



August 1, 2017

Re: Public Information Re: DBE Goals for FFY 2018-2020

To Whom It May Concern:

The enclosed document is the DBE Goal Setting Methodology for the proposed Disadvantaged Business Enterprise (DBE) Goals for Federal Fiscal Years (FFY) 2018 through 2020.

Federal Regulations, 49 CFR Part 26, require the New Mexico Department of Transportation to establish tri-annual overall state goals for DBE utilization on highway, transit and airport projects funded in whole or in part with United States Department of Transportation financial assistance. The regulations further require that these state goals be based on demonstrable evidence of the availability of ready, willing and able DBE participants. In compliance with the regulations, NMDOT has established a proposed goal of 15.01% for highway construction and design.

Please also note that the goals and the rationale for establishing them are available for inspection during normal business hours until August 8, 2017, at the NMDOT Construction and Civil Rights Bureau 1590 Pacheco St., Suite A-10, Santa Fe, New Mexico, 87505. NMDOT will accept written comments on the goals until August 15, 2017, at the same address or via email at damian.segura@state.nm.us.

We look forward to fielding any questions or concerns you may have.

Sincerely,

Damian Segura, DBE Liaison
NMDOT Construction and Civil Rights Bureau

Susana Martinez
Governor

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Commissioners

Ronald Schmeits
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NMDOT METHODOLOGY USED TO FORMULATE FFY 2018, 2019 AND 2020 HIGHWAY RELATED DBE GOALS

Introduction

The New Mexico Department of Transportation (NMDOT) prepared this document to describe the methodology used to establish the overall DBE goal mandated by 49 CFR Part 26. In establishing the goal, the NMDOT relied on both the federal regulations and the guidance related to implementation of those regulations.

49 CFR 26.45 requires the establishment of an overall goal based on demonstrable evidence of the availability of ready, willing, and able DBE firms relative to all businesses who are ready, willing, and able to participate on NMDOT contracts. This process begins by determining a base figure for the relative availability of DBE firms and then, based on evidence, determining whether the base figure requires adjustments to arrive at the overall goal. The NMDOT goal setting methodology complies with these requirements.

Discussion of Methodology and Relevant Evidence

To examine DBE availability, the NMDOT had to initially determine the relevant market area. According to federal guidance, the market area is the area in which the substantial majority of the contractors and subcontractors with which the NMDOT does business are located, and the area in which the substantial majority of contracting dollars are spent. In each of these respects, the public contract records of the NMDOT indicate that the appropriate market area is the geographical area of the State of New Mexico. All NMDOT contracts are performed in the State. Any out-of-state contractor or subcontractor must meet the same qualifying standards and requirements as in-state firms.

In the market area, the NMDOT has two principal types of contractors that participate in NMDOT contracts; namely, construction contractors and engineering consultants. As allowed by 49 CFR 26.45(c), the NMDOT used a list of Federal-aid highway construction contracts awarded in FFY14, FFY 15 and FFY 16 to contractors, and categories the contractors award amount by the type of work they performed. NMDOT identified six distinct categories and evaluated the data to derive the DBE goal. NMDOT performed this methodology because it represents the best available and demonstrable evidence of the availability of ready, willing and able DBE firms relative to all businesses desiring to participate in NMDOT contracts. It therefore provides the basis for an appropriate, accurate and rational process, consistent with the federal guidelines. The data covers the time period from October 2013 through September 2016. This time period is hereinafter referred to in this document as “the relevant period”.

The relevant market area was determined to be the New Mexico area. Relevant period prime contractor and subcontractor records were analyzed to determine the geographical areas where these firms are located. Eighty-two percent (82%) of firms awarded prime and subcontracts were located in New Mexico. States constituting the remaining 18% include: Arizona,

California, Colorado, Illinois, Indiana, Kansas, Michigan, Ohio, Texas, Utah, Virginia, Vermont, Washington and Wisconsin.

A breakdown of relevant market area by county in New Mexico yielded the following results:

County	Market Share
Bernalillo	52.48%
Sandoval	21.45%
Grant	10.86%
Dona Ana	7.45%
Eddy	2.28%
Taos	0.98%
Valencia	0.94%
San Juan	0.70%
Quay	0.66%
Cibola	0.53%
Colfax	0.52%
Otero	0.35%
San Miguel	0.23%
Santa Fe	0.23%
Luna	0.22%
Lincoln	0.06%
Torrance	0.03%
McKinley	0.02%
Socorro	0.01%

Step 1 – Determining the Relative Availability of DBE Contractors

The method to calculate the Relative Availability of DBE Contractors follows the following process:

1. The Determining of the Step One Base figure to determine the ratio that should be applied to construction contractors versus engineering consultants. The NMDOT reviewed the awarded amounts for federal-aid construction contracts for the last three federal fiscal years. The awarded amounts were allocated into award amounts for construction contracts and engineering consultant contracts. Those amounts are represented in the following table:

Total construction contracts awarded by the NMDOT	FFY 14	FFY 15	FFY 16
	\$361.4M	\$279.4 M	\$174.2M
	Median: \$279.4		
Total engineering consultant contracts awarded by the NMDOT	FFY 11	FFY 12	FFY 13
	\$15.5 M	\$24.6 M	\$6.1 M
	Median: \$15.5		
Total median construction and consultant contracts	\$ 294.9		

The NMDOT took the median award amounts for both the construction contracts and the engineering consultant contracts to use to determine a representative total to compute the total award amount.

\$279.4 M (median construction contracts awarded) + \$15.5 M (median engineering consultant awarded) = \$294.9M

From this total the NMDOT derived the ratio applicable to apply towards calculating the DBE Goal:

\$279.4M/\$294.9M = 94.74% for construction contractors

\$15.5M/\$294.9M = 5.26% for engineering consultant contractors

2. During the relevant period, 327 construction contractors, of which 49 were DBE firms, bid on NMDOT projects, 33 engineering consultant contractors, of which 1 was a DBE firms, bid on NMDOT projects. Also, of the 8A certified firms retrieved from the SBA (Small Business Association) Market Search website, there were 9 potential construction contractor DBEs. These are included in the above total numbers.
3. In order to determine the weighted relative availability for DBE construction contractors, the NMDOT divided the type of work these contractors perform into seven categories:
 - 1) **Bridges/Major Structures**
 - 2) **Project Wide – includes general engineering work**
 - 3) **ITS**
 - 4) **Permanent/Construction Signing**
 - 5) **Roadway**

6) Signalization

7) Utilities

Construction contracts and subcontractors were allocated into these categories based on the type of work and services they provided the NMDOT in Federal fiscal years 2014, 2015 and 2016 (FFY2014-16). DBE firms were also identified in this step and categorized into the corresponding group representing the work they performed. The NMDOT also allocated the total funds awarded towards these categories in FFY2014-16.

The NMDOT was then able to calculate the ratio of DBE firm against the total number of contractors that performed work for each specific category. For example, in order to calculate the ratio of DBE firms to total contractors for Bridges/Major Structure:

DBE Firms (Bridges/Major Structures) = 8

Total Contractors (Bridges/Major Structures) = 61

Percentage of DBE Firms (Bridges/Major Structures) = $8/61 = 13.11\%$

This calculation is performed for each of the seven categories to determine the Percentage of DBEs.

4. The NMDOT then calculated the total award amount for FFY2014-16 towards each of the seven categories to determine the percentage of funds awarded to each category. Again using the Bridges/Major Structures category as an example:

Total Amount Awarded to Bridges/Major Structures: \$114,807,824.07

Total Amount Awarded to all seven categories: \$737,364,387.81

Percentage Awarded to Bridges/Major Structure: $\$114,807,824.07/\$737,364,387.81 = 15.57\%$

From this calculation, Bridges/Major Structures represent 15.57% of the total award amount allocated to each of the seven categories defined. This calculation was applied to each category.

5. The NMDOT takes the values calculated for the Percentage of DBE Firm for each category and multiplies it with the value of the Percentage Awarded to each category. Each value from this calculation is the weighted value that will contribute toward determining the DBE goal for construction contractors. Again using Bridges and Major Structure as an example:

Percentage of DBE Firms (Bridges/Major Structures) = 13.11%

Percentage Awarded to Bridges/Major Structure = 15.57%

Weighed Value for DBE Construction Goal (Bridges/Major Structures) = 13.11% X 15.57% = 2.04%

The weighted contributing factor for Bridges/Major Structures is 2.04%. This action is repeated for each category.

6. The NMDOT then calculated the sum of each Weighed Value which determines the factor to contribute towards the DBE Goal for Construction Contracts. These calculations are all represented in the attached table.

The sum of each weighted value is **15.52%**. This value is the percent DBE participation in construction contracts and will be factored into the overall DBE Goal in the subsequent calculation.

7. In order to determine the Engineering Consultant Contractor factor in this calculation of the overall DBE Goal, the NMDOT took the total number of Engineering Consultant Firms awarded contracts in FFY14-16 and the identified the DBE Engineering Consultant Firms from this population. The identified values are used to calculate the percentage of DBE Engineering Consultant Firms that performed work in FFY2013:

Total number of Engineering Consulting Firms awarded contracts in FFY2014-16:

85

Total Number of DBE Engineering Consulting Firms awarded contracts in FFY14-16: 5

Percent of DBE Engineering Consulting Firms awarded contracts in FFY14-16 = $1/33 = 5.88\%$

8. After performing each step of this process the NMDOT calculated the Overall DBE Goal using the calculated ratios for both Construction Contracts and Engineering Consultant Contracts and the percentage of DBE participation used for both entities:

Percent Awarded to Construction Contracts: 94.74%

Percent DBE Participation in Construction Contracts: 15.52%

Percent Awarded to Engineering Consulting Firms: 5.26%

Percent DBE Participation in Engineering Consulting Contracts: 5.88%

Overall DBE Goal = (94.74% X 15.52%) + (5.26% X 5.88%) = 15.01%

The resulting calculation yields an Overall DBE Goal of **15.01%**.

Step 2 Adjustment

NMDOT is not making a step 2 adjustment.

Determining Race Neutral and Race Conscious Measures

Accordingly, and pursuant to 49 CFR 26.51, the NMDOT should establish race conscious goals to meet the portion of the overall goal not met through race neutral means. However, New Mexico has functioned as Race Neutral state since September 2015.

FFY	Total dollars	RN DBE dollars	RACE Neutral
2014	\$361,412,089	\$60,191,789	16.65%
2015	\$279,445,186	\$64,779,858	23.18%
2016	\$174,161,700	\$40,343,337	23.16%
	\$815,018,975	\$165,314,984	

As evidenced by the above table, New Mexico has averaged 20.28% DBE participation by solely Race Neutral measures. New Mexico will continue to meet the DBE requirement and most likely exceed the goal due to the following factors:

- New Mexico traditionally awards comparatively smaller construction contracts to the national average, which allows smaller construction firms, including DBEs, to successfully bid as prime contractors.
- New Mexico has several successful DBE firms that perform as subcontractors on many NMDOT contracts. These firms have continued to be successful and participate on NMDOT construction contracts in our Race Neutral environment.

NMDOT will track its progress toward meeting the goal throughout the fiscal year and will adjust its race neutral measures, and if necessary reinstitute Race Conscious measures, as required by 49 CFR 26.51(f)(2).

Public Involvement and Information Dissemination

Pursuant to 49 CFR §26.45(g), the NMDOT communicated instruction as to how to review the DBE goal setting methodology and how to contact NMDOT to provide comments regarding the goal methodology to fifty-two (52) minority organizations; including organizations that represent the interests of women, veterans, Black Americans, Hispanic Americans, Native Americans, and Asian Pacific Americans.

The NMDOT also provided the DBE goal setting methodology and how to contact NMDOT to provide comments regarding the goal methodology to every DBE in its directory of certified firms through the B2Gnow e-notification system.

The proposed DBE state goal and the rationale used to formulate the goal were available for inspection at the NMDOT Construction and Civil Rights Bureau at 1590 Pacheco Street, Suite A-10, in Santa Fe, New Mexico and posted on the NMDOT website for thirty (30) days, and that the NMDOT would accept comments on the goals for forty-five (45) days following the publication date posting of the goal methodology on the NMDOT website.

Goal Submission

Pursuant to 49 CFR §26.45(f), the overall goal will be submitted to FAA for review on or before August 1, 2011. Pursuant to 49 CFR §26.45(f)(1)(iv), while NMDOT is required to submit an overall goal to FHWA every three years, the overall goal and the provisions of 49 CFR § 26.47(c) apply to each year during that three year period.

Work Type	Total	D&Bs	Total Construction Contractors	Percentage of DBBs	Percentage Awarded of Total	Weighted Value
Bridges/Major Structures	\$ 114,807,824.07	8	61	13.11%	15.57%	2.04%
ITS	\$ 3,393,707.63	0	6	0.00%	0.46%	0.00%
Permanent/Construction Signing	\$ 37,022,665.49	4	14	28.57%	5.02%	1.43%
Roadway	\$ 570,561,491.37	34	222	15.32%	77.38%	11.85%
Signalization/Lighting	\$ 8,688,955.43	1	8	12.50%	1.18%	0.15%
Utilities	\$ 2,889,743.83	2	16	12.50%	0.39%	0.05%
TOTALS	\$ 757,964,387.81	49	327	14.98%	100.00%	15.52%