



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION III
1650 Arch Street
Philadelphia, Pennsylvania 19103-2029

Mr. David L. Gadis
General Manager
District of Columbia Water and Sewer Authority
5000 Overlook Avenue, SW
Washington, D.C. 20032

Dear Mr. Gadis:

As you are aware, your agency has been negotiating "fair share" procurement goals for FY 19. This letter is to advise you that the FY 19 Minority Business Enterprise (MBE) and Women-Owned Business Enterprise (WBE) utilization objectives proposed by your agency satisfy the requirement for these objectives for the U.S. Environmental Protection Agency (EPA) financial assistance programs. This includes all grants and cooperative agreements for your agency or for a specific program that you addressed in your approval request.

These goals have been approved as of April 30, 2019 and are effective for three years through September 30, 2021. They are as follows:

CATEGORY	MBE GOAL (%)	WBE GOAL (%)
Construction	32.00%	6.00%
Services	28.00%	4.00%

Should you have any questions please feel free to contact me or your staff may contact Ms. Hana Hyland, Small and Disadvantaged Business Program Coordinator at (215) 814-5417 or hyland.hana@epa.gov. We appreciate your continued cooperation.

Sincerely,

Diana Esher
Acting Deputy Regional Administrator



cc: H. Hyland
C. Burrows
J. Guerry
W. Smith



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**District of Columbia Water and Sewer Authority
Triennial MBE/WBE Goal Setting and Methodology**

Federal Fiscal Years (FFYs) 2017 – 2019

I. Goal Recommendation

DC Water has adopted a 32% MBE goal and a 6% WBE goal for construction for Federal Fiscal Years (FFYs) 2019-2021. Additionally, DC Water has adopted a 28% MBE goal and a 4% WBE goal for Engineering Services.

II. Environmental Protection Agency (EPA) – Assisted Contracting Opportunities For FFY’s 2019-2021

Table 1 lists DC Water’s projected EPA funded contracted opportunities for FFYs 2019-2021, and the corresponding North American Industrial Classification System (NAICS) codes for those contracting opportunities.

Table 1: Expected EPA-funded Contract Expenditures for FFYs 2019-2021

	NAICS Code	Project	Anticipated EPA funds on Project
1)	237	Gravity Thickener Upgrades – Phase II	\$9,000,000.00
2)	237	Small Diameter Water Main Projects	\$24,000,000.00
Total EPA-Assisted Contract Funds			\$33,000,000.00

*No funds are expected for Engineering Services

III. Determination of Market Area

DC Water’s market area of the EPA’s Region 3. This includes the District of Columbia, Delaware, Maryland, Pennsylvania, Virginia, and West Virginia.

These are the areas where DC Water typically finds its contractors.



IV. Adjustments to the Market Area

Historically, businesses in the following US counties were not considered, as a result of expense related travel to being too costly to participate, no interest in mobilizing and/or the lack of economic ability to perform work.

- A. **Delaware**
Sussex County, DE, Kent County, DE

B. Maryland

Allegany County, MD, Garrett County, MD, Cecil County, MD, Kent County, MD, Queen Anne's County, MD, Caroline County, MD, Wicomico County, MD, Somerset County, MD, Dorchester County, MD, Talbot County, MD

C. Pennsylvania

Erie County, PA, Warren County, PA, McKean County, PA, Potter County, PA, Tioga County, PA, Bradford County, PA, Susquehanna County, PA, Wayne County, PA, Crawford County, PA, Mercer County, PA, Lawrence County, PA, Beaver County, PA, Venango County, PA, Forest County, PA, Elk County, PA, Cameron County, PA, Clinton County, PA, Butler County, PA, Allegheny County, PA, Clarion County, PA, Armstrong County, PA, Westmoreland County, PA, Indiana County, PA, Clearfield County, PA, Cambria County, PA, Centre County, PA, Sullivan County, PA, Wyoming County, PA

V. Goal Methodology

As indicated below, DC Water developed its goals by calculating a weighted base figure in Step 1 and adjusted the goal based on available evidence in Step 2.

Step One: Determination of a Base Figure

DC Water developed a base figure of the “ready, willing, and able” MBE and WBE businesses as a percentage of all firms in DC Water’s market area. To determine the number of MBEs and WBEs, DC Water used the certified firm directories of the following Agencies:

- Delaware Department of Transportation
(<https://deldotcivilrights.dbesystem.com/?TN=deldotcivilrights>)
- District of Columbia Department of Transportation
(<http://ddotfiles.com/db/DBE/dbe.php>)
- Maryland Department of Transportation
(<https://mbe.mdot.maryland.gov/directory/>)
- Pennsylvania Department of Transportation
(<https://www.dotsbe.pa.gov/PAUCPWeb/paucp/viewHome.do>)
- Virginia Department of Small Business and Supplier Diversity
(<https://directory.sbsd.virginia.gov/#/>)
- Small Business Administration 8(a) and Small Disadvantaged Business Programs
(www.sam.gov)

To determine the number of overall firms, DC Water used the US Census’ “2016 County Bureau Pattern and Non-Employer Statistics Combined Report”.

(<https://www.census.gov/data/tables/2016/econ/cbp/2016-combined-report.html>).

Moreover, to ensure an apples-to-apples calculation, DC Water used the same NAICS codes when compiling the number of MBEs and WBEs and the total number of firms.

$$\text{Relative Base Figure} = \frac{\text{Ready, Willing, and Able MBEs and WBEs (as taken from the DBE Directories)}}{\text{All Firms (as taken from the Census Report)}}$$

Table 2: MBE and WBE Relative Base Figure Calculations

NAICS Code 237: Heavy and Civil Construction			
$\frac{1,907 \text{ Available MBE'S}}{6,304 \text{ Total Businesses}} = 30.25\%$		$\frac{302 \text{ Available WBE'S}}{6,304 \text{ Total Businesses}} = 4.79\%$	

NAICS Code 541(3): Architectural, Engineering and Related Services			
$\frac{3,954 \text{ Available MBE'S}}{31,054 \text{ Total Businesses}} = 12.73\%$		$\frac{1,320 \text{ Available WBE'S}}{31,054 \text{ Total Businesses}} = 4.25\%$	

DC Water then weighted the base figure by incorporating the amount of EPA funded contracting dollars expected to be expended under each NAICS code (Tables 3 and 4).

Table 3: Determination of the relative availability of MBEs and WBEs by NAICS Code

Project	NAICS Code(s)	#of All Firms	# of MBEs	Relative Availability	# of WBEs	Relative Availability
Gravity Thickener Upgrades - Phase II	237110/ 237990	4854	1487	.31	239	.05
Small Diameter Water Mains	237110/ 237310/ 237990	6304	1907	.3	302	.05

Table 4: Weighted Calculations

Project	Weight (% of the overall EPA Funded Expenditures)	Relative MBE Availability (from Table 3)	Weighted MBE %	Relative WBE Availability (from Table 3)	Weighted WBE %
Gravity Thickener Upgrades - Phase II	27.27%	.31	.085	.05	.01
Small Diameter Water Mains	72.73%	.3	.22	.05	.04

Total	.305		.05
Expressed as a %	31%		5%
Weighted Base Figure	31%		5%

Step Two: Adjusting the Weighted Base Figure

In Step Two, DC Water considered all available data to determine whether it should adjust its goal from the base figure in Step One. DC Water reviewed past MBE/WBE construction and engineering goals on projects FFYs 16-18 and concluded that the projects for FFYs 19-21 are similar in nature.

Table Four summarizes the MBE and WBE participation for FFYs 16-18.

Table 4: DC Water Past Participation	Year		
	FFY 16	FFY 17	FFY 18
MBE Achievement on Construction	35.6%	27.6%	32%
WBE Achievement on Construction	6%	6%	6.1%
MBE Achievement on Engineering	27%	28%	28%
WBE Achievement on Engineering	4%	4%	4%

DC Water then determined the “mean past participation” (Table 5).

Table 5: Mean MBE/WBE Past Participation

MBE Achievement on Construction	35.6%+27.6%+32%= 95.2%	95.2%/3= 32% (Rounded)	Mean MBE Participation for Construction: 32%
WBE Achievement on Construction	6%+6%+6.1%= 18.1%	18.1%/3= 6% (Rounded)	Mean WBE Participation for Construction: 6%
<p>DC Water then added the weighted base figures found in Step One for Construction (MBE: 31% WBE:5%) to the means of the past three years and divided that figure by 2.</p> <p>MBE: 32% (Mean) + 31% (Weighted Base) = 63% ÷ 2 = 31.5% WBE: 6% (Mean) + 5% (Weighted Base) = 11% ÷ 2 = 5.5%</p>			
MBE Achievement on Engineering	27%+28%+28%=83%	83%/3= 28% (rounded)	Mean MBE Participation for Engineering: 28%
WBE Achievement on Engineering	4%+4%+4%=12%	12%/3= 4%	Mean WBE Participation for Engineering: 4%

Accordingly, when adjusting for past performance, the MBE and WBE adjusted goals are listed in Table 6 below:

Table 6: Adjusted Goals	
MBE Goal for Construction	32%
WBE Goal for Construction	6%
MBE Goal for Engineering	28%
WBE Goal for Engineering	4%

As part of the evaluation process, DC Water reviewed the 2016 Disparity Study prepared for the Washington Suburban Sanitary Commission (WSSC) (<https://www.wsscwater.com/disparitystudy>). In supporting WSSC’s M/WBE program, the disparity study concluded there was evidence of, “statistical disparities in current M/WBE utilization; evidence of discrimination in business formation and revenue

earned from self-employment; very low M/WBE utilization in the commercial building permit evidence; credit disparities; and anecdotal evidence of disparate treatment.”

Although the study concluded that disparities exist in contracting opportunities for minority-owned and women-owned businesses in WSSC's relevant market area, because of the differences in the WSSC market area and contracting opportunities, DC Water determined that it is inappropriate to use this Study to adjust its goal percentages. However, as discussed below, DC Water believes that the disparity study's conclusions and recommendations offer guidance on ways to ensure its program's goals can be achieved.

Moreover, DC Water believes it can achieve its MBE and WBE goals by taking the following actions:

- Coordinating effectively with its internal offices to unbundle large projects and encourage MBEs and WBEs to bid as prime contractors.
- Encouraging more MBEs and WBEs to bid as prime contractors.
- To better engage with the MBE and WBE community, DC Water will participate in procurement conferences or other related events sponsored by external organizations and agencies to describe DC Water's Capital Improvement Program and the opportunities
- Focusing more on receiving MBE and WBE input to address concerns. For instance, in 2018, the Compliance Team hosted seven (7) meet and greets with certified firms. The meetings addressed important issues such as barriers to entry for MBEs and WBEs and suggestions for improving the program.
- Improving communication with MBEs and WBEs by providing more advanced notice of upcoming contracting opportunities. For instance, DC Water sends email notifications to MBEs and WBEs that are certified in NAICS codes that correspond with upcoming solicitations. Moreover, during pre-bid conferences, the Compliance Team discusses the Fair Share Objectives, the Good Faith Efforts, and encourages MBEs and WBEs to meet with non-certified firms to discuss upcoming projects.
- To expand the pool of certified firms, DC Water will work with business and economic development agencies and organizations; and the prime contractor community to implement strategies for building the capacity of small businesses seeking to expand their performance on DC Water contracts and/or compete for and execute contracts as prime contractors with DC Water. Such efforts will include, but not be limited to:
 - a. Encouraging the use of mentor-protégé programs and joint ventures.
 - b. Collaborating, coordinating and cooperating with other entities to leverage resources, share best practices and maximize the use of existing resources to assist small businesses working on DC Water contracts;

- c. Facilitating better working relationships between large prime contractors and small businesses by creating networking forums and opportunities for knowledge transfer and skill development;
 - d. Conducting workshops and trainings on how to do business with DC Water to encourage small firms to bid and submit proposals on DC Water opportunities. This includes the development of a new DC Water Contractor College (expected in FY 20).
- In FY 2019, M/WBE compliance oversight is managed principally through a dedicated Compliance Team, within the Department of Finance and Procurement. The Department, led by the Vice President of Procurement and Compliance, set increased MBE/WBE participation as one of its three strategic initiatives. Moreover, the Compliance Team is led by a Manager/DBE Liaison who has direct access to DC Water's Chief Executive Officer concerning MBE and WBE matters. This strategic change increases the MBE and WBE Program's visibility throughout DC Water and ensures that the Compliance Team will be involved in all EPA funded procurements during the entire life cycle of the projects.
- DC Water implemented a new monitoring and enforcement mechanism to verify that work committed to MBEs and WBEs at contract award is performed by those firms. This mechanism provides for a running tally of actual D/WBE attainments (e.g., payments made to MBEs and WBEs), and includes a means of comparing these attainments to commitments. This is accomplished by requiring prime contractors to provide information concerning payments to subcontractors with their payment invoices to DC Water. Participation in the program is credited toward overall or contract goals only when payments are made to MBEs and WBEs.