



PACE SUBURBAN BUS DIVISION OF THE RTA (PACE)
DISADVANTAGED BUSINESS ENTERPRISE (DBE) PROGRAM
Goal Setting Methodology and Calculations

Federal Fiscal Years (FFY) 2022, 2023, 2024
(October 1, 2021 through September 30, 2024)
Draft Date August 31, 2021

GOAL OVERVIEW

Pursuant to the U.S. Department of Transportation (USDOT) rules and regulations provided in 49 CFR Part 26 (DBE Regulations), Pace proposes an overall DBE goal that is applicable to Pace's DOT-assisted contracting opportunities (excluding the purchase of transit vehicles) for FFY 2022 through 2024. For those federal fiscal years, Pace projects to spend a total of \$52,399,886 of FTA funds (see Table 1 for the breakdown of anticipated FTA funds by work category). The proposed overall goal for DBE participation is 9% or \$4,715,990 of the projected FTA funds that will be subject to DBE participation requirements as demonstrated by the calculation shown below.

9% (Projected DBE goal) x \$52,399,886 (Total Pace federally funded capital budget excluding transit vehicle purchases) = \$4,715,990.

USDOT-ASSISTED CONTRACTING PROGRAM FOR FFY 2022–2024

As the year 2022 draws closer, Pace continuously shows progress toward the long-range plans, Vision 2020 and Pace's Strategic Vision Plan: Driving Innovation, which Pace anticipates adopting in Fall 2021. Priorities from the plans are developed largely from feedback from our customers.

Building upon the strengths identified in Pace's Vision 2020 and Driving Innovations Plan, Pace continues to expand opportunities for the coordination and innovation of public transit in Northwestern Illinois.

Capital projects included among the FFY 2022 – 2024 work categories are:

- Engines/Transmission Retrofits
- Farebox Replacement
- 95th Street Pulse Line (Design Services)
- Computer Systems – Hardware & Software
- Improvements to Support Facilities

Table 1 – Expected Projects by Work Category

| Work Category | Estimated Dollar Value | Percent of Federal Funding by Work Category |
|-----------------------|-------------------------------|--|
| Equipment | \$ 50,948,906 | 97.23% |
| Professional Services | 686,269 | 1.31% |
| Construction | 698,001 | 1.33% |
| Supplies | 66,710 | .13% |
| Total | \$ 52,399,886 | 100% |

GOAL METHODOLOGY

Pursuant to Section 26.45(b), the overall goal must be based upon demonstrable evidence of relative availability of DBEs in Pace’s geographic and product markets. Accordingly, Pace proposes an overall goal for DBE participation that is consistent with Pace’s historical spending patterns and with the amount of DBE participation Pace expects to achieve in its local market. The following sections, and the accompanying tables, explain the process that was followed to calculate the 9% proposed overall DBE goal for FFY 2022-2024.

Pace has used the anticipated FFY 2022-2024 spending and the current spending data to determine its overall goal for FFY 2022-2024. Pace vendor pool has remained the same: Cook County, DuPage County, Kane County, McHenry County, Lake County, and Will County. Therefore, Pace has determined these counties to be its local market.

STEP ONE: BASE FIGURE CALCULATION

Section 26.45(c) requires the measurement of ready, willing and able businesses in Pace’s local market, using the best available evidence to derive a fair and accurate base figure that represents the percentage of DBEs. One of the methods recommended in the DBE Regulations for determining the base figure involves accessing information from DBE Directories and Census Bureau Data, Section 26.45(c)(1). The following describes the base figure calculation based on these sources.

Pace determined the number of ready, willing and able DBEs in our local market by identifying the DBE businesses in the Illinois Unified Certification Program (IL UCP) DBE Directory including their North American Industrial Classification Codes (NAICS) representing the work most likely required on Pace projects for FFY 2022-2024. Pace identified the relevant NAICS codes to apply to the FFY 2022-2024 capital projects by reviewing the types of Pace projects identified in Pace current federally funded capital budget.

Utilizing the Census Bureau’s County Business Pattern (CBP), Pace identified available DBE and non-DBE firms in its local market with those same NAICS codes. This allowed Pace to determine available firms that could serve as potential vendors. The number representing all DBEs and the number representing all firms were then used to determine the percentage of ready, willing, and able DBE firms to all firm’s ratio for each NAICS code.

The percentages were then applied to the total projects FTA funds for FFY 2022-2024 (\$52,399,886) to determine the estimated dollar amount budgeted for each NAICS code category. As recommended in the DOT’s “Tips for Goal-Setting” Pace weighted the percentages by dividing the budget amount for each NAICS category by the total projected FTA funds. The weighted percentage Goal was multiplied by the DBE firms to all firm’s ratio, and then multiplied by 100 for each NAICS code category.

The resulting value for each NAICS code category was totaled to determine the overall base figure for Pace’s three-year DBE utilization of 2%. The base figure calculation weighs the availability for the total pool of contractors in our local market. This concludes the Step One calculation for the FFY 2022-2024 overall goal. See Table 2 below.

Table 2 – Base Figure Calculation

| NAICS | Project | # of DBE Firms Certified in NAICS Code | # of Overall Firms Local Market NAICS Code | DBE Firms/ All Firms Ratio Based on NAICS Code | Budget Amount of FTA Funds on Project | Weighted = (Budget Amount/ Total Contract Value) | Weighted % Goal |
|--------------------------------|-------------------------------------|--|--|--|---------------------------------------|--|--------------------------|
| 423120 | Engine / Transmission Retrofits | 6 | 357 | .0168 | \$ 47,498,906 | .9065 | .0152 |
| 423430 | Computer System/Hardware & Software | 9 | 265 | .0340 | 245,870 | .0047 | .0002 |
| 423850 | Farebox System | 5 | 175 | .0286 | 3,450,000 | .0658 | .0019 |
| 238220 | Plumbing/HVAC | 55 | 2,708 | .0203 | 240,000 | .0046 | .0001 |
| 238330 | Flooring | 31 | 618 | .0502 | 25,000 | .0005 | .0000 |
| 238910 | Site Preparation | 103 | 491 | .2098 | 245,000 | .0047 | .0010 |
| 237110 | Trench & Storm Sewer Repairs | 37 | 184 | .2011 | 188,001 | .0036 | .0007 |
| 332216/332312 423710/423850 | Tools | 111 | 625 | .1776 | 66,710 | .0013 | .0002 |
| 541330 | Engineering | 178 | 1,370 | .1299 | 202,619 | .0039 | .0005 |
| 541370 | Mapping & Surveying | 52 | 125 | .4160 | 213,942 | .0041 | .0017 |
| 541380 | Environmental Testing Service | 25 | 183 | .1366 | 23,838 | .0005 | .0001 |
| | | | | | Total Contracts Value | Total Budget Subcontract % | Weighted DBE Goal |
| | | | | | \$ 52,399,886 | 100% | 2.16% |

Weighted DBE Goal is 2%.

STEP TWO: ADJUSTING THE BASE FIGURE

Past participation is the most reliable factor Pace can use in the Step Two adjustment. The similarity of Pace’s federally funded capital projects in FFY 2018-2021 and forecasted federally funded capital projects in FFY 2022-2024 accurately reflects the DBE participation Pace can expect to attain in FFY 2022-2024.

Once the base figure of 2% was calculated, Pace determined it was slightly inconsistent with historical data and the realities of the market in our local area. As a result, Pace adjusted the base figure pursuant to Section 26.45(d)(1)(i) of the DBE Regulations, which provides that the base figure can be adjusted using the current capacity of DBEs to perform work on the recipient’s DOT-assisted program by measuring the volume of work performed by DBEs in recent years. Pace utilized its DBE goal and actual attainment percentages filed with the FTA between FFY 2018-2020 to calculate the figures in each category (overall DBE goal and DBE attainment) to determine a median rate of DBE participation for those federal fiscal years, see Table 3. This information was taken into consideration because it is a likely indicator of participation on future projects since the types of goods and services contract by Pace remain consistent over time.

According to the calculations, Pace attained an average DBE participation rate of 14.80% and a median rate of 15.57% for FFY 2018-2020 (See “DBE Attainment” column in Table 3 below).

Table 3 – DBE Attainment

| Fiscal Year | DBE Goal | DBE Attainment | Race-conscious | Race-neutral |
|--------------------|-----------------|-----------------------|-----------------------|---------------------|
| 2018 | 11.46% | 19.75% | 10.15% | 9.60% |
| 2019 | 12.00% | 15.57% | 6.40% | 9.17% |
| 2020 | 12.00% | 9.08% | 1.47% | 7.61% |
| Total | 35.46% | 44.40% | 18.03% | 26.37% |
| Mean | 11.82% | 14.80% | 6.01% | 8.79% |
| Median | 12.00% | 15.57% | 6.40% | 9.17% |

FINAL STEP: CALCULATING THE OVERALL GOAL

To determine the overall goal, the weighted base figure of 2% (see Step One) was added to the to the median DBE attainment of the last three federal fiscal years or 15.57% (see Step Two), and divided by 2, see below. The result is Pace DBE goal for FFY 2022-2024 of 9%.

$$2\% + 15.57\% = 17.57\%$$

$$17.57\%/2 = 8.78\% \text{ (Rounded to 9\%)}$$

**ANNUAL OVERALL DBE PERCENTAGE GOAL = 9% OF TOTAL ESTIMATED
FEDERALLY FUNDED CAPITAL BUDGET**

OR

9% OF \$52,399,886 = \$4,715,990 = PACE'S FFY 2022-2024 OVERALL DBE GOAL

UTILIZATION OF RACE-NEUTRAL (RN) AND RACE-CONSCIOUS (RC) METHODS

The goal of Pace's DBE Program is to be primarily a race-neutral initiative that incorporates race-conscious elements, as needed. DOT's DBE Regulations (49 CFR 26.51) require Pace to meet the maximum feasible portion of the overall goal by using race-neutral means of facilitating DBE participation. The race-neutral measure or program is one that can be used to assist all businesses. For purposes of this submittal, the definition of Race-Neutral includes gender.

Formula for Calculating Race-Neutral and Race-Conscious Percentages

- Step 1: Determine the FFY 2018-2020 average of DBE procurements achieved without contract goals. This is the RN mean.
- Step 2: Determine the FFY 2018-2020 average of DBE utilization achieved utilizing DBE contract goals. This is the RC mean.
- Step 3: RN median in FFY 2018-2020 = 9.17% (see Table 3)
RC median in FFY 2018-2020 = 6.40% (see Table 3)
- Step 4: Of the overall goal of 9% DBE participation for federal fiscal years, 2022 through 2024 as computed from Steps One and Two, Pace seeks to achieve 9% by Race-Neutral means. This is the percentage Pace can confirm based on the FFY 2018-2020 achievements.

As directed by 49 CFR Part 26.51, Pace is proposing to meet our DBE overall goal by using race-neutral means. Pace normally achieves the greater portion of its DBE participation on construction related projects. However, due to a shift in Pace's funding, nearly all large construction projects planned for the FFY 2022-2024, that were historically funded with federal dollars, will be funded

with state dollars. This change along with the result of our increased outreach efforts to various small, disadvantaged business events, as a means of facilitating race-neutral DBE participation, Pace believes the RN goal of 9% is reasonable and attainable.