

CITY OF MILWAUKEE DEPARTMENT OF PUBLIC WORKS

the milwaukee STREETCAR



2015 – 2017
TRIENNIAL GOAL

DBE Goal Setting Methodology

DBE Program Attachment 5

Prepared By:

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for the City of Milwaukee Department of Public Works**

**UPDATED
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1325**

**Disadvantaged Business Enterprise (DBE) Program
Fiscal Year 2015-2017**

The City of Milwaukee is currently undertaking a DBE Program goal-setting process for Fiscal Years 2015-2017 for work on the Milwaukee Streetcar Project.

This is a report on the City of Milwaukee DBE Goal Setting Methodology pursuant to 49 CFR Part 26. This process has resulted in a fully calculated DBE Goal for the Triennial Period. The DBE Program, goals and methodology will be available on the Milwaukee Streetcar website and the City of Milwaukee Department of Public Works (DPW) website by March 16, 2015.

The Milwaukee Streetcar website
The official website of the Streetcar Project
www.milwaukeestreetcar.com



The City of Milwaukee Department of Public Works
The official DPW website
<http://city.milwaukee.gov/mpw>



In addition to the online postings, the goals will be advertised in the following newspapers: *The Daily Reporter*, *The Milwaukee Community Journal* and *El Conquistador*.

Furthermore, the supporting documents and methodology will be made available for public viewing at:

City of Milwaukee Department of Public Works
Frank P. Zeidler Municipal Building
841 North Broadway, Room 506
Milwaukee, WI 53202-3653

At the time of the posting, a 30 day public comment period will begin. Over the comment period, at least two public meetings will be held soliciting public feedback on the Goal. The Goal will be in effect for the triennial period for Federal FY 2015 – 2017.

METHODOLOGY USED TO CALCULATE OVERALL GOAL

As noted in the main body of the Milwaukee Streetcar DBE Program, Transit Vehicle Manufactures (TVM) are governed by Section 26.49 of the Code of Federal Regulations for DBE participation. Therefore the cost of vehicle procurement and its associated DBE program requirements are excluded from this analysis. Only TVM with FTA approved DBE programs will be eligible to bid on the Milwaukee Streetcar. See the main Milwaukee Streetcar DBE Program for additional details.

Step 1: Determining the Base Figure - 26.45(c)

The method described in 49 CFR 26.45(c)(1) was used to determine the base figure for the relative availability of ready and willing DBE and non-DBE firms in the **Milwaukee-Waukesha-West Allis, WI Metro Area**. There are four Counties in the metro area – Milwaukee, Ozaukee, Washington and Waukesha.

Table 1: The four Counties (Milwaukee, Ozaukee, Washington and Waukesha) are inclusive of the following ZIP Codes, Towns and Cities.

53002 (Allenton)	53090 (West Bend)	53205 (Milwaukee)
53004 (Belgium)	53092 (Thiensville)	53206 (Milwaukee)
53005 (Brookfield)	53095 (West Bend)	53207 (Milwaukee)
53007 (Butler)	53097 (Mequon)	53208 (Milwaukee)
53012 (Cedarburg)	53103 (Big Bend)	53209 (Milwaukee)
53017 (Colgate)	53110 (Cudahy)	53210 (Milwaukee)
53018 (Delafield)	53118 (Dousman)	53211 (Milwaukee)
53021 (Fredonia)	53119 (Eagle)	53212 (Milwaukee)
53022 (Germantown)	53122 (Elm Grove)	53213 (Milwaukee)
53024 (Grafton)	53129 (Greendale)	53214 (Milwaukee)
53027 (Hartford)	53130 (Hales Corners)	53215 (Milwaukee)
53029 (Hartland)	53132 (Franklin)	53216 (Milwaukee)
53033 (Hubertus)	53146 (New Berlin)	53217 (Milwaukee)
53037 (Jackson)	53149 (Mukwonago)	53218 (Milwaukee)
53040 (Kewaskum)	53150 (Muskego)	53219 (Milwaukee)
53045 (Brookfield)	53151 (New Berlin)	53220 (Milwaukee)
53046 (Lannon)	53153 (North Prairie)	53221 (Milwaukee)
53051 (Menomonee Falls)	53154 (Oak Creek)	53222 (Milwaukee)
53058 (Nashotah)	53172 (South Milwaukee)	53223 (Milwaukee)
53066 (Oconomowoc)	53183 (Wales)	53224 (Milwaukee)
53069 (Okauchee)	53186 (Waukesha)	53225 (Milwaukee)
53072 (Pewaukee)	53188 (Waukesha)	53226 (Milwaukee)
53074 (Port Washington)	53189 (Waukesha)	53227 (Milwaukee)
53076 (Richfield)	53202 (Milwaukee)	53228 (Milwaukee)
53080 (Saukville)	53203 (Milwaukee)	53233 (Milwaukee)
53086 (Slinger)	53204 (Milwaukee)	53235 (Milwaukee)
53089 (Sussex)		53295 (Milwaukee)

Base Figures

The base figure was first calculated on the premise that the firms identified are ready, willing and able to do business on the Milwaukee Streetcar – a Federal Transit Agency (FTA) assisted project.

The base figure was determined by dividing the total number of identified ready, willing, and able DBEs – interested in providing specifically identified services in the Milwaukee-Waukesha-West Allis market area (Market Area) -- by the total number of all identified ready, willing, and able firms in the Market Area.

The City of Milwaukee Small Business Enterprise (SBE) certification is closely aligned with the federally based DBE program, but is race and gender neutral. Firms certified DBE by the Wisconsin Unified Certification Program (UCP) have identified geographic market preferences for which they are interested in doing business. The Milwaukee-Waukesha-West Allis market area is located in the SE region of the UCP (per the Wisconsin Department of Transportation). Additionally, the State of Wisconsin Department of Administration (WisDOA) Certifies Minority owned businesses (MBE) and Women owned business enterprises (WBE). Out of 168 engineering and construction related firms providing services in the identified NAICS Codes (certified by WisDOA) and located in SE Wisconsin roughly half were not also certified with the City of Milwaukee or the Wisconsin UCP. The unique list of MBE and WBE firms were added to the list of DBE and SBE firms with potential to pursue elements of the Streetcar construction.

Neither the City of Milwaukee, State of Wisconsin, nor any of the Counties in the noted Market Area, have any experience with the construction of a modern Streetcar system; therefore, no historical data exists for this analysis in the Market Area.

Summary

For the Base Goal calculation, the numerator was calculated using an unduplicated list of firms certified as Disadvantaged Businesses Enterprises (DBE) with the Wisconsin Unified Certification Program – which have indicated an interest in doing business in SE Wisconsin Region; the list of appropriately Certified Small Business Enterprise (SBE) by City of Milwaukee; and firms in the Market Area certified as Minority and/or Women Owned Business Enterprise (MBE and/or WBE) by the State of Wisconsin Department of Administration. The denominator was calculated using the 2012 U.S. Census Bureau – Market Area data based upon County Business Patterns for all appropriate firms. For both the numerator and denominator, only firms classified as providing services in the NAICS Codes identified by the Streetcar design/professional services team are included and considered “appropriate firms.”

Table 2: Relevant NAICS Codes

237110 - <i>Water and Sewer Line related Constructors</i>
237130 - <i>Power and Communication Line and Related Structures Constructors</i>
237310 - <i>Highway, Street, and Bridge Constructors</i>
238110 - <i>Poured Concrete Foundation and Structure Constructors</i>
238120- <i>Steel Erection Constructors</i>
238140- <i>Masonry Contractors</i>
238160- <i>Roofing Contractors</i>
238170- <i>Exterior Siding Contractors</i>
238210- <i>Electrical Contractors</i>
238220- <i>HVAC and Plumbing Contractors</i>
238310 - <i>Drywall and Insulation Contractors</i>
238320 - <i>Painting and Wall Covering Contractors</i>
238330 - <i>Flooring Contractors</i>
238350- <i>Finished Carpentry Contractors</i>
238390- <i>Specialty Contractors</i>
238910- <i>Site Preparation Contractors</i>
238990- <i>All other Specialties Trade Contractors</i>
325510- <i>Prefabricated Metal Building and Component Manufacturers</i>
332321- <i>Metal Window and Door Manufacturing</i>
332999- <i>Miscellaneous Fabricated Metal Product Manufacturing</i>
339950- <i>Sign Manufacturing</i>
561730- <i>Landscaping Services</i>
922160- <i>Fire Protection</i>

Firm Count

Using the US Census Bureau County Business Pattern Data (<http://www.census.gov/econ/cbp/>) for the Milwaukee-Waukesha-West Allis Metro area, it has been determined that there are 1,374 construction businesses and 317 professional services businesses operating in the region performing services under the relevant NAICS Code categories (Table 2). For the Base Figure goal, it was initially assumed that these firms are all willing and able.

The City of Milwaukee has no history with utilizing federal standard DBE Participation in its contracting; however, many of its underrepresented certified small businesses (SBE) are dually certified as DBE firms. It is anticipated that additional firms will pursue certification with the Wisconsin UCP as they learn more about the opportunities with the Streetcar. Therefore, the pool of certified DBE and SBE firms was combined into a unique, non-duplicated list of firms in the relevant NAICS Code categories to determine the base goal. It should be noted, however, that UCP certified DBE firms, which may come from anywhere in the country, must specifically have designated to the UCP they had interest in doing business in the Southeast Wisconsin Department of Transportation region. SBE firms, by nature of their application to the City of Milwaukee to become certified for work in Milwaukee, have an implied interest in doing business in the region.

There are 380 DBE, SBE, MBE and WBE construction businesses (Target Firms) and 80 such professional services businesses operating and expressing interest in doing business in the region.

UCP List: <http://www.dot.wisconsin.gov/business/engrserv/dbe-firms.htm>

Milwaukee List: <https://milwaukee.diversitycompliance.com/>

Table 3 Base Goal Calculation

	Construction	Professional Services
All firms	1,374	317
Targeted Firms (1)	380	80
Base Goal (2)	380 / 1,374	80 / 317
	27.66%	25.24%

Notes:

1. Professional Services: While 80 engineering related Target firms were identified, the list began with 104 unique certified engineering entities, showing interest in doing business in SE Wisconsin. A total of 49 of the firms were removed from the list (104-49=80) because while the business owners had listed in their UCP certification an interest in providing services in SE Wisconsin; another 20 firms were out of State and 100 to 500 miles away; and a group of 25 firms were 500 miles or more away. It was determined that these firms would not be included in the Market Area calculation and finally a hand full of engineering firms provided no services in the specific NAICS code or were no longer in business.
2. Professional Services: The City of Milwaukee has an 18% SBE goal and began design and related professional services on the Streetcar using an 18% DBE goal, prior to this analysis.

Base Goal Summary

- Construction Services = 27.66%
- Professional Services = 25.24%

Step 2: ADJUSTMENTS

Examination of Available Evidence to Determine Adjustment, if any, to the Base Figure – 26.45 (d)

DISPARITY STUDY

Under this rule, evidence may be considered from disparity studies conducted in the market area to determine if a base figure adjustment should be made.

The City of Milwaukee both completed and abandoned a Disparity Study within the past two years. While disparity studies can be used to assist in the development of DBE goals, the City determined that the conclusions drawn from the Study were flawed, and therefore will not be used to adjust the calculated goal.

PAST PARTICIPATION

Past participation will be considered in the decision to make an adjustment. Milwaukee Department of Public Works provided the following past participation data for analysis:

The following is excerpted from a 2012 City of Milwaukee Report/review of the contracting practices of the Department of Public Works:

“Prior to 2012 the City of Milwaukee administered the Emerging Business Enterprise (EBE) program and it required EBE participation in almost all of its formal public works contracts. This program was designed to increase the rate of participation opportunities. In 2012, there were changes made to the program and a new ordinance was implemented. The new Chapter 370 ordinance changed the focus of the program from emerging businesses to minority, woman and small business enterprises (MWSBE).

On occasion, specialized projects will require the services of non-MWSBE contractors headquartered outside the city or state. In these cases exceptions are made because MWSBE certified firms are not available for the specialized work involved.

Despite occasional individual exceptions, DPW makes every effort to average more than 18 percent MWSBE participation. This occurs despite having a limited number of contracts every year that have either no MWSBE requirement or a requirement of less than the standard 18 percent. Maximizing MWSBE opportunities on those contracts where MWSBE firms are available helps achieve 25% average. Many of DPW’s formal contracts carry MWSBE requirements of 20 percent or higher. As of the writing of this report, 87 contracts were closed, of which 12 did not meet MWSBE requirements. The average SBE rates for 2008, 2009, 2010 2011 and 2012 contracts were as follows: “

The Table below is referenced above, however, data for earlier years (2008 and 2009) is excluded.

Table 4. Summary of Milwaukee DPW past SBE goals achievement on construction projects

Year	Average SBE (%) Required		Average SBE (%) Performed	
	Final Cost (%)	Bid Amount (%)	Final Cost (%)	Bid Amount (%)
2010	22.5%	22.2%	27.9%	29.6%
2011	21.6%	21.6%	25.2%	27.3%
2012	21.4%	23.0%	25.4%	25.8%
Historical median Values	21.6%	22.2%	25.2%	27.3%

Note: The historical median value is the value in the middle of a group of numbers and may be significantly different from an average. The Historic median “SBE % Performance” based upon the Final Cost value of 25.2% was utilized to adjust the Base goal by taking the average of the two numbers.

The City of Milwaukee established a Small Business program with a Race and Gender component for one year following the aforementioned Disparity Study. The program was abandoned.

While the work referenced in Table 4 was not for a Streetcar system, the work is significantly in the same NAICS Codes utilized for the Streetcar and indicates both a capacity for work by underrepresented populations and the potential capacity for Race-Neutral participation; the program was implemented, however, at the height of the 2008-2013 recession, and only lasted one year. The current City Certification program is Race Neutral. Without a detailed analysis of the firms performing the work above, no attempt is made herein to utilize the capacity for Race-Neutral goal attainment.

Adjustments 1 of 2

Adjustments to the Base Goal will be made by averaging (1) the Base Goal and (2) the average SBE bid performance from Table 4.

Construction

The adjustment to the Base Goal for construction is found by averaging the calculated Base Goal (27.66%) and the actual past performance (25.2%).

$$(27.66\% + 25.2\%) / 2 = 26.43\%$$

Professional Services

Past performance data is unavailable for Professional Services, however, the past goal was set at 18% SBE on Professional Services. Making an assumption that participation over/under performance for design/professional services and construction would be similar, an estimated professional services performance value has been calculated as follows:

Past Professional Service SBE performance is estimated as follows.

“Construction percent of goal achieved” multiplied by the Professional Services Goal

The construction percent of goal achieved of 25.2 % is divided by the 25% construction goal = 25.2/ 25 = 100.8%

$$100.8\% \times 18\% = \text{Estimated Professional Services Participation Achieved}$$

$$18.1\%$$

Finally, the adjustment to the Professional Service Base goal is found by averaging the calculated Base Goal (25.24%) and past (estimated) performance (18.1%) or

$$(25.24\% + 18.1\%) / 2 = 21.67\%$$

Table 5: Base Goal Summary (rounded up the nearest tenth of a percent)

	Construction	Professional Services
Recalculated Base Goal	26.43% (Use 26.5%)	21.67% (Use 21.7%)

INTEREST SURVEY

DBE Community

Online surveys were emailed to 284 "Target" firms certified by the Wisconsin UCP and City of Milwaukee Office of Small Business Development. Each of the 284 firms were called at least once, followed up by reminder calls, requesting that they complete the online survey, or as options – answer questions over the phone or by fax. In total, 807 calls were made to DBE firms throughout the month of August 2014. NOTE: There were 380 Target firms used to calculate the DBE goal. The category of MBE and WBE were added to the Target firm count following a brief analysis to determine that many of the firms solely certified as MBE and/or WBE were likely certifiable as SBE or DBE, but simply had not applied. The total number of uniquely certified MBE and/or WBE firms was 96. Adding the 284 SBE/DBE firms to the 96 MBE/WBE count = 380.

Nearly 80% (79%) of the Target firms contacted expressed an interest in working on the project indicating strong interest in being engaged.

Surveys were also sent to non-Target contractors; however, collection of contact information for the 1,090 firms (1,374 less 284 = 1,090) was more complicated. Not all such firms advertise, subscribe to the same publications or belong to the same chambers and associations. However, working with the following organizations, surveys were emailed to members operating in the region:

- WUCA - Wisconsin Underground Contractors Association (approximately 30 members)
- WTBA - Wisconsin Transportation Builders Association (more than 100 members)
- ACEC - Allied Construction Employers Association (more than 500 members)

Approximately 100 members identified in association publications were also emailed, and each member was called up to three times to solicit feedback on interest in the project, specific NAICS Codes of interest and business volume.

88.9% of this population expressed interest in working on the project.

All surveys were closed Wednesday September 3, 2014.

When reviewing the Target firm responses, it became clear that no responders indicated an ability to install rail or the electrical guide wire; however, many respondents were certified in the general categories covering these services: 237990 – Heavy Civil and Engineering Services and 237310 - Highway, Street, and Bridge Construction. A closer examination indicated potential to achieve some participation with the overhead catenary system and guide wires.

Through this process, it was observed that the 380 Target firms in construction related firms are certified to provide construction services in each of the 18 relevant NAICS Codes found in Table 2. After examining both NAICS codes where firms were certified and responses to survey questions for services provided by Target firms, it was determined that the cost of the rail and its onsite fabrication as well as the cost of the substation switch gear and its installation should be excluded from DBE participation consideration.

Once these items were excluded from the project cost, the second and final adjustment was made to the Base Goal, as required.

Adjustments 2 of 2

A second set of adjustments to the recalculated Base goal of 24.14% is shown below.

Table 5 – Base Goal Adjustment for lack of availability in specific categories of work

Category or Action	Line	Construction	Professional Services
Base Goal	A	26.5%	21.7%
Cost by category of work (1)	B	\$ 36,081,671	\$ 10,298,000
Construction Excluded: Value of installed rail acquisition of substation Professional Services Excluded: Vehicle Procurement Consultant Services	C	7,859,872	1,800,000
Available for Participation	D	28,221,799	8,498,000
DBE expenditure Goal = Line A x Line D	E	\$ 7,478,777	\$ 1,844,066

Notes:

- (1) Estimated construction values based upon January 2015 Estimate. Does not include vehicle cost or Private Utilities.

The overall project goal is calculated as follows.

Table 6: Final Goal

Category or Action	Line	Construction	Professional Services	Project
DBE Expenditure	A	\$ 7,478,777	\$ 1,844,066	\$9,322,843
Total Budget	B	\$36,081,671	\$10,298,000	\$46,379,671
New Goal (Line C = A/B)	C	20.73%	17.91%	20.10%

RACE/GENDER-NEUTRAL AND RACE/GENDER CONSCIOUS PARTICIPATION

While the City of Milwaukee’s own SBE program and former EBE programs were Race Neutral, no reliable data was gathered over an extended period to determine an appropriate level of Race Neutral or Race Conscious Participation as the City has no useful historic data in this arena.

Nonetheless, based upon the historic performance on City Contracts it can be seen that with a 25% overall SBE goal, while projects have achieved, at the time of Bid, the following performance: 29.6%, 27.3% and 25.8% from 2010, 2011 and 2012, respectively, final goal achievement has come in just above the 25% goal at 27.9%, 25.2% and 25.4% respectively.

The historic over achievement of the 25% goal maxed out at 2.9% in 2010 (27.9% vs 25.0%), but had a median over achievement of only 0.4% points. It appears that but for the SBE Program, the City would not have achieved 25% spending with SBE firms.

This level of achievement “over” the project goal roughly translates to what is described as “Race Neutral achievement” of Federal Transit Authority (FTA) supported project goals. Therefore, the City achieved an additional 0.4% over its 25% SBE goal (or 102% of the goal -- 25.4/25.0). Therefore for this FTA supported program, the Race Neutral achievement will be targeted at 2% and the Race Conscious value was 98%. These percentages shall be set for both Construction and Professional services.

DBE race conscious goals shall be set at 20.32% (20.73% *98%) for construction and 17.55% (17.91*98%) for Professional Services.

Table 7: Race Neutral / Race Conscious Goals

Category or Action	Line	Construction	Professional Services
Project Value	A	\$ 36,081,671	\$ 10,298,000
DBE Goal	B	20.73%	17.91%
DBE Expenditure (Line A x B) - value may not equal table 6 due to rounding	C	\$7,479,730	\$1,844,372
DBE value to be achieved through Race Neutral means value (2% of C)	E	\$149,595	\$36,887
DBE value to be achieved through Race Conscious means (98% of C)	F	\$7,330,135	\$1,805,796

THE PROCESS

DPW will publish the FY 2015-2017 goal no later than Monday, March 16, 2015, on its website, <http://city.milwaukee.gov/mpw> , the Milwaukee Streetcar project website (<http://www.themilwaukeeestreetcar.com/>) and in area newspapers (*The Daily Reporter*, *The Milwaukee Community Journal*, and *El Conquistador*) informing the public that the proposed goal and that the rationale is available for inspection during normal business hours at the Frank P Zeidler Municipal Building – Room 506 for 30 days following the date of the notice, and that DPW will accept comments on the goals for 30 days from the date of the notice. DPW will begin using the new overall goal in conjunction with the FTA funded grants that it receives.