



MONTEREY
REGIONAL AIRPORT
DISADVANTAGED
BUSINESS ENTERPRISE
(DBE) DISPARITY
REPORT
2019

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
INTRODUCTION	6
BACKGROUND INFORMATION & REPORT PURPOSE	6
DISPARITY REPORT SCOPE	7
CHAPTER 1: LEGAL REVIEW	9
CHAPTER 2: GEOGRAPHIC MARKET ASSESSMENT	12
Airport's Overall Geographic Market Area	12
OVERALL GEOGRAPHIC MARKET AREA DETERMINATION	13
Airport's Geographic Area for Construction Services and construction-Related professional services	14
CHAPTER 3: PRODUCT MARKET ASSESSMENT	16
Products Markets & Aggregate Industries	16
Airport's Product Markets	16
Aggregate Industry Sectors Analysis	22
Airport's Aggregate Industry Sectors Analysis	23
CHAPTER 4: DBE AVAILABILITY	23
CHAPTER 5: DBE UTILIZATION	21
Utilization Overview	21
Current DBE Utilization Enforcement and Implementation Measures	22
DBE Utilization by CAPITAL IMPROVEMENT PROJECT	22
PRIME CONTRACTOR AND SUB CONTRACTOR COMPARISON BY PROJECT	22
DBE CONTRACT TOTALS FOR EACH PROJECT	23
PROJECT'S DBE UTILIZATION & DBE UTILIZATION GOAL COMPARISON	24
DBE Utilization by PRIME PRODUCT MARKET AREA (INDUSTRY)	25
DBE PRIME AND SUBCONTRACTORS BY PRODUCT MARKET AREA	25
DBE UTILIZATION BY PRODUCT MARKET AREA ANALYSIS	26
DBE Utilization by Race and Gender.	26
CONTRACTING DOLLARS AWARDED TO DBES BY RACE AND GENDER	26
PRIME & SUBCONTRACTOR DBES BY RACE AND GENDER	30
CHAPTER 6: PUBLIC SECTOR DISPARITY RATIOS	31
CHAPTER 7: PRIVATE SECTOR DISPARITY RATIOS	33
CHAPTER 8: DBE ACCESS TO CREDIT	31

CHAPTER 9: DISPARITY REPORT SURVEY & INTERVIEWS OVERVIEW	35
Survey Collection	32
SURVEY ANALYSIS	33
Interviews COLLECTION.....	34
CHAPTER 10: RACE-NEUTRAL MEASURES ANALYSIS.....	39
CHAPTER 11: OVERALL DBE PROGRAM RECOMMENDATIONS	39
CHAPTER 12: DBE PROGRAM GOAL SETTING RECOMMENDATIONS (GOAL AdJUSTMENTS)	40
CHAPTER 13: ASSESSMENT OF DBE PROGRAM PARTICIPATION GOAL TO BE MET THROUGH RACE AND GENDER-NEUTRAL MEASURES	40

EXECUTIVE SUMMARY

Report Preparers:

The Disparity Report was prepared by a “Report Team” that includes representatives from:

- Monterey Regional Airport – Planning & Development Department;
- Monterey Peninsula Airport District – District Counsel; and
- Monterey Bay Procurement Technical Assistance Center.

Dates of Data Collection/Study Period:

The Disparity Report was prepared using a Database of Representative and recently completed Airport Capital Improvement Projects that received FAA funding assistance within the three-year study period: Calendar Years 2014, 2015 and 2016. Data Collection for the database occurred in July 2017 and the projects conducted within the study period were completed or substantially completed before or within Federal Fiscal Years 2016 and 2017.

Summary of Disparity Report Findings:

The disparity report covered calendar years 2014-2016 and included three federally funded projects; Runway Safety Area (RSA); Airport Master Plan (AMP); and Airport Sweeper Procurement. The RSA and AMP project exceeded the Race Neutral Goal both in DBE's and Certified Small Business. The airport sweeper procurement project exceeded the race neutral goal through contracting a certified small business (CSB), but not a DBE.

The Airport does not have a contract goal, only a Race Neutral Goal. However, all prime contractors were committed to 2% or more in DBEs and/or CSBs as approved in their bid/contract proposals. In accordance with the Airport's DBE Program, each prime contractor bidder was required to provide a statement of DBE/CSB utilization to ensure good faith effort is taken in contracting DBE/CSBs. The following tables summarize the DBE and CSB participation in aforementioned projects.

All projects have a higher CSB Overall % than the DBE Overall % as shown in the table below. This may be related to the Airport DBE Program's Race Neutral Goal which encourages *all* small businesses/disadvantaged businesses to participate in the Airport's DBE Program and which also requires prime contractors to provide evidence of good faith efforts in their bid documents to meet and/or exceed the Airport's DBE Race Neutral Goal.

DISADVANTAGED BUSINESS ENTERPRISE & CERTIFIED SMALL BUSINESS % COMARISON				
DBE/CSB %	CONSTRUCTION %	PROFESSIONAL SERVICES %	GOODS AND SERVICES %	OVERALL %
DBE Overall %	3.01%	3.55%	0.00%	2.33%
CSB Overall %	5.70%	11.68%	1.04%	5.37%
% Difference (CSB -DBE%)	2.69%	8.13%	1.04%	3.04%

The following table lists the number of DBE and CSB contracted. There were more subcontractor DBEs/CSBs than prime contractor DBEs/CSBs for the RSA construction project. For the AMP planning project, there was 1 subcontractor DBE/CSB but 0 prime DBE/CSB. Lastly, the Airport sweeper procurement project had 1 prime contractor CSB, 0 subcontractor CSB and no DBEs.

TOTAL DBE/CSB PRIME & SUBCONTRACTOR COUNT				
PRIME/SUB	RSA PROJECT	AMP PROJECT	AIRPROT SWEEPER	TOTAL
DBE Count				
Prime DBEs	1	0	0	1
Sub DBEs	7	1	0	8
CSB Count				
Prime CSBs	3	0	1	4
Sub CSBs	13	1	0	14

Report Recommendations:

It was determined the Airport has a robust and comprehensive DBE program which includes a small business component and contractor affidavit to document good faith efforts in utilizing DBE's on federally funded projects. To facilitate additional participation of DBE's, it is recommended the airport continue to implement the following, advertise projects in multiple media; host pre-bid conferences; and collaborate with the Procurement Technical Assistance Center (PTAC).

Report Review & Approvals:

The Monterey Regional Airport Executive Team reviewed and finalized the Monterey Regional Airport Disparity Report. The report findings & recommendations will be presented to the Monterey Peninsula Airport District Board of Directors and will be made available for public review and comment.

The Airport must receive concurrence from the Federal Aviation Administration DBE Compliance Specialist for the Western-Pacific Region on the MRY Disparity Report Findings and Recommendations.

Disposition of Data:

This report and any subsequent related reports will be filed with Monterey Regional Airport's Planning & Development Department. All data collection and records used for the report are on file at the Monterey Regional Airport's Planning & Development Office.

INTRODUCTION

BACKGROUND INFORMATION & REPORT PURPOSE

The Monterey Regional Airport ("Airport" or "MRY") is owned and operated by The Monterey Peninsula Airport District ("District" or "MPAD") and encompasses approximately 498 acres of property. The Airport is centrally located between the cities in and around the Monterey Peninsula, within the northwest portion of Monterey County, California.

The District is a "Special District" created in 1941 to manage and operate the Airport and Airport lands. MPAD is not incorporated into the city or the county, nor is it a public utility. It is a stand-alone public entity governed by five publicly elected members to the Board of Directors. The Airport District boundaries encompass the cities of Carmel, Del Rey Oaks, Monterey Pacific Grove, Sand City and a portion of Seaside, Pebble Beach, Carmel Highlands, and the west end of Carmel Valley and the Monterey-Salinas Highway to Laureles Grade.

Because the District receives federal financial assistance from the U.S. Department of Transportation (USDOT) in the amount of \$250,000 or more for airport planning or development projects, it must implement the Federal Disadvantaged Business Enterprise (DBE) Program in accordance with regulations of the USDOT, 49 CFR Part 26, "Participation by Disadvantaged Business Enterprise in DOT Programs."

The Airport currently implements a FAA-Approved DBE Program for FY 2016-2019. However, in 2016, USDOT requested that the District conduct an analysis to determine whether any disparity might exist between the District's utilization of DBEs and what would be expected based on availability of DBE firms able to perform on Airport projects. This report provides quantitative and qualitative information beyond what is currently provided in the DBE Program and determines legal justification for the continuation, or modification of the Airport's DBE Program Goals.

DISPARITY REPORT SCOPE

This Disparity Report is broken into thirteen (13) chapters and follows the guidance provided from the Airport's DBE Compliance Specialist and reflects some of the information provided in the National Cooperative Highway Research Program (NCHRP) Report 644 "Guidelines for Conducting a Disparity and Availability Study for the Federal DBE Program."

The Chapters of the Disparity Report are summarized below:

Chapter One provides a legal review; discussing case law and legal standards relevant to the Airport's DBE Program/Disparity Report.

Chapter Two provides an empirical assessment of the appropriate geographic markets relevant to the Airport's contracting activity.

Chapter Three provides an empirical assessment of the appropriate Industries/product markets relevant to the Airport's contracting activity.

Chapter Four discusses DBE availability: an estimate of the fraction of the businesses within the geographic and product markets that are owned by DBEs.

Chapter Five discusses the Airport's DBE utilization: an estimate of the percentage of all prime contract and subcontract dollars earned by DBEs in the market places and by race & gender.

Chapter Six provides a public-sector disparity ratio within the market area, specifically, a statistical comparison of public sector utilization to availability.

Chapter Seven provides an econometric analysis of DBEs' success, relative to non-DBEs' (e.g., in business formation rates and in business owner earnings), and provide private sector disparity ratios holding nondiscriminatory factors constant, in the market area surrounding the agency in question.

Chapter Eight provides an econometric analysis of DBEs' access to capital and credit, relative to non-DBEs', holding balance sheet and creditworthiness information constant.

Chapter Nine provides anecdotal evidence of disparity. Specifically, qualitative evidence from DBEs and non-DBEs concerning experiences doing business or attempting to do business in the relevant marketplaces, including experiences of institutionalized discrimination and/or individual disparate treatment, gathered through surveys and personal interviews.

Chapter Ten discusses the effectiveness of the Airport's race neutral measures. Specifically, it will provide qualitative and/or quantitative analysis of the effectiveness of race-neutral measures to address low DBE participation in its contracting.

Chapter Eleven provides recommendations for improving the DBE program. Review of existing policies and procedures related to DBE participation, with recommendations for improving program effectiveness and legal compliance.

Chapter Twelve provides recommendations for DBE program goal setting.

Chapter Thirteen provides an assessment of the portion of the DBE program goals to be met through race and gender-neutral measures.

CHAPTER 1: LEGAL REVIEW

1. GENERAL OVERVIEW

This chapter provides general legal background for the study. The focus of the legal analysis is on relevant decisions from U.S. Supreme Court and the Ninth Circuit Court of Appeals, which covers Monterey County. The legal review in this chapter provides a context for the DBE program analysis that appears in the subsequent chapters of this report.

In 1989, the United States Supreme Court established and applied the constitutional standards for an affirmative action program in *City of Richmond v. J.A. Croson Company* (488 U.S. 469). Later cases have further defined and refined the judicial scrutiny to be applied to DBE programs that contain race-conscious elements and those that establish gender-specific preferences.

DBE Programs with Race-Conscious Elements Must Withstand Strict Scrutiny

The courts have determined that a DBE program with race-conscious or affirmative action elements that involve governmental procurement of goods or services is subject to strict judicial scrutiny under the Equal Protection Clause of the Fourteenth Amendment to the United States Constitution. It is extremely difficult for a government entity to meet the strict scrutiny standard in a DBE program. To withstand strict scrutiny, a DBE program must have two basic components: a compelling governmental interest in the program and narrow tailoring of the program.

A “compelling interest” means the government must prove past or present racial discrimination that requires remedial attention. There must be a specific “strong basis in the evidence” for the compelling governmental interest, which is established by statistical evidence. In addition, the DBE program designed to address the compelling governmental interest must be narrowly tailored to remedy the identified discrimination. A “narrowly tailored” DBE program means that the remedy must fit the findings, and the evidence showing a compelling interest must guide the tailoring very closely. However, in any DBE program with race-conscious elements, race-neutral alternatives must be considered first.

DBE Programs with Gender-Specific Preferences Must Survive Intermediate Judicial Scrutiny

A DBE Program which contains gender-specific elements must withstand an intermediate judicial scrutiny standard. The remedial gender-conscious program must serve important governmental objectives and be substantially related to the achievement of those objectives. The evidence does not need to be as strong as that required for race-related initiatives, and the tailoring does not need to be as specific under this intermediate standard.

2. APPLICABLE CASE LAW

The discussion in this review will highlight the most relevant decisions in the area of government contracting. However, some caution must be exercised in relying upon opinions of the federal district courts, which make both findings of fact and holdings of law. As to holdings of law, the federal district courts are ultimately subject to rulings by their circuit courts and the U.S. Supreme Court. As to factual matters, decisions depend on the precise record before the court, which frequently include matters such as evaluations of the credibility and expertise of witnesses. Those case-specific factual findings are not considered binding precedent outside that specific judicial district where the case was determined.

In addition, the ways in which local governments participate in federal DBE programs is a specialized issue distinct from that of supporting state and local municipal programs, even if the same kinds of evidence and same levels of review apply. In *Adarand Constructors, Inc. v. Peña* (515 U.S. 200) the Supreme Court decided that federal DBE programs should be examined by the same strict scrutiny standard that *Croson* mandated for state and local programs. Nevertheless, cases considering federal DBE programs have many important distinctions and differences from cases considering state and local municipal programs, particularly when it comes to finding a compelling governmental interest.

3. RACE-CONSCIOUS AND GENDER-SPECIFIC PROGRAMS: STANDARD OF REVIEW

A. RACE-CONSCIOUS PROGRAMS: THE CROSON DECISION

Croson established the framework for testing the validity of programs based on racial discrimination. In 1983, the Richmond City Council adopted a Minority Business Utilization Plan. During a public hearing in establishing the Plan, seven citizens testified about historical racial discrimination. In adopting the Plan, the Council relied in part on a study that indicated "while the general population of Richmond was 50 percent African American, only 0.67 percent of the city's prime construction contracts had been awarded to minority businesses in the five-year period from 1978 to 1983." However, there was no direct evidence of racial discrimination on the part of the city. In addition, there was no evidence that the city's prime contractors had discriminated against minority-owned subcontractors.

The Plan required the city's prime contractors to subcontract at least 30 percent of the dollar amount of each contract to one or more minority-owned business enterprises (MBEs). The Plan did not establish any geographic limits for eligibility. Therefore, an otherwise qualified MBE from anywhere in the United States could benefit from the 30 percent set-aside.

J.A. *Croson* Company, a non-MBE mechanical plumbing and heating contractor, filed a lawsuit against the City of Richmond, alleging that the Plan was unconstitutional because it violated the Equal Protection Clause of the Fourteenth

Amendment. Ultimately, the Fourth Circuit struck down the Richmond Plan and the Supreme Court affirmed this decision.

In affirming the decision of the Fourth Circuit, the Supreme Court held that strict scrutiny was the appropriate standard of judicial review for MBE programs, so that a race-conscious program must be based on a compelling governmental interest and be narrowly tailored to achieve its objectives. Accordingly, this standard requires a firm evidentiary basis for concluding that the under-utilization of minorities is a product of past discrimination.

B. GENDER-SPECIFIC PROGRAMS

The Supreme Court has not addressed the specific issue of a gender-based classification in the context of a woman-owned business enterprise (WBE) program. *Croson* was limited to the review of a minority-owned business enterprise program. In evaluating gender-based classifications, the Court has used what some call “intermediate scrutiny,” a less stringent standard of review than the “strict scrutiny” which is applied to race-based classifications. Intermediate scrutiny requires that classifying persons on the basis of sex “must carry the burden of showing an ‘exceedingly persuasive justification’ for the classification.” (*Mississippi University for Women v. Hogan*, 458 U.S. 718, 724).

Several federal circuit courts have applied intermediate scrutiny to WBE programs and yet have found the programs to be unconstitutional. Nevertheless, in *Coral Construction v. King County* (941 F.2d 910), the Ninth Circuit upheld a WBE program under the intermediate scrutiny standard. (*Coral Construction v. King County*,) It is interesting to note that the court in *Coral Construction* held that some degree of discrimination must be demonstrated in a particular industry before a gender-specific remedy may be instituted in that industry.

C. FEDERALLY FUNDED PROJECTS

As noted above, federal DBE programs are now governed by the constitutional standards set in the Supreme Court case of *Adarand Constructors, Inc. v. Peña* (790 F.Supp. 240). *Adarand* involved a challenge to the United States Department of Transportation (USDOT) DBE program under which prime contractors could be awarded financial bonuses for subcontracting with DBEs. The Supreme Court in *Adarand* decided that federal DBE programs should be examined by the same strict scrutiny standard used for state and local programs.

In 1999, USDOT published its final DBE rule, 49 CFR 26, which addressed the *Adarand* cases. After significant litigation, the Courts ultimately held that the new DBE regulations are narrowly tailored and legal. These results are largely still in place after almost two decades of judicial review. Significantly, the Seventh, Eighth and Ninth Circuits have found the DBE regulations to be narrowly tailored and to serve a compelling governmental interest.

4. A DBE PROGRAM MUST BE BASED ON EVIDENCE SHOWING A COMPELLING GOVERNMENTAL INTEREST

Croson identified two necessary elements for proving racial discrimination sufficiently to demonstrate a compelling governmental interest in establishing an DBE program. First, there needs to be identified discrimination in the relevant market. Second, “the governmental actor enacting the set-aside program must have somehow perpetuated the discrimination to be remedied by the program,” (*Coral Construction*, 941 F.2d at 918) either actively or at least passively with the “infusion of tax dollars into a discriminatory industry.” (*Id.* at 922.) Even though the Supreme Court in *Croson* and *Adarand* did not specifically define the methodology that should be used to establish the evidentiary basis required by strict scrutiny, the Court did outline governing principles.

Subsequently, the Ninth Circuit in *Western States Paving* established evidentiary factors to consider in support of a federal DBE program:

- Minority business ownership percentage does not reflect the percentage of the population.
- MBEs have gross receipts that are significantly lower than those of firms owned by non-minorities.
- Disparity between proportion of DBE ownership compared to federal contracting dollars.
- Disparity of loan dollars received by DBEs vs. non-DBEs

5. A DBE PROGRAM FOR MINORITY OWNED BUSINESSES MUST BE NARROWLY TAILORED TO REMEDY IDENTIFIED DISCRIMINATION

The federal courts in general, and the Ninth Circuit in particular, have held that the DBE program established pursuant to 49 CFR 26 and issued under the Transportation Equity Act (TEA-21) (1998) is narrowly tailored to serve a compelling interest. (*Adarand v. Slater*, 228 F.3d 1147; *Western States Paving v. Washington DOT*, 407 F.3d 983) The Ninth Circuit has identified the following elements of narrow tailoring:

- the efficacy of alternative remedies;
- the flexibility and duration of the relief, including the availability of waiver provisions;
- the relationship of the numerical goals to the relevant labor market; and
- the impact of the relief on the rights of third parties.

(*Western States Paving*, 407 F. 3d at 993.)

6. THE GOVERNMENTAL ENTITY OR AGENCY ENACTING A DBE PROGRAM MUST BE SHOWN TO HAVE ACTIVELY OR PASSIVELY PERPETUATED THE DISCRIMINATION

In *Croson*, the Supreme Court stated, "It is beyond dispute that any public entity, state or federal, has a compelling interest in assuring that public dollars, drawn from the tax contributions of all citizens, do not serve to finance the evil of private prejudice." (*Coral Construction*, 941 F.2d at 922.) The *Croson* court ruled that the government "can use its spending powers to remedy private discrimination, if it identifies that discrimination with the particularity required by the Fourteenth Amendment." In *Western States Paving*, the Ninth Circuit affirmed that "The federal government has a compelling interest in ensuring that its funding is not distributed in a manner that perpetuates the effects of either public or private discrimination within the transportation contracting industry." (*Western States Paving*, 407 F. 3d at 991.)

7. ANECDOTAL EVIDENCE OF DISCRIMINATION IN DISPARITY STUDIES

Most disparity studies present anecdotal evidence along with statistical data. The Supreme Court in *Croson* discussed the relevance of anecdotal evidence and explained, "Evidence of a pattern of individual discriminatory acts can, if supported by appropriate statistical proof, lend support to a local government's determination that broader remedial relief is justified." (*Croson*, 488 U.S. at 509.) However, anecdotal evidence alone cannot demonstrate a systemic pattern of discrimination necessary for the adoption of an affirmative action plan." (*Coral Construction*, 941 F.2d at 919.) The Ninth Circuit has established several rules related to the use of anecdotal evidence of discrimination:

- Anecdotal evidence does not have to be verified;
- The agency does not need specific incidents of discrimination;
- It is only necessary that the anecdotal evidence support the statistical evidence showing a "pervasive pattern of discrimination"; and
- Evidence of difficulties of breaking into a "good ol' boy network" is relevant anecdotal evidence of barriers face by minority and disadvantaged firms.

(*AGC .v Caltrans*, 713 F.3d at 1197-98.)

8. SMALL BUSINESS PROCUREMENT PREFERENCES

Small business procurement preferences have existed since the 1940s. The first small business program had its origins in the Smaller War Plants Corporation (SWPC), established during World War II. The SWPC was created to channel war contracts to small business. In 1947, Congress passed the Armed Forces Procurement Act, declaring that "it is the policy of Congress that a fair proportion of the purchases and contracts under this chapter be placed with small business concerns." Continuing this policy, the 1958 Small Business Act requires that government agencies award a "fair proportion" of procurement contracts to small business concerns. The regulations are designed to implement this general policy. (32 C.F.R. §§ 1-701.1 to 1-707.7.)

Section 8(b)(11) of the Small Business Act authorizes the Small Business Administration (SBA) to set aside contracts for placement with small business concerns. The SBA has the power to make studies and recommendations to the appropriate Federal agencies to insure that a fair proportion of the total purchases and contracts

for property and services for the Government be placed with small-business enterprises, to insure that a fair proportion of Government contracts for research and development be placed with small-business concerns, to insure that a fair proportion of the total sales of Government property be made to small-business concerns, and to insure a fair and equitable share materials, supplies, and equipment to small-business concerns. (15 U.S.C. § 637(b)(11).) Every acquisition of goods and services anticipated to be between \$2,500 and \$100,000 can be set aside exclusively for small business unless the contracting officer has a reasonable expectation of fewer than two bids by small businesses. (*Federal Acquisition Regulations* 19.502-2.)

There has been only one constitutional challenge to the long-standing federal small business enterprise (SBE) programs. In *J.H. Rutter Rex Manufacturing v. United States*, (706 F.2d 702) a federal vendor unsuccessfully challenged the Army's small business set-aside as in violation of the due process clause of the Fifth Amendment to the U.S. Constitution, as well as the Administrative Procedures Act and the Armed Forces Procurement Act. The court held that classifying businesses as small was not a "suspect classification" subject to strict scrutiny. Instead the court ruled:

"Since no fundamental rights are implicated, we need only determine whether the contested socioeconomic legislation rationally relates to a legitimate governmental purpose... Our previous discussion adequately demonstrates that the procurement statutes and the regulations promulgated there under are rationally related to the sound legislative purpose of promoting small businesses in order to contribute to the security and economic health of this Nation."

A large number of state and local governments have maintained small business preference programs for many years. No district court cases were found overturning a state and local small business preference program. One reason for the low level of litigation in this area is that there is no significant organizational opposition to SBE programs. There are no reported cases of Associated General Construction (AGC) litigation against local SBE programs. In addition, the legal foundations that have typically litigated DBE programs have actually promoted SBE procurement preference programs as a race-neutral substitute for DBE programs.

9. CONCLUSIONS

When public agencies implement a DBE program related to race and gender, the program must be tailored to account for the legal precedent developed in the federal courts. Specific requirements must be addressed so that the DBE program can withstand judicial review for constitutionality and prove to be just and fair. Particularly in the Ninth Circuit, which includes the Monterey Region, local governments must engage in specific fact-finding processes to compile a thorough, accurate, and specific evidentiary foundation to determine if there is a history of discrimination sufficient to justify race- and gender-conscious elements of a DBE plan. Small business programs are not required to undertake the same detailed analysis.

CHAPTER 2: GEOGRAPHIC MARKET ASSESSMENT

In order to conduct the disparity report, the Airport determined the geographic market areas where the Airport contracts a majority of its work in. Once the geographic market area was determined, a disparity based on the geographic market area can be evaluated and determined. The following section will discuss the Airport's Overall geographic market area. Additionally, since most Airport contracting dollars are spent on construction/development of Airport facilities, this chapter will also discuss the specific construction services geographic market area and construction-professional services geographic market area.

AIRPORT'S OVERALL GEOGRAPHIC MARKET AREA

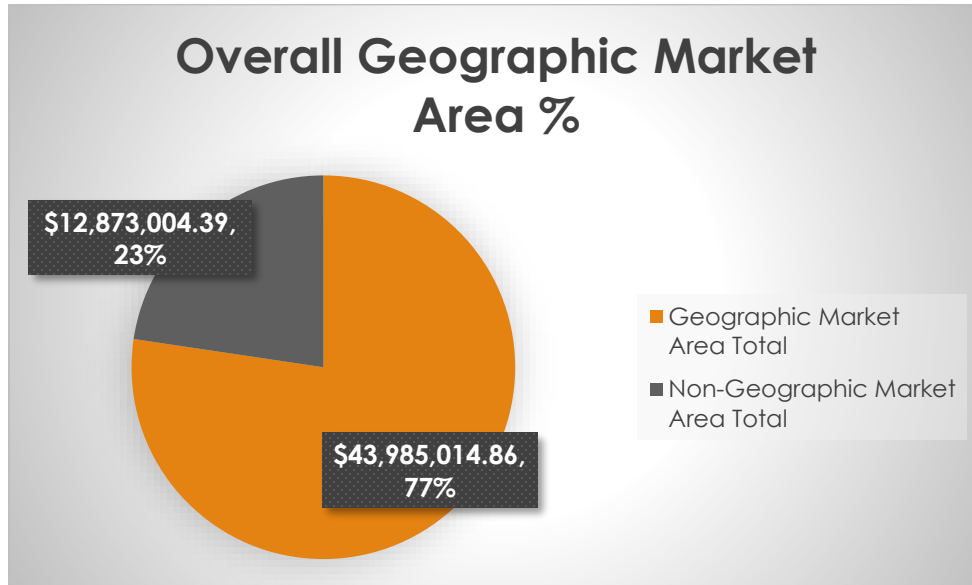
The Airport's relevant geographic market area was empirically developed using the following criteria provided in NCHRP Guidelines:

- Only locations for contractors and subcontractors used during the study period (FY 2014-2016) are included;
- The total amount spent for the geographic market area must account for at least 75% of the total contract and subcontract dollars spent during the study period;
- Each vendor location must be identified as the County in which the vendor's business address zip code is located within;
- For each vendor with multiple office locations, the office location used, is the location most associated with the Airport project the vendor was contracted to; and
- Most of the geographic market area counties must also be associated with all or most of the Airport projects completed within the study period.

Based on the above criteria, the Airport's geographic market area includes the following counties that have a substantial majority of the Airport's contractor and subcontractor dollars: Monterey, Santa Barbara, Ventura, Santa Cruz and San Luis Obispo Counties. See the below table for the total amount spent within the geographic market area:

OVERALL GEOGRAPHIC MARKET AREA		
County	Total Prime & Subcontractors	Total Amount
Monterey County	51	\$31,427,142.33
Santa Barbara County	2	\$11,131,491.85
Ventura County	4	\$745,783.46
Santa Cruz County	4	\$378,575.79
San Luis Obispo County	3	\$302,021.43
Total	64	\$43,985,014.86

As indicated in the table above, the total amount spent for the five (5) counties within the geographic market area is \$43,985,014.86. A majority of the total amount went to Monterey and Santa Barbara Counties. The total amount spent within the geographic market area make up of 77.36% of the total amount spent within the study period as shown in the graph below.



OVERALL GEOGRAPHIC MARKET AREA DETERMINATION

Of the five (5) counties identified in the overall geographic market area, Monterey County was the only market area used for all three (3) projects within the study period and had the largest amount of the total contracting dollars spent within the study period. Runway Safety Area (RSA), the Airport Master Plan (AMP), and The Airport Sweeper Procurement.

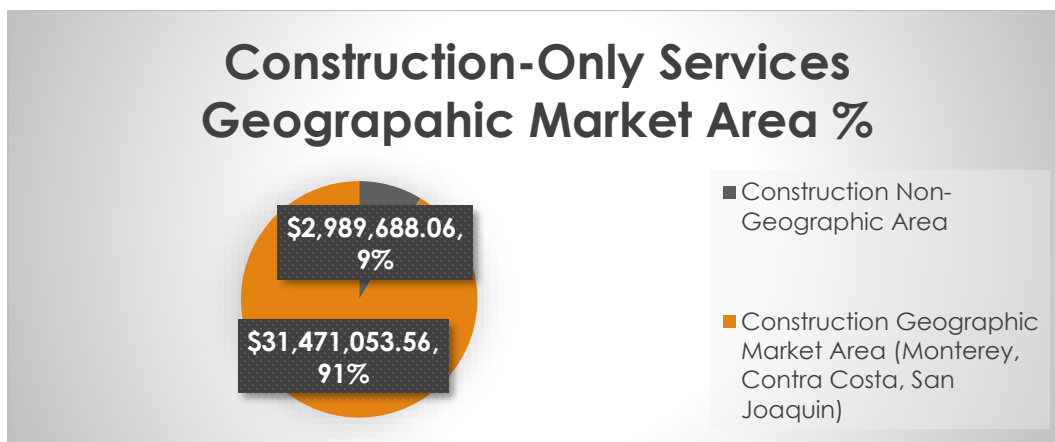
Ventura and San Luis Obispo County market areas were used for the Runway Safety Area project and Airport Master Plan project (majority of the projects within the study period). Santa Barbara and Santa Cruz County market areas were used for the RSA Project only. However, Santa Barbara was included in the Overall geographic market area because it included the second largest amount of the total contracting dollars spent within the study period. Santa Cruz County geographic market area was also included due to its close relation to Monterey County geographic market area contractors. Many of the Santa Cruz County contractors have created a local presence in Monterey County and some contractors either have office locations in both counties or in proximity to both counties (i.e. in Watsonville, CA).

AIRPORT'S GEOGRAPHIC AREA FOR CONSTRUCTION SERVICES AND CONSTRUCTION-RELATED PROFESSIONAL SERVICES

During the study period, only the RSA project used Construction Services. The AMP and Airport Sweeper Procurement project did not involve any construction therefore no construction service contractors were used for those projects. A total of thirty (30) construction service contractors were used for the RSA project. However, only twelve (12) of those construction contractors are located within the geographic market areas that spent the most amount on construction services as shown in the table below:

CONSTRUCTION -ONLY GEOGRAPHIC MARKET AREA		
County	# of Contractors	Total Amount
Monterey	6	\$26,788,329.42
Contra Costa	3	\$3,523,523.32
San Joaquin	3	\$1,159,200.82
TOTAL	12	\$31,471,053.56

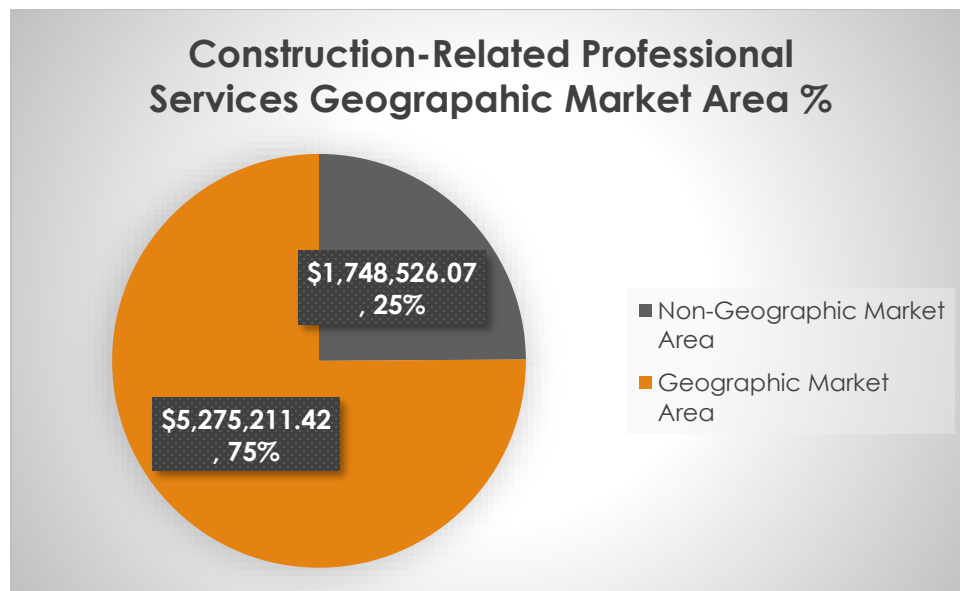
Based on the data provided above, approx. thirty-one (31) Million was spent in construction services within the Monterey, Contra Costa and San Joaquin Counties which is approximately 91.36% of total construction services spent within the study period. See graph below:



A total of twenty-seven (27) construction-related professional service contractors were used for the RSA project. However, only eighteen (18) of those construction contractors are located within the geographic market areas that spent the most amount on construction services¹ as shown in the table below:

CONSTRUCTION PROFESSIONAL SERVICES		
County	# of Contractors	Total Amount
Monterey	10	\$3,309,531.65
Contra Costa	3	\$786,628.30
Los Angeles	3	\$548,330.00
Placer	1	\$440,693.54
San Luis Obispo	1	\$190,027.93
TOTAL	18	\$5,275,211.42

Based on the data provided above, approximately 5.27 million was spent in construction related professional services within the Monterey, Contra Costa, Los Angeles, Placer and San Luis Obispo Counties which is approximately 75% of total construction-related professional services spent within the study period. See graph below:



¹ Contracting dollars spent in San Diego and Mariposa County(AZ) were excluded. The one San Diego vendor was excluded due to the vendor being used for project litigation (an uncommon construction-related professional service) and Mariposa was excluded because the vendor is the Airport's on-call planning and environmental consultant which was chosen through a RFQ process required by the FAA.

CHAPTER 3: PRODUCT MARKET ASSESSMENT

PRODUCTS MARKETS & AGGREGATE INDUSTRIES

The Detailed industry affiliation is determined by assigning a four (4), five (5), or six (6) digit North American Industry Classification System (NAICS) code, as appropriate, to each contractor and subcontractor in the project database. While contractors/subcontractors can be assigned several NAICS Codes, the NAICS code that was most relevant to the work completed for the Airport, is the NAICS code assigned to the contractor and subcontractor.

The Airport's Product Market (PM) was empirically determined by ensuring:

- Airport overall PM made up at least 75% of all contract and subcontractor dollar amounts within study period;
- Each Individual PM was defined using the NAICS Code; and
- The overall PM can consist of several PMs/NAICS codes as needed to meet/exceed the 75% minimum overall amount.

Calculations of the total contracting dollars used within the Airport's PM Area were based on data provided in the Project database

AIRPORT'S PRODUCT MARKETS

A total of one hundred thirty-six (136) contractors were used for Airport projects during the study period. However, only sixty-four (64) were located in the relevant product market.

Airport Relevant Product Market		
County	# Contractors	Total Amount
Monterey County	51	\$31,427,142.33
Santa Barbara County	2	\$11,131,491.85
Ventura County	4	\$745,783.46
Santa Cruz County	4	\$378,575.79
San Luis Obispo County	3	\$302,021.43
Total	64	\$43,985,014.86

Based on the data provided above, approximately 43.9 million was spent in Monterey, Santa Barbara, Ventura, Santa Cruz, and San Luis Obispo Counties which is approximately 77% of the total spent for all Airport projects during the study period. See the chart below:

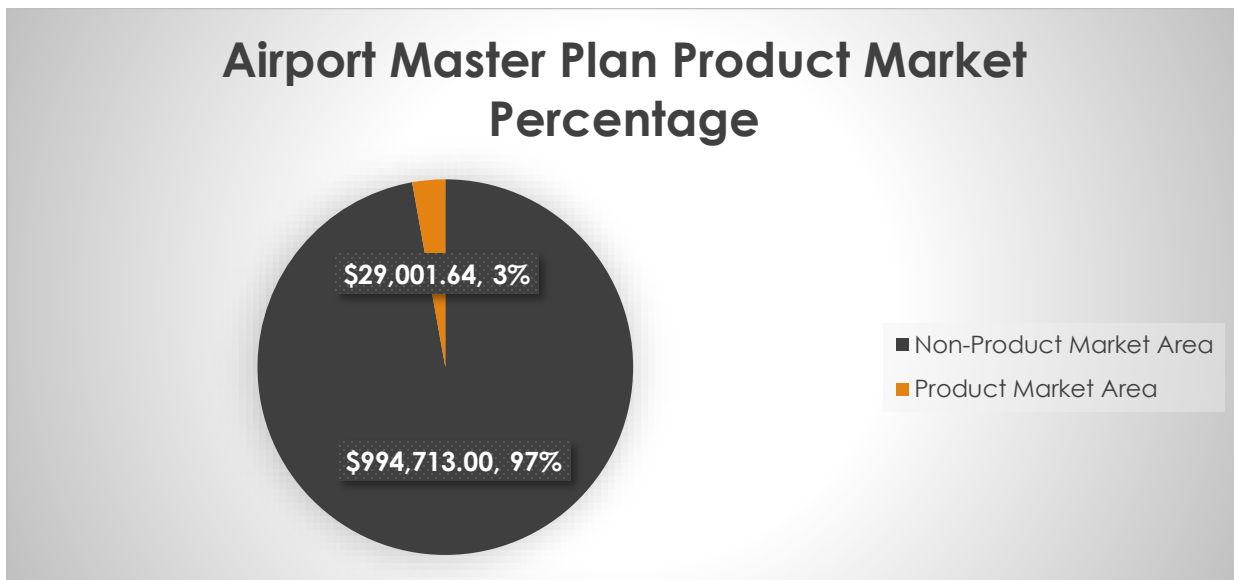
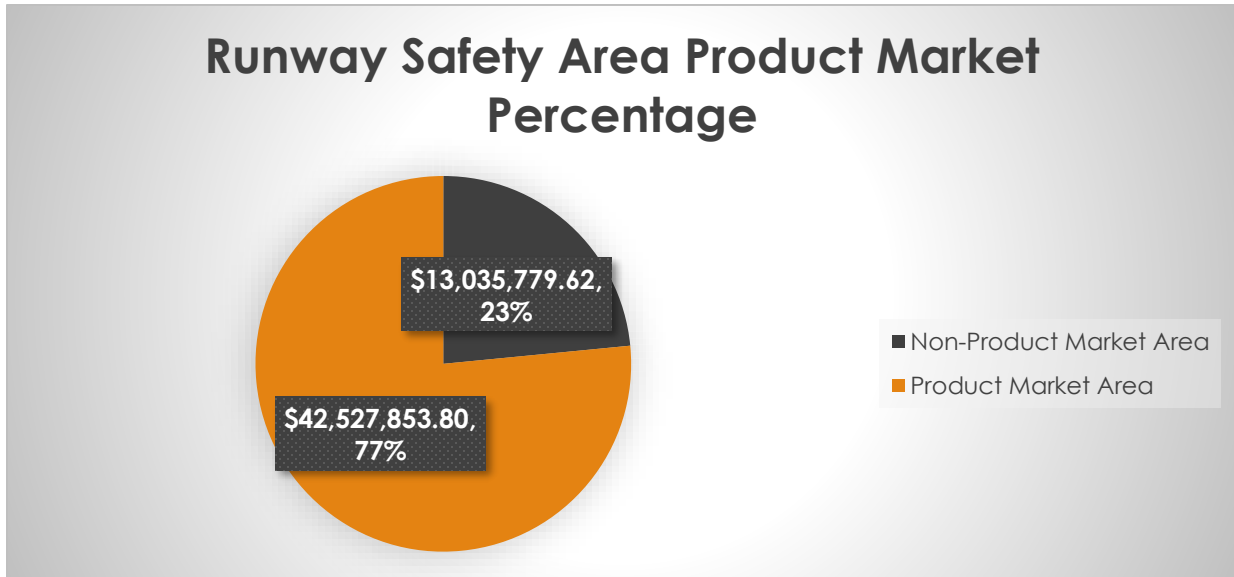
Airport Relevant Product Market



The following table identifies all the PMs for the Airport and the total dollars spent in each respective market.

Location of Firms	Dollars	Percent of Dollars	Cumulative Percent
Monterey County	\$31,427,142.33	55.27%	55.27%
Santa Barbara County	\$11,131,491.85	19.58%	74.85%
Contra Costa County	\$4,377,951.62	7.70%	82.55%
San Joaquin County	\$1,164,200.82	2.05%	84.60%
Mariposa County, AZ	\$1,130,237.22	1.99%	86.59%
San Diego County	\$1,089,463.77	1.92%	88.51%
Alameda County	\$854,157.33	1.5%	90.01%
Orange County	\$750,000.00	1.32%	91.33%
Ventura County	\$745,783.46	1.31%	92.64%
Santa Clara County	\$629,844.29	1.11%	93.75%
San Mateo County	\$597,921.43	1.05%	94.80%
Los Angeles County	\$564,120.00	0.99%	95.79%
Washoe County, NV	\$488,376.68	0.86%	96.65%
Placer County	\$440,693.54	0.78%	97.43%
Santa Cruz County	\$378,575.79	0.67%	98.10%
San Luis Obispo County	\$302,021.43	0.53%	98.63%
Camden County, NJ	\$235,421.12	0.41%	99.04%
McLennan County, TX	\$201,669.34	0.35%	99.39%
Solano County	\$125,765.40	0.22%	99.61%
Fresno County	\$92,000.00	0.16%	99.77%
Yolo County	\$67,867.89	0.12%	99.89%
Cook County, IL	\$24,981.84	0.04%	99.93%
Sacramento County	\$13,375.00	0.02%	99.95%
Harris County, TX	\$7,875.00	0.01%	99.96%
Grundy County, IL	\$6,000.00	0.01%	99.97%
Kern County	\$5,738.61	0.01%	99.98%
Athens County, OH	\$4,798.09	0.01%	99.99%
Sonoma County	\$544.90	0.00%	100.00%

The following graphs illustrate the PM breakdown for the three (3) Airport Projects during the study period; The RSA, the AMP, and The Airport Sweeper Procurement.



As noted previously, the majority of contracting dollars for this project were spent outside of the PM due to external factors including project litigation and FAA requirements. The one (1) San Diego vendor was used for project litigation (an uncommon construction-related professional service) and the one (1) Mariposa vendor, the Airport's on-call planning and environmental consultant, was used as the result of a RFQ process required by the FAA.

Airport Sweeper Product Market Percentage



Like the Airport Master Plan, the monies spent for the Airport Sweeper Procurement occurred outside of the Airport's PM area. This was due to FAA requirements and specifications for airport sweepers. Consequently, there were no qualified dealers and/or manufacturers of the sweeper located within the Airport's PM area. However, the total amount of money spent for the sweeper was minimal as compared to the other projects.

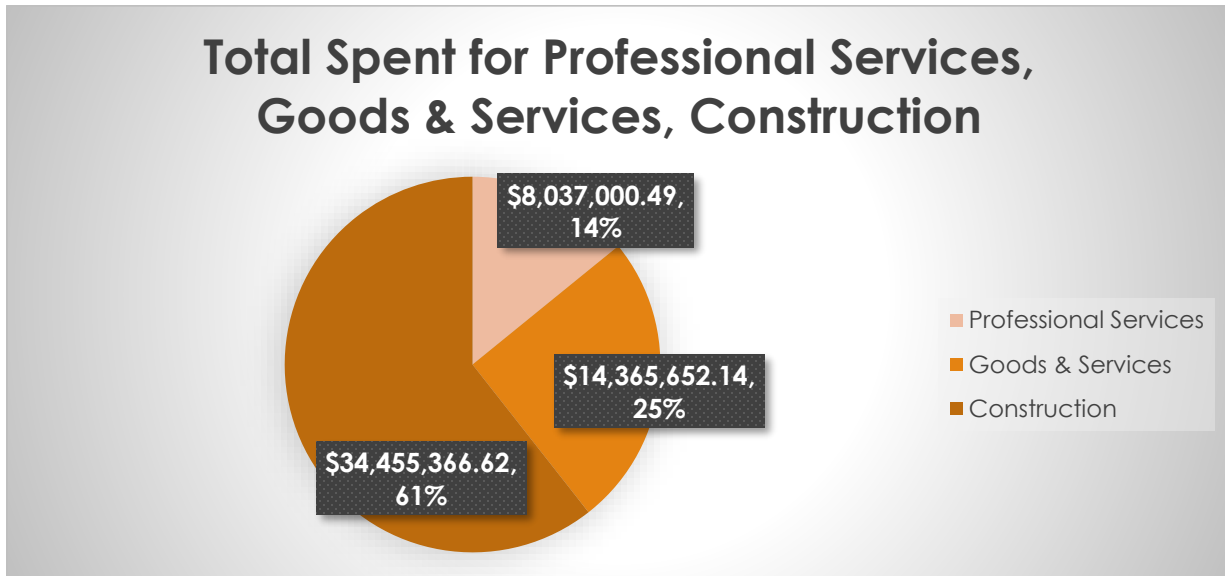
AGGREGATE INDUSTRY SECTORS ANALYSIS

The following table contains eight (8) industry sectors categorized by NAICS code. These eight (8) industry sectors were the most utilized during the study period for Airport projects. Combined, these sectors were awarded approximately 54.4 million dollars, or approximately 96 percent of the total amount awarded.

NAICS Code	NAICS Code Title	Percentage	Cumulative Percentage
237310	Highway, Street, and Bridge Construction	51.11	51.11
484110	General Freight Trucking, Local	21.07	72.18
237990	Other heavy and Civil Engineering construction	6.52	78.70
541620	Environmental Consultant Services	5.34	84.04
238140	Masonry Contractors	3.94	87.98
541330	Engineering Services	3.61	91.59
541320	Landscape Architectural Services	2.68	94.27
238910	Site Preparation Contractors	1.46	95.73

AIRPORT'S AGGREGATE INDUSTRY SECTORS ANALYSIS

The following Pie Graph breaks down Construction, Professional Services (PS) and Good and Services (GS) and includes overall amounts and cost percent.



CHAPTER 4: DBE AVAILABILITY

For purposes of this report, the Airport used as a guiding principle, the National Cooperative Highway Research Program (NCHRP) report 644, *Guidelines for Conducting a Disparity and Availability Study for the Federal DBE Program* to best determine the availability of DBE's. Per the report, the recommended approach to estimating availability is a "custom census". The "custom census" has a seven (7) step analysis that includes:

- (1) a database of representative state DOT projects;
- (2) identifies the appropriate geographic market for the state DOT's contracting activity;
- (3) identifies the appropriate product market for the state DOT's contracting activity;
- (4) counts all business in those relevant markets;
- (5) identifies listed minority-owned and women owned businesses in the relevant markets;
- (6) verifies the ownership status of listed minority owned and women owned businesses; and
- (7) verifies the ownership status of all other firms.

The following table lists the estimated DBE availability for each of the eight (8) NAICS industry codes, as well as the total DBE availability for all the industries combined:

NAICS Code	Percentage Availability
237310	12.41%
484110	.32%
237990	2.81%
541620	1.13%
238140	0.00%
541330	.56%
541320	.08%
238910	.26%
Total Estimated Availability	17.58%

CHAPTER 5: DBE UTILIZATION

The Monterey Regional Airport collected data of its Capital Improvement Projects (CIP) completed between 2014-2016 Federal Fiscal Years (FFY). This data was then used to analyze the participation or “utilization” of certified Disadvantaged Business Enterprise’s (DBE) in contracting and subcontracting work needed to complete the Airport projects. Therefore, this chapter will provide a brief overview of what DBE Utilization is; what measures the Airport is currently taking to assist in DBE utilization; and a complete in-depth analysis of the Airport’s total DBE Utilization by project, industry and race/gender within the study period.

UTILIZATION OVERVIEW

DBE utilization refers to the percentage of an agency’s total contract dollars (both prime and subcontract dollars) that is awarded to a certified Disadvantaged Business Enterprise (DBE). For example, DBE utilization of three (3) percent means three (3) percent of the total contract dollars examined went to a certified DBE. Expressed another way, three (3) cents for every dollar spent goes to a DBE.

Currently, the Airport implements a Race-Neutral DBE Goal of 1.63%. This DBE utilization Goal is based on the Airport’s most recent FAA-Approved Airport DBE Program (FFY 2016-2019). The term “Race-Neutral” refers to the Airport’s obligation to make *good faith efforts* in utilizing DBEs with race and gender not being a considering factor. Additionally, the Goal only applies to certified DBEs. Certified DBEs can be listed as a certified Minority-Owned Business Enterprise (MBE), Women-Owned Business Enterprise (WBE) or Small Business Enterprise (SBE), however, a MBE, WBE or SBE is not considered a certified DBE unless certified by a DBE certifying California Unified Certification Program (CUCP) member.

The Monterey Regional Airport is a non-certifying CUCP member, therefore it relies on the California Department of Transportation (Caltrans), which is a certifying CUCP member, for certifying DBEs within the Airport's geographic market area.

CURRENT DBE UTILIZATION ENFORCEMENT AND IMPLEMENTATION MEASURES

The Airport requires all bidders/offeror to complete the "Demonstration of Good Faith Efforts" forms (see DBE Program - Attachment 6) when submitting bid documents and/or contract/proposal documents. The District must review and approve the submitted forms prior to the execution of said contract. This form allows contractors to provide their commitment to meet or exceed the Airports DBE Goal. If the bidder/offeror cannot commit to meeting or exceeding the Airport's DBE Goal, then the bidder/offeror must use the forms to document good faith efforts were made in trying to achieve the Airport's DBE Goal, and/or justification to why the Goal cannot be met (i.e. no DBEs exist within the geographic and/or product market area to implement the specified contract).

DBE UTILIZATION BY CAPITAL IMPROVEMENT PROJECT

During the FFY 2014-2016 study period, the Airport completed three (3) Airport Capital Improvement Projects (CIP): Runway Safety Area, Airport Master Plan and Airport Sweeper Procurement.

This section will analyze DBE utilization by the CIPs listed above, specifically, the number of DBE prime and subcontractors used for each Project, the amount of DBE dollars spent for each Project, and the DBE utilization percent for each Project in relation to the DBE Program – DBE Goal.

PRIME CONTRACTOR AND SUB CONTRACTOR COMPARISON BY PROJECT

Prime Contractors are businesses that are awarded contracts directly with the Airport, whereas subcontractors also known as "subs" are those businesses awarded contracts directly from the prime contractors to assist the prime contractors in completing their contract with the Airport.

As indicated in the Total Prime and Subcontractor Count Table below, the RSA Project had more subs than prime contractors. The AMP had the same number of prime and subcontractors and the Sweeper Procurement had more prime contractors than subcontractors. There was a total of 136 contractors used for the combined projects.

TOTAL PRIME & SUBCONTRACTOR COUNT				
PRIME / SUB CONTRACTOR	RSA PROJECT	AMP PROJECT	AIRPORT SWEEPER	TOTAL
Prime Contractors	29	6	3	38
Subcontractors	91	6	1	98
TOTAL	120	12	4	136

Out of the total prime and subcontractors, the table below indicates the total number of DBE prime and subcontractors used. Out of thirty-eight (38) prime contractors, one (1) was a DBE. Out of the ninety-eight (98) subcontractors, eight (8) were DBEs. In other words, 2.6% of the total prime contractors were DBEs and 8.2% of the total subcontractors were DBEs. The RSA project was the only project that had a Prime Contractor DBE: CommuniQuest, an Airport Public Outreach & Communication firm.

TOTAL DBE PRIME & SUBCONTRACTOR COUNT				
PRIME / SUB CONTRACTOR	RSA PROJECT	AMP PROJECT	AIRPORT SWEEPER	TOTAL
Prime Contractors	1	0	0	1
Subcontractors	7	1	0	8
TOTAL	8	1	0	9

DBE CONTRACT TOTALS FOR EACH PROJECT

Below is a table of the total amount of contracting dollars spent on the three (3) completed CIPs broken down by the three (3) primary industries used to complete the projects: Construction, Professional Service and Goods & Services, and the overall project totals:

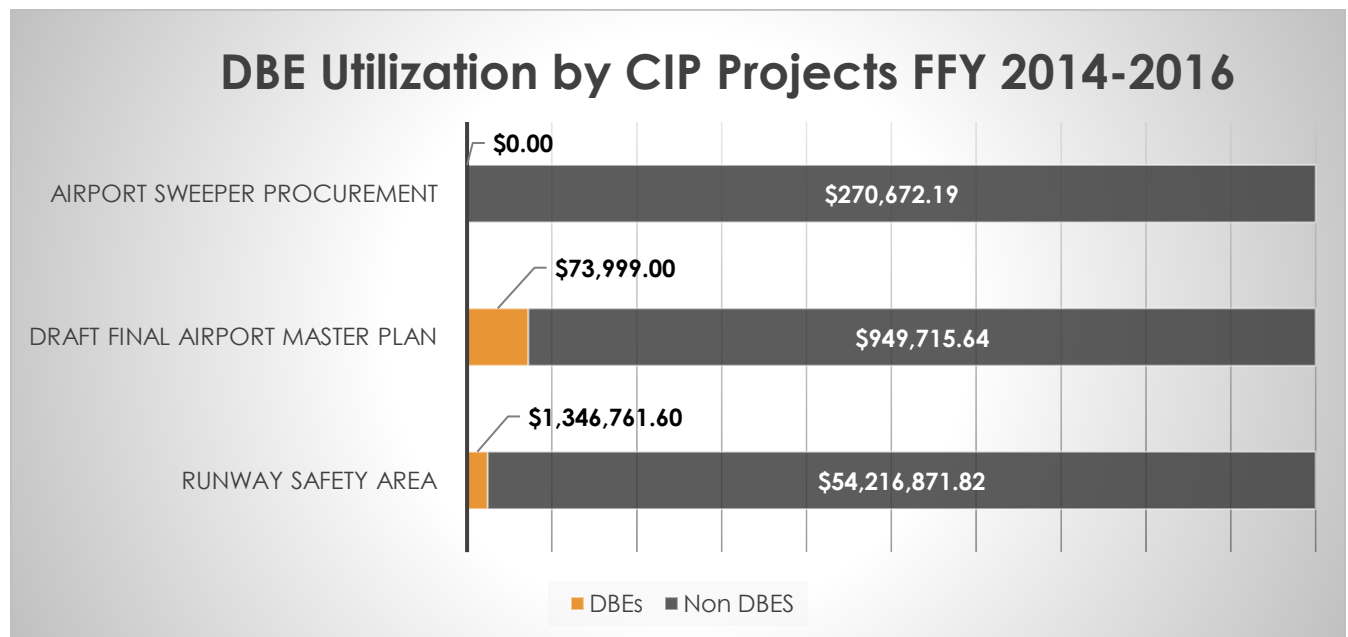
AIRPORT CAPITAL IMPROVEMENT PROJECT TOTALS				
PROJECT (FY 2014-2016)	TOTAL CONSTRUCTION	TOTAL PROFESSIONAL SERVICES	TOTAL GOODS & SERVICES	TOTAL
Runway Safety Area	\$34,455,366.62	\$7,023,737.49	\$14,084,529.31	\$55,563,633.42
Airport Master Plan	N/A	\$1,013,263.00	\$10,451.64	\$1,023,714.64
Sweeper Procurement	N/A	N/A	\$270,671.19	\$270,671.19
GRAND TOTAL	\$34,455,366.62	\$8,037,000.49	\$14,365,652.14	\$56,858,019.25

Below is a similar table to the one above, except it provides only the total amount of contracting dollars spent on DBEs:

TOTAL DBE PARTICIPATION IN AIRPORT CAPITAL IMPROVEMENT PROJECTS				
PROJECT (FY 2014-2016)	TOTAL CONSTRUCTION DBE	TOTAL PROFESSIONAL SERVICE DBE	TOTAL GOODS & SERVICES DBE	TOTAL DBES
Runway Safety Area	\$1,036,066.29	\$310,695.30	\$0.00	\$1,346,761.59
Airport Master Plan	N/A	\$73,999.00	\$0.00	\$73,999.00
Sweeper Procurement	N/A	N/A	\$0.00	\$0.00
GRAND TOTAL	\$1,036,066.29	\$384,694.30	\$0.00	\$1,420,760.59

Based on the data provided in the tables above, **the Airport contracted a total of 1.42 million dollars to DBEs out of the total 56.8 million dollars in contracting dollars.**

PROJECT'S DBE UTILIZATION & DBE UTILIZATION GOAL COMPARISON



DBE utilization by Capital Improvement Project is illustrated in the graph above. DBEs were utilized for the RSA project at approx. 2.24%, the AMP at 7.23%, and 0% DBEs were utilized in the Sweeper Procurement. The RSA exceeded the Airport's DBE Goal of

1.63% by .61% and the AMP exceeded the goal by 5.6%. The Sweeper Procurement had a DBE goal shortfall of 1.63% since it had zero (0) DBEs.

Although the Sweeper Procurement had a shortfall, its prime contractor demonstrated Good Faith Effort was made and provided justification for its shortfall. Specifically, there were no DBEs that manufacture the required sweeper within the geographic market area. Additionally, the Sweeper dealer/prime contractor (GCS Environmental Services Inc.) was not a certified DBE, however they were a certified Small Business Enterprise (SBE). The Airport's DBE Program allows the Airport to foster the use of certified Small Business Enterprises as indicated in its Small Business Participation Plan (DBE Program Attachment 10 -Small Business Element).

DBE UTILIZATION BY PRIME PRODUCT MARKET AREA (INDUSTRY)

The Airport's Capital Improvement Projects were completed by prime and

PRIME AND SUBCONTRACTOR COMPARISON BY INDUSTRY								
Prime/ Sub	CONSTRUCTION		PROFESSIONAL SERVICES		GOODS & SERVICES		TOTAL	
	# DBE	DBE Dollars	# DBE	DBE Dollars	# DBE	DBE Dollars	# DBE	DBE Dollars
Prime	0	\$0.00	1	\$69,508.69	0	\$0.00	1	\$69,508.69
Sub	4	\$1,036,066.29	4	\$215,635.61	0	\$0.00	8	\$1,251,701.90
TOTAL	4	\$1,036,066.29	5	\$285,144.30	0	\$0.00	9	\$1,321,210.59

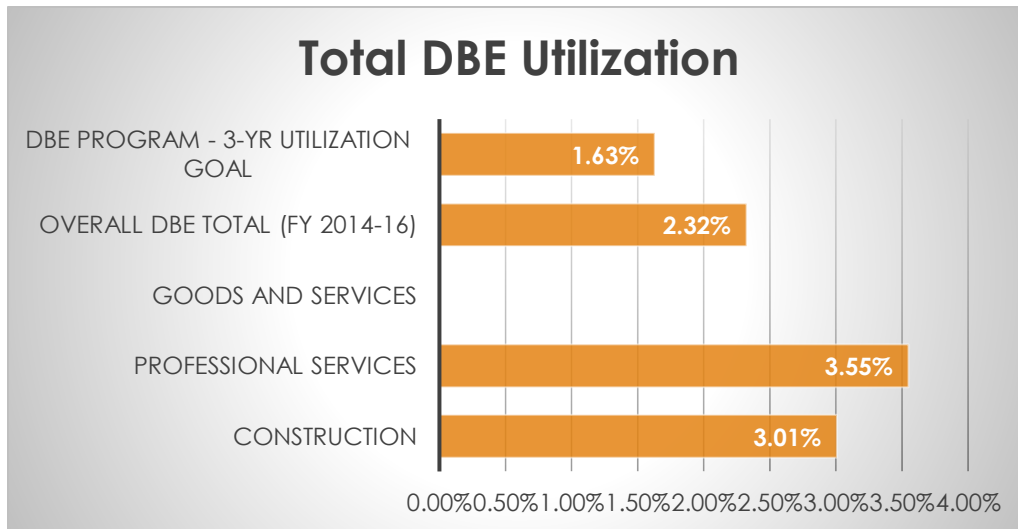
subcontractors that were categorized into three (3) primary industries or product market areas: Construction Services, Professional Services and Goods & Services. This section will analyze the number of prime and subcontractors DBEs used in each industry/product market and the Airport's DBE Utilization by Industry in comparison to the Airport's DBE Utilization Goal:

DBE PRIME AND SUBCONTRACTORS BY PRODUCT MARKET AREA

As indicated above, there was one (1) Professional Service DBE that was a prime contractor, four (4) DBE subcontractors that were in the Construction Industry and four (4) DBE subcontractors that were in the Professional Service Industry. There were no (0) DBE prime or subcontractors used in the Goods & Service Industry. Overall, the Airport used more subcontracting DBEs than prime contracting DBEs. Additionally, the Airport overall used one (1) more DBE in the Professional Service industry compared to the Construction Industry. However, the most amount of contracting dollars went to the Construction Industry.

DBE UTILIZATION BY PRODUCT MARKET AREA ANALYSIS

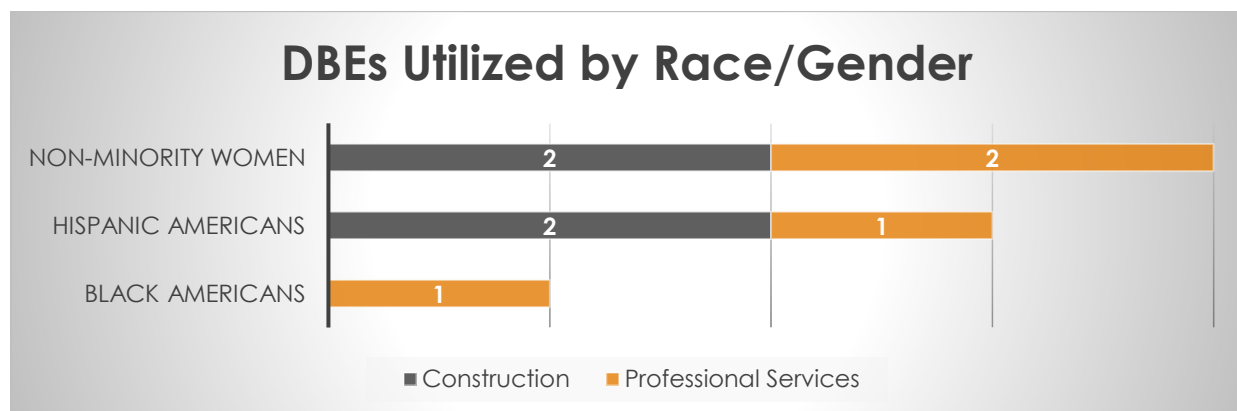
As indicated in the graph below, the Airport exceeded its goal in two (2) of the three (3) primary industries including: Construction Services (3.01%) and Professional Services (3.55%) Industries. No (0) DBEs were used within the Goods and Services Industry. Overall, the Airport exceeded its DBE Utilization Goal by .7 % at 2.33% total. Therefore, the implementation of the Airport's race-neutral DBE utilization goal of 1.63% has overall been successful.



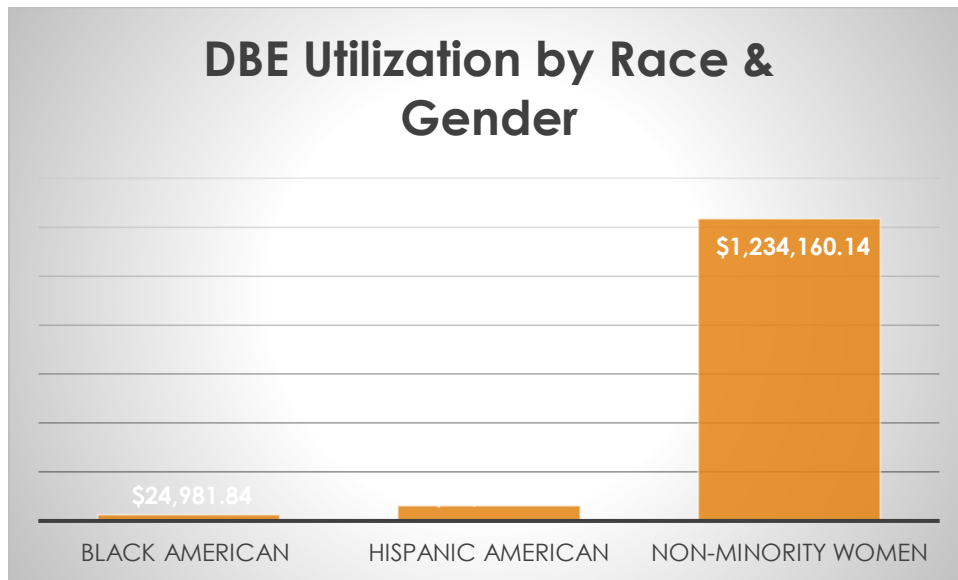
DBE UTILIZATION BY RACE AND GENDER.

There are a variety of DBEs based on race and gender. The following section will provide an analysis of the DBEs utilized based on their specific race/gender DBE category. The total amount of contracting dollars awarded to each DBE based on race/gender and the number of DBEs awarded prime and subcontracts will be further discussed below.

CONTRACTING DOLLARS AWARDED TO DBES BY RACE AND GENDER

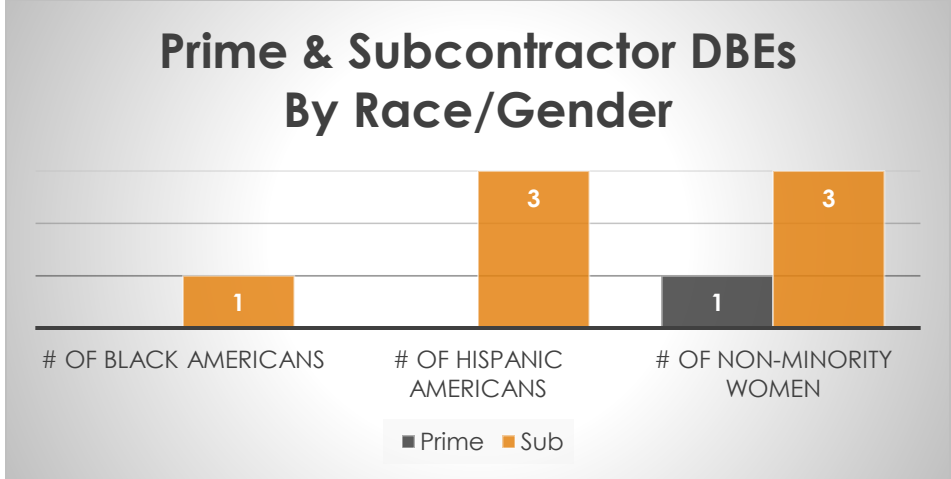


As listed in the table above, there was one (1) Black American, three (3) Hispanic Americans and four (4) Non-Minority Women DBEs utilized. There were no Asian-Pacific, Asian-Indian, Native American or other DBEs utilized. One-half (1/2) of the Non-Minority Women and two-thirds (2/3) of the Hispanic Americans were in the Construction Industry. The remaining DBEs were in Professional Services (no Goods and Service DBEs were used). It is also noted that the Black American and two (2) of the three (3) Hispanic Americans utilized were also women-owned business enterprises. Non-Minority Women DBEs made up of one-half (1/2) the number of total DBEs used four out of six (4 out of 8) and were awarded the most amount as shown in the chart below. The three (3) Hispanic American DBEs and the one (1) Black American DBE utilized were awarded only 7% (a combine total of \$87,050.45) of what the total amount awarded to the non-minority women DBEs.



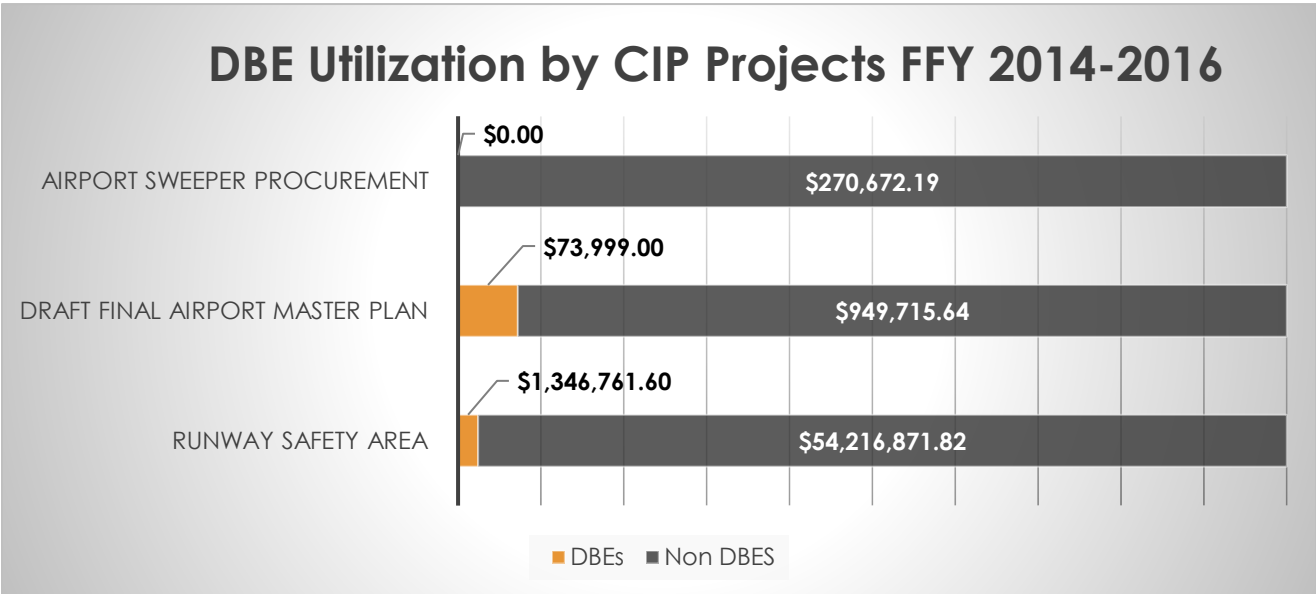
PRIME & SUBCONTRACTOR DBES BY RACE AND GENDER

As listed in the graph below, there was one (1) non-minority woman DBE that was awarded a prime contract. The remaining DBEs, one (1) Black American, three (3) Hispanic Americans and three (3) Non-Minority Women business enterprise, were awarded subcontracts. The one (1) Non-Minority Woman DBE awarded a prime contract was within the Professional Service Industry.

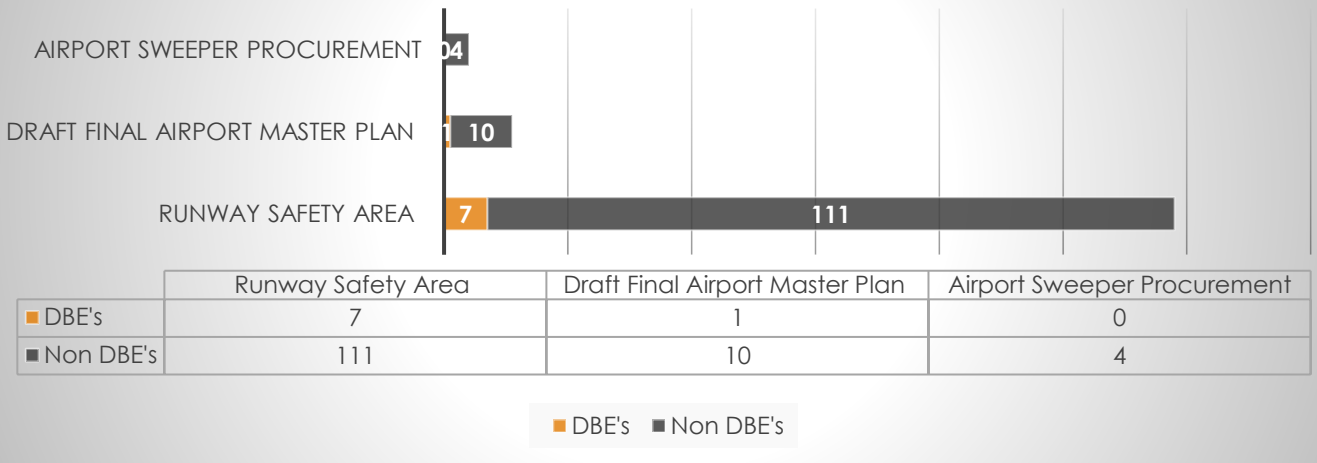


CHAPTER 6: PUBLIC SECTOR DISPARITY RATIOS

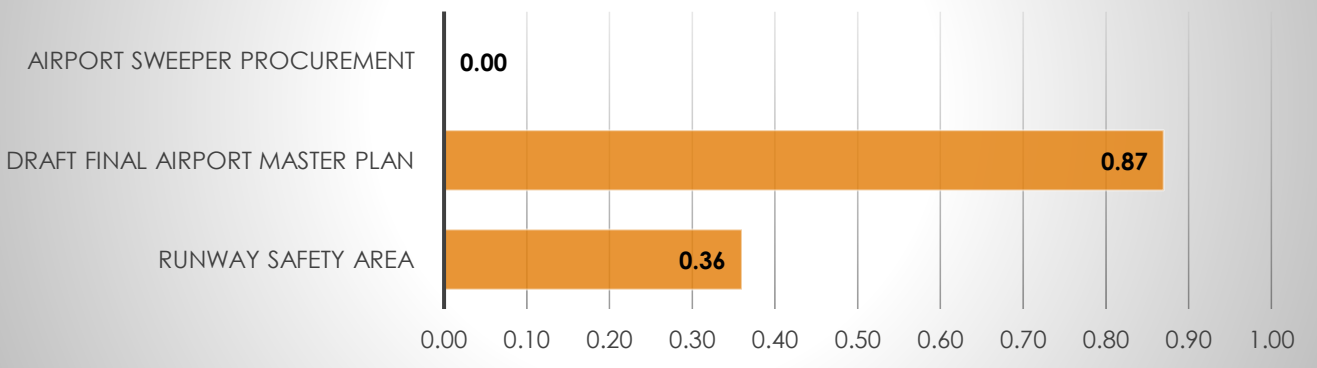
There are two (2) components of a disparity ratio, utilization and availability of DBE's. The utilization aspect accounts for the DBE's percentage of the contract value compared to the total value of the contract. Whereas, the availability aspect compares the number of DBE's to the total number of contractors per project. The disparity ratio is then determined by dividing the DBE utilization by the DBE availability. The following graphs illustrate those aspects for federally funded projects from fiscal years 2014 through 2016.



DBE Availability by CIP Projects FFY 2014-2016



Public Sector Disparity Ratio by CIP Projects FFY 2014-2016



As shown in the above table, of the three (3) federally funded projects that occurred during fiscal years 2014-2016, two (2) projects, the Airport Sweeper Procurement and the Runway Safety Area, did not exceed the “80 percent rule”².

Although the Airport Sweeper Procurement did not exceed the 80 percent threshold, its prime contractor demonstrated Good Faith Effort were made and

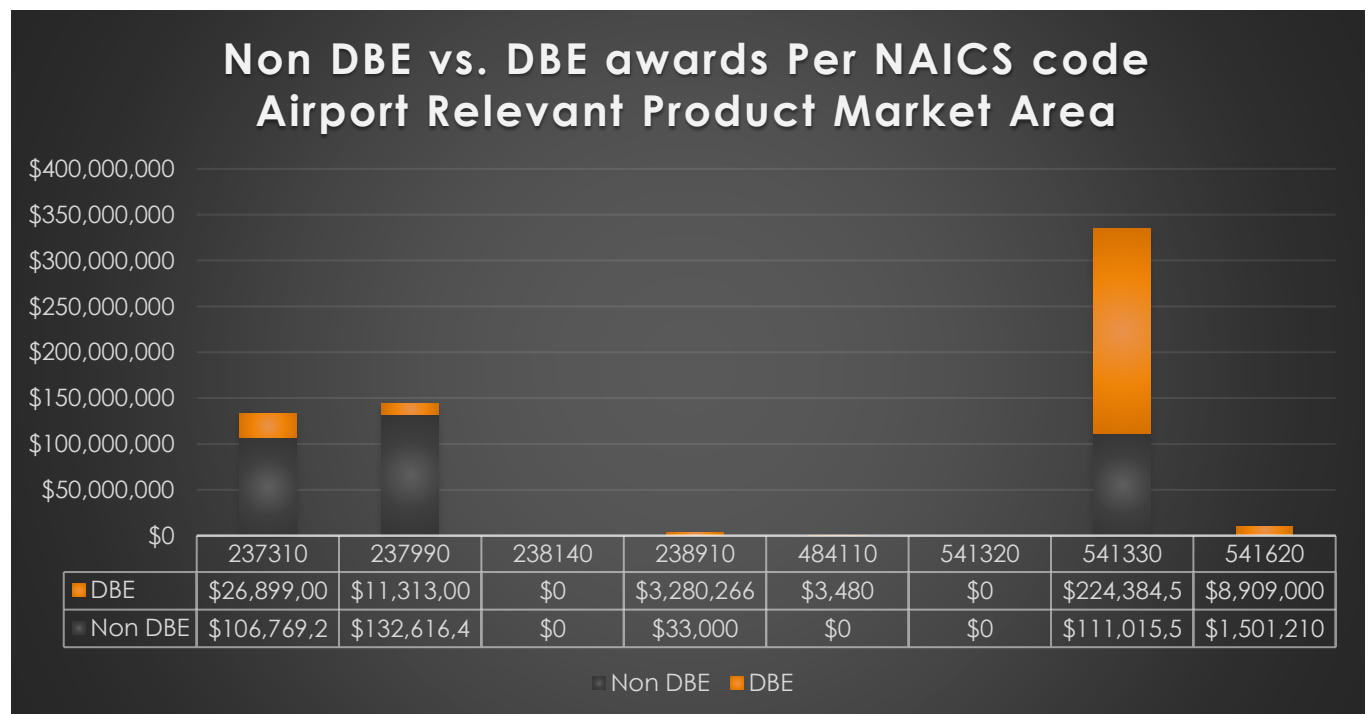
² Given the lack of standardization in evaluating the levels of underutilization, many studies employ the Equal Employment Opportunity Commission's (EEOC) “80 percent rule” in Uniform Guidelines on Employee Selection Procedures. In context of employment discrimination, an employment disparity ratio below 80 indicates a “substantial disparity” in employment.

provided justification for its shortfall. Specifically, there were no DBEs that manufactured the required sweeper within the geographic market area. Additionally, the Sweeper dealer/prime contractor (GCS Environmental Services Inc.) was not a certified DBE, however they were a certified Small Business Enterprise (SBE). The Airport's DBE Program does allow the Airport to foster the use of certified Small Business Enterprises, as indicated in its Small Business Participation Plan (DBE Program Attachment 10 -Small Business Element).

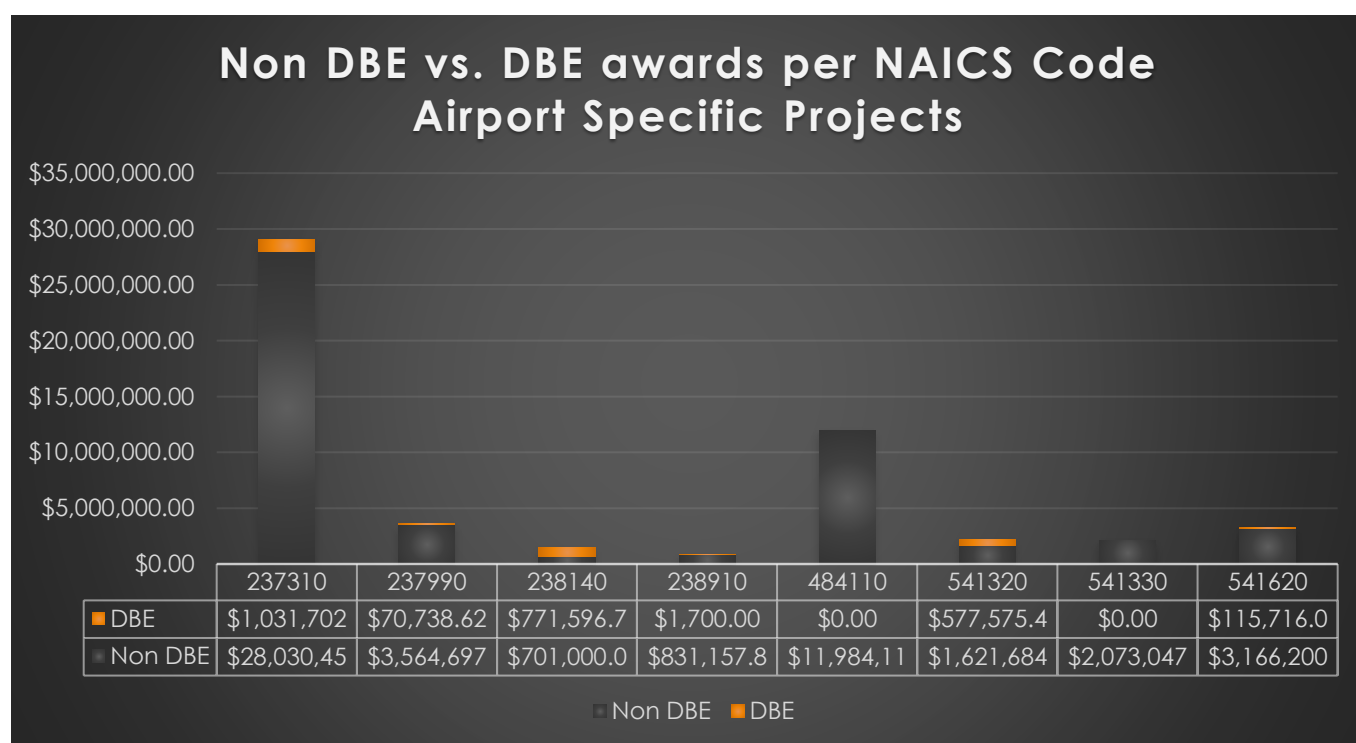
Similarly, the Runway Safety Area Project also did not exceed the 80 percent threshold. This was due in part to the size and specialized nature of the project. Unfortunately, there was a single source provider qualified for a key component of the project, the manufacturing/procurement of two (2) engineered material arresting system (EMAS) beds. Combined with the prime general contractor, these two (2) contracts alone accounted for 68% of the total value of the contracts awarded for the project.

CHAPTER 7: PRIVATE SECTOR DISPARITY RATIOS

The following section provides a comparison and analysis of DBE's to Non-DBE's regarding contract awards and success in the marketplace. Using available data, the following chart shows the comparison of DBE vs. Non-DBE awards by NAICS code for comparable DOT projects within the Airport's relevant PM area during the study period.



As show above, certain NAICS codes like Highway, Street, and Bridge Construction (NAICS 237310) Non-DBE firms were more successful in being awarded contracts. This is because Highway, Street, and Bridge Construction consist of large construction firms acting as the prime or general contractor on large scale construction projects. However, other Heavy and Civil Engineering Construction (NAICS 237990), primarily consists of smaller construction firms that focus on specialized parts of a larger project which can be subcontracted out by the general contractor. For NAICS codes 238140 and 541320 there were no awarded contracts for comparable projects within the Airport relevant product area during the study period.



CHAPTER 8: DBE ACCESS TO CREDIT

As previously provided, the Monterey Regional Airport is governed by The Monterey Peninsula Airport District. The Airport District is a standalone special district enacted by California state legislation. As a special district, the Airport does not have the authority to collect revenue through property taxes or other means. Additionally, the Airport does not have a standing line of credit or borrowing agreement to be used to subsidize DBE's.

The District can assist DBE's that have limited credit access by providing them with accelerated payment options (i.e. frequent payments) reduced payment terms and retentions.

In the event the District needed to borrow from a bank while waiting on Airport Improvement Program Project reimbursement, the Airport has that ability. However incurring debt service would require Board of Director approval and authorization. Typically, the amount to be borrowed would be job specific contingent on numerous factors including, but not limited to, construction scope, timing, interest rates, etc.

CHAPTER 9: DISPARITY REPORT SURVEY & INTERVIEWS OVERVIEW

The Monterey Regional Airport (Airport) conducted surveys and interviews between February 27, 2018 – March 13, 2018 to gather anecdotal evidence of the relevant DBE marketplace(s), including any experiences of institutionalized discrimination and/or individual disparate treatment. This section will discuss the method the Airport used in collecting the anecdotal evidence, the results of the collection, and the outlying trends and analysis of the data collected.

SURVEY COLLECTION

The Monterey Regional Airport conducted online surveys using the survey site [surveymonkey.com](https://www.surveymonkey.com). The survey consisted of four (4) questions that took approximately two-three (2-3) minutes to complete. The questions were basic and intended for the user to easily complete the survey in a short amount of time, but also allowed them the ability to provide detailed responses if desired. The questions and purpose for the questions are as follows:

1) *Contact information.*

This question is used for the Airport to contact businesses if needed.

2) *What best describes your business' primary industry? Answer Selection Includes: Construction, Professional Services, Goods & Services and Other.*

This question is used to determine what industry/product market the business is in and as it relates to the industries used in Airport projects. It will also be used to determine any survey trends associated with these specific industries.

3) *Please provide any comments you may have regarding the following topics:*

a. *Experiences/Hardships working in the Monterey, Santa Cruz, San Benito and/or San Luis Obispo Marketplaces*

b. *Experiences/Hardships working within your business' primary industry*

c. *The Airport's current DBE Program & DBE Goals*

The above question serves as a catch-all to any issues the businesses want to comment on regarding the DBE geographic market area, the DBE industries/product market and the Airport's current DBE Program and DBE Goals.

4) *The Airport would like to request businesses for an in-person interview. Would you like to schedule an interview?*

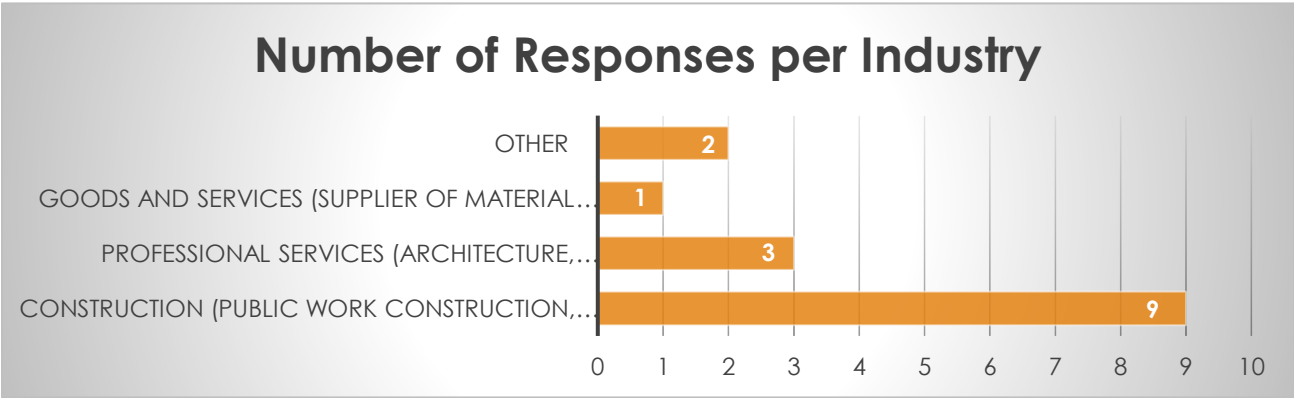
Lastly, to provide businesses the option to voice their concerns and issues in person, we ask if they would like to schedule an in-person interview. This will allow the Airport to gather more detailed evidence of institutionalized discrimination and/or individual disparate treatment.

The Survey was sent out to:

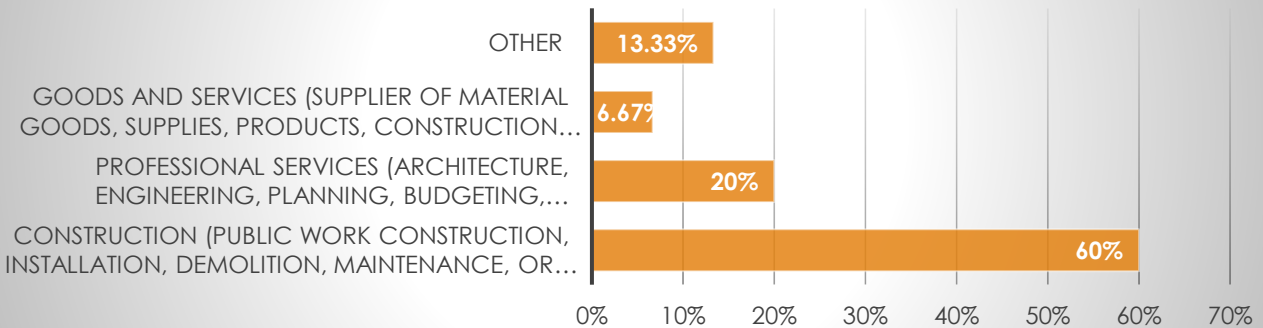
- o One-hundred (100) Non-DBE local contractors as provided by the Monterey Bay Procurement Technical Assistance Center (PTAC) contractor list;
- o Eight (8) Local DBEs; and
- o Two-hundred eighty-seven (287) DBEs located within California that serve under the primary NAICS codes used for the Airport Capital Improvement Projects
- o A combined total of three-hundred ninety-five (395) surveys were sent out.
- o Of the combined total surveys emailed:
 - Twelve (12) emails bounced back
 - Twenty (20) emails opted out from taking the survey
 - Fifteen (15) responded to the survey
 - Three-hundred forty-eight (348) were nonresponsive.

SURVEY ANALYSIS

The following graphs illustrate the answers the Airport received from the questions on the survey. The most represented industry was construction with nine (9) of the fifteen (15) responses. Professional services had three (3) responses, while Other had two (2), and Goods & Services had one (1) response(s).

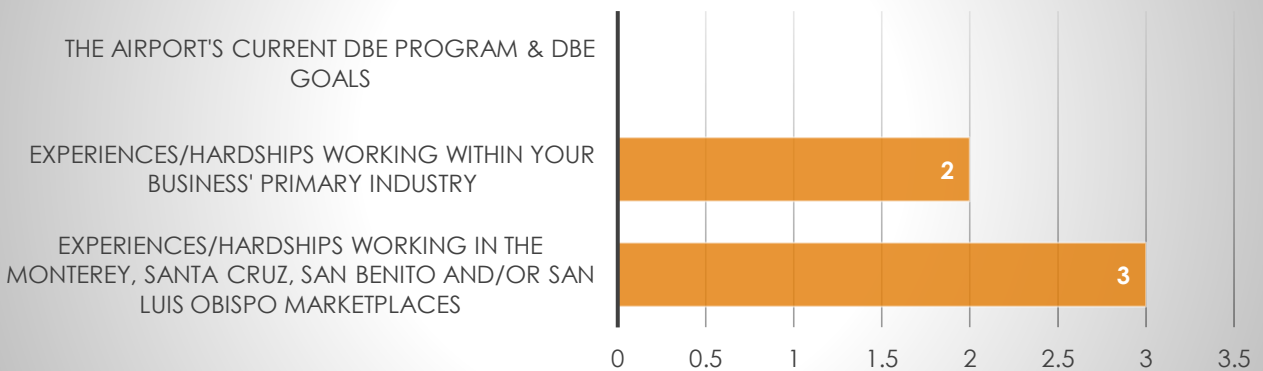


Percentage of responses per Industry



Of the fifteen (15) responses received, only five (5) explicitly stated they had experienced a hardship as asked by question three (3) mentioned above. The specific hardships included bid bond requirements; business awareness; and competition from entities in a different geographical area.

Hardship experiences



INTERVIEWS COLLECTION

Only two (2) interviews were requested from the survey recipients. One interview was with Darren Mangrum, owner of Dynamic Generator Service (DGS). DGS is a certified DBE, MBE, SBE and Alameda County Local Business. The second interview was with Roberto Elizando, President of RBE Construction Inc. RBE Construction Inc. is a certified DBE and MBE.

Interview questions were focused to understand the business's current experience and hardships (if any) and to allow the business to provide any additional comments or concerns they may have. There were 14 Interview questions including:

1. Is your business a Certified DBE, ACDBE, WBE, MBE or SBE? If so, please identify all current certifications:
2. How many people work in your Business (Provide Range if unknown):
3. How long has your business been open?
4. What geographic Market areas do you do work in?
 - a. What are your challenges/hardships in these geo market areas, if any?
5. What product markets do you do work in?
 - a. What are your challenges/hardships in these product market areas, if any?
6. Do you have any problems receiving access to credit, if so how?
7. Do you have any problems being bonded, if so how?
8. Do you experience any challenges/hardships in the public sector, if so how?
 - a. What public sector contracts have you worked on?
9. Do you experience any changes/hardships in the private sector, if so how?
 - a. What Private Sector contracts have you worked on?
10. Has your business utilized any of the following methods to increase your capacity to bid or perform a contract
 - Joint Venture
 - Subcontract
 - Hiring temporary or seasonal employees
 - Hiring full-time permanent employees
 - Other (please specify)
11. Are you a member of any business or trade organizations? If yes, please list the organizations that you are a member of:
12. Which of the following ranges best approximates your company's 2016 gross revenue/sales?
 - Less than \$50,000
 - \$50,000 to 100,000
 - \$100,001 to 300,000
 - \$300,001 to 500,000
 - \$500,001 to 1,000,000
 - \$1,000,001 to 3,000,000
 - \$3,000,001 to 5,000,000
 - \$5,000,001 to 10,000,000
 - More than \$10,000,000

13. How many individual contracts were performed by your business in 2016?

- 1
- 2 - 5
- 6 - 10
- 11 - 20
- Over 20
- Other (please specify)

14. Do you have any other comments or concerns you want to share?

INTERVIEW ANALYSIS

Unfortunately, only two (2) of the survey respondents requested interviews. As a result, the information received is very limited and not representative of the overall DBE marketplace for analytical or statistical purposes.

CHAPTER 10: RACE-NEUTRAL MEASURES ANALYSIS

The Airport utilizes race-neutral measures as part of its overall DBE program. The race-neutral measures ensure the most successful participation by disadvantaged business enterprises regardless of ownership. The Airport contracted with a total of eight (8) DBE's of varying ownership control during the study period. The most prominent ownership structure was Non-Minority Women owned businesses with four (4), followed by Hispanic Americans with three (3), and lastly, Black Americans with one (1). Utilizing race-neutral measures allowed the airport to exceed its DBE goals during the study period. The airport's race-neutral goal for fy 2014-2015 was 1.5%, while the goal for fy 2016 was 1.63%. As evidenced in this report, the airport achieved a goal of 2.33% during the study period.

CHAPTER 11: OVERALL DBE PROGRAM RECOMMENDATIONS

As evidenced by this report, the current DBE program is effective. During the study period, the DBE participation rate exceeded the goals that were set for the current DBE program. Unfortunately, the Airport is subject to conditions out of its control that affect the DBE program including, but not limited to, funding availability, marketplace changes, and FAA regulations.

CHAPTER 12: DBE PROGRAM GOAL SETTING RECOMMENDATIONS (GOAL ADJUSTMENTS)

The Monterey Regional Airport has a comprehensive DBE program. As such, the Airport updates the DBE program every three-years to ensure compliance with FAA regulations. The Airport adjusts its program goals accordingly, by evaluating changes in the marketplace using census bureau information and planned grant funded capital projects during the triennial DBE program. Consequently, achieving the goals are subject to funding availability from the DOT. The Airport will continue to manage its Airport Capital Improvement Plan (ACIP) of eligible grant funded projects to receive funding when available.

The following recommendations are provided to continue the success of the airport's DBE program and to improve the successful participation of DBE's in future airport projects:

- Holding pre-bid conferences with prospective contractors
- Advertising opportunities in multiple media including trade journals, newspapers, and airport's website
- Collaborate with the Professional Technical Assistance Center (PTAC) in outreach with DBE's for federally funded projects

CHAPTER 13: ASSESSMENT OF DBE PROGRAM PARTICIPATION GOAL TO BE MET THROUGH RACE AND GENDER-NEUTRAL MEASURES

The current DBE program utilizes Race and Gender-Neutral measures. The Airport will continue to use such measures to ensure, to the greatest extent possible, the maximum participation of all DBE's regardless of ownership structure for future federally funded capital projects. As evidenced in this report, the existing measures have been effective in meeting the overall goal and intention of the Airport's DBE program.