

NEAR NORTHWEST MANAGEMENT DISTRICT OVERALL GOAL CALCULATION

The process used by Near Northwest Management District (NNMD) to establish its DBE goal for fiscal year (FY) 2021 through 2023 is summarized below. NNMD followed a two-step process based on documented evidence of the availability of ready, willing and able DBEs relative to all businesses ready, willing, and able to participate in NNMD's FTA assisted contracts, which is referred to as relative availability of DBEs and establishes the base goal. The goal reflects NNMD's expected level of participation by DBEs.

Step 1 – Establish Base Goal

NNMD considered all the possible FTA assisted contracting opportunities for award in FY 2021 through 2023 and compiled the North American Industry Classification System (NAICS) codes for the work included in the contracting opportunities. NNMD established the counties of the TxDOT Houston Work District as the market area to determine the total number of DBE businesses ready, willing, and able to perform work in the same NAICS codes, which includes Brazoria, Fort Bend, Galveston, Harris, Montgomery and Waller Counties. NNMD established this market area due to the availability of contractors in the area and the size and cost of the projects projected. NNMD reviewed the total firms in the same counties in the TxDOT Houston Work District in the 2017 US Census County Business Patterns.

NNMD does not provide transit operations but does receive federal funding through grants for pedestrian improvements to support access to transit. NNMD only has one federally funded construction project expected within the next three years.

NNMD used the suggested calculation tables to determine the weighted base goal. There is one pedestrian construction project programmed within the next three years. Tasks involved in this project include sidewalk construction, curb construction, electrical installation, site preparation, and landscaping. Each NAICS Code is defined in the table below.

NAICS Code	Definition
221310	Water Supply and Irrigation Systems
237310	Highway, Street, and Bridge Construction – Curbs, gutters, culvert construction
238210	Electrical Contractors and Other Wiring Installation Contractors
238910	Site Preparation Contractors
238990	All Other Specialty Trade Contractors - Sidewalk construction, residential and commercial, concrete paving
561730	Landscaping Services

NNMD does not have any subrecipients of federal funding.

1 - Determine the weight of each type of work by NAICS Code

Weighted NAICS Codes			
NAICS Code	Project	Amount of DOT funds on project:	% of total DOT funds (weight)
221310	W. Little York Pedestrian-Transit Improvements	\$19,941.61	0.0100
237310	W. Little York Pedestrian-Transit Improvements	\$678,014.67	0.3400
238210	W. Little York Pedestrian-Transit Improvements	\$299,124.12	0.1500
238910	W. Little York Pedestrian-Transit Improvements	\$199,416.08	0.1000
238990	W. Little York Pedestrian-Transit Improvements	\$598,248.24	0.3000
561730	W. Little York Pedestrian-Transit Improvements	\$199,416.08	0.1000
Total FTA-Assisted Contract Funds		\$1,994,160.80	1.0000

2 - Determine the relative availability of DBE's by NAICS Code

Firm Relative Availability				
NAICS Code	Project	Number of DBEs available to perform this work	Number of all firms available (including DBEs)	Relative Availability
221310	W. Little York Pedestrian-Transit Improvements	1	69	0.0145
237310	W. Little York Pedestrian-Transit Improvements	22	135	0.1630
238210	W. Little York Pedestrian-Transit Improvements	3	992	0.0030
238910	W. Little York Pedestrian-Transit Improvements	22	341	0.0645
238990	W. Little York Pedestrian-Transit Improvements	28	524	0.0534
567130	W. Little York Pedestrian-Transit Improvements	4	980	0.0041
Combined Totals		80	3041	0.0263

3 - (Weight) x (Availability) = Weighted Base Figure

Weighted Base Figure					
NAICS Code	Project	Weight	X	Availability	Weighted Base Figure
221310	W. Little York Pedestrian-Transit Improvements	0.01000	x	0.01449	0.0001
237310	W. Little York Pedestrian-Transit Improvements	0.34000	x	0.16296	0.0554
238210	W. Little York Pedestrian-Transit Improvements	0.15000	x	0.00302	0.0005
238910	W. Little York Pedestrian-Transit Improvements	0.10000	x	0.06452	0.0065
238990	W. Little York Pedestrian-Transit Improvements	0.30000	x	0.05344	0.0160
561730	W. Little York Pedestrian-Transit Improvements	0.10000	x	0.00408	0.0004
Total					0.0789
Rounded Percentage					8.0%

Step 2 – Base Goal Adjustment

Past Participation

Previously, NNMD had an FTA-approved DBE program goal of 20%. This DBE program goal was 100% race neutral. Based on the statistical analysis conducted under Step 1, Establish Base Goal, NNMD will use the 8% goal as the established, rounded, weighted base goal. For the past three fiscal years, NNMD has awarded one engineering contract with 20% DBE participation through race neutral means.

	Past Participation
FY 2018	N/A – 0.0%
FY 2019	20.0%
FY 2020	N/A – 0.0%
Average Participation	6.67%

Instead of using the median of the past participation, NNMD adjusted based on the average participation. Since NNMD does not provide transportation and does not receive formula funding, there are minimal opportunities for third party contracting and DBE Participation. NNMD does believe that adjusting the DBE Goal based on the median (0.0%) accurately reflect that DBE Participation that NNMD has obtained in the past. Since there was only participation in one year, the average will be used over the three years instead of the median.

Market Studies

In researching disparity analysis within the Houston metropolitan area, there are several pending disparity studies by different organizations. The City of Houston contracted with Colette Holt & Associates on August 24, 2016, to complete a review of its minority and women business enterprise program at least every five years as required by Chapter 15 of the City Code of Ordinances. As of January 15, 2021, no disparity study has been released by the City since 2013. The Metropolitan Transit Authority of Harris County (METRO) contracted with Mason Tillman Associates, Ltd., to examine prime contract awards in construction, professional services, and goods and services from October 1, 2013 to September 30, 2018. The study was expected to be released in July 2020, and, as of January 15, 2021, no disparity study has been released by METRO.

The Harris County Disparity Study (2020) was available for review. The study was approved on July 31, 2018 and was developed by Colette Holt & Associates to form a disparity study of its County-funded contracts in conformance with strict constitutional scrutiny for data available from FY2016 to FY2019. The study compared county contracts awarded to minority- and women-owned businesses to the number of such businesses that were available. The marketplace for this study is similar to the NNMD's market area: Brazoria, Fort Bend, Galveston, Harris, and Montgomery Counties.

The study found that for every \$100 paid by the county on third-party contracts, \$90.90 went to white male-owned businesses; \$3.20 went to white women-owned business; \$4.60 went to businesses owned by people of Hispanic descent; \$0.60 went to businesses owned by people of Asian descent; \$0.10 went to businesses owned by people of Native American descent; and \$0.50 went to businesses owned by Black men and women.

While white male-owned businesses made up 72.0% of the marketplace, those businesses received 90.9% of the third-party contracts; black-owned businesses made up 8.4% of the marketplace yet received 0.5%

of third-party contracts. While the gap for Black-owned businesses was proportionately largest, all minorities and women were underrepresented in third-party contracts. Asian-owned businesses accounted for 3.0% of the marketplace but only 0.6% of third-party contracts; Native American-owned businesses made up 0.4% of the marketplace but only 0.1% of third-party contracts; Hispanic-owned businesses made up 11.0% of the marketplace but only 4.6% of third-party contracts; and businesses owned by white women made up 6.0% of the marketplace but only 3.2% of third-party contracts. As a whole, minority DBE firms made up 28.4% of the marketplace, but only received 9.1% of the third-party contracts.

The Harris County Disparity Study also reviewed disparity ratios by each demographic group. The disparity ratio is developed by dividing the demographic group’s utilization rate by the groups availability in the marketplace. A “large” or “substantively significant” disparity is commonly defined by courts as utilization that is equal to or less than 80.0% of the availability measure. As demonstrated in the Harris County Disparity Study, all Minority and Women-owned Business Enterprises fall groups fall well below the 80.0% threshold and would be consider a “large” or “substantively significant” disparity.

As stated in the Houston Chronicle article titled “Minority businesses shortchanged by Harris County contracting practices”, dated July 7, 2020, in the City of Houston, where DBE businesses make up 35.0% of the construction market, DBE businesses received 30.0% of contract dollars, according to the city’s most recent disparity study. Black-owned businesses, which made up 5.0% of the market, were paid 3.0% of contracts.

While the study provided recommendations specifically for Harris County, there are some recommendations that can be included in NNMD’s DBE Program and Goal. The first recommendation is to implement more race neutral measures. While several facets of this recommendation do not apply to NNMD, NNMD can increase vendor communication and outreach to M/WBEs and small firms. NNMD will notify minority business organizations, such as Houston Minority Business Development Agency or the Houston Minority Supplier Development Council, about potential contracting, or subcontracting opportunities. Another recommendation is to set race-conscious goals, due to the demonstrated disparity.

The Port of Houston Authority also conducted a 2020 Disparity Study, developed by Griffin & Strong, P.C. The study period reviewed FY2015-2019 contracting for the industry categories of Construction, Architectural & Engineering, Professional Service, Other Services, and Goods. The study set their market area as Harris, Montgomery, and Fort Bend Counties. The study found statistically significant underutilization of minority and woman owned firms in all five (5) industry categories except Asian American and Hispanic American owned firms as prime contractors in Professional Services.

Adjustment

NNMD took the past participation percentage of the past three fiscal years and the weighted base goal and averaged them together to create the adjusted DBE Goal.

Adjusted DBE Goal	
Weighted Base Goal	7.9%
Past Average Performance Percentage	6.7%
Total	14.6%
Adjusted DBE Goal	7.3%

NNMD will set the DBE goal at 7.3% based on past performance and monitor how much DBE participation occurs over the next three (3) years. Due to the race neutral obtained past performance and the fact that

NNMD only has one federally funded construction project that is about to be released, this DBE Goal will be 100% Race Neutral. If NNMD receives more discretionary funding for a second project, NNMD will establish a contract goal on the second procurement based on the participation obtained on the first construction project as well as the disparity ratios described in the above section.

This adjusted goal is NNMD's overall program goal for the next three fiscal years.

Breakout of Estimated Race-Neutral & Race Conscious Participation

NNMD will meet the maximum feasible portion of its overall goal by using both race-neutral and race-conscious means of facilitating DBE participation. NNMD uses race-neutral means, including but not limited to, contacting DBE and SBE Directories, creating bidders' lists, proactive outreach events with DBE firms in the area, and advertising prime contracts to DBEs to increase DBE participation.

NNMD estimates that, in meeting our overall goal of 7.3%, NNMD will obtain 100.0% compliance from race-neutral participation and 0.0% from race-conscious participation.

The following is a summary of the estimated breakout of race-neutral and race-conscious DBE participation:

NNMD's program will be implemented with entirely race-neutral means. If NNMD uses contract goals, NNMD will adjust the estimated breakout of race-neutral and race-conscious participation as needed to reflect actual DBE participation (see 26 Code of Federal Regulation (CFR) 51(f)) and NNMD will communicate this change to the program to FTA.

NNMD does not intend to achieve any DBE participation by using contract goals.

If NNMD revises its program and uses contract goals, NNMD will track and report race-neutral and race-conscious participation separately. For reporting purposes, race-neutral DBE participation includes, but is not necessarily limited to, the following: DBE participation through a prime contract a DBE obtains through customary competitive procurement procedures; DBE participation through a subcontract on a prime contract that does not carry a DBE goal; DBE participation on a prime contract exceeding a contract goal; and DBE participation through a subcontract from a prime contractor that did not consider a firm's DBE status in making the award.