

**CITY OF LODI TRANSIT SYSTEM
DISADVANTAGED BUSINESS ENTERPRISE (DBE) PROGRAM
OVERALL DBE GOAL SETTING METHODOLOGY
FOR
FEDERAL FISCAL YEARS 2017/18; 2018/19; 2019/20
(Covering the period of October 1, 2017 through September 30, 2020)**

DBE Goal Methodology

The City of Lodi Transit System is a recipient of funds from the US Department of Transportation (USDOT), in particular Federal Transit Administration (FTA) funds. As a recipient, the City must implement a Disadvantaged Business Enterprise (DBE) program that is designed to encourage minority- and women-owned businesses to participate in contracting opportunities funded by FTA. The program must comply with the regulations in 49 Code of Federal Regulations (CFR) Part 26, USDOT guidance, and court decisions relating to this matter.

In compliance with these regulations, the City of Lodi has determined a three year DBE participation goal for Federal Transit Administration (FTA)- assisted projects. This period begins on October 1, 2017 and ends on September 30, 2020. **The City of Lodi’s overall DBE goal for FFYs 2017/18, 2018/19 and 2019/20 has been set at 1.73%, to be achieved 1.56% race (and gender)-neutrally and 0.17% race (and gender)-consciously.**

The DBE groups that have been identified as eligible for race (and gender)- conscious measures are Native American-owned businesses, Asian Pacific American-owned businesses, Black American-owned businesses, and non-Hispanic white women-owned businesses. Following is an explanation of the methodology used to determine the three year DBE goal calculation, as well as evidence to support using race (and gender)- conscious measures in the City’s DBE program.

I. FTA-ASSISTED CONTRACTING PROGRAM FOR FFY 2017/18; 2018/19; 2019/20

Table 1 serves to define City of Lodi Transit System’s DOT-assisted (FTA) contracting program for FFYs 2017/18; 18/19; & 19/20 by contract type (i.e. Construction, Professional Services and respective federal dollar amounts allocated). The contracting program for the three fiscal years includes twelve (12) DOT-(FTA) assisted contracting opportunities, which were assessed in preparing the Agency’s **Overall DBE Goal-Setting Analysis** for FTA-funded transit projects.

Table 1

PROJECT	Estimated Federal Dollar
GrapeLine Bus Stop Improvements - Shelter Installation	\$810,648
GrapeLine Bus Stop Improvements - Concrete Work	\$190,152
Uniforms	\$6,624
Radio Communications	\$7,452
Preventive Maintenance	\$65,099
Office Supplies	\$13,007
Courier Services for Farebox Money	\$9,688
Vehicle Detailing	\$21,528
Janitorial Services	\$1,035
Landscaping Services	\$21,252
Fountain Cleaning	\$5,520
Pressure Washing	\$4,416
TOTAL USED IN ANALYSIS	\$1,156,421

Table 2 provides a summary of work grouped by NAICS code, and serves to identify the estimated Federal Dollar Share and the relative weighted percentage per contract type, as follows:

Table 2

CUCP NAICS WORK CATEGORY	NAICS CODE	ESTIMATED FEDERAL DOLLAR SHARE	WEIGHTED %
Commercial & Institutional Building Construction	236220	\$810,648	70.1%
Concrete Work	238110	\$190,152	16.44%
Uniforms	81233	\$6,624	0.57%
Radio & Television Broadcasting	334220	\$7,452	0.64%
Motor Vehicle Supplies & New Parts Merchant Wholesalers	423120	\$65,099	5.63%
Office Supplies & Stationary Stores	453210	\$13,007	1.12%
Armored Car Services	561613	\$9,688	0.84%
Vehicle Detailing & Janitorial Services	561720	\$22,563	1.95%
Landscaping Services	561730	\$21,252	1.84%
Other Services to Buildings & Dwellings (Pressure Washing & Fountain Cleaning)	561790	\$9,936	0.86%
TOTAL		\$1,156,421	100 %

II. GOAL-METHODOLOGY

Step 1: Determination of a Base Figure (26.45)

To establish the City’s Base Figure representing the relative availability of DBEs to all comparable firms (DBEs and Non-DBEs) available to bid or propose on the City’s federally assisted transit facilities contracts in FFYs 2017/18; 18/19; & 19/20, the City followed a federally prescribed goal setting methodology. This was accomplished by accessing the *California Unified Certification Program (CUCP) Database of Certified Firms* and the *U.S. Census Bureau County Business Patterns (CBP) Database (NAICS) 2015 data*. Comparisons were made by corresponding zip codes within City of Lodi Transit System’s market area. The City of Lodi’s Transit System market area is defined as Alameda, El Dorado, Placer, Sacramento, San Joaquin and Stanislaus Counties. This market area represents where the substantial majority of the contractors and subcontractors bidding on the City’s projects reside.

The specified industries and types of businesses are identified in Table 2.

- ⇒ **For the numerator:** *California UCP DBE Database of Certified Firms*
- ⇒ **For the denominator:** *2015 U.S. Census Bureau’s County Business Pattern Database (CBP)*

To determine the relative availability of DBEs within Lodi Transit System’s market area, the City divided the numerator representing the ratio of ready, willing and able DBE firms, by the denominator representing all firms (DBEs and Non-DBEs) available for each of the work categories. Application of this formula yielded the following baseline information:

$$\frac{\text{Number of Ready, Willing, and Able DBEs}}{\text{Number of All Available Firms (including DBEs and Non-DBEs)}} = \text{BASE FIGURE}$$

The Base Figure was further adjusted by weighting the relative availability of DBEs grouped within the major work categories, giving more weight to the work categories/industries in which the City projects to spend more DOT-(FTA) assisted dollars. The Base Figure resulting from this weighted calculation is as follows:

Step 1: Base Figure: (weighted by type of work to be performed and corresponding contracting dollars)

Table 3

Base Figure	Comm & Inst Building Const $\left(70.10\% * \frac{\text{DBEs in 236220}}{\text{CBPs in NAICS 236220}} \right)$	Concrete Work $\left(16.44\% * \frac{\text{DBEs in 238110}}{\text{CBPs in NAICS 238110}} \right)$	Uniforms $\left(0.57\% * \frac{\text{DBEs in 81233}}{\text{CBPs in NAICS 81233}} \right)$	Radio Communications $\left(0.64\% * \frac{\text{DBEs in 334220}}{\text{CBPs in NAICS 334220}} \right)$	Preventive Maintenance $\left(5.63\% * \frac{\text{DBEs in 423120}}{\text{CBPs in NAICS 423120}} \right)$	Office Supplies $\left(1.12\% * \frac{\text{DBEs in 453210}}{\text{CBPs in NAICS 453210}} \right)$	Armored Car Services $\left(0.84\% * \frac{\text{DBEs in 561613}}{\text{CBPs in NAICS 561613}} \right)$	Janitorial $\left(1.95\% * \frac{\text{DBEs in 561720}}{\text{CBPs in NAICS 561720}} \right)$
	Landscaping $\left(1.84\% * \frac{\text{DBEs in 561730}}{\text{CBPs in NAICS 561730}} \right)$	Fountain /Pressure Washing $\left(0.86\% * \frac{\text{DBEs in 561790}}{\text{CBPs in NAICS 561790}} \right)$						
Base Figure	$\left(70.10\% * \frac{236220}{(13)} \right)$	$\left(16.44\% * \frac{238110}{(20)} \right)$	$\left(0.57\% * \frac{81233}{(0)} \right)$	$\left(0.64\% * \frac{334220}{(0)} \right)$	$\left(5.63\% * \frac{423120}{(0)} \right)$	$\left(1.12\% * \frac{453210}{(0)} \right)$	$\left(0.84\% * \frac{561613}{(0)} \right)$	$\left(1.95\% * \frac{561720}{(8)} \right)$
	$\left(\frac{561720}{(653)} \right)$	$\left(1.84\% * \frac{561730}{(1,047)} \right)$	$\left(0.86\% * \frac{561790}{(227)} \right)$					
Base Figure	$\left(1.59\% \right)$	$\left(1.45\% \right)$	$\left(0.00\% \right)$	$\left(0.00\% \right)$	$\left(0.00\% \right)$	$\left(0.00\% \right)$	$\left(0.00\% \right)$	$\left(0.02\% \right)$
	$\left(0.01\% \right)$	$\left(0.02\% \right)$						
Base Figure	= 3.10%							

Step 2: Adjusting the Base Figure

Upon establishing the Base Figure, the City of Lodi Transit System reviewed and assessed other known evidence potentially impacting the relative availability of DBEs within the City of Lodi Transit System’s Market area, in accordance with the prescribed narrow tailoring provisions set forth under 49 CFR Part 26.

Evidence considered in making an adjustment to the Base Figure included the Lodi Transit System’s past DBE Goal Attainments on similar type projects and disparity studies performed by transit agencies in proximity to Lodi. A summary of considerations follows:

A. Past DBE Goal Attainments on Similar Type Projects

In the last three years (FFY 2014/15, 2015/16 and 2016/17), the City of Lodi has had four (4) capital projects and ten (10) operations projects funded in part by the Federal Transit Administration. The overall Race Neutral Goal was 2.75%.

In FFY 2014/15, there were two capital projects, “2014 GrapeLine Bus Stop Improvements” and “2014 Kettleman Lane Bus Stop Improvements.”

In FFY 2015 and FFY 2016, there were Bus Stop Improvement capital projects for each year as well.

In addition to the capital projects, there were ten ongoing operations projects, including a transit operations contract, uniforms, security services, radio communications, pressure washing, janitorial services, bus stop cleaning, landscaping services, tree trimming and fountain cleaning.

The City of Lodi held pre-bid meetings and provided contractors with documentation about how to obtain DBE participation for the capital projects, however there was no DBE participation on these projects over the three year period. Because the City of Lodi was operating under a Race (and gender) Neutral program, a Good Faith Effort could not be required of contractors. However, for the majority of these projects, contractors submitted good faith effort documentation anyway, and many of the contacted DBEs chose not to participate based on their workload, or they were not interested in traveling long distances to get to the job site.

The City did, however, obtain DBE participation in operations contracts, specifically for uniforms. When examining DBE participation out of the total federal share paid on capital and operations contracts as reported in the City’s semi-annual DBE reports, the median percent of DBE participation was 0.36%. The median is used to eliminate extremes, whether high or low. Please refer to Table 4 and Table 5 below for background information.

Table 4

Semi-Annual Report	Federal Share - Capital Projects	Federal Share - Operations	Total	DBE Participation out of Total	% DBE Participation out of Total Federal Share
Oct 1, 2014 - Mar 31, 2015 (June 1, 2015 Report)	\$325,360.94	\$486,306.04	\$486,306.04	\$2,533.00	0.52%
Apr 1, 2015 - Sept 30, 2015 (Dec 1, 2015 Report)	\$233,198.86	\$503,664.38	\$736,863.24	\$2,540.00	0.34%
Oct 1, 2015 - Mar 31, 2016 (June 1, 2016 Report)	\$0.00	\$482,311.54	\$482,311.54	\$2,201.00	0.46%
Apr 1, 2016 - Sept 30, 2016 (Dec 1, 2016 Report)	\$122,090.73	\$493,258.53	\$615,349.26	\$2,193.00	0.36%
Oct 1, 2016 - Mar 31, 2017 (June 1, 2017 Report)	\$212,037.19	\$475,174.69	\$687,211.88	\$2,423.05	0.35%
		Total	\$3,008,041.96	\$11,890.05	

Table 5

Determining Median DBE Participation	0.34%	0.35%	0.36%	0.46%	0.52%
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The types of contracting opportunities in the past three federal fiscal years are very similar to those anticipated in the upcoming three federal fiscal years. *US DOT Tips for Goal Setting* advise that if the

contracting opportunities from previous years are similar to those anticipated in the upcoming period, agencies may adjust their Step 1 base figure by averaging it with the median level of past DBE participation. Table 6 below shows a revised overall DBE goal after taking this average.

Table 6

Step 1 Base Figure	Median Past DBE Participation	Overall DBE Goal
3.10%	0.36%	1.73%

The Step 1 base figure adjusted for past participation is 1.73%.

B. Evidence from Disparity Studies

The *USDOT Tips for Goal Setting in the Disadvantaged Business Enterprise, (DBE) Program*, a resource to transit agencies in calculating their DBE goals, states that agencies need to refer to disparity studies performed in their market area to determine if discrimination in contracting exists. The agency does not need to perform its own disparity study, but must refer to others and determine if the findings are relevant to the agency’s program. These disparity studies may provide further justification for an adjustment to the Step 1 base figure, and could potentially provide evidence for a race (and gender)- neutral and race (and gender)-conscious split in the overall three year DBE goal.

The City referred to the *Caltrans 2014 Disparity Study for FTA Contracts, Final Report December 5, 2014*, which was conducted by BBC Research & Consulting. This study demonstrated that disparities do indeed exist in the transit contracting industry throughout California, and the City finds that the data contained therein is relevant to the City and its contracting opportunities.

Although the City has implemented race (and gender)-neutral measures over the last three years, the City has not attained sufficient DBE participation to meet its overall DBE goal. The Caltrans study in particular found that significant disparities exist for specific DBE groups and provides evidence to support race (and gender)-conscious measures in Lodi’s DBE program.

In the Caltrans study, disparities were calculated by determining a disparity index for each DBE population. A disparity index of 100 demonstrates that there is parity, or that the utilization and availability of DBEs are equal. A disparity index of less than 100 indicates that there may be a disparity between utilization and availability, and for a disparity index of less than 80, there may be a significant disparity.

The following formula shows how a disparity index would be determined:

$$\frac{\% \text{ Actual Utilization}}{\% \text{ Availability}} \times 100 = \text{Disparity Index}$$

The overall disparity index for all groups was 91 ([10.4 utilization / 11.4 availability] x 100). This means that all groups received approximately 90 percent of the contract dollars that one could expect them to receive based on their availability for those contracts. Thus, approximately 10% of a disparity would need to be eliminated in order to reach parity. City of Lodi used this statistical index data to calculate its portion of the overall goal to be met race (and gender)-neutrally. Using this data, the City could presume that it would meet 90 percent of its overall goal of 1.73% through race (and gender)-neutral measures, or 1.56%. **The final DBE goal split would come to 1.56% race (and gender)- neutral and 0.17% race (and gender)- conscious.**

The Caltrans disparity study also determined the specific DBE groups that would be considered eligible for

race (and gender)- conscious measures such as DBE contract goals.

Based on the Caltrans disparity study, the following four groups had disparity indexes that indicated a significant disparity (less than 80): Native American-owned businesses (disparity index of 1); Asian-Pacific American-owned businesses (disparity index of 12); Black American-owned businesses (disparity index of 16); and non-Hispanic white women-owned businesses (disparity index of 54).

Subcontinent Asian American-owned businesses (disparity index of 166) and Hispanic American-owned businesses (disparity index of 113) did not indicate a disparity.

USDOT Tips for Goal Setting state that race (and gender)-conscious contract goals may only be implemented on contracts with subcontracting opportunities and that the maximum feasible portion of the overall goal must be attained through race (and gender)-neutral means.

The City has determined that in order to comply with these requirements, the City should calculate race conscious goals for each of its capital projects, all of which are bus stop improvement projects with subcontracting opportunities. The City would then need to modify its goal throughout the upcoming three year period based on attainment.

III. PUBLIC PARTICIPATION AND FACILITATION

In accordance with Public Participation Regulatory Requirements of 49 CFR Part 26, minority, women, local business chambers, and community organizations within Lodi Transit System's market area must be provided an opportunity to review the DBE goal analysis. This is done in two ways: (1) consultation directly with these groups to obtain information regarding the availability of disadvantaged and non-disadvantaged businesses, and the effects of discrimination on opportunities for DBEs; and (2) a published notice announcing City of Lodi's proposed overall goal before submission to FTA. The notice must be posted on City of Lodi's official web site. If the proposed goal changes following review by the FTA, the revised goal must be posted on City of Lodi's official web site.