



Federal Fiscal Year FFY24–FFY26 Disadvantaged Business Enterprise Overall Goal and Goal Setting Methodology

I. SUMMARY

The Santa Cruz Metropolitan Transit District (“Santa Cruz METRO”) is the sole public transit operator in Santa Cruz County, and operates its transit services through 4 transit centers and 783 bus stops. It has a fleet of 94 buses to operate 24 routes. Santa Cruz METRO also provides paratransit services utilizing a fleet of shuttles and mini-vans. Santa Cruz METRO’s service area is the entire county, with a population of 273,405¹. Pre-pandemic, Santa Cruz METRO provided over 5 million rides annually. Ridership has been gradually increasing over the last two and half years, with a current projection for 2023 of over 3.5 million rides.

Santa Cruz METRO is a recipient of United States Department of Transportation (U.S. DOT) federal funds. As such, and in accordance with Title 49 of the Code of Federal Regulations, Part 26 (49 CFR Part 26), Santa Cruz METRO implements a Disadvantaged Business Enterprise (DBE) Program to ensure nondiscrimination in the award of federally funded contracts. As part of this program, Santa Cruz METRO must establish a triennial goal for DBE participation in all contracts that are to be funded with Federal Transit Administration (FTA) funds. A DBE firm is defined as a for-profit “small business concern” that is at least 51 percent owned and controlled by one or more socially and economically disadvantaged individuals. DBE firms are certified as such through Unified Certification Programs established in each state.

During the triennial period FFY24–FFY26, Santa Cruz METRO anticipates using all of its available federal funds to purchase rolling stock. Transit bus purchases are not subject to the DBE goal-setting process. With no additional federally-funded contracting opportunities available for this three-year period, the proposed DBE goal for FFY24–FFY26 is 0%. This goal only details new contracting opportunities planned with FTA funds. Santa Cruz METRO will continue to participate in program outreach to DBEs and Small Business Enterprises (SBEs) using funds received from sources other than the FTA. However, these efforts are not reflected in the proposed DBE goal for FFY24–FFY26.

II. DEVELOPMENT OF OVERALL DBE GOAL FOR FFY24-FFY26

Santa Cruz METRO anticipates receiving approximately \$1,773,000 in federal funding from October 1, 2023 through September 30, 2026. Santa Cruz METRO does not have FTA sub-recipients or pass-

¹ <https://worldpopulationreview.com/us-counties/ca/santa-cruz-county-population>

through FTA funds to other agencies; therefore, sub-recipient contracting opportunities do not exist and are not included in the goal calculation.

The methodology to calculate the DBE participation goal is a two-step process described in 49 CFR Part 26. The two steps for setting an overall DBE goal are:

1. Establish a base figure for the relative availability of DBEs
2. Determine the base figure adjustment, if necessary

Step 1 of the methodology establishes a base figure for the anticipated contracts to be awarded in the period. The base figure is derived from the relative availability of DBEs that are ready, willing and able to participate on these anticipated contracts. The initial step is to determine the market area for contractors and consultants who have demonstrated an interest in, or are anticipated to participate in Santa Cruz METRO contracts. Santa Cruz METRO's market area, for the purpose of developing the base DBE goal, is composed of the following 14 counties:

- Alameda County
- Contra Costa County
- Marin County
- Monterey County
- Napa County
- San Benito County
- San Francisco County
- San Luis Obispo County
- San Mateo County
- Santa Barbara County
- Santa Clara County
- Santa Cruz County
- Solano County
- Sonoma County

After determining the relevant market area, staff would then extract a count of all vendors in the market area from the County Business Patterns (CBP) database and the Caltrans DBE vendor directory by using the NAICS code attached to each piece of potential contract work identified in the Contracting Opportunities.

Step 2 relies on Santa Cruz METRO's knowledge of its contracting markets and previous history of DBE participation to determine if an adjustment to the base figure is needed. With no federally-funded contracting opportunities anticipated in the triennial period FFY24–FFY26, adjustments were deemed unnecessary.

As Santa Cruz METRO anticipates using all of its available federal funds to purchase rolling stock, and these purchases are not subject to the DBE goal-setting process, the calculation using this two-step methodology results in a DBE goal of 0% for FFY24–FFY26. While DBE opportunities for federally-funded projects during this triennial period are not anticipated, Santa Cruz METRO will continue to seek small and disadvantaged business participation on contracts, regardless of funding source. Santa Cruz METRO will also periodically evaluate its triennial DBE goal to determine whether mid-course adjustments will be necessary.

III. RACE-NEUTRAL IMPLEMENTATION MEASURES

The overall DBE goal is typically split into race-neutral and race-conscious components. Race-neutral participation occurs when a DBE obtains a contract or subcontract through customary procurement procedures where there was no contract goal or its DBE status was not considered in making the award. Race-conscious DBE participation is the portion of the overall goal that focuses on assisting only DBEs, where a contract's DBE goal is explicitly stated to encourage DBE participation.

The U.S. DOT Regulations require that the maximum feasible portion of the DBE overall goal be met by using race-neutral methods. Race-neutral methods include efforts made to assure that bidding and contracting requirements facilitate participation by DBEs and other small businesses, such as unbundling large contracts to make them more accessible, encouraging prime contractors to subcontract portions of the work, and providing technical assistance, outreach and communications programs. Santa Cruz METRO will continue to operation a race-neutral DBE program, and will also continue to supplement its DBE Program with a SBE Program.

The race-neutral elements of Santa Cruz METRO's DBE Program are applicable to all third-party contracts, regardless of funding source, in a manner that is consistent with Proposition 209. By this means, the administration of Santa Cruz METRO's contracts to include the participation of DBEs on a nondiscriminatory basis is preserved.

Race-neutral efforts to include DBE participation include:

- Santa Cruz METRO will focus on refining and implementing race-neutral methods for facilitating DBE participation by advising prospective contractors of the areas for possible subcontracting opportunities, and providing contract information on available DBE firms who perform such work. Santa Cruz METRO will continue to solicit DBE participation on an ongoing basis, use DBE firms that have successfully completed prior projects, encourage eligible firms to become certified as DBEs, and provide requested technical assistance and related services when feasible.
- Santa Cruz METRO's website and solicitation documents advise its contracting community of the online directory of certified DBEs, found at the California Unified Certification Program website: <https://dot.ca.gov/programs/civil-rights/dbe-certification-information>.
- Using the Caltrans DBE database, procurement staff proactively sends formal solicitations to registered DBEs that may be interested. Pre-bid and pre-proposal conferences are held, which include a networking component to promote teaming opportunities between prospective prime contractors and the DBE and Small Business contracting community.
- Santa Cruz METRO will provide assistance in overcoming limitations such as inability to obtain bonding or financing (by means of simplifying the bonding process, eliminating the impact of surety costs from bids, and providing assistance with obtaining bonding and insurance when possible). Staff will refer the DBE and Small Business contracting community to the SBA Bonding Assistance Program.
- Santa Cruz METRO attends regular Business Fairs, providing information on its DBE Program and soliciting Small Businesses to participate in its contracts.

- Santa Cruz METRO will monitor carefully its progress during the course of each year and consider whether contract-based DBE goals would increase participation. All contracts that have DBE commitments will be monitored for compliance.

IV. FOSTERING SMALL BUSINESS PARTICIPATION

Santa Cruz METRO has implemented several strategies to foster small business participation in its contracting process. In addition to what is noted above, Santa Cruz METRO:

- Evaluates large projects for consideration of unbundling contracting opportunities into smaller portions so that small businesses, including DBEs, would have a greater opportunity to compete.
- Strongly encourages bidders on prime contracts to consider their subcontracting opportunities be a size that small businesses, including DBEs, can reasonably perform, and reach out to those communities proactively.
- Partners with other local agencies and organizations to identify and advertise small business contracting opportunities, such as the Central Coast Small Business Development Center, the Business Outreach Committee, and the Regional Business Diversity Program (administered by the Valley Transportation Authority).

V. OUTREACH/PUBLIC COMMENT PERIOD

Federal Regulations require that Santa Cruz METRO publish a notice in general circulation and DBE-oriented media announcing the proposed goal for FFY24 through FFY26 contracts assisted by U.S. DOT. An advertisement in both English and Spanish has been prepared and will be published in July 2023 in the Santa Cruz Sentinel and the Register-Pajaronian, and posted at all four major transit centers.

A Public Comment period will be opening on July 11, 2023, wherein staff will solicit comments from the public. During this period, staff will also contact as many diverse and disadvantaged business organizations as possible in order to meet with them, review the proposed goal and methodology, and consider their input, and incorporate all comments into the final document submitted to the FTA. A Public Hearing is scheduled for August 25, 2023 to finalize the Overall Goal.

Santa Cruz METRO will use its own website and subscriber notification system, Mailchimp, to publish information about the Proposed Goal and solicit input from interested parties.