 goal using a total of \$22,865,745 in DOT-assisted grants:

- Streetscapes Glassell Park Transit Pavilion: \$190,000
- LADOT Bus Maintenance Facility and CNG Fueling Facility: \$22,865,745

DBE Goal FFY 2013 - 2015

LADOT's DBE goal for FFY 2013 - 2015 was 20.0%. Three projects were included in calculation of the October 1, 2012 - September 30, 2015 goal using a total of \$18,015,553 in DOT-assisted grants:

- California State LA Bus Turnaround: \$350,033
- Chinatown Blossom Plaza Mixed-Use Development Project: \$4,580,250
- LADOT Bus Maintenance Facility and CNG Fueling Facility: \$13,085,270

Table C: DBE Goal Attainment in Previous Three Years**C1. Federal Fiscal Year 2018 - DBE Goal: 18.7%**

	DBE Report	June 1	Total
A.	Total dollars awarded to DBE prime contractors (Line 8C)	\$0	\$0
B.	Total dollars awarded to DBE subcontractors (Line 9C)	\$0	\$0
C.	Total dollars awarded to DBEs (A+B)		\$0
D.	Total prime contractor dollars awarded (Line 8A)	\$0	\$0
E.	Annual percentage awarded (C3/D3)		0%

C2. Federal Fiscal Year 2017 - DBE Goal: 18.7%

	DBE Report	June 1	Dec 1	Total
A.	Total dollars awarded to DBE prime contractors (Line 8C)	\$110,906	\$0	\$110,906
B.	Total dollars awarded to DBE subcontractors (Line 9C)	\$1,632.00	\$0	\$1,632.00
C.	Total dollars awarded to DBEs (A+B)			\$112,538
D.	Total prime contractor dollars awarded (Line 8A)	\$171,334	\$0	\$171,334
E.	Annual percentage awarded (C3/D3)			65.7%

C3. Federal Fiscal Year 2016 - DBE Goal: 18.7%

	DBE Report	June 1	Dec 1	Total
A.	Total dollars awarded to DBE prime contractors (Line 8C)	\$0	\$0	\$0
B.	Total dollars awarded to DBE subcontractors (Line 9C)	\$0	\$29,995	\$29,995
C.	Total dollars awarded to DBEs (A+B)			\$29,995
D.	Total prime contractor dollars awarded (Line 8A)	\$0	\$19,465,745	\$19,465,745
E.	Annual percentage awarded (C3/D3)			0%

C4. Federal Fiscal Year 2015 - DBE Goal: 20.0%

	DBE Report	Dec 1	Total
A.	Total dollars awarded to DBE prime contractors (Line 8C)	\$0	\$0
B.	Total dollars awarded to DBE subcontractors (Line 9C)	\$0	\$0
C.	Total dollars awarded to DBEs (A+B)		\$0
D.	Total prime contractor dollars awarded (Line 8A)	\$0	\$0
E.	Annual percentage awarded (C3/D3)		\$0

From October 1, 2016 through March 31, 2017, LADOT exceeded its DBE goal of 18.7% with 65.7% DBE attainment. In this period, three contracts totaling \$171,334 in federal funds were awarded to the Transit Pavilion project. The DBE award was \$112,538 total in federal funds – \$110,906 to a prime contract (concrete) and \$1,632 to a subcontract (trucking).

Disparity Studies

While LADOT has not commissioned a disparity study, Caltrans and the Los Angeles County Metropolitan Transportation Authority (Metro) have relevant disparity studies. Caltrans conducted a Disparity Study in 2016 and Metro conducted a Disparity Study in

2017 to inform their respective implementation of the Federal Disadvantaged Business Enterprise (DBE) Program.^{5,6}

Disparities in the Ability of DBEs to Get Financing, Bonding, and Insurance

Metro and Caltrans disparity studies found that minority- and women-owned businesses in Los Angeles County and California, respectively, do not have the same access to financing, bonding, and insurance as non-Hispanic white men and businesses owned by non-Hispanic white men. Barriers to obtaining financing, bonding, and insurance might limit opportunities for minorities and women to successfully form and operate businesses in the Los Angeles County and California contracting marketplace. Any barriers would also place those businesses at a disadvantage in competing for Caltrans and Metro federally funded prime contracts and subcontracts. Both studies found that disparities in the ability of DBEs to get financing, bonding, and insurance supports an upward step-2 adjustment to their respective base figures.

Data on Employment, Self-Employment Education and Training, and Union Apprenticeship Programs

Metro and Caltrans disparity studies found that there are barriers that certain minority groups and women face related to human capital, financial capital, business ownership, and business success in the contracting industries of the Metro study area and California, respectively. Such barriers may decrease the availability of minority- and women-owned businesses to obtain and perform the FTA-funded contracts that Metro awards and the FHWA-funded contracts that Caltrans and subrecipient local agencies award. Based on these findings, the disparity studies support an upward step-2 adjustment to their respective base figures.

Metro's 2017 Disparity Study found that based on information related to business ownership alone, Metro might consider adjusting the base figure of 27.0% upward to 31.9%. Caltrans' 2016 Disparity Study found that based on information related to business ownership alone, Caltrans might consider adjusting the base figure of 17.6% upward to 23%. To arrive at these adjustments, the consultant simulated business ownership rates if minority- and women-owned businesses owned businesses at the same rate as non-Hispanic white men who share similar race- and gender-neutral personal characteristics. This was done using a probit regression analysis then calculating a business ownership disparity index. Neither Metro nor Caltrans adopted these adjustments into their overall DBE goal.

⁵ Caltrans. 2016 Disparity Study. Prepared by BBC Research & Consulting. 28 April 2017. <http://www.dot.ca.gov/obeo/docs/2016DisparityStudyReport.pdf>

⁶ LA Metro. 2017 Disparity Study. Prepared by BBC Research & Consulting. 19 Jan 2018. http://media.metro.net/about_us/disparity_study/images/2017_metro_disparity_study.pdf

No Adjustment of Base Figure at this Time

LADOT acknowledges that the base figure determined in Step 1 reflects the amount of participation that DBEs would be expected to achieve in the absence of present and past effects of discrimination. Minority- and women-owned businesses experience barriers that place these businesses at a disadvantage for competing for federal contracting opportunities through these agencies. However, the disparity studies acknowledge that much of the information examined in considering a step-2 adjustment was not easily quantifiable.

LADOT concludes that an adjustment to the base figure to account for the continuing effects of past discrimination conducted by LADOT at this time may be cursory. 49 CFR Part 26 states that there must be a rational relationship between the data used to make the adjustment and the actual numerical adjustment made. Thus, LADOT has not adjusted its FFY 2019-2021 base figure for its overall DBE goal.

Estimated Race-Neutral and Race-Conscious Participation

LADOT will meet the maximum feasible portion of its overall DBE goal by using race-neutral means. Race-neutral DBE participation is deemed to have occurred when a DBE is awarded a prime contract through customary competitive procurement procedures, is awarded a subcontract on a prime contract that does not carry a DBE goal, or even if there is a DBE goal, is awarded a subcontract by a prime contractor that did not consider its DBE status in making the award (e.g., a prime contractor that uses a strict low bid system to award subcontracts). Race-neutral means include, but are not limited to: utilizing DBE prime contractors, making RFPs/solicitations attractive to DBEs, unbundling contracts, simplifying or reducing bonding requirements, outreaching to/for DBEs, distributing DBE directories to prime contractors, and strengthening required small business strategies. Race-conscious means are to be used only when the goal cannot be met through race-neutral methods.

Race-Neutral and Race-Conscious Split FFY 2019-2021

Should LADOT not be able to meet its DBE goal through race-neutral methods only, race-neutral and race-conscious splits have been calculated for DOT-assisted contracts. LADOT followed the methodology provided by the FTA for determining race-neutral (RN) and race-conscious (RC) splits.⁷ This methodology determines the RN/RC split based on previous Relative RN Attainment of DBE achievement, Absolute RN Attainment based on the previous Relative RN Attainment and the current Proposed Overall Goal, and

⁷ FTA. Grantee DBE Goal-Setting and Consultation Webinar. May 2018.

subsequently the RC split based on the current Proposed Overall Goal and Absolute RN Attainment:

Determine the Relative RN Attainment by dividing RN Attainment (in the past triennial period) by the Overall DBE Achievement (Table D1; see breakdown in Table D2).

$$\text{Relative RN Attainment} = \text{RN Attainment} / \text{Overall DBE Achievement}$$

$$\$110,906 / \$142,533 = 77.81\%$$

Determine the Absolute RN Attainment by multiplying the Relative RN Attainment (%) by the Proposed Overall Goal (%).

$$\text{Absolute RN Attainment} = \text{Relative RN Attainment} \times \text{Proposed Goal}$$

$$77.81\% \times 11.40\% = 8.87\%$$

Determine the RC Split by subtracting the Proposed Overall Goal (%) by the Absolute RN Attainment (%).

$$\text{RC Split} = \text{Proposed Goal} - \text{Absolute RN Attainment}$$

$$11.40\% - 8.87\% = 2.53\%$$

Table D: Inputs for Calculating Race-Neutral and Race-Conscious Splits

D1. Summary

Item	Amount
Overall DBE Achievement by dollar amount FFY 2016-2018:	\$142,533
Race-Neutral Attainment by dollar amount FFY 2016-2018:	\$110,906
Proposed Goal for FFY 2019-2021	11.40%

D2. DBE Achievement, Race-Neutral Achievement, and Total Awards by Semi-Annual Reporting Period for Past Three Years

Report due date	Overall DBE achievement (on awards & commitments)	Race-neutral achievement (on awards & commitments)	Total awards
June 2018	\$0	\$0	\$0
Dec 2017	\$0	\$0	\$0
June 2017	\$112,538	\$110,906	\$171,334
Dec 2016	\$29,995	\$0	\$19,465,740
June 2016	\$0	\$0	\$0
Dec 2015	\$0	\$0	\$0
TOTALS	\$142,533	\$0	\$19,637,074

LADOT will meet the maximum feasible portion of its overall DBE goal by using race-neutral means. When this is not possible, LADOT has determined that 8.87% is expected to be achieved through race-neutral methods and 2.53% is expected to be achieved through race-conscious methods.

CONSULTATION AND PUBLICATION

LADOT is required to provide for consultation in establishing its overall goal. This includes consultation with minority, women's and general contractor groups, community organizations, and other officials or organizations which could be expected to have information concerning the availability of disadvantaged and non-disadvantaged businesses, the effects of discrimination on opportunities for DBEs, and your efforts to establish a level playing field for the participation of DBEs. This also includes a published notice announcing the proposed overall goal before submission on August 1. This section provides information about consultation and publication completed by LADOT.

Stakeholder Consultation

[LADOT is in the process of reaching out to stakeholders for review and comment on the FFY 2019-2021 DBE goal and methodology. Documentation of outreach efforts and comments will be included in this section.]

Published Notice

LADOT has published a notice announcing its proposed overall goal and requesting feedback. The notice and this goal methodology are available on the website:

- LADOT Transit homepage: <https://www.ladottransit.com/>
- LADOT Transit DBE webpage: <https://www.ladottransit.com/dbe/>

Public Information Session and 30-Day Comment Period (Discretionary)

LADOT has a public informational session on the DBE Goal for FY 2019-2021 scheduled for July 11, 2018 from 3:30 – 4:30 PM at 100 S. Main Street, Room 01.040C.

The public notice states that LADOT will accept comments on the goal until July 27, 2018.