

MERRIMACK VALLEY REGIONAL TRANSIT AUTHORITY

Disadvantaged Business Enterprise (DBE)

Goal Methodology

Federal Fiscal Years 2019 – 2021

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 2019-2021. 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 2019-2021

MVRTA's overall goal for the time period covered by Federal Fiscal Years 2019-2021 (October 1, 2018 through September 30, 2021) is 31.9%. MVRTA expects to award approximately \$1,908,290 over this time period, and it is expected that \$608,745 will be expended with DBEs on MVRTA (FTA) assisted contracts. Of the overall goal, 29.8% will be achieved through race neutral measures and 2.1% 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 is 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 6/15/2018) was 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 30 days from the Notice of Publication. The Notice contained the address for which comments could be sent. The above referenced notices are attached to this 6/15 submittal.

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 has been invited to a consultative meeting in order to provide comments or input into the goal setting methodology. The invitation is attached to this submittal.

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, for example, on various projects 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 U.S. Census data to obtain the total number of firms by NAICS codes for Massachusetts.
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.
5. The above data sources has resulted in the following Step 1 Base figure calculation:

$$\frac{\text{Ready, Willing and Able DBEs}}{\text{All Firms Ready, Willing, and Able}} = \frac{335}{15,440} = 2.12\%$$

Supplier Diversity Office NAICS Codes for 2019 - 2021 Goal Setting Methodology

CODE	DESCRIPTION	
423210	Furniture Merchant Wholesalers	1
423420	Office Equipment Merchant Wholesalers	1
423430	Computer/ Computer Peripheral Equipment/ Software Merchant	4
423710	Hardware Merchant Wholesalers	3
424120	Stationery and Office Supplies Merchant Wholesalers	2
441310	Automotive Parts and Accessories	1
524210	Insurance Agencies and Brokerages	8
541310	Architectural Services	27
541320	Landscape Architectural Services	25
541330	Engineering Services	61
541620	Environmental Consulting Services	38
541820	Public Relations Agencies	12
541930	Translation and Interpretation Services	3
423310	Lumber, Plywood, Millwork Merchant Wholesalers	5
423320	Brick Stone, Related Construction, Material Merchant Wholesalers	5
423330	Roofing, Siding, Insulation Merchant Wholesalers	2
423720	Plumbing & Heating Equipment & Supplies Merchant Wholesalers	4
424720	Petroleum and Petroleum Products Merchant Wholesalers	5
454310	Fuel Dealers	2
541214	Payroll Services	4
541613	Marketing Consulting Services	28
541810	Advertising Agencies	4
541910	Market Research & Public Opinion Polling	4
561311	Employment Placement Agencies	13
561621	Security System Services	2
561710	Exterminating & Pest Control Services	3
561720	Janitorial Services	33
561730	Landscaping Services	30
561740	Carpet Cleaning Services	5
	Total	335

NAICS Codes Used (U.S. CENSUS BUREAU) for 2019-2021 Goal Setting Methodology

CODE	DESCRIPTION	
423130	Tire and Tube Merchant Wholesalers	39
423210	Furniture Merchant Wholesalers	102
423420	Office Equipment Merchant Wholesalers	159
423430	Computer/ Computer Peripheral Equipment/ Software Merchant	281
423710	Hardware Merchant Wholesalers	129
424120	Stationery and Office Supplies Merchant Wholesalers	85
441310	Automotive Parts and Accessories	576
443142	Electronics Stores	847
524210	Insurance Agencies and Brokerages	2,455
541310	Architectural Services	704
541320	Landscape Architectural Services	176
541330	Engineering Services	1,487
541620	Environmental Consulting Services	301
541820	Public Relations Agencies	210
541930	Translation and Interpretation Services	45
423310	Lumber, Plywood, Millwork Merchant Wholesalers	122
423320	Brick Stone, Related Construction, Material Merchant Wholesalers	53
423330	Roofing, Siding, Insulation Merchant Wholesalers	50
423720	Plumbing & Heating Equipment & Supplies Merchant Wholesalers	155
423730	Warm Air Heating and A/C equipment /Supplies Merchant Wholesalers	66
424720	Petroleum and Petroleum Products Merchant Wholesalers	25
454310	Fuel Dealers	508
541214	Payroll Services	132
541613	Marketing Consulting Services	694
541810	Advertising Agencies	275
541910	Market Research & Public Opinion Polling	195
561311	Employment Placement Agencies	184
561621	Security System Services	141
561710	Exterminating & Pest Control Services	198
561720	Janitorial Services	1,233
561730	Landscaping Services	3,348
561740	Carpet Cleaning Services	130
	Total	15,105

F. STEP TWO -- Adjustment

1. Past Participation

A review of past participation was done regarding the volume and type of work over the past three years (FFY 2016-2017-2018) and participation by DBEs in contracting opportunities. It is noted that in FFY 2018, the period 10/1/2017 – 3/31/2018 was included as completed.

Looking forward to FFY2019-2021), the next three year period covered by the Goal submission, there will be planned capital projects that will allow for DBE participation.

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 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 believes 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. According to the U.S. Census Bureau Press Release dated 12/15/2015, based on the Small Business Owners (SBO) survey of 2012, there was an increase of more than 2 million minority and women owned businesses when compared to the 2007 SBO. Information for Massachusetts from both the 2007 and 2012 SBO has been collected and shows that, while the number of all firms increased 1.9%, the number of minority firms increased +38.4%. This data may suggest that increasing contracting opportunities could be available over the course of this goal setting process.

Past Participation Values

FFY 2018 (0%)*	FFY 2017 (61.7%)	FFY 2016 (46.5%)
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*10/1/2017 - 3/31 2018

STEP ONE -- Base Figure: 2.12%

STEP TWO -- Median Value: $\frac{61.7\%}{63.7\% / 2} = 31.9\%$

Adjusted Base Figure Goal: 31.9%

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 2018*	FFY 2017	FFY 2016
Past Participation	0%	61.7%	46.5%
Adjusted Step 1	<u>31.9%</u>	<u>31.9%</u>	<u>31.9%</u>
	-31.9%	29.8%	14.6%

*10/1/2017 - 3/31/2018

Adjusted Base Figure 31.9%
Median Race Neutral Value 29.8%
Race Conscious Value 2.1%

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