

THIS PRINT COVERS CALENDAR ITEM NO. 10.6

**SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY**

DIVISION: Administration

BRIEF DESCRIPTION:

Adopting the proposed federal fiscal years 2026-2028 overall goal of 14 percent for participation by Disadvantaged Business Enterprises in contracts financed with assistance from the Federal Transit Administration (FTA), and authorizing the Director of Transportation to transmit the proposed overall goal to the FTA.

SUMMARY:

- A Disadvantaged Business Enterprise (DBE) is a for-profit small business that is at least 51% owned by one or more socially and economically disadvantaged individuals, and whose management and daily business operations are controlled by one or more of those individuals.
- The U.S. Department of Transportation (DOT) issued a DBE Program Final Rule which requires all Federal Transit Administration (FTA) recipients who will award prime contracts that cumulatively exceed \$670,000 in a federal fiscal year to adopt a DBE program to promote equal opportunity and address the effects of past discrimination in federally funded contracting.
- On August 17, 1999, the SFMTA's predecessor, the Public Transportation Commission, adopted a DBE program. On March 21, 2017, the SFMTA Board of Directors adopted the most recently-revised DBE program, taking into consideration legislative and regulatory changes.
- On May 9, 2005, the U.S. Court of Appeals for the Ninth Circuit issued a decision in *Western States Paving Co. v. Washington State Department of Transportation, et al.*, which upheld the constitutionality of the federal DBE regulations in 49 CFR Part 26, but struck down Washington's DBE program as unconstitutional because the state failed to provide evidence of discrimination that would justify the use of race-conscious measures in its contracting.
- In response to *Western States*, the FTA published guidance that applies to grant recipients in states within the Ninth Circuit, including California, that stated if a recipient does not currently have sufficient evidence that its contract awards have been affected by discrimination against DBEs, the recipient must use race- and gender-neutral means to attain its annual overall DBE goal.
- As a result, the SFMTA adopted a race-neutral Small Business Enterprise (SBE) Program to set contract goals for utilization of small businesses on its federally funded contracts.
- The DOT amended Part 26 in 2010, requiring grantees to establish an overall DBE goal as a percentage of all FTA funds expected to be expended in the three forthcoming federal fiscal years. For federal fiscal years 2026-2028, the SFMTA proposes a goal of 14 percent for participation by DBEs in FTA-assisted contracts, which will be achieved through race-neutral measures.

ENCLOSURES:

1. SFMTAB Resolution
2. Methodology – FFYs 2026-2028 Overall DBE Goal Analysis Report for FTA

APPROVALS:

	DATE
DIRECTOR 	July 10, 2025
SECRETARY 	July 9, 2025

ASSIGNED SFMTAB CALENDAR DATE: July 15, 2025

PURPOSE

Adopting the proposed federal fiscal years 2026-2028 overall goal of 14 percent for participation by DBEs in contracts financed with assistance from the FTA, and authorizing the Director of Transportation to transmit the proposed overall goal to the FTA.

STRATEGIC PLAN GOALS AND TRANSIT FIRST POLICY PRINCIPLES

This action supports the following SFMTA Strategic Plan Goal:

Goal 1: Identify and reduce disproportionate outcomes and resolve past harm towards marginalized communities. Center racial equity in all areas of operations and decision-making to prioritize the advancement of racial, social and transportation equity in every decision taken by the agency.

DESCRIPTION

Background of the DBE Program

The DOT issued a DBE Program Final Rule on March 4, 1999, codified in Part 26 of Title 49 of the Code of Federal Regulations (Part 26 or the DBE Regulations). The DBE Regulations are intended to remedy past and current discrimination against DBEs, ensure a “level playing field,” and foster equal opportunity in DOT-assisted contracts.

On August 17, 1999, in compliance with Part 26, the former Public Transportation Commission adopted a DBE Program for implementation by SFMTA in FTA-assisted contracts. DOT amended Part 26, effective March 5, 2010, requiring DOT grantees to establish an overall DBE goal as a percentage of all FTA funds expected to be expended in the three forthcoming federal fiscal years. This contrasted with previous DOT requirements calling for the establishment of an annual overall DBE goal.

Under its DBE program, the SFMTA sets the three-year overall DBE goal based on demonstrable evidence of “ready, willing and able” DBEs that are available to work on FTA-assisted contracts.

The *Western States* Decision

On May 9, 2005, the United States Court of Appeals for the Ninth Circuit issued a decision in *Western States Paving Co. v. Washington State Department of Transportation, et al.*, 407 F.3d 983 (9th Cir. 2005). The court upheld DOT’s DBE regulations on their face; however, the court struck down the Washington Department of Transportation’s (WSDOT) DBE program as unconstitutional. The court held that WSDOT’s DBE program was not narrowly tailored because it was not based on evidence of discrimination in the WSDOT marketplace. The court also suggested that a remedial program, such as the DBE program, is only narrowly tailored if it is limited to those minority groups that have actually suffered discrimination.

Specifically, the court noted that WSDOT had not conducted adequate statistical studies to establish the existence of discrimination in the highway contracting industry. Further, the court found that WSDOT’s calculation of the capacity of DBEs to do work was flawed because it failed to take into account the effects of past race-conscious programs on current DBE participation. According to the court, the

disparity between DBE participation on contracts with and without race-conscious goals did not provide any evidence of on-going discrimination.¹ Finally, the court observed that WSDOT did not present any anecdotal evidence of discrimination. Since this decision was issued by the U.S. Court of Appeals for the Ninth Circuit, it applies to all states comprising the Ninth Circuit, including California.

DOT Guidance in Response to the *Western States* Decision

In response to the *Western States* decision, on March 23, 2006, FTA published DOT's guidance concerning the federal DBE program that applies to grant recipients in states within the Ninth Circuit. This guidance provides that if a recipient does not currently have sufficient evidence of discrimination or its effects, the recipient must meet its annual overall DBE goal solely through race-neutral measures.

SFMTA's Small Business Enterprise (SBE) Program

In accordance with DOT's guidance, the SFMTA Board approved a race-neutral small business enterprise (SBE) program in 2006 to apply to FTA-assisted contracts. An SBE is defined as a "for-profit, small business concern" that meets certain income requirements and qualifies for the program by being either verified eligible or certified under any of the following programs: the State of California's Small Business Program, the City's LBE Program, or the California Unified Certification Program, through which DBEs are certified in California. The SFMTA has been taking affirmative steps to use race- and gender-neutral means to achieve DBE participation by establishing SBE goals on federally assisted contracts and utilizing methods identified in the Regulations for obtaining DBE participation.

Overall DBE Goal

Part 26 requires the SFMTA Board to establish an overall DBE goal as a percentage of all FTA funds expected to be expended in the three forthcoming federal fiscal years. The three-year goal tracks each federal fiscal year, which starts on October 1 and ends on September 30. The three-year goal must be based on demonstrable evidence of the availability of ready, willing and able DBEs relative to all businesses ready, willing and able to participate in FTA-assisted contracts.

Part 26 also requires that the goal reflect SFMTA's determination of the level of DBE participation expected absent the effects of discrimination.

The SFMTA's Contract Compliance Office (CCO) estimated the availability of DBEs in the nine-county San Francisco Bay Area using data from the California Unified Certification Program's DBE database and the US Census Bureau's 2022 Business Counts. CCO has produced weighted availability estimates for Construction, Professional, Scientific & Technical Services, and Paratransit Services. These estimates gave more weight to industries that receive a larger share of SFMTA's federal contract dollars, so the overall figure reflects where contracting opportunities actually occur.

Following the methodology prescribed in Part 26, CCO arrived at a proposed overall goal of 14 percent DBE participation in projected new FTA-assisted contracts for federal fiscal years (FFYs) 2026-2028. A description of the methodology and the overall goal is enclosed.

As required under Part 26, on May 6, 2025, the SFMTA published a notice announcing its proposed DBE overall goal for FFYs 2026-2028 on its website. The notice informed the public of the proposed

¹As used in this discussion, the terms "race-conscious," "race-neutral," and "race-based" include both race and gender.

goal, that the rationale for the goal would be available for inspection and review during normal business hours for 30 days from the first publication date, and that comments on the proposed overall DBE goal would be accepted up to 30 days from the date of first publication of the notice. The SFMTA received no comments relating to the proposed overall DBE goal.

After adoption by the SFMTA Board, the SFMTA will submit its proposed overall DBE goal to the FTA for review, along with a description of the methodology used to establish the goal.

STAKEHOLDER ENGAGEMENT

To provide for public participation in this goal-setting process, the SFMTA, working in concert with the members of the Business Outreach Committee (BOC), conducted a regional public participation session on May 7, 2025, via Zoom webinar and May 13, 2025, in person-meeting. The BOC membership is comprised of AC Transit, Alameda County Transportation Commission (ACTC), Bay Area Rapid Transit District (BART), Central Contra Costa Transit Authority (CCCTA), Golden Gate Bridge, Highway and Transportation District (GGBHTD), Metropolitan Transportation Commission (MTC), San Francisco Bay Area Water Emergency Transportation Authority (WETA), San Francisco Municipal Transportation Agency (SFMTA), San Mateo County Transit District (SamTrans/Caltrain), Santa Clara Valley Transportation Authority (VTA), Western Contra Costa Transit Authority (WESTCAT), Marin Transit, Solano County Transit (Soltrans), Transbay Joint Powers Authority (TJPA), California High Speed Rail, City of Santa Rosa, Livermore Transit Authority/Tri-Valley Wheels (LAVTA), Santa Cruz Metropolitan Transit District, San Francisco County Transportation Authority (SFCTA), Sonoma-Marín Area Rail Transit (SMART), and County Connection Delta Breeze.

An additional in-person public participation meeting was held on June 17, 2025, at the San Mateo County Transit District, where a slide was presented breaking down the 2026-2028 triennial goal for SFMTA and other agencies. After the presentation concluded, attendees were able to individually ask SFMTA and other agencies questions about goal formulation. Most of the questions asked of SFMTA were regarding upcoming contracting opportunities.

ALTERNATIVES CONSIDERED

The only alternative to adopting a DBE goal would be to decline to set one. But this is not a viable option. Federal regulations (49 CFR Part 26) require recipients of FTA funds to establish and submit a triennial DBE participation goal as a condition of funding. Failure to do so would place the SFMTA out of compliance and jeopardize continued eligibility for federal assistance.

FUNDING IMPACT

There is no direct fiscal impact from adopting the proposed DBE goal. But the SFMTA must comply with the federal funding regulations, in Title 49, Part 26.45, by having an approved DBE Program and setting a three-year overall goal for DBE participation on DOT-assisted contracts.

ENVIRONMENTAL REVIEW

On June 6, 2025, the SFMTA, under authority delegated by the Planning Department, determined that the Disadvantaged Business Enterprise Overall Goal for Fiscal Year 2026-2028 is not a “project” under the California Environmental Quality Act (CEQA) pursuant to Title 14 of the California Code of Regulations Sections 15060(c) and 15378(b).

A copy of the CEQA determination is on file with the Secretary to the SFMTA Board of Directors and is incorporated herein by reference.

OTHER APPROVALS RECEIVED OR STILL REQUIRED

The City Attorney's Office has reviewed this calendar item.

RECOMMENDATION

Staff requests that this Board adopt the proposed federal fiscal years 2026-2028 overall goal of 14 percent for participation by DBEs in contracts financed with assistance from the FTA.

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. _____

WHEREAS, On March 4, 1999, the United States Department of Transportation (USDOT) issued its Disadvantaged Business Enterprise (DBE) Program Final Rule, codified in Part 26 of Title 49 of the Code of Federal Regulations (the Regulations); and,

WHEREAS, In compliance with the Regulations, on August 17, 1999, the former Public Transportation Commission (now known as the San Francisco Municipal Transportation Agency [SFMTA]) (1) approved and adopted a DBE program for implementation by the SFMTA in USDOT-assisted contracts; (2) adopted a policy statement expressing the Commission's commitment to the DBE program, stating the objectives of the DBE program, and outlining responsibilities for its implementation; and (3) ordered distribution of the signed and dated Policy Statement throughout the SFMTA and to the business community, including DBEs and non-DBEs that perform work on USDOT-assisted contracts for the SFMTA; and,

WHEREAS, On May 9, 2005, the U.S. Court of Appeals for the Ninth Circuit issued a decision in *Western States Paving Co. v. Washington State Department of Transportation, et al.*, 407 F.3d 983 (9th Cir. 2005); and,

WHEREAS, The Ninth Circuit upheld USDOT's DBE regulations, but struck down the Washington State Department of Transportation (WSDOT)'s DBE program as unconstitutional because WSDOT did not have sufficient evidence of discrimination to justify a race- and gender-conscious contracting program; and,

WHEREAS, In response to the *Western States* case, the Federal Transit Administration (FTA), an operating administration of USDOT, published guidance concerning the federal DBE program that applies to recipients of USDOT grants in states within the Ninth Circuit, including California; and,

WHEREAS, This guidance instructs that if a recipient does not currently have sufficient evidence of discrimination or its effects in the local market to justify race-conscious contracting, the recipient must meet its annual overall DBE goal solely through race-neutral measures; and,

WHEREAS, In 2006, the SFMTA Board of Directors approved a race-neutral Small Business Enterprise (SBE) program to encourage greater participation by small business firms, including DBEs, in SFMTA contracting using race-neutral measures; and,

WHEREAS, The SFMTA has been taking affirmative steps to use race- and gender-neutral means to achieve DBE participation by establishing SBE goals on federally assisted contracts and utilizing methods identified in the Regulations for obtaining DBE participation; and,

WHEREAS, On March 21, 2017, the SFMTA Board of Directors approved and adopted a revised DBE Program, including a policy statement which it ordered distributed throughout the SFMTA and to the business community, including DBEs and non-DBEs that perform work on USDOT-assisted contracts for the SFMTA; and,

WHEREAS, The Regulations require the SFMTA to (1) set an overall goal for DBE participation in its FTA-assisted contracts; and (2) base the overall goal on demonstrable evidence of the availability of ready, willing and able DBEs relative to all businesses ready, willing and able to participate on FTA-assisted contracts; and,

WHEREAS, The Regulations set forth a choice of methodologies that the SFMTA must use to determine, achieve and count its overall DBE Participation goal for federal fiscal years (FFYs) 2026-2028; and,

WHEREAS, SFMTA staff followed one of the methodologies set forth in the Regulations and arrived at an overall goal of 14 percent for DBEs participating in FTA-assisted contracts for FFY 2026-2028; and,

WHEREAS, The SFMTA published notice of the proposed overall DBE goal beginning May 6, 2025 for a 30-day public review period and a concurrent 30-day comment period, and received no comments; and,

WHEREAS, On June 6, 2025, the SFMTA, under authority delegated by the Planning Department, determined that the Disadvantaged Business Enterprise Overall Goal for Fiscal Year 2026-2028 is not a “project” under the California Environmental Quality Act (CEQA) pursuant to Title 14 of the California Code of Regulations Sections 15060(c) and 15378(b); and,

WHEREAS, A copy of the CEQA determination is on file with the Secretary to the SFMTA Board of Directors and is incorporated herein by reference, now therefore, be it

RESOLVED, That the San Francisco Municipal Transportation Agency Board of Directors has reviewed the methodology used to determine the proposed FFY 2026-2028 three-year overall DBE goal for contracting by the SFMTA, and adopts a three-year overall goal of 14 percent for DBE participation in FTA-assisted contracts for FFYs 2026-2028; and be it further

RESOLVED, That the San Francisco Municipal Transportation Agency Board of Directors authorizes the SFMTA to use race- and gender-neutral measures to achieve the overall DBE goal, including the establishment of Small Business Enterprise goals, on FTA-funded contracts; and be it further

RESOLVED, That the San Francisco Municipal Transportation Agency Board of Directors directs the Director of Transportation to transmit the FFY 2026-2028 three-year overall DBE goal report to the Federal Transit Administration.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of July 15, 2025.

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

FFYs 2026-2028 OVERALL DBE GOAL ANALYSIS REPORT FOR FEDERAL TRANSIT ADMINISTRATION

I. INTRODUCTION

In Part 26 of Title 49 of the Code of Federal Regulations (Part 26), the U.S. Department of Transportation (USDOT) sets forth regulations regarding Disadvantaged Business Enterprise (DBE) participation in federally assisted programs. Part 26 includes provisions pertaining to how a recipient should establish an overall DBE goal. These provisions are intended to provide the maximum flexibility for recipients while ensuring that the recipients' goal(s) are based on the availability of ready, willing and able DBEs in each recipient's relevant market area. These measures are intended to meet the USDOT's obligation to ensure that the DBE program is narrowly tailored to remedy the effects of past discrimination.

In accordance with subsections 26.45(f)(2) and (3) of Part 26, the San Francisco Municipal Transportation Agency (SFMTA) proposes to adopt an overall goal of 14 percent for DBEs contracting for federal fiscal years (FFYs) 2026-2028. A description of the methodology and the overall goal is enclosed.

II. THE WESTERN STATES PAVING DECISION

On May 9, 2005, the United States Court of Appeals for the Ninth Circuit issued a decision in *Western States Paving Co. vs. Washington State Department of Transportation, et al.*, 407 F.3d 983 (9th Cir. 2005). The court upheld USDOT's DBE regulations on their face; however, the court struck down the Washington Department of Transportation's (WSDOT) DBE program as unconstitutional. The court held that WSDOT's DBE program was not narrowly tailored because it was not based on evidence of discrimination in the WSDOT's marketplace. The court also suggested that a remedial program, such as the DBE program, is only narrowly tailored if it is limited to those minority groups that have actually suffered discrimination.

Specifically, the court noted that WSDOT had not conducted adequate statistical studies to establish the existence of discrimination in the Washington highway construction contracting industry. Further, the court found that WSDOT's calculation of the capacity of DBEs to do work was flawed because it failed to take into account the effects of past race-conscious programs on current DBE participation. According to the court, the disparity between DBE participation on contracts with and without race-conscious goals did not provide any evidence of ongoing discrimination.¹ Finally, the court noted that WSDOT did not present any anecdotal evidence of discrimination. Since this decision was issued by the U.S. Court of Appeals for the Ninth Circuit, it applies to all states comprising the Ninth Circuit, including California.

¹As used in this discussion, the terms "race-conscious," "race-neutral," and "race-based" include both race and gender.

III. DOT GUIDANCE IN RESPONSE TO THE *WESTERN STATES* DECISION

In response to *Western States*, on March 23, 2006, FTA published USDOT's guidance concerning the federal DBE program that applies to grant recipients in states within the Ninth Circuit. This guidance provides that if a recipient does not currently have sufficient evidence of discrimination or its effects, the recipient must meet its annual overall DBE goal solely through race-neutral measures.

IV. THE SFMTA'S SMALL BUSINESS ENTERPRISE (SBE) PROGRAM

In 2006, the SFMTA Board approved a small business enterprise (SBE) program to be used for federally assisted contracts. An SBE is defined as a "for-profit, small business concern" that meets certain income requirements and qualifies for the program by being either verified eligible or certified under any of the following programs: the State of California's Small Business Program, the City and County of San Francisco's LBE Program, or the California Unified Certification DBE Program. The SFMTA implements this SBE Program to achieve its annual DBE goal.

V. METHODOLOGY

In compliance with Section 26.45 of Part 26, the SFMTA has chosen the following methodology:

STEP 1-CALCULATE BASE FIGURE: Determine a base percentage figure for relative availability of DBEs in specific areas of expertise from the CUCP database and 2022 U.S. Census Bureau data for all businesses in those specific areas of expertise. This figure will generally represent the ready, willing and able DBEs available to work on SFMTA FFYs 2026-2028 FTA-assisted contracts.

STEP 2-ADJUST BASE FIGURE: After the calculation of the base figure, examine other evidence available in our market area regarding DBE availability to determine if any adjustment is needed to the base figure in order to arrive at the overall DBE goal. USDOT has published "Tips for Goal-Setting in the Disadvantaged Business Enterprise Program." (See [Tips for Goal-Setting in the Disadvantaged Business Enterprise \(DBE\) Program | US Department of Transportation](#)). Under the heading "Adjustments Based on Past Participation," USDOT cites several examples. One of the examples relates to using the median past participation as a means of adjusting the Step 1 Base Figure (see below under B).

After applying any adjustments, the adjusted goal represents the anticipated DBE participation that will be achieved as a percentage of all SFMTA FFYs 2026-2028 FTA-assisted contracts.

A. STEP 1 - DETERMINING A BASE FIGURE

1. Choice of Methodology

In order to select the proper methodology to generate its overall DBE goal, the SFMTA sought a method that, given the available data and evidence, would most accurately calculate the relative availability of DBEs to participate in the SFMTA's FTA-assisted contracts. The SFMTA evaluated various methods for arriving at a base figure, as proposed in Section 26.45 of Part 26. The SFMTA determined the base figure by comparing the ratio of the total DBEs in its market to the total number of businesses in the relevant market (See 'Notes' below Table Three for description of relevant market). The SFMTA had access to all of the required data for this calculation, and was confident that the analysis would most accurately provide a base figure for the relative availability of DBEs to participate in its FTA-assisted contracts.

2. Evidence Used to Calculate Base Figure

The SFMTA's DBE goal analysis is based only data from contracts that are projected to be awarded under FTA procurement requirements FFYs 2026-2028.

To inform this analysis, the SFMTA gathered data on these contracts, their dollar amounts, their scopes of work, and the corresponding North American Industry Classification System (NAICS) codes. The SFMTA assigned a two-digit NAICS Code for construction and professional services contracts and a six-digit NAICS Code to its contract for paratransit services.

As mentioned above, the DBE goal includes only those FTA-assisted contracts that the SFMTA reasonably anticipates awarding at the time it sets the goal. As a result, the DBE goal may not reflect all federally assisted contracts (with subcontracts) ultimately awarded during the FFY 2026-2028 period. Likewise, some contracts included in the analysis may not be awarded as expected.

STEP 1 – BASE FIGURE

These contracts in Table 1 are in applicable 6-digit NAICS Code. In Table 2, the contracts are summarized by 2-digit NAICS Code. Note that one contract may include participation in more than one NAICS Code.

**TABLE ONE
FFYs 2026-2028 FTA Contracting Opportunities**

Item#	Project title	Target Award Date	Civil Engineering Construction	Electrical Engineering Construction	Equipment	Special Needs Transportation	Professional, Scientific & Technical Services	Fiscal Year 2026 - 2028 Total	% of Contracts
			NAICS 237990	NAICS 238210	NAICS 238290	NAICS 485991	NAICS 541330		
1	As-Needed Specialized Vehicle Engineering and Other Related Consulting Services (Contract #1)	10/15/2025					\$5,000,000	\$5,000,000	2%
2	As-Needed Specialized Vehicle Engineering and Other Related Consulting Services (Contract #2)	10/15/2025					\$5,000,000	\$5,000,000	2%
3	As-Needed Specialized Vehicle Engineering and Other Related Consulting Services (Contract #3)	10/15/2025					\$5,000,000	\$5,000,000	2%
4	Islais Creek and Woods Facility BEB Charging Infrastructure	11/1/2025		\$20,000,000	\$1,000,000			\$21,000,000	8.5%
5	Presidio Yard Advisory Services	12/1/2025					\$7,500,000	\$7,500,000	3%
6	Zero Emission Vehicles Transition Consulting Services	12/1/2025					\$2,000,000	\$2,000,000	0.8%
7	Yard Management System Implementation Pilot	12/1/2025					\$2,000,000	\$2,000,000	0.8%
8	Bayview Multimodal Community Corridor – Vision Zero	2/1/2026					\$2,500,000	\$2,500,000	1%
9	Cable Car Barn Rehabilitation	7/1/2026	\$24,850,000					\$24,850,000	10%
10	SF Paratransit Brokerage and Operations Services	10/1/2026				\$171,500,000		\$171,500,000	69.3%
11	Twin Peaks Tunnel Ballast Monitoring and Repair	6/30/2027	\$1,000,000					\$1,000,000	0.4%
Total:			\$25,850,000	\$20,000,000	\$1,000,000	\$171,500,000	\$29,000,000	\$247,350,000	100%
Percentage:			10.5%	8%	0.4%	69.3%	11.7%	100%	

**SUMMARY OF PROJECTED FTA FUNDING AVAILABILITY
PER NORTH AMERICAN INDUSTRY CLASSIFICATION (NAICS) CATEGORIES**

**TABLE TWO
FFYs 2026-2028 FTA Dollars by Two-Digit NAICS Code**

Item #	Project Title	Target Award Date	Construction	Professional, Scientific & Technical Services	Transportation	Fiscal Year 2026 – 2028 Total	% of Contracts
			NAICS 23	NAICS 54	NAICS 48		
1	As-Needed Specialized Vehicle Engineering and Other Related Consulting Services (Contract #1)	10/15/2025		\$5,000,000		\$5,000,000	2%
2	As-Needed Specialized Vehicle Engineering and Other Related Consulting Services (Contract #2)	10/15/2025		\$5,000,000		\$5,000,000	2%
3	As-Needed Specialized Vehicle Engineering and Other Related Consulting Services (Contract #3)	10/15/2025		\$5,000,000		\$5,000,000	2%
4	Islais Creek and Woods Facility BEB Charging Infrastructure	11/1/2025	\$21,000,000			\$21,000,000	8.5%
5	Presidio Yard Advisory Services	12/1/2025		\$7,500,000		\$7,500,000	3%
6	Zero Emission Vehicles Transition Consulting Services	12/1/2025		\$2,000,000		\$2,000,000	0.8%
7	Yard Management System Implementation Pilot	12/1/2025		\$2,000,000		\$2,000,000	0.8%
8	Bayview Multimodal Community Corridor – Vision Zero	2/1/2026		\$2,500,000		\$2,500,000	1%
9	Cable Car Barn Rehabilitation	7/1/2026	\$24,850,000			\$24,850,000	10%
10	SF Paratransit Brokerage and Operations Services	10/1/2026			\$171,500,000	\$171,500,000	69.3%
11	Twin Peaks Tunnel Ballast Monitoring and Repair	6/30/2027	\$1,000,000			\$1,000,000	0.4%
Total:			\$46,850,000	\$29,000,000	\$171,500,000	\$247,350,000	100%
Percentage:			18.9%	11.7%	69.3%	100%	

Note: Equipment and other services have been included as construction or professional services contracts based on the type of work or goods supplied.

TABLE THREE
Availability by Minority Group and Industry for San Francisco Market Area

Industry	NAICS	US Census (all firms)	Black American-Owned		Hispanic American-Owned		Asian-Pacific American-Owned		Subcontinent Asian American-Owned		Native American-Owned		Woman-Owned		Total DBE Availability [G]
			# of Firms	% of Total [A]	# of Firms	% of Total [B]	# of Firms	% of Total [C]	# of Firms	% of Total [D]	# of Firms	% of Total [E]	# of Firms	% of Total [F]	
Construction	23	18,241	197	1.1%	334	1.8%	87	0.5%	46	0.3%	35	0.2%	122	0.7%	4.6%
Professional, Scientific & Technical Services	54	34,661	607	1.8%	416	1.2%	324	1%	240	0.7%	40	0.1%	677	2%	6.8%
Special Needs Transportation	485991	69	11	15.9%	0	0%	1	1.4%	1	1.4%	0	0%	0	0%	18.7%

Notes:

- 1) This table represents data from the nine Bay Area Counties, comprised of San Francisco, Alameda, Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano, and Sonoma Counties.
- 2) Total DBE availability was calculated for each industry using the following formula: $[G]=[A] + [B] + [C] + [D] + [E] + [F]$. To avoid double-counting, firms certified as minority woman-owned are included under their respective ethnicity classification.

Sources:

- 2022 *United States Census, County Business Patterns – Business Counts*
- *California Unified Certification Program DBE database*

Narrow-Tailoring Factors to Availability Data

The USDOT regulation refers to the procedure of using "weighting" wherever possible to increase the accuracy of the base figure. The SFMTA made adjustments by weighting the relative availability of DBEs in various fields, giving more weight to the fields in which the SFMTA spends more contract dollars.

TABLE FOUR
FFYs 2026-2028 Summary of DBE Availability
By NAICS Code and Weighted by FTA Dollars

NAICS CODE	Scope of Work	% DBE Availability	% of Dollar	Weighted % of DBE Availability
23	Construction	4.6%	18.9%	.9%
54	Professional, Scientific, & Technical Services	6.8%	11.7%	.8%
485991	Special Needs Transportation	18.7%	69.3%	13%
TOTAL:			100%	14.7%

The formula used to calculate the Base Figure is:

Percentage of Ready, Willing, and Able DBEs in the SFMTA's Market Area by Industry x
Percentage of Contract Dollars over Three-Year Period

BASE FIGURE =

0.046 Construction DBE Availability x 0.189 Construction Contracting Dollars = 0.9

+

0.068 Professional Services DBE Availability x 0.117 Professional Services Contract Dollars = 0.8

+

0.187 Special Needs Transportation DBE Availability x 0.693 Special Needs Transportation Contract Dollars = 13

BASE FIGURE =

$(0.9) + (0.8) + (13) = 14.7\%$

B. STEP 2 - ADJUSTMENT OF THE BASE FIGURE

The regulations require examination of all of the evidence available in the recipient's jurisdiction in order to determine if, after the calculation of the base figure, any adjustment is needed. USDOT has published "Tips for Goal-Setting in the Disadvantaged Business Enterprise Program" (Reference: [Tips for Goal-Setting in the Disadvantaged Business Enterprise \(DBE\) Program | US Department of Transportation](#)), which, in addition to Part 26, cites several examples of the types of evidence that recipients should consider, including disparity studies conducted in the market area, statistical disparities in the ability of DBEs to get financing, bonding, and insurance; and data on employment, self-employment, education and training, and union apprenticeship programs.

SFMTA is aware of two disparity studies conducted and currently utilized by two transit agencies in the greater San Francisco Bay Area: Santa Clara Valley Transportation Authority (VTA) and Bay Area Rapid Transit District (BART). VTA's study includes several counties outside of the SFMTA's relevant geographic marketplace (San Joaquin, Stanislaus, and San Benito, as just a few examples), and therefore casts doubt on the relevance of its contracting and availability data on SFMTA's goal analysis. BART's study was conducted in 2016, so the relevance of its contracting and availability data is questionable. Additionally, BART operates a single mode of transit (heavy rail), whereas SFMTA operates five modes: hybrid electric bus, trolley bus, light rail, historic streetcar, and cable car. Thus, the nature of contracting opportunities between the agencies is quite different. For these reasons, the VTA and BART disparity studies do not present evidence that would cause the SFMTA to adjust its goal based on their data.

Another Step 2 adjustment factor under 49 CFR Part 26 is based on past participation of DBEs. The SFMTA's DBE participation on FTA-assisted contracts for the most recent four FFYs is as follows:

FY 2020-21: 34% DBE participation
FY 2021-22: 8% DBE participation
FY 2022-23: 15% DBE participation
FY 2023-24: 10% DBE participation

In USDOT's guidance for goal setting, using the median of past participation is suggested as a means of adjusting the Step 1 Base Figure. The SFMTA determined that the median past participation was 12.5%. In using this figure to determine the adjustment for past participation, the following formula was used:

Steps:

1. Base Figure = 14.7%
2. Median Past Participation = 12.5%
3. Adjustment factor = (base figure 14.7%) + (median past participation 12.5%) divided by 2 = 13.6 = 14%

The impact of past DBE participation has resulted in an adjustment to the base figure of 14.7% DBE participation for FTA-assisted contracts to be awarded in FFYs 2026-2028. The adjusted DBE participation goal is 14% for FFYs 2026-2028.

VI. RACE-NEUTRAL MEASURES

The SFMTA intends to continue to employ the following race-neutral means to increase DBE participation:

- **Arranging solicitations, times for presentation of bids, quantities, specifications and delivery schedules in ways that facilitate DBE and other small business participation.** This includes evaluation of when it would be beneficial to unbundle contracts. Where feasible, rather than issuing one large procurement with FTA terms under which local and/or FHWA funds can be expended, the SFMTA breaks the procurement down into multiple, smaller contracts to accommodate different funding sources.
- **Providing assistance in overcoming limitations such as inability to obtain bonding or financing** (e.g., simplifying the bonding process, reducing bonding requirements, eliminating the impact of surety costs from bids, and providing services to help DBEs and other small businesses obtain bonding and financing). The SFMTA's Small Business Bonding and Financing Assistance Program provides guarantees to private bonding companies and financial institutions in order to encourage those entities to provide required bonding to eligible prime contractors and subcontractors bidding on our construction contracts. The Program also provides training and technical assistance to firms currently performing on our projects in various areas, including preparation of financial reports and business plans, insurance placement, preparation of invoices and certified payroll, development of internal and financial operational systems, payment of prevailing wage, and establishment of assets or credit resources for operating capital.
- **Ensuring distribution of the DBE directory to the widest group of potential prime contractors.** The SFMTA includes the weblink to the DBE directory in all of its bid solicitations and offers all prime contractors assistance with accessing the directory.
- **Providing information and communications programs on contracting procedures and specific contract opportunities** (e.g., ensuring the inclusion of DBEs and other small businesses on recipient mailing lists for bidders and providing information in languages other than English, when appropriate). The SFMTA individually, and in partnership with the Business Outreach Committee (see below), hosts regular outreach events for the DBE and small business community focusing on topics such as certification, contracting, and purchasing. In addition, the SFMTA conducts outreach to DBEs and small businesses on a contract-by-contract basis.
- **Networking opportunities with local, state and federal agencies that provide contracting opportunities to the small business owner.** As mentioned above, the SFMTA engages in extensive outreach to the small business and DBE community.
- **Implementing SBE goals and SBE set-asides on contracts to encourage greater participation by small business firms in public contracting.** SFMTA staff establishes SBE goals on contracts on a case-by-case basis. Additionally, SFMTA has implemented SBE set-asides on both construction contracts and professional services contracts, when feasible. Going forward, SFMTA will continue to assess the feasibility of utilizing SBE set-asides as a way of maximizing opportunities for DBE participation.

VII. Public Participation Process

To provide for public participation in this goal-setting process, the SFMTA, working in concert with the members of the Business Outreach Committee (BOC) conducted two regional public participation sessions. One session was held virtually on May 7, 2025, and an in-person session on Tuesday, May 13, 2025, at the Bay Area Metro Center, 375 Beale Street, Suite 800, San Francisco, CA 94105. The BOC membership is comprised of AC Transit, Alameda County Transportation Commission (ACTC), Bay Area Rapid Transit District (BART), Central Contra Costa Transit Authority (CCCTA), Golden Gate Bridge, Highway and Transportation District (GGBHTD), Metropolitan Transportation Commission (MTC), San Francisco Bay Area Water Emergency Transportation Authority (WETA), San Francisco Municipal Transportation Agency (SFMTA), San Mateo County Transit District (SamTrans/Caltrain), Santa Clara Valley Transportation Authority (VTA), Western Contra Costa Transit Authority (WESTCAT), Marin Transit, Solano County Transit (SolTrans), Transbay Joint Powers Authority (TJPA), California High Speed Rail, City of Santa Rosa, Livermore Transit Authority/Tri-Valley Wheels (LAVTA), Santa Cruz Metropolitan Transit District, San Francisco County Transportation Authority (SFCTA), Sonoma-Marin Area Rail Transit (SMART), and County Connection Delta Breeze. The BOC distributed an electronic invitation and event flyer to approximately 9,200 businesses and the flyer was also advertised in the Small Business Exchange publication. During the two sessions, agency staff members announced their proposed goals, briefly described their contracting opportunities for FFYs 2026-2028, and conveyed specific information on the availability of ready, willing, and able DBEs for projects.

The first public participation session on May 7, 2025, included a consultation meeting with various trade groups, minority, women and general contractor groups and community organizations seeking input and/or consultation in establishing three-year overall goals. Notices of the sessions were distributed to approximately 250 groups and organizations, which included Chambers of Commerce, members of the Builders Exchange, the U.S. Small Business Administration, Small/Minority/Women Business Development agencies, and Veteran Outreach organizations throughout the Bay Area. They are knowledgeable about the availability of disadvantaged and non-disadvantaged businesses and the effects of discrimination in contracting opportunities for DBEs.

In addition to BOC member agencies, 10 representatives from various businesses and organizations attended the consultation session. Topics for discussion included training and mentorship, strategies to increase DBE participation, barriers to contracting opportunities, suggestions for resources, the goal setting process, any comments on the proposed goals, and how the BOC could assist firms in their mission. Some of the specific questions between the BOC member agencies and the representatives included:

1. What are some recommended strategies to attract and increase DBE participation?
2. What role do you see for your organization in helping transportation agencies meet their DBE goals?
3. What long-term impacts have you seen when DBEs are repeatedly passed over or excluded from opportunities?
4. From your perspective, what are the most significant barriers DBEs in your community face when trying to access DOT-funded contracting opportunities?
5. What suggestions do you have for agencies to work together with your organizations/clients to level the playing field?

Norcal APEX, who was also in attendance during this session, introduced themselves and the services provided to assist DBEs. Additional comments received from attendees included:

1. Many small businesses are good at what they do, but don't necessarily have the skills to take the next step on networking and communication. Consider hosting a workshop to assist small businesses in these areas.
2. DBEs are under resourced and unfamiliar with contract language. These businesses can benefit from a step-by-step approach through the contracting process.
3. The amount of time filling out a bid could go into servicing another contract.
4. There is also a sales process outside of the bidding process; it would be beneficial to know who businesses can contact or connect with outside of a bid.

During the public participation stakeholder sessions on May 7, 2025, and May 13, 2025, a presentation on the DBE goal-setting process was led by the Golden Gate Bridge, Highway, and Transportation District (GGBHTD), which provided an overview of the DBE Program, goal-setting process, proposed DBE goals by SFMTA and other agencies, and an open forum. The presentation also included a goal-setting exercise which provided the opportunity for representatives to understand and share information regarding the availability of certified and potential DBEs who are ready, able, and willing to compete for DOT-assisted contracts.

In addition to BOC member agencies, 42 participants attended the public participation sessions. Through this forum, agencies had the opportunity to respond to questions and provide information on resources, training programs, and upcoming events that may be offered through the BOC or with other respective organizations. Questions and comments included:

1. Is there any data around the allocation of dollars based on different demographics?
2. Small businesses are not necessarily looking for high dollar volume bids. How do we access opportunities that do not go to bid?
3. The RFQ and RFP process can be quite the undertaking when you only have a handful of staff who prepare the necessary documents. How can firms advocate for themselves to get assigned a task order?
4. Is there any oversight on prime contractors to ensure they are meeting DBE goals?
5. How do agencies track DBE participation when there is no contract goal?
6. Is there a central database that lists all the NAICS codes for each DBE firm?
7. Are DBEs allowed to partner with a non-DBE?
8. Does Race Neutral/ Race Conscious include construction?
9. Why does only one agency have a Race Conscious goal?
10. Are disparity studies effective?
11. With the current Administration, have agencies received comments about DBE participation, and is the 8(a) program under question?
12. Consider hosting more Meet the Prime events or programs. There are many DBEs who do not have the experience to connect with other businesses.
13. Is there a set aside program, and are there any incentives for DBE participation without a task-by-task?
14. It is helpful to see the history of goal attainment by each of the agencies.
15. It is great to see a consortium of agencies working together for DBEs and should be continued as best practice.

An additional in-person public participation meeting was held on June 17, 2025, at the San Mateo County Transit District, where a slide was presented breaking down the 2026-2028 triennial goal for SFMTA and other agencies. After the presentation concluded, attendees were able to individually ask SFMTA and other agencies questions about goal formulation. Most of the questions asked of SFMTA were regarding upcoming contracting opportunities.

VIII. Conclusion:

The SFMTA has prepared this methodology report for submission to Region IX of the FTA, in compliance with the procedures outlined in Part 26, requiring USDOT grantees to establish an overall DBE goal as a percentage of all FTA funds expected to be expended in the three forthcoming federal fiscal years. The overall goal has been narrowly tailored based on the 2022 census data available for SFMTA's geographical market and DBEs in that market.

The SFMTA has established a 14 percent overall DBE goal for all FTA-funded contracts anticipated to be awarded for FFYs 2026-2028.

The SFMTA will monitor its annual DBE goals by tracking each individual contract throughout the term of the contract for DBE participation and payments respective to the federal fiscal year of award.