



NANTUCKET REGIONAL TRANSIT AUTHORITY

DISADVANTAGED BUSINESS ENTERPRISE PROGRAM GOAL SETTING METHODOLOGY

July 21, 2015

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GOAL SETTING METHODOLOGY FOR FY16 THROUGH FY18

The Nantucket Regional Transit Authority (NRTA) used the following methodology in the calculation of the agency's disadvantaged business enterprise goal setting for Federal Department of Transit funding for the period of FFY16-FFY18. This methodology is prepared pursuant to and following the example set in 49 CFR Part 26.45.

FY16-FY18 Disadvantaged Business Enterprise Spending Goal

The overall goal for the NRTA for the period of October 1, 2015 through September 30, 2018 (FFY's 2016, 2017 & 2018) is 2.4%. The estimated amount of Federal Department of Transportation assisted contracts the NRTA expects to release during this time period is \$1,664,937 based on an annual split of 5311 as determined by the Massachusetts Department of Transportation and the award of \$20,000 in S5339. This figure does not include any additional discretionary grant funding as NRTA has no awards identified during the upcoming three year period and is exclusive of any federal funding anticipated to be used for the purchase of transit vehicles.

Available Federal Funding anticipated to be spent during the FY16-FY18 goal period:

- FY16 – \$562,492
- FY17 – \$549,049
- FY18 – \$553,396

Based on these figures, NRTA has an estimated three year pool of available federal funding of \$1,664,937 to expend during the period of FY16-FY18. Based on a calculated goal of 2.4% NRTA spending goal is \$39,958 with certified DBE firms during this period.

The NRTA expects to spend Federal Department of Transportation funding during the year that the funding is awarded as its expenditures are for the ongoing annual operating expenses of the transit authority.

Consultation with Minority and Woman Owned Businesses

NRTA has established a meaningful consultation process with small businesses including DBE businesses and organizations that represent the interests of minority and women owned businesses. Locally, NRTA is active in business organizations such as the Rotary Club and the Nantucket Chamber of Commerce which gives it an opportunity to reach out to the business community to promote contracting opportunities as they arise as

well as giving the agency an opportunity to consult with businesses during this goal setting process.

Another way that NRTA solicits input from the DBE community into the goal setting process is during the annual Women's Transportation Seminar and Conference of Minority Transportation Officials Annual Business Partnering Expo. To improve the impact of our outreach efforts, NRTA partners with peer regional transit authorities to create greater interest in RTA projects from the DBE community. The regional transit authorities have successfully participated in this outreach effort for the past three years with the latest Partnering Expo being held on October 23, 2014. We will continue this partnership in future years.

The Massachusetts Regional Transit Authorities, including NRTA, have also met with the Massachusetts Minority Contractors Association (MMCA) to educate them about the DBE process and encourage them to pursue DBE certification for their membership. We also asked for their input into the goal setting process.

Input from these interactions include:

1. A desire for a central contracting registry because a small business doesn't have time to track information on such a large number of websites (referring to all of the RTAs websites).
2. A simpler DBE certification process.
3. Unless there's a benefit, no one is going to get certified.
4. Didn't know about RTAs only knew about the MBTA. Need to get the word out.

Because of these comments, NRTA has increased its profile by expanding its participation in state and local business networking opportunities. NRTA annually attends the Massachusetts Association of Regional Transit Authorities Annual Conference during which time NRTA networks with SBE and DBE vendors who are interested in working on transit projects.

Goal Construction

The following projects will be completed between the period of October 1, 2015 and September 30, 2018 (FFY16-FFY18) using funding from the Federal Department of Transportation, specifically from the Federal Transit Administration.

FFY2016

NRTA anticipates expending \$562,492 in Federal Department of Transportation funds in FY16. Federal funding will be spent on the following projects:

S5311 - Transit Operations	\$542,492
S5399 - Pedestrian Infrastructure Construction	\$20,000

State and local funding will be used to purchase additional expenditures including: tires, spare parts, accounting, audit, travel, utilities, marketing and office supplies.

FFY2017

NRTA anticipates expending \$549,049 in Federal Department of Transportation funds in FY17. Federal funding will be spent on the following projects:

S5311 - Transit Operations	\$549,049
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State and local funding will be used to purchase additional expenditures including: tires, spare parts, accounting, audit, travel, utilities, marketing and office supplies.

FFY2018

NRTA anticipates expending \$553,396 in Federal Department of Transportation funds in FY18. Federal funding will be spent on the following projects:

S5311- Transit Operations	\$553,396
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State and local funding will be used to purchase additional expenditures including: tires, spare parts, accounting, audit, travel, utilities, marketing and office supplies.

GOAL BUILDING

Information Sources

In developing the DBE goals, NRTA reviewed a variety of data sources to ensure that the use of current, relevant data in the determination of the total number of available firms as well as the total number of the certified DBEs in the region who were ready willing and able to provide goods and services as identified:

1. NRTA reviews its procurement records to maintain a bidders list which includes existing contractors, subcontractors and bidders for projects. This bidders list allows the agency to track interest from the business community – including DBE’s and small businesses. The bidders list provides NRTA with a variety of data including the locations of businesses that have expressed interest in doing business with the NRTA.

2. State Office of Women and Minority Business Assistance (SOMWBA) D.B.E. Directory, Web site: www.state.ma.us/somwba. NRTA is a participant in the Commonwealth of Massachusetts Unified Certification Program (UCP). The UCP is maintained by the Supplier Diversity Office (SDO) which certifies disadvantaged businesses and keeps a searchable directory of those businesses.
3. U. S. Bureau of the Census. <http://censtats.census.gov/cbpnaic/cbpnaic.shtml> – The US Census Bureau provides information regarding the total number of businesses by NAICS code. This number provides the NRTA with a basis for setting the total number of businesses in the specified geography which can provide the specified good or service.
4. U. S. Department of Labor. North American Industrial Classification System (NAICS) Codes. – The NAICS system provides NRTA with a standard break down of the types of goods and services that the agency may be procuring during the time period.
5. MassDOT Disparity Study Website – (ongoing) NERA – MassDOT has a disparity study which is ongoing. When completed, it will provide information regarding the use of disadvantaged businesses as part of the larger the businesses environment. Through this study we will be able to determine areas in which DBE businesses are under-utilized or conversely, over utilized.
6. Race, Sex and Business Enterprise: Evidence from the Commonwealth of Massachusetts - September 2010 – This study provides documentation of the effects of race and sex in the Massachusetts business environment. It is particularly useful in determining the effects of access to capital and banking services.

Description of D.B.E. Goal Setting Methodology

This section details the rationale, methodology and procedures used to develop the projected overall DBE goal for the NRTA. The two-step process used to determine the DBE participation goal is presented as follows:

Step 1. Establish a Baseline Figure

In order to establish a baseline figure for the NRTA's DBE goal development, the following methodology was used. NRTA used a spreadsheet approved by the FTA's Regional Civil Rights Officer (RCRO) to calculate a weighted DBE baseline figure for all projects anticipated in the upcoming goals submission period of FFY2016 through FFY2018. Each of the projects outlined earlier in this document were entered into a spreadsheet using an estimate of the amount of federal funds for each NAICS code relevant to the project to account for all federal funds by year. All projects for the three year goal

period were used to calculate the three year goal which was weighted by the relative availability of DBEs within the relevant market area as defined by historic procurements. The resulting number is the weighted base figure.

A review of available data was conducted to determine DBE availability in the relevant market area. The results are as follows:

- A) Total Available DBEs** was determined by NRTA through the Massachusetts SOMWBA web site. NRTA identified 264 certified businesses that could provide construction and transit operations services over the three year period. Those categories of expenditures were searched by the closest NAICS code to determine the total number of businesses in the Total Business listing. NRTA considered all registered SOMWBA DBE businesses as being ready, willing and able to work on Nantucket despite the challenges of working on an island because by certifying themselves in Massachusetts they have indicated their willingness to work within the Commonwealth and due to historical contracting practices which have included off-island vendors.

NAICS Codes included:

- 236220 – Commercial and Institutional Building Construction
- 485113 – Bus and Other Motor Vehicle Transit Systems

- B)** The Total Business figure was derived by combining All Business within Massachusetts that fall into the 2 NAICS codes that the Nantucket Regional Transit Authority anticipates contracting in the three Federal fiscal years for which this goal is in effect.

DBE Goal = Total Available Certified DBEs / Total Available Businesses

<u>Massachusetts Business</u>	<u>Total Available D.B.E.</u>	<u>Total</u>
Construction	261	2898
Transit operations	3	131
TOTAL	264	3,029

Total DBE Businesses 264 / Total Businesses 3029= Relative Availability of DBE businesses 0.087

Weighting of the Figure

NRTA intends to purchase transit operations and construction services with federal funding during the period of October 1, 2015 through September 30, 2018. Because of the distribution of anticipated expenditure and the relative availability of DBE vendors the NRTA weighted goal is calculated as follows:

\$20,000	construction	=	1.2% of available funds
\$1,664,937	transit ops	=	98.8% of available funds
<u>\$1,664,937 total expenditures</u>			100% of available funds

$$.012(261/2898) + .988(3/131) = 2.4\%$$

The resulting base figure for the relative availability of DBE is 2.4%

Table 1 provides a summary of contracting opportunities for the period for which this goal is being developed. The table includes the following information:

- Year of Award
- Year of Completion
- Project Name
- Federal Project Value
- NAICS codes
- Number of DBE certified firms in NRTA's relevant market area (Massachusetts) performing the NAICS function (Source: Supplier Diversity Office Certified DBE Business Directory)
- Total firms in Massachusetts performing the NAICS code work (Source: 2012 Census Data for County Business Patterns)
- Percentage of DBE firms to total available firms in relevant market area (Massachusetts)
- Weight of project federal dollars against all federal Department of Transportation dollars to be used in calculating the goals
- Weighted Base Figure

Table 1

Year of Award	Year of Completion	Project Name	Fed DOT Value	NAICS Code	# DBE	# Total Firms	% DBE Firms Available	Funding Weight	Weighted Base Figure
FY16	FY18	Transit Operations	\$1,644,937	485113	3	131	2.3%	98.8%	2.3%
FY16	FY16	Construction	\$20,000	236220	261	2898	9.0%	1.2%	0.1%
TOTAL									2.4%

Table 2 provides a listing with a description of the NAICS codes selected to represent project to be funded in FY16-FY18 at the NRTA.

Table 2 – Potential NAICS Codes

NAICS Code	Code Description
485113	Bus and other motor vehicle transit systems
236220	Commercial and institutional building construction

Goal Setting Worksheet

Step 1 - Determine the weight of each type of work by NAICS Code:

* Enter all contracting and sub-contracting opportunities anticipated for the FTA-assisted contract. Project amounts should be assigned relevant NAICS Code(s).

	NAICS Code	Project	Amount of DOT funds on project:	% of total DOT funds (weight)
1)	485113	Transit Operations	\$1,644,937.00	0.9880
2)	236220	Construction	\$20,000.00	0.0120
3)				0.0000
4)				0.0000
5)				0.0000
6)				0.0000
7)				0.0000
8)				0.0000
9)				0.0000
10)				0.0000
11)				0.0000
12)				0.0000
13)				0.0000
14)				0.0000
15)				0.0000
16)				0.0000
17)				0.0000
18)				0.0000
19)				0.0000
20)				0.0000
Total FTA-Assisted Contract Funds			\$1,664,937.00	1.0000

Step 2 - Determine the relative availability of DBE's by NAICS Code:

* Use DBE Directory, census data and/or a bidders list to enter the number of available DBE firms and the number of available firms.

	NAICS Code	Project	Number of DBEs available to perform this work	Number of all firms available (including DBEs)	Relative Availability
1)	485113	Transit Operations	3	3629	0.0229
2)	236220	Construction	261	2598	0.0901
3)	0	0			
4)	0	0			
5)	0	0			
6)	0	0			
7)	0	0			
8)	0	0			
9)	0	0			
10)	0	0			
11)	0	0			
12)	0	0			
13)	0	0			
14)	0	0			
15)	0	0			
16)	0	0			
17)	0	0			
18)	0	0			
19)	0	0			
20)	0	0			
Combined Totals			264	3029	0.0872
					Overall availability of DBEs

Step 3 - (Weight) x (Availability) = Weighted Base Figure

	NAICS Code	Project	Weight	x	Availability	Weighted Base Figure
1)	485113	Transit Operations	0.98799	x	0.0229	0.0226
2)	236220	Construction	0.01201	x	0.09006	0.0011
3)	0	0	0.00000	x	0.00000	
4)	0	0	0.00000	x	0.00000	
5)	0	0	0.00000	x	0.00000	
6)	0	0	0.00000	x	0.00000	
7)	0	0	0.00000	x	0.00000	
8)	0	0	0.00000	x	0.00000	
9)	0	0	0.00000	x	0.00000	
10)	0	0	0.00000	x	0.00000	
11)	0	0	0.00000	x	0.00000	
12)	0	0	0.00000	x	0.00000	
13)	0	0	0.00000	x	0.00000	
14)	0	0	0.00000	x	0.00000	
15)	0	0	0.00000	x	0.00000	
16)	0	0	0.00000	x	0.00000	
17)	0	0	0.00000	x	0.00000	
18)	0	0	0.00000	x	0.00000	
19)	0	0	0.00000	x	0.00000	
20)	0	0	0.00000	x	0.00000	
Total						0.0237
Expressed as a % (* 100)						2.37%
Rounded, Weighted Base Figure:						2.4%

Step 2. Adjustment Based on Available Evidence

NRTA reviewed additional factors to determine if the goal that was developed through the preceding methodology should be revised. After reviewing the data, NRTA will keep the calculated goal of 2.4%.

(1) Further Adjustment Based on Past Performance

The following table indicates Nantucket Regional Transit Authority DBE participation for the preceding three years.

Federal Fiscal Year	Goal	Actual % of Work
2014	4.0%	0.0%
2013	4.0%	0.6%
2012	4.0%	0.1%

Despite our increase in outreach activities, NRTA has utilized on average 0.23% in DBE certified business over the past 3 years including 0.8% race conscious goals of 0.8%.

(2) Disparity Studies

NRTA has studied the impact that access to financial services may have for DBEs. The primary source for NRTA was the 2010 Disparity Study *Massachusetts Race, Sex and Business Enterprise: Evidence from the Commonwealth of Massachusetts* conducted by NERA Economic Consulting for the Division of Capital Asset Management and the Massachusetts Housing Finance Agency in September 2010. Findings from that study indicate that access to credit and loans is more difficult for DBE businesses than for non-DBE businesses.

Findings from the study indicated that minority owned firms were less likely to apply for loans due to fear that they would be denied. And, that these fears were well founded as minority firms were more likely to be denied access to credit than whites despite having similar financial backgrounds. For those minority firms that did receive a loan, their interest rates were on average higher than those of a comparable white applicant. The findings of the study clearly state statistically significant differences in access to capital between minority applicants and white applicants.

A secondary study, undertaken by MassDOT but not yet completed was also reviewed and will be further studied upon its completion to determine impacts to women and minority owned businesses.

Based on the findings of the 2010 disparity study, NRTA is committed to utilizing prompt pay mechanisms to ensure DBE businesses receive their funds in a timely manner. Should NRTA have a capital

purchase which involves the purchase of significant quantities of materials, NRTA would work with the business to assist the business with financing options for the purchase of large capital equipment or inventory. For example if a contractor needed to purchase equipment or materials, NRTA could potentially order the materials for the contractor to alleviate the burden of financing materials or could work with MassDOT to ensure an expedited turn around for funds.

(3) Other NRTA Efforts

NRTA has increased its active consultation and outreach activities to DBE certified businesses, minority and women supportive professional organizations, and business organizations to educate and encourage potential beneficiaries of the program and to acquire input into the agency's goal development. NRTA has consulted with WBE and MBE organizations to alert them of potential business opportunities and to seek their counsel on effective ways to reach DBE businesses. Examples of this are direct involvement with the Rotary Club, consultation with the Massachusetts Supplier Diversity Office, the Massachusetts Association of Minority Contractors and the Women's Transportation Seminar. NRTA has prepared and distributed flyers at networking opportunities and has sought advice directly from DBE business owners through an annual diversity program.

DBE businesses have told us that attendance at DBE fairs was a good way to conduct outreach to the DBE community. Many of the businesses met in this setting were not familiar with the regional transit authorities as a potential source of work. Based on the input from our consultative process, we are continuing our outreach through business fairs and participation in organizations that support DBE businesses. This policy allows NRTA to connect one on one with potential businesses. Input to the goal setting process from women and minority businesses is that they would like a central place to be made aware of contracting opportunities for all agencies as its too difficult for them to monitor multiple agencies and that more businesses may bid on the work if they were aware of it.

DBE Participation = Federal dollar DBE participation / Total Federal dollar value of contracts

$$\$39,538/\$1,664,937 = 2.4\%$$

The resulting participation figure of DBE's is 2.4%

Goal Setting Methodology Summary

The Goal established by the NRTA is based upon the total statewide availability of Supplier Diversity Office Certified DBEs and the amount of funding by type of products and capital eligible services that the agency anticipates spending Federal Department of Transportation funding on during the period. Information pertaining to contributing factors in this goal setting process has been carefully considered in reaching a decision on an overall DBE goal for the NRTA. Data sets and reference materials were thoroughly examined to ensure that the projected overall goal for DBE participation in NRTA procurement opportunities is at an acceptable level. As a result of this analysis, it is firmly believed that the NRTA has been fully responsive in accommodating changes in the DBE marketplace over the years and the current projected goal reflects an ongoing positive commitment to the program.

Overall Goal for DBE Participation in NRTA DOT-Assisted Contracts

As a result of available DBE firms and the anticipated capital expenditures over FY16-FY18, the overall goal for participation by DBEs in NRTA federally assisted contracts will be 2.4%.

Race-neutral, Race-conscious Measures

NRTA has not met its DBE goal for any of the past three years completed years of FFY12-FFY14. Based on this performance NRTA will use race conscious methods to meet the maximum feasible portion of its overall goal. NRTA will request a 2.4% DBE goal for all contracts including sub-contracting opportunities.