

MERRIMACK VALLEY REGIONAL TRANSIT AUTHORITY

Disadvantaged Business Enterprise (DBE)

Goal Methodology

Federal Fiscal Years 2016 – 2018

A. Introduction

In accordance with U. S. Department of Transportation Regulations at 49 CFR 26, the Merrimack Valley Regional Transit Authority submits its three-year Disadvantaged Business Enterprise (DBE) overall goal for Federal Fiscal Year 2016-2018. This goal is based on projected contracting opportunities funded in whole or in part by the Federal Transit Administration (FTA) along with the methodology and supporting documentation.

B. Proposed DBE Goal Federal Fiscal Years 2016-2018

MVRTA's overall goal for the time period covered by Federal Fiscal Years 2016-2018 (October 1, 2015 through September 30, 2018) is 3.95%. MVRTA expects to award approximately \$2,000,000 over this time period, and it is expected that \$79,000 will be expended with DBEs on MVRTA USDOT (FTA) assisted contracts. Of the overall goal, .55% will be achieved through race neutral measures and 3.40% will be achieved through race conscious measures.

MVRTA's overall goal was set based on the two step process described in 49 CFR 26.45. This process ensures that the goal derived by MVRTA as based on the availability of ready, willing and able DBEs in MVRTA's relevant market area.

C. Proof of Publication

The initial goal submittal (dated 6/11/2015) was not added to the MVRTA website. The availability of the submittal was posted to RUMBO, a minority focused newspaper published in the MVRTA service area and Passenger Transport (a recognized trade publication) as allowed in 26.45 g (1) (ii). In addition at 26.45g (2), this notice allowed for the availability of the methodology for review for 30 days with the acceptance of comments up to 45 days from the Notice of Publication. The Notice contained the address for which comments could be sent. The above referenced notices were attached to the 6/11 submittal once the comment period was completed

As stated at 26.45 g (1) (ii), should the proposed goal change following a review by RCRO, the revised goal submittal/methodology will be posted on www.mvrta.com Should the numerical goal not change but the contents change so as to provide the necessary detail supporting the methodology, this new submittal will be posted to www.mvrta.com per 26.45 g (1) (ii).

D. Consultation

The Authority consulted with the Merrimack Valley Planning Commission to determine the availability of stakeholder organizations in the Authority's service area. These stakeholder organizations would have an interest in participating in a scheduled exchange regarding the preparation of the goal setting methodology. Four organizations were identified: Groundwork Lawrence, Lawrence Community Works, Association of Latin American Merchants, Inc., and the Asian Center of the Merrimack Valley. In addition, the Massachusetts Minority Contractors Association was identified as a stakeholder organization.

Each of the organizations was invited to a consultative meeting in order to provide comments or input into the goal setting methodology. The invitation was attached to the original submittal. There was no interest in attending this meeting nor were any comments submitted on the proposed methodology.

Subsequent to the completion of the goal methodology submittal, the Massachusetts Minority Contractors Association is interested in notifying its membership of contracting opportunities offered by Regional Transit Authorities in Massachusetts. The MMCA website does include space dedicated to contracting opportunities. The MVRTA will include this site when advertising procurement solicitations.

Once revisions to the 2016-2018 goal methodology have been reviewed by the RCRO for consistency, the Authority will, once again, reach out to the identified stakeholders to schedule a direct interactive exchange to obtain comments to the revised methodology.

E. STEP ONE -- Determination of Base Figure

Determination of Market Area and Sources of Information

MVRTA determined that its relevant market area is the State of Massachusetts. Previous DBE participation on various construction projects, for example, has resulted from DBEs within Massachusetts.

MVRTA used two sources of information to make the determination of the firms ready, willing, and able and the number of DBE firms ready, willing, and able.

1. MVRTA is part of the UCP with the Commonwealth of Massachusetts and the Massachusetts Department of Transportation. The Commonwealth's Supplier Diversity Office (SDO) certifies Disadvantaged Business Enterprises and keeps a directory of DBEs. This is a searchable directory and DBE certified businesses can be sorted by NAICS code.
2. The MVRTA used 2013 U.S. Census data available at censtats.census.gov, and the Boston/Cambridge/Newton, MA-NH census area, to obtain the total number of firms by NAICS codes.
3. These two databases allowed the MVRTA to verify that the DBE numbers in the numerator are comparable to the number of all firms in the denominator.
4. A list of NAICS codes for all firms and the corresponding NAICS codes for DBE firms is enclosed. The universe of NAICS codes was expanded from the original submission to provide a greater range of potential contracting opportunities.
5. The above data sources has resulted in the following Step 1 Base figure calculation:

$$\frac{\text{Ready, Willing and Able DBEs}}{\text{All Firms Ready, Willing, and Able}} = \frac{537}{15,804} = 3.40\%$$

Supplier Diversity Office NAICS Codes

CODE	DESCRIPTION	
423130	Tire and Tube Merchant Wholesalers	1
423210	Furniture Merchant Wholesalers	2
423420	Office Equipment Merchant Wholesalers	3
423430	Computer/ Computer Peripheral Equipment/ Software Merchant	10
423710	Hardware Merchant Wholesalers	10
424120	Stationery and Office Supplies Merchant Wholesalers	4
441310	Automotive Parts and Accessories	1
443142	Electronics Stores	1
524210	Insurance Agencies and Brokerages	11
541310	Architectural Services	45
541320	Landscape Architectural Services	33
541330	Engineering Services	98
541360	Geophysical Surveying and Mapping Services	7
541620	Environmental Consulting Services	71
541820	Public Relations Agencies	18
541930	Translation and Interpretation Services	5
423310	Lumber, Plywood, Millwork Merchant Wholesalers	8
423320	Brick Stone, Related Construction, Material Merchant Wholesalers	13
423330	Roofing, Siding, Insulation Merchant Wholesalers	5
423720	Plumbing & Heating Equipment & Supplies Merchant Wholesalers	9
423730	Warm Air Heating and A/C equipment /Supplies Merchant Wholesalers	4
423340	Footwear Merchant Wholesalers	1
424720	Petroleum and Petroleum Products Merchant Wholesalers	8
444210	Outdoor Power Equipment	1
454310	Fuel Dealers	3
541110	Lawyer Offices	2
541211	CPA Offices	7
541214	Payroll Services	3
541613	Marketing Consulting Services	40
541810	Advertising Agencies	8
541910	Market Research & Public Opinion Polling	11
561311	Employment Placement Agencies	13
561621	Security System Services	3
561710	Exterminating & Pest Control Services	2
561720	Janitorial Services	38
561730	Landscaping Services	32
561740	Carpet Cleaning Services	6
	Total	537

2013 NAICS Codes Used (U.S. CENSUS BUREAU @ CENSTATS.CENSUS.GOV)

CODE	DESCRIPTION	
423130	Tire and Tube Merchant Wholesalers	27
423210	Furniture Merchant Wholesalers	95
423420	Office Equipment Merchant Wholesalers	212
423430	Computer/ Computer Peripheral Equipment/ Software Merchant	259
423710	Hardware Merchant Wholesalers	85
424120	Stationery and Office Supplies Merchant Wholesalers	68
441310	Automotive Parts and Accessories	380
443142	Electronics Stores	583
524210	Insurance Agencies and Brokerages	1,739
541310	Architectural Services	538
541320	Landscape Architectural Services	134
541330	Engineering Services	1,162
541360	Geophysical Surveying and Mapping Services	5
541620	Environmental Consulting Services	213
541820	Public Relations Agencies	203
541930	Translation and Interpretation Services	44
423310	Lumber, Plywood, Millwork Merchant Wholesalers	83
423320	Brick Stone, Related Construction, Material Merchant Wholesalers	44
423330	Roofing, Siding, Insulation Merchant Wholesalers	32
423720	Plumbing & Heating Equipment & Supplies Merchant Wholesalers	118
423730	Warm Air Heating and A/C equipment /Supplies Merchant Wholesalers	66
424340	Footwear Merchant Wholesalers	52
424720	Petroleum and Petroleum Products Merchant Wholesalers	29
444210	Outdoor Power Equipment	51
454310	Fuel Dealers	302
541110	Lawyer Offices	3423
541211	CPA Offices	953
541214	Payroll Services	88
541613	Marketing Consulting Services	789
541810	Advertising Agencies	213
541910	Market Research & Public Opinion Polling	161
561311	Employment Placement Agencies	173
561621	Security System Services	118
561710	Exterminating & Pest Control Services	145
561720	Janitorial Services	989
561730	Landscaping Services	2131
561740	Carpet Cleaning Services	97
	Total	15,804

F. STEP TWO -- Adjustment

1. Past Participation

In a review of past participation regarding the volume and type of work over the past three years (FFY 2012-2013-2014), participation by DBEs in contracting opportunities were exclusively focused on construction activities. The completion of the Haverhill Intermodal Parking Facility in November 2011 (FFY2012), the completion of the Costello Transportation Center in July 2012 (FFY2012), and the Phase 5 MVRTA Office/Maintenance Facility improvements (FFY2014) resulted in the MVRTA exceeding its DBE goals set for each of these fiscal years.

Looking forward to FFY2016-2018), the next three year period covered by the Goal submission, there will be a substantial shift in MVRTA contracting opportunities. The construction of the Newburyport Intermodal Parking Facility will result in DBE participation in FFY2015 incorporating the design process. In FFY2016, the project will be advertised and construction will begin with completion scheduled in FFY2017. There will be DBE participation in both FFY2015 and FFY2016. In the following two fiscal years of the Goal submission, 2017 and 2018, there is no construction forecasted by MVRTA. This will result in DBE participation being solicited across several NAICS codes related to administrative and operating activities.

It is understood that the determination of the three year DBE goal is a projection based on the most recent information available. It will be necessary to monitor actual DBE participation during each fiscal year to determine if any mid-year corrections are needed regarding the derived calculations of race neutral/race conscious goals.

It is further understood that, if progress is being made to where the projected goal will be exceeded, then an adjustment to reduce race conscious efforts would be implemented. Conversely, if race neutral measures will not attain the projected goal, then race conscious efforts would need to be increased.

2. Disparity Studies

MVRTA researched disparity studies done for the Commonwealth of Massachusetts and could only find one for our state. This study was done by NERA Economic Consulting for a joint effort by the Commonwealth's Division of Capital Asset Management and the Massachusetts Housing Finance Agency in September 2006. *Race, Sex and Business Enterprise: Evidence from the Commonwealth of Massachusetts: Volume II*, shows evidence of racial disparity in the market area. MVRTA has not adjusted to its goal as a result of the data available in this study. MVRTA will review and utilize any updated data in preparing future goals.

3. Statistical Disparities

The study also showed evidence of statistical disparities in the Capital Market which covers areas of financing, bonding, and insurance. In the study, national data is analyzed and compared to a survey conducted by NERA in the Massachusetts region, to examine whether

discrimination exists in the small business credit market. The Executive Summary of that study was released to the public whereas the complete report is marked "Proprietary and Confidential". The following relevant bullet points are from the published Executive Summary:

- Minority-owned firms were particularly likely to report that they did not apply for a loan over the preceding three years because they feared the loan would be denied.
- When minority-owned firms did apply for a loan, their loan requests were substantially more likely to be denied than other groups, even after accounting for differences in factors like size and credit history.
- When minority-owned firms did receive a loan, they were charged higher interest rates on the loan than was true of comparable white-owned firms.
- Far more minority-owned firms report that credit market conditions are a serious concern than is the case for white-owned firms.
- A greater share of minority-owned firms believe that the availability of credit is the most important issue likely to confront the firm in the next 12 months.

"We conclude that there is statistically significant evidence of discrimination in Massachusetts in the small business credit market, particularly with respect to firms owned by Blacks. We find little or no significant evidence, however, that White females are discriminated against in this market."¹

4. Additional data on employment, self-employment, education, training, and union apprenticeship programs were examined both with the NERA Economic Consulting study and data from the updated 2007 Survey of Business Owners (SBO) Census Data (the study contains 2002 SBO data). The evidence confirms the continuing disparity in all these areas against disadvantaged business, as well as discrimination in union apprenticeship programs.

Past Participation Values

FFY 2014 (4.40%)	FFY 2013 (4.5%)	FFY 2012 (5.2%)
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STEP ONE -- Base Figure: 3.40%

STEP TWO -- Median Value: $\frac{4.50\%}{7.90\% / 2} = 3.95\%$

Adjusted Base Figure Goal: 3.95%

¹ NERA Economic Consulting, 2010, Ch. 1.D.3, pgs. 9-10

G. Race Neutral / Race Conscious Division

The calculation to determine a race neutral/race conscious split follows:

	FFY 2014	FFY 2013	FFY 2012
Past Participation	4.40%	4.50%	5.20%
Adjusted Step 1	<u>3.95%</u>	<u>3.95%</u>	<u>3.95%</u>
	.45%	.55%	1.25%

Adjusted Base Figure 3.95%
Median Race Neutral Value .55%
Race Conscious Value 3.40%