

City of Los Angeles Department of Transportation

Draft DBE Goal FFY 2022-2024

Disadvantaged Business Enterprise Goal for DOT-Assisted Contracts



Submitted Date xx, 2021

BACKGROUND

The City of Los Angeles Department of Transportation (LADOT) receives federal funding from the U.S. Department of Transportation (DOT) Federal Transit Administration (FTA). 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 overall goal is established to help ensure that DBEs have equal opportunity to participate in LADOT’s DOT-assisted contracts.

The effective dates of this overall DBE goal are October 1, 2021 through September 30, 2024 (FFY 2022-2024).

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.

LADOT has obtained an extension to submit the DBE goal by September 30, 2021.

DOT-ASSISTED CONTRACT OPPORTUNITIES

This section describes the upcoming projects funded by the FTA, excluding transit vehicle purchases. LADOT anticipates awarding \$3,634,381 in FTA-assisted grants during FFY 2022-2024. FTA requires an overall DBE goal because LADOT anticipates awarding more than \$250,000 in FTA funds in a federal fiscal year.

Solar Real-Time Bus Arrival Signs

Federal Award Identification Number: CA-2019-115-00

DOT Grant Amount: \$418,404

The Solar Bus Signs Project will fund 170 solar-powered real-time bus arrival information signs installed at bus stops along select DASH routes. 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.

This project was part of the FFY 2018-2021 goal, but it was not awarded in that period. It is expected to be awarded in FFY 2022-2024 so it is included in this goal period.

Maintenance Facility Upgrades

Federal Award Identification Number: CA-2020-202-01 (amendment pending)

DOT Grant Amount: \$3,215,977

The Maintenance Facility Upgrades project will fund the purchase and installation of 15 high-powered chargers and associated electrical equipment to power battery electric buses, and a charger management system at LADOT's Commercial Avenue bus maintenance facility in downtown Los Angeles.

DBE GOAL AND METHODOLOGY

LADOT followed the federal regulations including the two-step goal setting methodology set forth in 49 CFR part 26.45 for how to set goals. Step 1 determines a Base Figure for the relative availability of DBEs and the overall goal and Step 2 allows adjustments to the Base Figure. This section illustrates the methodology for determining base and weighted base figures for the projects described. LADOT has not conducted a competitive bid similar to the Solar Bus Signs or Maintenance Facility Upgrades projects so there is no relevant data from a bidder's list.

Step 1: Determine Base Figure for Relative Availability of DBEs

This methodology begins by calculating a base figure for the relative availability of DBEs using the California Unified Certification Program (CUCP) DBE directory and the US Census Bureau County Business Pattern database. Including the relevant six-digit North American Industry Classification System (NAICS) codes for each project, this method determines the number of ready, willing, and able DBEs in LADOT's market area from the CUCP and divides it by the number of all ready, willing and able businesses available from the Census Bureau in the same market area to obtain the base figure.

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

Geographic Market Area

LADOT defined the market area as the geographic area where the majority of its expenditures occur for FTA-funded projects. LADOT linked zip codes to project contractors and subcontractors back to 2016 and determined its market area to be Los Angeles, Orange, and San Bernardino counties.

Project Base Figure Methodology

To calculate the Base Figure, LADOT divided the total number of DBE firms by the total number of firms for each NAICS code. The number of DBE firms with those NAICS codes came from the CUCP database on March 24, 2021 for the Solar Signs Project and July 23, 2021 for the Maintenance Facility Upgrades project (column A). The number of all firms in the LADOT market area with the corresponding NAICS codes came from the US Census Bureau County Business Patterns for 2018 for code 339950 Sign manufacturing and the US Census Bureau County Business Patterns for 2019 for codes 423610 Electrical apparatus and equipment, wiring supplies, 335313 Switchgear and switchboard apparatus manufacturing and related equipment merchant wholesalers, and 335999 All other miscellaneous electrical equipment and component manufacturing (column B).

Table 1 DBE Relative Availability (Base Figure)

NAICS code	NAICS description	A DBEs firms (#)	B All firms (#)	A/B = C Base figure
Solar Bus Arrival Signs				
339950	Sign manufacturing	14	274	0.051
Maintenance Facility Upgrades				
423610	Electrical Apparatus and Equipment, Wiring Supplies, and Related Equipment	70	1,002	
335313	Switchgear and Switchboard Apparatus Manufacturing	0	19	
335999	All other miscellaneous electrical equipment ...	10	55	
Maintenance Facility Upgrades Total		80	1,076	0.074

The number of DBE firms was divided by total firms to arrive at the relative DBE availability, or Base Figure, for each project. The Base Figure for the Solar Bus Arrival Signs project is 0.051 and for the Maintenance Yard Upgrades project, it is 0.074.

Weighing the Base Figure

The Base Figure for each project is next weighed by the project's weight, or percentage of total FTA funds to be awarded. The weight is obtained by taking the project FTA value and dividing by the total of all FTA project values.

Table 2 Project Weight

Project	FTA dollars	Weight
Solar Bus Arrival Signs	\$ 418,404	0.115
Maintenance Facility Upgrades	\$ 3,215,977	0.885
Total	\$ 3,634,381	

The project weight is then applied to the project Base Figure to arrive at the weighted Base Figure for each project.

$$\text{Weighted Base Figure} = \text{Base Figure} \times \text{Project Weight}$$

Table 3 Weighted Base Figure

NAICS code	NAICS description	A DBEs firms (#)	B All firms (#)	A/B = C Base figure	D Project weight	C x D = E Weighted base figure
Solar Bus Arrival Signs						
339950	Sign manufacturing	14	274	0.051	0.115	0.59%
Maintenance Yard Upgrades						
423610	Electrical Apparatus and Equipment, Wiring Supplies, and Related Equipment	70	1,002			
335313	Switchgear and Switchboard Apparatus Manufacturing	0	19			
335999	All other miscellaneous electrical equipment ...	10	55			
Maintenance Yard Upgrades subtotal		80	1,076	0.074	0.885	6.58%
Total						7.17%

Overall DBE Goal for Relative Availability of DBEs

The overall DBE Goal was the total of the weighted Base Figures for both projects.

$$\begin{aligned}\text{Overall DBE Goal} &= \text{Weighted Base Figure}_{\text{Solar signs}} + \text{Weighted Base Figure}_{\text{Maintenance upgrade}} \\ &= 0.59\% + 6.58\% \\ &= 7.17\%\end{aligned}$$

LADOT found that the Base Figure, or the relative availability of DBEs for its projects, and the Overall DBE Goal are 7.17%. Thus, the **Step 1 overall DBE goal for FFY 2022-2024 is 7%**.

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

DOT allows past DBE participation to be used to adjust the Base Figure. This is done by averaging the median DBE participation figure with the Base Figure from Step 1. This section provides DBE participation and their respective goals in the past five years.

DBE Goal FFY 2019-2021

LADOT's DBE goal for FFY 2019-2021 was 30.83%. Three projects were included in calculating that goal using a total of \$18,164,343 in DOT-assisted grants:

- Solar Real-Time Bus Arrival Signs: \$418,404
- Central Avenue Streetscapes: \$542,340
- San Fernando Valley Bike Path Phase III: \$17,203,599

DBE Goal FFY 2016-2018

LADOT's DBE goal for FFY 2016-2018 was 18.7%. Two projects were included in calculating that goal using a total of \$23,055,745 in DOT-assisted grants:

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

LADOT gathered the DBE participation rates for each of the past five years to determine the median participation rate.

Table 4: DBE Goal Attainment in the Past Five Years

4a. Federal Fiscal Year 2021 - DBE Goal: 30.83%

DBE semi-annual report		June 1
A.	Total awarded to DBE prime contractors (Line 8C)	\$0
B.	Total awarded to DBE subcontractors (Line 9C)	\$0
C.	Total awarded to DBEs (A+B)	\$0
D.	Total awarded to prime contractors (Line 8A)	\$0
E.	Annual percentage awarded to DBEs (C/D)	0%

4b. Federal Fiscal Year 2020 - DBE Goal: 30.83%

DBE semi-annual report		June 1	Dec 1	Total
A.	Total awarded to DBE prime contractors (Line 8C)	\$0	\$0	\$0
B.	Total awarded to DBE subcontractors (Line 9C)	\$0	\$0	\$0
C.	Total awarded to DBEs (A+B)			\$0
D.	Total awarded to prime contractors (Line 8A)	\$0	\$0	\$0
E.	Annual percentage awarded to DBEs (C/D3)			0%

4c. Federal Fiscal Year 2019 - DBE Goal: 30.83%

DBE semi-annual report		June 1	Dec 1	Total
A.	Total awarded to DBE prime contractors (Line 8C)	\$0	\$0	\$0
B.	Total awarded to DBE subcontractors (Line 9C)	\$0	\$1,167,373	\$1,167,373
C.	Total awarded to DBEs (A+B)			\$1,167,373
D.	Total awarded to prime contractors (Line 8A)	\$0	\$15,049,828	\$15,049,828
E.	Annual percentage awarded to DBEs (C/D3)			7.8%

4d. Federal Fiscal Year 2018 - DBE Goal: 18.7%-Jun, 30.83%-Dec

DBE semi-annual report		June 1	Dec 1	Total
A.	Total awarded to DBE prime contractors (Line 8C)	\$0	\$0	\$0
B.	Total awarded to DBE subcontractors (Line 9C)	\$0	\$0	\$0
C.	Total awarded to DBEs (A+B)			\$0
D.	Total awarded to prime contractors (Line 8A)	\$0	\$0	\$0
E.	Annual percentage awarded to DBEs (C/D3)			0%

4e. Federal Fiscal Year 2017 - DBE Goal: 18.7%

DBE semi-annual report		June 1	Dec 1	Total
A.	Total awarded to DBE prime contractors (Line 8C)	\$110,906	\$0	\$110,906
B.	Total awarded to DBE subcontractors (Line 9C)	\$1,632	\$0	\$1,632
C.	Total awarded to DBEs (A+B)			\$112,538
D.	Total awarded to prime contractors (Line 8A)	\$190,000	\$0	\$190,000
E.	Annual percentage awarded to DBEs (C/D3)			59.2%

Table 5 summarizes LADOT’s annual DBE participation rates and sorts them to determine the median participation rate, which is 0.0%.

Table 5: DBE and Median Participation rates

Year	DBE participation	Rates sorted high to low	
2021	0.0%	59.2%	
2020	0.0%	7.8%	
2019	7.8%	0.0%	Median
2018	0.0%	0.0%	
2017	59.2%	0.0%	

Therefore, the goal adjusted with past participation would be the average of the Base Figure (7%) and the median DBE participation figure (0.0%), or 3.5%.

$$\text{Adjusted Base Figure} = (7\% + 0.0\%) / 2 = 3.5\%$$

The low rate of past DBE participation supports a downward adjustment to the Base Figure.

Disparity Studies

While LADOT has not commissioned a disparity study, the Los Angeles County Metropolitan Transportation Authority (Metro) has a relevant disparity study. Metro conducted a 2017 Disparity Study to inform their respective implementation of the Federal Disadvantaged Business Enterprise (DBE) Program.¹

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

The Metro disparity study found that minority- and women-owned businesses in Los Angeles County 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

¹ 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

obtaining financing, bonding, and insurance might limit opportunities for minorities and women to successfully form and operate businesses in the Los Angeles County contracting marketplace. Any barriers would also place those businesses at a disadvantage in competing for Metro federally-funded prime contracts and subcontracts. The study found that disparities in the ability of DBEs to get financing, bonding, and insurance support an upward Step 2 adjustment to their respective base figures.

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

The Metro disparity study 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. Such barriers may decrease the availability of minority- and women-owned businesses to obtain and perform the FTA-funded contracts that Metro awards. Based on these findings, the disparity study supported an upward Step 2 adjustment to Metro's base figure.

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%. However, Metro determined an adjustment to its base figure was unwarranted.

Other Relevant Data

LADOT is planning to procure the Maintenance Facility Upgrades project through a state schedule, which is allowed by federal regulation 49 CFR part 18.36. This project will support and power a high quantity of electric buses LADOT is adding to its fleet. Procuring the upgrade equipment through the schedule provides LADOT the assurance of known costs and the equipment being compatible with all the buses and between existing and new infrastructure in the time required. This procurement option does not contain known DBEs.

Adjusting the Base Figure in Step 1 to reflect the inapplicability of DBEs for the Maintenance Facility Upgrades project would accurately capture the federal spending on the planned procurements. After removing the number of DBE firms in the Maintenance Facility Upgrades project, the adjusted goal would reflect the Solar Bus Arrival Signs weighted goal of 0.59%.

Table 6 Weighted Base Figure Adjusted for Maintenance Yard Upgrades Procurement

NAICS code	NAICS description	A DBEs firms (#)	B All firms (#)	A/B = C Base figure	D NAICS weight	C x D = E Weighted base figure
Solar Bus Arrival Signs						
339950	Sign manufacturing	14	274	0.051	0.115	0.59%
Maintenance Yard Upgrades						
423610	Electrical Apparatus and Equipment, Wiring Supplies, and Related Equipment	0	1002	0.000		
335313	Switchgear and Switchboard Apparatus Manufacturing	0	19	0.000		
335999	All other miscellaneous electrical equipment ...	0	55	0.000		
Maintenance Yard Upgrades subtotal		0	1076	0.000	0.885	0.00%
Total						0.59%

Adjustment of Base Figure

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 were not easily quantifiable for considering a Step 2 adjustment.

Known quantifiable data specific to a project does exist as discussed in Other Relevant Data and discounting it would inflate the DBE goal. As a result, LADOT is adjusting the Base Figure from Step 1 for known data for the Maintenance Facility Upgrades because it reflects the best known information at the time of this goal setting. The low rate of past DBE participation also supports a downward adjustment to the Base Figure. As a result, the adjusted DBE goal is 0.59%, rounded off to 1%.

The Adjusted Overall DBE goal for FFY 2022-2024 is 1%.

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, marketing to DBEs, distributing DBE directories to prime contractors, and strengthening required small business strategies. Race-conscious means include advertising a DBE goal on a project and are used when the overall goal has not been met through race-neutral methods.

Race-Neutral and Race-Conscious Split FFY 2022-2024

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.² This methodology determines the RN/RC split based

² FTA. Grantee DBE Goal-Setting and Consultation Webinar. May 2018.

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

Table 7 summarizes the inputs for the RN/RC split from DBE achievements and the Proposed Overall Goal.

Table 7: Inputs for Calculating Race-Neutral and Race-Conscious Splits

7a. DBE Achievement, Race-Neutral Achievement, and Total Awards by Semi-Annual Reporting Period for the Past Three Years

Report due date	Overall DBE achievement (on awards & commitments)	Race-neutral achievement (on awards & commitments)	Total awards
June 2021	\$0	\$0	\$0
Dec 2020	\$0	\$0	\$0
June 2020	\$0	\$0	\$0
Dec 2019	\$1,167,373	\$0	\$15,049,828
June 2019	\$0	\$0	\$0
Dec 2018	\$0	\$0	\$0
Total	\$1,167,373	\$0	\$15,049,828

7b. Summary

Item	Amount
Overall DBE achievement FFY 2019-2021 (\$)	\$1,167,373
Race-neutral achievement FFY 2019-2021 (\$)	\$0
Proposed Goal for FFY 2022-2024	1 %

Step 1. Determine the Relative RN Attainment by dividing RN Attainment by the Overall DBE Achievement in the past DBE goal period (Table 7b).

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

$$0\% = \$0 / \$1,167,373$$

Step 2. Determine the Absolute RN Attainment by multiplying the Relative RN Attainment (%) by the Proposed Overall Goal (%).

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

$$0\% = 0\% \times 1\%$$

Step 3. Determine the RC Split by subtracting the Proposed Overall Goal (%) by the Absolute RN Attainment (%).

$$\text{RC Split} = \text{Proposed Goal} - \text{Absolute RN Attainment}$$
$$1\% = 1\% - 0\%$$

LADOT has determined that 0% is expected to be achieved through race-neutral methods and 1% is expected to be achieved through race-conscious methods. However, LADOT will continue to implement race-neutral measures.

CONSULTATION AND PUBLICATION

LADOT is required to engage in consultation with stakeholders 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 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. This section provides information about consultation and publication completed by LADOT.

(To be completed after stakeholder consultation).